CaixaBank Group

Financial Statements

2018

Financial statements and integrated management report that the Board of Directors, at a meeting held on 21 February 2019, agreed to submit to the Annual General Meeting

Translation of financial statements originally issued and prepared in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

CaixaBank

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This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of CaixaBank, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of CaixaBank, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of recognized income and expenses, total statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Credit risk impairment

Determining credit risk impairment requires one of the most significant and complex estimates when preparing the accompanying consolidated annual accounts. Credit risk impairment has been evaluated based on estimates of both individual and collective provisions and, in this case, using different internal Group models depending on the portfolio or segment of credit risk.

On January 1, 2018, IFRS 9 came into force, the main change being that impairment calculation models focus on expected losses instead of on incurred losses.

The valuation models employed require a high level of judgement and estimation to determine expected impairment losses, as well as mass data processing, addressing aspects such as:

- Classification of loan portfolios based on risk and asset type.
- Staging of impaired assets or those showing a significant increase in risk.
- Use of assumptions that have a significant impact on credit risk provisions recognised, such as macroeconomic scenarios and related probability of occurrence, expected life of the loan and existence of prepayments, among others.
- Building of model parameters, such as probability of impairment and impairment loss.
- Realisable value of collateral associated with the loans granted.

Group management periodically recalibrates its internal models to optimise their predictive capacity. If applicable, the variables or algorithms employed are updated and backtesting processes are carried out to compare expected loss estimates with actual data.

Our work has involved internal personnel specialised in credit risk models and has focused on analysing, evaluating and verifying internal control and on tests of detail on collective and individual provisions.

As regards the internal control system, we have carried out the following procedures, among others:

- Verification of the compliance of work policies and procedures and approved internal models with applicable regulatory requirements and the Group's governance model.
- Review of the periodic assessment of risks and follow-up alerts by Group management, as well as the actual performance of the periodic review of borrower files to monitor classification and, where applicable, recognise impairment.

We have also performed the following tests of detail:

- Review of methodology and verification of the main models with respect to: i) calculation and segmentation methods; ii) loan staging criteria; iii) estimation of expected loss parameters (probability of impairment and realisable value of collateral); iv) reliability and consistency of historical and prospective information employed; and v) recalibration and backtesting of the internal models.
- Review of the functioning of the calculation engine and recalculation of collective provisions in credit risk impairment estimation models for certain loan portfolios; comparison with Group management's findings.
- Review of a sample of borrower files analysed individually in order to assess classification, recognition and the recognition of any impairment losses.

Key audit matter	How our audit addressed the key audit matter
The Group's business is centred mainly on commercial banking in Spain and Portugal. In this context, Group management builds risk models tailored to loan segment types and to the peculiarities of each geography, if applicable. See Notes 1.4, 2, 3.3 and 14 to the accompanying consolidated annual accounts.	• Review of the impacts recognised on the Group's own funds at January 1, 2018 associated with additional credit risk impairment estimates resulting from the entry into force of IFRS 9. As a result of our testing of calculations and estimates of credit risk impairment, we have not identified any differences, above a reasonable range, in the amounts recognised in the accompanying consolidated annual accounts.
Impairment and sale of real estate assets arising from foreclosures	
Determining the impairment of real estate assets arising from foreclosures is one of the most significant and complex estimates when preparing the accompanying consolidated annual accounts. The process requires judgements, estimates and mass data processing for each type of asset. The estimation of the impairment of real estate assets arising from the lending business, awarded to the Group through dation in payment, purchase or a court proceeding, is based on internal methodologies for the evaluation of the recoverable amount of this type of assets, estimating fair value adjusted for costs to sell and including a discount on the reference value based on the Group's historical experience in the sale of similar assets. Fair value is estimated using the information and/or appraised value furnished by valuation firms and agencies. In addition, on June 28, 2018 the Group's directors agreed to sell a significant volume of the Group's real estate asset portfolio, together with the company Servihabitat Servicios Inmobiliarios, S.L. (following the Group's repurchase of a part of the latter company), to a company owned by Lone Star. Finally, on December 20, 2018, this sale transaction was completed, once the pertinent authorizations had been obtained, entailing the deconsolidation of a significant part of the Group's real estate portfolio and of the shareholding in Servihabitat Servicios Inmobiliarios, S.L.	Our work has involved internal personnel specialised in valuation models for real estate assets arising from foreclosures and has focused on analysing, evaluating and verifying internal control and on tests of detail on the provisions estimated for these assets. As regards the internal control system, we have carried out the following procedures, among others: • Verification of the compliance of work policies and procedures and approved internal models with applicable regulatory requirements and the Group's governance model. • Review of the periodic update of asset values by Group management based on appraisals carried out by valuation firms and agencies. We have also performed the following tests of detail: • Review of the functioning of the calculation engine and recalculation of provisions in the real estate asset impairment estimation models based on the different asset categories. • Review of a sample of appraisals to check that they comply with prevailing legislation, are reasonable and are up to date.

Key audit matter	How our audit addressed the key audit matter
See Notes 2, 21 and 40.2 to the accompanying consolidated annual accounts as regards the impairment of the real estate assets arising from foreclosures, and Notes 1.8 and 39 to the accompanying consolidated annual accounts on the sale of the assets.	We have carried out the following tests specifically with respect to the sale of a significant volume of the real estate asset portfolio together with Servihabitat Servicios Inmobiliarios, S.L., which took place in 2018: • Review of the repurchase and subsequent valuation of the company Servihabitat Servicios Inmobiliarios, S.L. and the correct recognition of the transaction under applicable accounting legislation. • Reading of the deed recording the non-cash contribution of the assets sold, made to the company Coral Homes, S.L., and review of the correct accounting treatment of the contribution. • Reading, review and analysis of the accounting implications of the sale agreement signed by the parties, as well as a number of checks: i) verifications of the proper accounting treatment of the sale transaction based on the agreed terms; ii) comparison of the population of assets sold with the Group's accounting records; and iii) obtainment of all the necessary authorisations. As a result of our testing of calculations and estimates of the impairment and sale of the real estate assets arising from foreclosures, we have not identified any differences, above a reasonable range, in the amounts recognised in the accompanying consolidated annual accounts.
Recoverability of deferred tax assets	
Assessing the recoverability of deferred tax assets is a complex exercise that requires a high level of judgement and estimation. The Group's policy is to recognise deferred tax assets only when it is considered likely that sufficient taxable income will be obtained in the future to recover them.	Assisted by our tax specialists, we have documented our understanding and our review of the estimation process carried out by Group management, focusing our procedures on aspects such as: • Analysis of the tax strategy planned by Group management for the recoverability of deferred tax assets.

Key audit matter	How our audit addressed the key audit matter
In this process, Management takes into account specific and complex aspects to assess both recognition and the subsequent capacity to recover the deferred tax assets recognised, based on the Group's financial projections and business plans, supported by defined assumptions that are projected over a time horizon, and considering tax legislation applicable at all times. Management also has the deferred tax asset recovery model reviewed by an independent external expert and periodic backtesting is carried out to assess model predictability. See Notes 2 and 25 to the accompanying consolidated annual accounts.	• Review of the information used to draw up the business plan, as well as the economic and financial assumptions considered, and of the fulfilment of those assumptions and of the business plans prepared by means of backtesting. • Review of the assumptions employed in estimates made to calculate temporary differences, to check that they are complete, suitable and usable in the stipulated periods. • Follow-up of the recoverability of deferred tax assets and of the review performed by the Group's independent tax expert. • Review of the reasonableness of the amounts of deferred tax assets deemed to be monetisable. As a result of these procedures, we have obtained sufficient audit evidence to corroborate the estimates made by Group management of the recoverability of deferred tax assets.
Provisions for taxes, lawsuits and regulatory proceedings	
In the ordinary course of business, the Group may become involved in administrative, court or arbitration proceedings of a tax, legal or regulatory nature. In addition, there are other situations that have not yet resulted in any kind of judicial proceeding but which, however, have led to the recognition of provisions, such as aspects related to conduct with and compensation for customers. In general, these proceedings end after a long period of time as they are complex processes under the legislation applicable to the jurisdiction in which the Group operates. Group management, when deemed fit, recognises a provision for the outlay considered to be likely based on estimates made, applying prudent calculation procedures consistent with the uncertainty inherent in the obligations covered. Both the determination of the forecast results of the proceedings and the evaluation of the economic effect are complex and uncertain as regards the outcome and/or final amount.	Our review of the estimation of provisions for tax, legal and regulatory proceedings carried out by Group management and our analysis and assessment of internal control over the process consisted of the following procedures: • Understanding of the litigation classification and provisioning policy in accordance with applicable accounting legislation. • Analysis of the main individual and, if applicable, collective lawsuits. • Obtainment of a confirmation letter from the Group's legal counsel to verify their assessment of the expected outcome of the litigation, all the information, the correct recognition of the provision and any potential liabilities omitted.

Key audit matter	How our audit addressed the key audit matter
Consequently, the recognition of provisions for litigation is one of the areas requiring the highest degree of judgement and estimation. See Notes 2 and 23 to the accompanying consolidated annual accounts.	• Follow-up of developments in tax inspections in progress and analysis of the expected outcome of the most significant tax proceedings and of any contingencies related to the fulfilment of tax obligations for all periods open to inspection, assisted by our tax area specialists. • Analysis of the recognition and estimation of, and movements in, accounting provisions. • Examination of communications with regulators and analysis of regulatory inspections carried out and in progress. • Update, to the date of this report, of any additional information that might affect the claims, litigation and/or contingencies in progress at December 31, 2018. Specifically for the provisions for customer compensation, our procedures focused on the following: • Understanding of the control environment, assessment and verification of the controls associated with the calculation and review of the provision for customer compensation, including the assumption process and approval, and findings of the estimates made. • Assessment of the methodology and assumptions used by Group management, checking that they are in line with market practice. • Sensitivity analysis of model results to possible changes in key assumptions. Our findings show that, in general, Group management's judgements and estimates when evaluating this type of provisions are supported and reasoned on the basis of available information.

Key audit matter	How our audit addressed the key audit matter
Measurement of insurance contract liabilities The CaixaBank Group engages in the life insurance business through its subsidiary VidaCaixa, S.A.U. de Seguros y Reaseguros, selling products basically in the Group's bank branch network. The Group recognises the liabilities associated with these insurance policies in accordance with IFRS 4 "Insurance contracts" which, in some cases, requires the use of judgements and estimates by Group management to properly measure insurance contract liabilities. In particular, in the case of savings insurance, the Group's management calculates the mathematical reserve using complex actuarial techniques based on critical calculation assumptions such as the technical interest rate, cost assumptions and biometric assumptions, in accordance with applicable accounting legislation. See Notes 2 and 17 to the accompanying consolidated annual accounts.	We have gained an understanding of the process for estimating and recognising insurance contract liabilities that has included an assessment of the design and effectiveness of internal control related to this area, including the most relevant information system controls. Our procedures carried out in association with our team of actuarial specialists focused on aspects such as: • Understanding of the insurance contract liability calculation method, based on the nature of the products, as well as the consistent application of the method with respect to the previous year. • Verification of the proper recognition of insurance contract liabilities and changes during the period. • Review of the completeness and reconciliation of the basic data employed in the technical actuarial calculations supporting insurance contract liabilities. • Verification of the application of interest rate, cost and biometric assumptions in line with applicable legislation and the Group's experience. • Recalculation of the mathematical reserve for policies selected using sampling procedures. As a result of the insurance contract liability measurement procedures described, we have not identified any differences, above a reasonable range, in the amounts recognised in the accompanying consolidated annual accounts.

Key audit matter	How our audit addressed the key audit matter

Information system control environment

The Group's operations and business continuity, by nature, and particularly the process followed to prepare financial and accounting information, rely significantly on the information systems that form part of its technological structure, so an adequate control environment is critical to assure the Group's business continuity and the correct processing of information.

Additionally, as the systems become more complex, the risks associated with information technologies, the organisation and thus the information processed, increase.

In this regard, Group management has put in place the procedures deemed fit in the information system environment.

The effectiveness of the general internal control framework for the information systems is a key aspect to support the Group's operations, as well as the bookkeeping, account closing and consolidation process.

In this context, it is necessary to assess aspects such as the organisation and governance of the Information Systems Area, controls of application maintenance and development, physical and logical security, and system operation.

Assisted by our information system and process specialists, our work has consisted of:

- Evaluation of the control environment associated with the information systems and applications that support the Group's operations, as well as the recognition and processing of the Group's accounting close. In this context, we have completed procedures to assess aspects such as the organisation and governance of the Information Systems Area, controls of application maintenance and development, physical and logical security, and system operation in the production environment.

- We have carried out the following main procedures on the principal information systems identified and deemed relevant to the most significant business processes, previously defined, which support the Group's operations, and to the financial information generation process, so as to analyse the integrity, accuracy and availability of the information:

  ✓ Review of controls in connection with aspects derived from application operation, development, maintenance and security, as well as the definitions of policies on user profiles, access and segregation of functions of the users that access these systems.

  ✓ Understanding of the key business processes, identification of automatic controls in the applications that support them and validation of the controls.

As regards the accounting and closing process in each of the Group's information systems, we have carried out the following additional procedures:

- Understanding and review of the process for generating manual and automatic account entries identified as non-standard, representing a risk. Extraction, validation of completeness and filtering of account entries and analysis of their reasonableness.

Key audit matter	How our audit addressed the key audit matter
	• Understanding and recalculation of certain calculations made by Group management and deemed to have the greatest impact, particularly those relating to the apportionment of interest on financial products (loans, credit lines and deposits) and of fee and commission income. The results of our procedures were, in general, satisfactory and we identified no relevant aspects that could affect the accompanying consolidated annual accounts.

Other matters

The consolidated annual accounts of CaixaBank, S.A. and subsidiaries for the year ended December 31, 2017 were audited by other auditors that expressed an unqualified opinion on said consolidated annual accounts on February 23, 2018.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2018 year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

a) A specific level applicable to the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the management report or, if appropriate, that the consolidated management report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the consolidated management report that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the information mentioned in paragraph a) above has been provided in the consolidated management report and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2018 year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the Audit and Control Committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s Audit and Control Committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s Audit and Control Committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the Audit and Control Committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s Audit and Control Committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company´s Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's Audit and Control Committee dated February 22, 2019.

Appointment period

The General Ordinary Shareholders' Meeting held on April 6, 2017 appointed us as auditors of the Group for a period of three years, as from the year ended December 31, 2018.

Services provided

Audit services and other permitted non-audit services provided to the Group are described in Note 35 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ramón Aznar Pascua (15414)

February 22, 2019

CAIXABANK GROUP FINANCIAL STATEMENTS AT 31 DECEMBER 2018

- Consolidated balance sheet at 31 December 2018 and 2017, before appropriation of profit
- Consolidated statement of profit or loss for the years ended 31 December 2018 and 2017
- Consolidated statement of changes in equity for the years ended 31 December 2018 and 2017
  - Consolidated statement of other comprehensive income
  - Consolidated statement of total changes in equity
- Consolidated statement of cash flows for the years ended 31 December 2018 and 2017
- Consolidated notes to the financial statements for the year ended 31 December 2018

CONSOLIDATED BALANCE SHEET
ASSETS
(Thousands of euros)

	31-12-2018	31-12-2017 (*)
Cash and cash balances at central banks and other demand deposits (Note 10)	**19,158,213**	**20,155,318**
Financial assets held for trading (Note 11)	**9,810,096**	**10,596,684**
Derivatives	8,706,727	8,162,172
Equity instruments	347,933	402,714
Debt securities	755,436	2,031,798
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 12)	**703,761**	
Equity instruments	231,502	
Debt securities	144,988	
Loans and advances	327,271	
Customers	327,271	
Financial assets designated at fair value through profit or loss (Note 1)		**6,499,807**
Equity instruments		4,299,161
Debt securities		2,100,347
Loans and advances		100,299
Financial assets at fair value with changes in other comprehensive income (Note 13)	**21,888,237**	
Equity instruments	3,564,945	
Debt securities	18,323,292	
Available-for-sale financial assets (Note 1)		**69,554,707**
Equity instruments		2,882,849
Debt securities		66,671,858
Financial assets at amortised cost (Note 14)	**242,582,138**	
Debt securities	17,059,634	
Loans and advances	225,522,504	
Central banks	5,000	
Credit institutions	7,550,115	
Customers	217,967,389	
Loans and receivables (Note 1)		**226,272,499**
Debt securities		2,575,603
Loans and advances		223,696,896
Central banks		5,000
Credit institutions		7,374,035
Customers		216,317,861
Held-to-maturity investments (Note 1)		**11,084,829**
Derivatives - Hedge accounting (Note 15)	**2,056,204**	**2,596,939**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (Note 15)	**232,451**	**10,847**
Investments in joint ventures and associates (Note 16)	**3,878,906**	**6,224,425**
Joint ventures	168,319	187,107
Associates	3,710,587	6,037,318
Assets under the insurance business (Note 17)	**61,688,347**	**275,495**
Tangible assets (Note 18)	**6,021,724**	**6,480,434**
Property, plant and equipment	3,209,485	3,076,344
For own use	3,209,485	3,076,344
Investment property	2,812,239	3,404,090
Intangible assets (Note 19)	**3,847,778**	**3,804,983**
Goodwill	3,050,845	3,050,845
Other intangible assets	796,933	754,138
Tax assets	**11,339,607**	**11,054,984**
Current tax assets	1,222,638	800,143
Deferred tax assets (Note 25)	10,116,969	10,254,841
Other assets (Note 20)	**2,175,328**	**2,505,282**
Inventories	56,735	877,586
Other assets	2,118,593	1,627,696
Non-current assets and disposal groups classified as held for sale (Note 21)	**1,239,460**	**6,068,930**
TOTAL ASSETS	**386,622,250**	**383,186,163**
Loan commitments given (Note 26)	63,952,973	61,189,718
Financial guarantees given (Note 26)	5,734,730	6,015,352
Other commitments given (Note 26)	19,338,662	19,461,033
Financial instruments loaned or delivered as collateral with the right of sale or pledge		
Financial assets held for trading	469,158	1,052,526
Financial assets at fair value with changes in other comprehensive income	2,801,468	
Available-for-sale financial assets		7,383,023
Financial assets at amortised cost	97,766,628	
Loans and receivables		103,154,984
Held-to-maturity investments		3,600,019

(*) Presented for comparison purposes only (see Note 1)

CONSOLIDATED BALANCE SHEET
LIABILITIES
(Thousands of euros)

	31-12-2018	31-12-2017 (*)
Financial liabilities held for trading (Note 11)	**9,014,720**	**8,604,930**
Derivatives	8,615,817	7,860,638
Short positions	398,903	744,292
Financial liabilities designated at fair value through profit or loss (Note 1)		**8,241,088**
Deposits		8,240,972
Customers		8,240,972
Other financial liabilities		116
Financial liabilities measured at amortised cost (Note 22)	**282,459,670**	**280,897,381**
Deposits	247,640,182	246,804,137
Central banks	29,406,062	31,680,685
Credit institutions	8,034,212	11,515,365
Customers	210,199,908	203,608,087
Debt securities issued	29,243,307	29,918,503
Other financial liabilities	5,576,181	4,174,741
Derivatives - Hedge accounting (Note 15)	**793,409**	**793,132**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (Note 15)	**1,243,503**	**1,409,702**
Liabilities under the insurance business (Note 17)	**60,452,025**	**49,750,389**
Provisions (Note 23)	**4,610,395**	**5,000,941**
Pensions and other post-employment defined benefit obligations	1,988,802	2,107,776
Other long-term employee benefits	1,072,097	1,223,077
Pending legal issues and tax litigation	713,993	802,700
Commitments and guarantees given	354,662	356,927
Other provisions	480,841	510,461
Tax liabilities	**1,269,049**	**1,388,070**
Current tax liabilities	235,785	193,944
Deferred tax liabilities (Note 25)	1,033,264	1,194,126
Other liabilities (Note 20)	**2,638,774**	**2,335,108**
Liabilities included in disposal groups classified as held for sale	**82,260**	**82,141**
TOTAL LIABILITIES	**362,563,805**	**358,502,882**
Memorandum items		
Subordinated liabilities		
Financial liabilities at amortised cost	5,456,302	5,053,814

(*) Presented for comparison purposes only (see Note 1).

CONSOLIDATED BALANCE SHEET
EQUITY
(Thousands of euros)

	31-12-2018	31-12-2017 (*)
SHAREHOLDERS' EQUITY **(Note 24)**	24,836,379	24,203,895
Capital	**5,981,438**	**5,981,438**
Share premium	**12,032,802**	**12,032,802**
Other equity items	**19,205**	**10,054**
Retained earnings	**6,785,624**	**5,553,704**
Other reserves	**(1,539,281)**	**(628,066)**
Accumulated losses or reserves from investments in joint ventures and associates	189,956	351,582
Other	(1,729,237)	(979,648)
(-) Treasury shares	**(9,539)**	**(11,753)**
Profit/(loss) attributable to owners of the Parent	**1,984,647**	**1,684,167**
(-) Interim dividends (Note 6)	**(418,517)**	**(418,451)**
ACCUMULATED OTHER COMPREHENSIVE INCOME **(Note 24)**	(807,428)	45,366
Items that will not be reclassified to profit or loss	**(903,921)**	**0**
Share of other recognised income and expense of investments in joint ventures and associates	(39,110)	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	(864,811)	
Items that may be reclassified to profit or loss	**96,493**	**45,366**
Foreign currency exchange	1,586	74,199
Hedging derivatives. Reserve of cash flow hedges [effective portion]	22,103	16,081
Fair value changes of debt securities measured at fair value with changes in other comprehensive income	126,837	
Share of other recognised income and expense of investments in joint ventures and associates	(54,033)	(28,544)
Available-for-sale financial assets		(16,370)
Debt instruments		407,959
Equity instruments		(424,329)
MINORITY INTERESTS (non-controlling interests) **(Note 24)**	29,494	434,020
Accumulated other comprehensive income	**181**	**25,760**
Other items	**29,313**	**408,260**
TOTAL EQUITY	**24,058,445**	**24,683,281**
TOTAL LIABILITIES AND EQUITY	**386,622,250**	**383,186,163**

(*) Presented for comparison purposes only (see Note 1).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Thousands of euros)

	31-12-2018	31-12-2017 (*)
Interest income **(Note 28)**	6,945,498	6,970,444
Financial assets at fair value with changes in other comprehensive income (1)	1,855,691	2,081,995
Financial assets at amortised cost (2)	4,902,271	4,751,780
Other interest income	187,536	136,669
Interest expenses **(Note 29)**	(2,038,598)	(2,224,911)
NET INTEREST INCOME	**4,906,900**	**4,745,533**
Dividend income **(Note 30)**	146,491	127,232
Share of profit/(loss) of entities accounted for using the equity method **(Note 16)**	825,963	526,153
Fee and commission income **(Note 31)**	2,898,386	2,759,849
Fee and commission expenses **(Note 31)**	(315,043)	(261,180)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net **(Note 32)**	126,139	169,479
Financial assets at amortised cost	(25,066)	
Other financial assets and liabilities	151,205	
Gains/(losses) on financial assets and liabilities held for trading, net **(Note 32)**	40,206	46,876
Reclassification of financial assets at fair value with changes in other comprehensive income		
Reclassification of financial assets at amortised cost		
Other gains or losses	40,206	
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net **(Note 32)**	61,416	
Reclassification of financial assets at fair value with changes in other comprehensive income		
Reclassification of financial assets at amortised cost		
Other gains or losses	61,416	
Gains/(losses) from hedge accounting, net **(Note 32)**	38,640	(9,132)
Exchange differences, net	11,575	75,620
Other operating income **(Note 33)**	628,466	697,875
Other operating expenses **(Note 33)**	(1,152,475)	(1,128,043)
Income from assets under insurance or reinsurance contracts **(Note 33)**	939,185	823,140
Expenses from liabilities under insurance or reinsurance contracts **(Note 33)**	(388,682)	(351,515)
GROSS INCOME	**8,767,167**	**8,221,887**
Administrative expenses	(4,253,919)	(4,150,279)
Staff expenses **(Note 34)**	(2,958,428)	(2,981,413)
Other administrative expenses **(Note 35)**	(1,295,491)	(1,168,866)
Depreciation and amortisation **(Notes 18 and 19)**	(404,414)	(426,929)
Provisions or reversal or provisions **(Note 23)**	(441,611)	(761,648)
Impairment or reversal of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change **(Note 36)**	(125,586)	(948,563)
Financial assets at fair value with changes in other comprehensive income	(1,558)	
Financial assets at amortised cost	(124,028)	
Available-for-sale financial assets		(143,782)
Loans and receivables		(804,781)
Impairment or reversal of impairment on investments in joint ventures and associates **(Note 1.8 and 16)**	(60,638)	5,278
Impairment or reversal of impairment on non-financial assets **(Note 37)**	(48,721)	(170,367)
Tangible assets	(17,272)	(52,616)
Intangible assets	(24,872)	(70,364)
Other	(6,577)	(47,387)
Gains/(losses) on derecognition of non-financial assets, net **(Note 16 and 38)**	(476,572)	(114,770)
Negative goodwill recognised in profit or loss **(Note 7)**	0	441,555
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (net) **(Note 39)**	(148,920)	1,819
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**2,806,786**	**2,097,983**
Tax expense or income related to profit or loss from continuing operations **(Note 25)**	(711,859)	(377,628)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**2,094,927**	**1,720,355**
Profit/(loss) after tax from discontinued operations **(Nota 1)**	(54,619)	(1,727)
PROFIT/(LOSS) FOR THE PERIOD	**2,040,308**	**1,718,628**
Attributable to minority interests (non-controlling interests)	55,661	34,461
Attributable to owners of the parent	1,984,647	1,684,167

(*) Presented for comparison purposes only (see Note 1).
(1) Also includes at 31-12-2018 the interest on available-for-sale financial assets (IAS 39) linked to the insurance business and at 31-12-2017 the interest on available-for-sale financial assets (IAS 39).
(2) Also includes at 31-12-2018 interest on loans and receivables (IAS 39) of the insurance business and at 31-12-2017 interest on loans and receivables (IAS 39).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART A)
STATEMENT OF OTHER COMPREHENSIVE INCOME
(Thousands of euros)

	31-12-2018	31-12-2017 (*)
PROFIT/(LOSS) FOR THE PERIOD	**2,040,308**	**1,718,628**
OTHER COMPREHENSIVE INCOME	**(851,694)**	**(55,545)**
Items that will not be reclassified to profit or loss	(486,870)	
Share of other recognised income and expense of investments in joint ventures and associates	(64,315)	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	(454,766)	
Income tax relating to items that will not be reclassified	32,211	
Items that may be reclassified to profit or loss	(364,824)	(55,545)
Foreign currency exchange	(86,849)	85,969
Translation gains/(losses) taken to equity	*(229,027)*	*85,969*
Transferred to profit or loss	*142,178*	
Cash flow hedges (effective portion)	15,529	1,275
Valuation gains/(losses) taken to equity	*(60,399)*	*41,333*
Transferred to profit or loss	*75,928*	*(40,058)*
Debt instruments classified as fair value financial assets with changes in other comprehensive income	(353,303)	
Valuation gains/(losses) taken to equity	*(231,953)*	
Transferred to profit or loss	*(121,350)*	
Available-for-sale financial assets		18,713
Valuation gains/(losses) taken to equity		*(27,909)*
Transferred to profit or loss		*46,622*
Share of other recognised income and expense of investments in joint ventures and associates	(284)	(154,011)
Income tax relating to items that may be reclassified to profit or loss	60,083	(7,491)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,188,614**	**1,663,083**
Attributable to minority interests (non-controlling interests)	34,047	60,171
Attributable to owners of the parent	1,154,567	1,602,912

(*) Presented for comparison purposes only (see Note 1).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B)
CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY

(Thousands of euros)

	EQUITY ATTRIBUTABLE TO THE PARENT									MINORITY INTERESTS		
	SHAREHOLDERS' EQUITY											
	CAPITAL	SHARE PREMIUM	OTHER EQUITY ITEMS	RETAINING EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	TOTAL
OPENING BALANCE AT 31-12-2016	5,981,438	12,032,802	7,499	5,239,487	(716,893)	(14,339)	1,047,004	(177,179)	126,621	50	29,072	23,555,562
Effects of corrections of errors												
Effects of changes in accounting policies												
BALANCE AT 31-12-2016	5,981,438	12,032,802	7,499	5,239,487	(716,893)	(14,339)	1,047,004	(177,179)	126,621	50	29,072	23,555,562
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							1,684,167		(81,255)	25,710	34,461	1,663,083
OTHER CHANGES IN EQUITY			2,555	314,217	88,827	2,586	(1,047,004)	(241,272)			344,727	(535,364)
Dividends (or remuneration to shareholders)				(358,675)				(418,451)			(1,200)	(778,326)
Purchase of treasury shares (Note 24)						(208)						(208)
Sale or cancellation of treasury shares (Note 24)					34	2,794						2,828
Transfers among components of equity				736,360	134,439		(1,047,004)	177,179			(974)	
Other increase/(decrease) in equity			2,555	(63,468)	(45,646)						346,901	240,342
OPENING BALANCE AT 31-12-2017	5,981,438	12,032,802	10,054	5,553,704	(628,066)	(11,753)	1,684,167	(418,451)	45,366	25,760	408,260	24,683,281
Effects of corrections of errors												
Effects of changes in accounting policies (Note 1)					(538,438)				(22,714)	(3,965)	9,208	(555,909)
OPENING BALANCE AT 01-01-2018	5,981,438	12,032,802	10,054	5,553,704	(1,166,504)	(11,753)	1,684,167	(418,451)	22,652	21,795	417,468	24,127,372
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							1,984,647		(830,080)	(21,614)	55,661	1,188,614
OTHER CHANGES IN EQUITY			9,151	1,231,920	(372,777)	2,214	(1,684,167)	(66)			(443,816)	(1,257,541)
Dividends (or remuneration to shareholders) (Note 6)				(478,305)				(418,517)			(4,918)	(901,740)
Purchase of treasury shares (Note 24)						(1,532)						(1,532)
Sale or cancellation of treasury shares (Note 24)					309	3,746						4,055
Transfers among components of equity				1,955,363	(239,792)		(1,684,167)	418,451			(449,855)	
Other increase/(decrease) in equity			9,151	(245,138)	(133,294)						10,957	(358,324)
CLOSING BALANCE AT 31-12-2018	**5,981,438**	**12,032,802**	**19,205**	**6,785,624**	**(1,539,281)**	**(9,539)**	**1,984,647**	**(418,517)**	**(807,428)**	**181**	**29,313**	**24,058,445**

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(Thousands of euros)

	2018	2017 (**)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(4,877,343)	6,554,404
Profit/(loss) for the period (*)	2,040,308	1,718,628
Adjustments to obtain cash flows from operating activities	3,518,832	4,500,905
Depreciation and amortisation	404,414	426,929
Other adjustments	3,114,418	4,073,976
Net increase/(decrease) in operating assets	(9,438,193)	3,312,040
Financial assets held for trading	(169,451)	3,290,115
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	117,843	
Financial assets designated at fair value through profit or loss	(116)	(2,099,474)
Financial assets at fair value with changes in other comprehensive income	(1,055,681)	
Available-for-sale financial assets		(712,810)
Financial assets at amortised cost	(9,257,695)	
Loans and receivables		438,877
Other operating assets	926,907	2,395,332
Net increase/(decrease) in operating liabilities	(493,973)	(3,131,442)
Financial liabilities held for trading	409,790	(1,883,646)
Financial liabilities designated at fair value through profit or loss	0	2,263,802
Financial liabilities at amortised cost	1,996,175	(510,992)
Other operating liabilities	(2,899,938)	(3,000,606)
Income tax (paid)/received	(504,317)	154,273
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	5,300,535	(1,377,922)
Payments:	(1,219,164)	(4,056,031)
Tangible assets	(512,340)	(358,354)
Intangible assets	(224,186)	(226,913)
Investments in joint ventures and associates	(64,014)	(32,307)
Subsidiaries and other business units	(354,312)	(644,523)
Non-current assets and liabilities classified as held for sale	(64,312)	(31,307)
Held-to-maturity investments		(2,762,627)
Proceeds:	6,519,699	2,678,109
Tangible assets	798,496	152,612
Intangible assets	5,187	
Investments in joint ventures and associates	1,301,510	2,341
Non-current assets and liabilities classified as held for sale	4,414,506	1,173,196
Other proceeds related to investing activities		1,349,960
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(1,415,956)	1,721,195
Payments:	(8,005,010)	(6,156,633)
Dividends	(901,740)	(777,126)
Subordinated liabilities	(2,072,000)	(1,301,502)
Purchase of own equity instruments	(1,532)	(208)
Other payments related to financing activities	(5,029,738)	(4,077,797)
Proceeds:	6,589,054	7,877,828
Subordinated liabilities	2,250,000	2,150,000
Disposal of own equity instruments	4,054	2,828
Other proceeds related to financing activities	4,335,000	5,725,000
D) EFFECT OF EXCHANGE RATE CHANGES	(4,341)	(2,316)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(997,105)	6,895,361
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,155,318	13,259,957
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)	19,158,213	20,155,318
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	2,467,794	2,177,351
Cash equivalents at central banks	15,783,569	17,092,094
Other financial assets	906,850	885,873
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**19,158,213**	**20,155,318**
(*) Of which: Interest received (millions of euros)	7,057	7,425
Of which: Interest paid (millions of euros)	2,100	2,404
Of which: Dividends received (millions of euros)	456	535

(**) Presented for comparison purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CAIXABANK GROUP AT 31 DECEMBER 2018

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Notes to the financial statements for the year ended 31 December 2018

As required by current legislation governing the content of consolidated financial statements, these notes to the consolidated financial statements complete, extend and discuss the balance sheet, statement of profit or loss, statement of changes in equity and the statement of cash flows, and form an integral part of them to give a true and fair view of the equity and financial position of the CaixaBank consolidated group at 31 December 2018, and the results of its operations, the changes in equity and the cash flows during the year then ended.

1. Corporate information, basis of presentation and other information

1.1. Corporate information

CaixaBank, SA ("CaixaBank" or the "Entity") and its subsidiaries compose the CaixaBank Group (the "CaixaBank Group" or the "Group"). CaixaBank, with tax identification number (NIF) A08663619 and registered office and tax address in Valencia, calle Pintor Sorolla, 2-4, is a listed company as of 1 July of 2011 and registered in the Bank of Spain Register of Credit Institutions.

CaixaBank is the parent company of the financial conglomerate formed by the group's entities that are considered to be regulated, recognising CaixaBank as a significant supervised entity, whereby CaixaBank comprises, together with the credit institutions of its Group, a significant supervised group of which CaixaBank is the entity at the highest level of prudential consolidation.

The corporate object of CaixaBank mainly entails:

- all manner of activities, operations, acts, contracts and services related to the banking sector in general, including the provision of investment services and ancillary services and performance of the activities of an insurance agency;
- receiving public funds in the form of irregular deposits or in other similar formats, for the purposes of application on its own account to active credit and microcredit operations, and other investments, providing customers with services including dispatch, transfer, custody, mediation and others; and
- acquisition, holding, enjoyment and disposal of all manner of securities and drawing up takeover bids and sales of securities, and of all manner of ownership interests in any entity or company.

As a listed bank, it is subject to oversight by the European Central Bank and the Spanish national securities market regulator (the Comisión Nacional del Mercado de Valores, CNMV), however, the entities of the Group are subject to oversight by supplementary and industry-based bodies.

1.2. Basis of presentation

The Group's consolidated financial statements have been prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Group at 31 December 2018, which is set forth in the International Financial Reporting Standards adopted by the European Union (hereinafter, "IFRS-EU"). In preparing these statements, Bank of Spain Circular 4/2017 of 27 November has been taken into account, which constitutes the adaptation of the IFRS-EU to Spanish credit institutions, and subsequent amendments in force at the end of the financial year.

The financial statements, which were prepared from the accounting records of CaixaBank and the Group's companies, are presented in accordance with the regulatory financial reporting framework applicable to them and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for the financial year. The accompanying financial statements include certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank.

The figures are presented in thousands of euros unless the use of another monetary unit is stated. Certain financial information in these notes was rounded off and, consequently, the figures shown herein as totals may differ slightly from the arithmetic sum of the individual figures given before them. Similarly, in deciding what information to disclose in this report, its materiality was assessed in relation to the annual financial data.

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in 2018

On 1 January 2018 the Group adopted the following accounting standards (see Note 2):

STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE IN 2018

STANDARDS AND INTERPRETATIONS	TITLE
IFRS 9	Financial instruments
IFRS 15	Revenue from Contracts with Customers
Amendment to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
Amendment to IFRS 2 *	Classification and Measurement of Share-based Payment Transactions
Amendment to IAS 40 *	Transfers of investment property
Interpretation IFRIC 22 *	Foreign Currency Transactions and Advance Consideration
Amendment to IAS 1 *	Application of IFRS 9 Financial instruments with IAS 1 Presentation of the Financial Statements

(*) They have not had a significant effect on the Group.

- IFRS 9 “Financial Instruments”: this standard provides a comprehensive set of accounting requirements for the recognition and measurement of financial assets and financial liabilities (except the part on macro hedging). The date of initial application is 1 January 2018, when it replaced the current International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement", which was applicable at 31 December 2017. Significant differences exist with the previous standard in respect of aspects such as the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

  The impact of the adoption of this standard is significant, which is why the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” have been considered, as well as the transitory provisions for application of the standard (see section “Comparison of information”).

  Similarly, in accordance with the provisions of EU Regulation 2017/1988, the application of IFRS 9 can be deferred for insurance companies that form part of a financial conglomerate, as stated in article 2, section 14 of Directive 2002/87/EC. This deferral is also established in IFRS 4, Application of IFRS 9 Financial Instruments, which is the option that the CaixaBank Group has adopted as it complies with the conditions set out in article 2 of the EU Regulation 2017/1988. Following on from this, the Group has opted to apply this temporary exemption from IFRS 9 for the financial investments of the Group's insurance companies, VidaCaixa and BPI Vida y Pensiones, pending the entry into force of IFRS 17 "Insurance Contracts". Therefore, details of the information that follows are not considered as a change to the accounting policy with regard to investments of the Group's insurance companies, which are grouped under the heading “Assets under the insurance business” on the asset side of the balance sheet (see note 1.4). For the purpose of facilitating the comparison of information, the balances of the technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed) have also been reclassified, in order to include them under the heading "Liabilities under the insurance business".

- IFRS 15 "Revenue from Contracts with Customers": this standard establishes a model for recognising ordinary income other than income from financial instruments, based on identifying the obligations under each contract, determining the price thereof, assigning this to the obligations identified, and lastly, recognising income when control of the assets is transferred (in the widest sense, including the provision of services).

  There has been no material impact as a result of its first application.

- Amendment to IAS 1 "Presentation of Financial Statements": this modification establishes that it is necessary to provide a separate breakdown of the interest income calculated using the effective interest method in the statement of profit or loss.

Standards and interpretations issued by the IASB but not yet effective

At the date of authorisation for issue of the consolidated financial statements, the main standards issued by the IASB but not yet effective, either because their effective date is subsequent to the date of the condensed interim consolidated financial statements or because they had not yet been endorsed by the European Union, are as follows:

STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET EFFECTIVE

STANDARDS AND INTERPRETATIONS	TITLE	MANDATORY APPLICATION FOR ANNUAL PERIODS BEGINNING ON OR AFTER:
APPROVED FOR USE IN THE EU *		
IFRS 16	Leases	1 January 2019
Amendment to IFRS 9 **	Prepayment Features with Negative Compensation	1 January 2019
Interpretation IFRIC 23 **	Uncertainty over Income Tax Treatments	1 January 2019
NOT APPROVED FOR USE		
IFRS 17	Insurance Contracts	1 January 2021
Amendment to IAS 28 **	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendment to IAS 19 **	Plan Amendment, Curtailment or Settlement	1 January 2019

(*) The Group has elected not to early adopt these standards, where possible.
(**) The Group does not expect any relevant impacts arising from this implementation.

IFRS 16 Leases

This standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of scarce value. The main change derives from the lessee's obligation to recognise a right-of-use asset representing its right to use the underlying leased good and a lease liability representing its obligation in terms of the present value of future lease payments. The asset is depreciated over the life of the contract, while the liability will generate a finance cost.

At the end of 2016 the Group undertook a specific project for the implementation of this standard, and completed the operational implementation during the last quarter of 2018, including the technology solution to support the new accountancy. The main type of contracts identified for which a right-of-use asset and a lease liability had to be estimated at 1 January 2019 are real estate leases (office buildings) in connection with the operating activity.

In implementing these changes, the Group has decided to apply the new leasing criteria retroactively, using the modified retrospective approach considered in the regulatory framework that will come into force on 1 January 2019 and that allows the value of the right of use to be measured by referencing the financial liabilities. This has not generated any adjustment in the reserves on this date. Additionally, the Group has decided to exclude from the scope, in accordance with the simplifications considered in the new regulatory framework on financial information, lease contracts whose term expires within the twelve months following the initial application date. Furthermore, it has not reassessed whether a contract is a lease or contains a leasing component in accordance with the standard's criteria, applying it solely for contracts that had been identified as leases according to the previous standard. Similarly, the implementation of new requirements has involved making assumptions on the duration of the contracts and making decisions as regards separation of components in services that were included within the formalised lease contracts.

In accordance with the foregoing, and considering the approach and assumption that will be ratified by the Board of Directors when it prepares the future financial statements, the entry into force of this standard in the Group will involve an approximate reduction of 10 basis points in the CET 1 capital ratio. This impact is estimated at 1 January 2019, considering the recognition of a right-of-use amounting to EUR 1,400 million.

Amendment to IFRS 9 "Prepayment Features with Negative Compensation"

In October 2017, the IASB amended IFRS 9, whereby any financial assets containing early repayment or termination clauses that could lead to reasonable negative compensation for early contract termination can be measured at amortised cost or fair value through other comprehensive income.

Although it came into force on 1 January 2019, the Group has taken these amendments into consideration when applying IFRS 9, including the estimate of impacts described in these financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments:

The interpretation addresses those situations in which an entity disagrees with the tax authorities or when a particular tax inspection is underway, and where these disputes may affect recognition of the entity's current and/or deferred tax assets and tax liabilities.

In addition to the previous standards, details are provided below of other standards and interpretations issued by the IASB, which have not yet been endorsed by the EU and the implementation of which the Group is working on.

IFRS 17 Insurance Contracts

The standard sets out the requirements an entity must apply when accounting for insurance contracts issued and reinsurance contracts entered into. The currently approved effective date of this standard is 1 January 2021, at which time it will replace IFRS 4 Insurance Contracts, a temporary standard allowing for the continued use of local accounting practices, whereby insurance contracts are accounted for differently in different jurisdictions.

In December 2018 the issuing agency of the IFRS temporarily decided to defer the date on which the standard will be first be applied, in addition to other aspects. Therefore, in the event of this decision being final, the effective date would ultimately be 1 January 2022 (with a minimum of one-year comparative information).

Implementation of IFRS 17 will standardise the accounting treatment for all insurance contracts, based on a measurement model using calculation assumptions updated at each reporting date (such as the discount rate, mortality and survival tables, and other variables).

The effects of changes in these assumptions could be recognised in either the statement of profit or loss or in equity, based on the related nature and on whether the changes are associated with the provision of a service already rendered, or else entail a reclassification between insurance liability components recognised. With particular respect to insurance finance income or expenses as a result of changes in the discount rate, entities may choose to recognise them fully in the statement of profit or loss or in equity.

For all non-onerous contracts, entities will recognise a contractual service margin over the period in which the entity provides insurance cover under a contract.

The Group launched an internal project at the end of 2017 to adapt to the new regulatory framework for insurance contracts, IFRS 17. The main aim is to take the necessary steps to implement IFRS 17 in the affected insurance business so as to ensure compliance at the effective date, and evaluate the potential quantitative and qualitative impacts (e.g. on the business, infrastructure) sufficiently in advance in order to enhance their management.

The goal of the first phase of the project, conducted in the first half of 2018, was:

- To first draw up an approach to identify the key aspects of the new accounting standard, a diagnosis of different aspects to be analysed and an action plan to guarantee implementation of IFRS 17,
- To ensure all quantitative and qualitative requirements are identified and planned to achieve implementation by the effective date,
- To guarantee that the impact can be calculated before the effective date.

In the second half of 2018, the second phase of the project began, which was basically focused on the creation of a detailed implementation plan (which includes products, systems, processes, organisation, etc.), the definition of those in charge and the determination of the deadlines, after having advanced in the modelling of the main insurance products and in the selection of the technology solution through which the new calculations required by IFRS 17 will be made.

A number of teams have been involved in the project (Accounts, Actuarial, Solvency and Risk Control, Systems, Financial Accounting, Accounting Policies, etc.) who oversee day-to-day management and perform the necessary tasks. As part of the process of defining the project governance model, a Monitoring Committee has also been set up, comprising officers from the aforesaid areas, which controls and oversees the project and has decision-making powers.

The Project Management Committee – headed up by VidaCaixa in coordination with the Executive Financial Accounting, Control and Capital Division – is the most senior decision-making and supervisory body for the project. It is responsible for any strategic decisions that need to be taken at the highest level, and is the link between the management committees of VidaCaixa and CaixaBank.

Amendment to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendments to IAS 28 set out that an entity is required to apply IFRS 9 to the financial instruments that are long-term interests in an associate or joint venture, which are essentially part of the net investment in the associate or joint venture, but are not recognised using the equity method.

Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"

This amendment clarifies that when a plan amendment curtailment or settlement occurs, pension commitment liabilities must be re-measured, specifying that the cost for the services of the period remaining until the following closure of accounts must be calculated and recorded in the statement of profit or loss based on the assumption updated to the date that the amendment or curtailment occurred.

1.3. Responsibility for the information and for the estimates made

The Entity's consolidated financial statements for 2018 were authorised for issue by the Board of Directors at a meeting held on 21 February 2019. They have not yet been approved by the Annual General Meeting, while it is expected that they shall be approved without any changes. The financial statements of the previous year were approved by the Ordinary Annual General Meeting on 6 April 2018.

The preparation of the consolidated financial statements required the Board of Directors to make certain judgements, estimates and assumptions in order quantify certain assets, liabilities, revenues, expenses and obligations shown in them. These judgments and estimates mainly refer to:

- The fair value of certain financial assets and liabilities (Note 40).
- The criterion for timing of recognition in profit and loss of income from ancillary activities provided (Note 2.10).
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations
- Impairment losses on financial assets, and of the fair value of guarantees associated thereto, according to their classification in accounts, which entail the need to make judgements regarding: i) the consideration of "significant increase in credit risk" (SICR); ii) definition of default; and ii) the inclusion of forward-looking information (Notes 2.7 and 3.3.2.3).
- The measurement of investments in joint ventures and associates (Note 16).
- Determination of the share of profit/(loss) of associates (Note 16).
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 17).
- The useful life of and impairment losses on tangible assets and intangible assets (Notes 18 and 19).
- The measurement of goodwill and intangible assets (Note 2.15 and 19).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 21).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 23).
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 23).
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 25).

These estimates were made on the basis of the best information available at the date of authorisation for issue of the financial statements. However, events may occur that make it necessary for them to be changed in future periods. According to applicable legislation, the effects of these changes would be recognised prospectively in the corresponding statement of profit or loss.

1.4. Comparison of information and changes in consolidation perimeter

The 2017 figures presented in the accompanying 2018 financial statements are given for comparison purposes only. In some cases, in order to facilitate comparability, the comparative information is presented in a summarised way, and the full information is available in the 2017 Financial Statements.

As stated in this note, in the "Basis of presentation" section, the Group has applied IFRS 9 from 1 January 2018. This led to changes to the classification and measurement modifications of certain items on the balance sheet at 31 December 2017 for the impacts described below:

ASSETS - RECONCILIATION OF IMPACTS OF THE 1ST APPLICATION OF IFRS 9
(Thousands of euros)

	BALANCE AT 31-12-2017	HEADING NAME AMENDMENT	OTHER RECLASSIFI CATIONS	VALUATION CHANGE	DEFERRAL IN IFRS 9 APPLICATION FOR INSURANCE ACTIVITIES (a)	BALANCE AT 01-01-2018
Financial assets held for trading	10,596,684				(956,040)	9,640,644
Financial assets designated at fair value through profit or loss	6,499,807		(6,171)		(6,493,636)	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss			846,828	(25,220)		821,608
Equity instruments			249,018(d)	*35,000*		284,018
Debt securities			147,658(b) (d)			147,658
Loans and advances			450,152(b)	(60,220)		389,932
Available-for-sale financial assets	69,554,707	(69,554,707) (d)				
Equity instruments	2,882,849	(2,882,849)				
Debt securities	66,671,858	(66,671,858)				
Financial assets at fair value with changes in other comprehensive income		69,554,707 (d)	(303,298)(d)		(49,393,967)	19,857,442
Equity instruments		2,882,849	(242,847)		(418)	2,639,584
Debt securities		66,671,858	(60,451)		(49,393,549)	17,217,858
Loans and receivables	226,272,499	(226,272,499) (b)				
Debt securities	2,575,603	(2,575,603)				
Loans and advances	223,696,896	(223,696,896)				
Central banks	*5,000*	*(5,000)*				
Credit institutions	*7,374,035*	*(7,374,035)*				
Customers	*216,317,861*	*(216,317,861)*				
Held-to-maturity investments	11,084,829	(11,084,829) (c)				
Financial assets at amortised cost		237,357,328 (b)	(537,359)(b)	(767,882)	(1,074,553)	234,977,534
Debt securities		13,660,432 (c)	(87,207)	10,330	(786,151)	12,797,404
Loans and advances		223,696,896	(450,152)	(778,212)	(288,402)	222,180,130
Central banks		*5,000*				*5,000*
Credit institutions		*7,374,035*		*(29)* (f)	*(288,402)*	*7,085,604*
Customers		*216,317,861*	*(450,152)*	*(778,183)* (f)		*215,089,526*
Assets under the insurance business (Note 17)	275,495				57,918,196	58,193,691
Tax assets	11,054,984			242,869(g)		11,297,853
Other assets	2,505,282			1,992		2,507,274
TOTAL ASSETS	**383,186,163**	**-**	**-(e)**	**(548,241)**	**-**	**382,637,922**

LIABILITIES - RECONCILIATION OF IMPACTS OF THE 1ST APPLICATION OF IFRS 9

(Thousands of euros)

	BALANCE AT 31-12-2017	HEADING NAME AMENDMENT	OTHER RECLASSIFICATIONS	VALUATION CHANGE	DEFERRAL IN IFRS 9 APPLICATION FOR INSURANCE ACTIVITIES (a)	BALANCE AT 01-01-2018
Financial liabilities held for trading	8,604,930					8,604,930
Financial liabilities designated at fair value through profit or loss	8,241,088				(8,240,972)	116
Deposits	*8,240,972*				*(8,240,972)*	-
Customers	*8,240,972*				*(8,240,972)*	-
Other financial liabilities	*116*					*116*
Financial liabilities at amortised cost	280,897,381					280,897,381
Derivatives - Hedge accounting	793,132					793,132
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,409,702					1,409,702
Liabilities under the insurance business	49,750,389				8,240,972	57,991,361
Provisions	5,000,941			7,668		5,008,609
Pensions and other post-employment defined benefit obligations	*2,107,776*					*2,107,776*
Other long-term employee benefits	*1,223,077*					*1,223,077*
Pending legal issues and tax litigation	*802,700*					*802,700*
Commitments and guarantees given	*356,927*			*10,090 (f)*		*367,017*
Other provisions	*510,461*			*(2,422)*		*508,039*
Tax liabilities	1,388,070					1,388,070
Other liabilities	2,335,108					2,335,108
Liabilities included in disposal groups classified as held for sale	82,141					82,141
TOTAL LIABILITIES	**358,502,882**			**7,668**		**358,510,550**

EQUITY- RECONCILIATION OF IMPACTS OF THE 1ST APPLICATION OF IFRS 9

(Thousands of euros)

	BALANCE AT 31-12-2017	HEADING NAME AMENDMENT	OTHER RECLASSIFICATIONS	VALUATION CHANGE	DEFERRAL IN IFRS 9 APPLICATION FOR INSURANCE ACTIVITIES (a)	BALANCE AT 01-01-2018
SHAREHOLDERS' EQUITY	**24,203,895**		**22,714**	**(561,152)**		**23,665,457**
Capital	5,981,438					5,981,438
Share premium	12,032,802					12,032,802
Other equity items	10,054					10,054
Retained earnings	5,553,704					5,553,704
Other reserves	(628,066)		22,714 (h)	(561,152)		(1,166,504)
Accumulated losses or reserves from investments in joint ventures						
Other			22,714	(561,152)		(538,438)
Less: Treasury shares	(11,753)					(11,753)
Profit/(loss) attributable to owners of the Parent	1,684,167					1,684,167
Less: Interim dividends	(418,451)					(418,451)
ACCUMULATED OTHER COMPREHENSIVE INCOME	**45,366**		**(22,714) (h)**			**22,652**
Items that will not be reclassified to profit or loss	-		(447,043)			(447,043)
Items that may be reclassified to profit or loss	45,366		424,329			469,695
MINORITY INTERESTS (non-controlling interests)	**434,020**			**5,243**		439,263
Accumulated other comprehensive income	**25,760**		(3,965)			21,795
Other items	408,260		3,965	5,243		417,468
TOTAL EQUITY	**24,683,281**	-	-	**(555,909)**		**24,127,372**
TOTAL LIABILITIES AND EQUITY	**383,186,163**	-	-	**(548,241)**		**382,637,922**

a) In accordance with the provisions of Note 1, applying the amendment to IFRS 4 *Application of IFRS 9 Financial Instruments*, the details of the information that follows are not considered as a change to the accounting policy with regard to investments of the Group's insurance companies, which are grouped under the heading “Financial assets under the insurance business” on the asset side of the balance sheet, and remain recognised and measured in accordance with IAS 39.

For the purpose of facilitating the comparison of information, the balances of the technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed) have also been reclassified, in order to include them under the heading "Liabilities under the insurance business".

b) The balances classified under "Loans and receivables" are reclassified under the heading "Financial assets at amortised cost", except for certain exposures that, due to their nature, do not comply with the requirements to be classified at amortised cost classification and are reclassified under "Financial assets not designated for trading compulsorily measured at fair value through profit or loss".

c) The balances classified under the heading "Held-to-maturity investments" are reclassified, in their entirety, under "Financial assets at amortised cost".

d) The balances classified under "Available-for-sale financial assets" are reclassified under the heading "Financial assets at fair value with changes in other comprehensive income", except for certain securities, most notably shares in investment funds and venture capital funds, which are reclassified under the heading "Financial assets not designated for trading compulsorily measured at fair value through profit or loss".

e) As a result of the 1st application of IFRS 9, there have been no reclassifications to the 'fair value at amortised cost' categories.

f) It corresponds to the incremental impact on corrections to the value of exposures at amortised cost, deriving from the change to the accounting policy (see Note 14).

g) Fiscal effect of the indicated valuation adjustments.

h) As a result of the reclassification of certain equity instruments of "Available-for-sale financial assets", as "Financial assets not designated for trading compulsorily measured at fair value through profit or loss", the valuation adjustments at 31 December 2017 associated with these positions are reclassified under the heading "Accumulated other comprehensive income", in the section "Other reserves" in shareholder's equity.

Given the impracticality of retrospectively estimating the impact of the change to the accounting policy of IFRS 9, the Group has made use of the provisions in the regulatory framework for accounting in order not to restate the opening balance at 1 January 2017 and the income statement of 2017. Similarly, the breakdowns, at 31 December 2017, of certain balance sheet items referring to financial instruments in this report have not been restated, which is why it cannot be compared with the information referring to 31 December 2018. The table below shows the accounting classification under Circular 4/2016 (determined based on IAS 39) of the credit activity and its hedges together with the correspondence under classification IFRS 9:

RECONCILIATION OF THE GROSS AMOUNT ACCORDING TO CLASSIFICATION IAS 39/ IFRS 9

(Thousands of Euros)

	LOANS AND RECEIVABLES - CUSTOMERS (AMORTISED COST)			
	PERFORMING/STAGE 1	STAGE 2	NON-PERFORMING/STAGE 3	TOTAL
Balance at 31-12-2017	**209,337,003**		**13,796,675**	**223,133,678**
Portfolio reclassification:				
To "Financial assets not designated for trading compulsorily measured at fair value through profit or loss"*	(449,425)		(15,904)	(465,329)
Transfers:				
From "performing" to	(15,663,409)	15,663,409		
BALANCE AT 01-01-2018	**193,224,169**	**15,663,409**	**13,780,771**	**222,668,349**

RECONCILIATION OF THE HEDGES ACCORDING TO CLASSIFICATION IAS 39/ IFRS 9

(Thousands of Euros)

	LOANS AND RECEIVABLES - CUSTOMERS (AMORTISED COST)			
	PERFORMING/STAGE 1	STAGE 2	NON-PERFORMING/STAGE 3	TOTAL
Balance at 31-12-2017	**(1,411,561)**		**(5,404,256)**	**(6,815,817)**
Portfolio reclassification:				
To "Financial assets not designated for trading compulsorily measured at fair value through profit or loss"*	81		15,096	15,177
Transfers:				
From "performing" to	276,571	(276,571)		
Allowance adjustment	163,162	(312,383)	(628,962)	(778,183)
BALANCE AT 01-01-2018	**(971,747)**	**(588,954)**	**(6,018,122)**	**(7,578,823)**

(*) Exposure in sales process that does not comply with the SPPI test, due to its business model.

Lastly, the statement of profit or loss corresponding to the previous year includes, as regards the combination of BPI businesses (see Note 7), the contribution using the full consolidation method (84.5%) and using the equity method (45.5%) for 11 and 1 months, respectively.

1.5. Seasonality of operations

The cyclical or seasonal nature of the operations of the Group is not significant, except for the transactions presented below, which are processed individually, applying the IFRIC 21 interpretation, and for which the amount recorded to date in the statement of profit or loss of the respective periods is presented:

SPECIFIC CASES APPLYING IFRIC 21
(Millions of euros)

	2018	2017	DATE WHEN THE OBLIGATION IS RECOGNISED
Property tax (Spain)	48	50	1 January 2018
Deposit Guarantee Fund (DGF) - CaixaBank	228	214	Upon receiving notification of payment (4Q18)
Single Resolution Fund (SRF) (*) – CaixaBank	94	88	Upon receiving notification of payment (2Q18)
Single Resolution Fund (SRF) (*) and National Resolution Fund (NRF) – Banco BPI	19	17	Upon receiving notification of payment (2Q18)

(*) With respect to the SFR, it includes 15% of the annual contribution that is an irrevocable payment commitment that has been satisfied through a cash delivery. The amount paid for this item in 2018 and 2017 amounts to EUR 16 million and EUR 15 million, respectively, and it is registered under "Financial assets at amortised cost" and "Loans and receivables", respectively.

1.6. Investments in credit institutions

At year-end, the Group held no direct ownership interest equal to or greater than 5% of the capital or voting rights in any credit institution other than the investments and subsidiaries and associates listed in Appendices 1 and 3.

1. 7. Minimum reserve ratio

In this year, the Entity complied with the minimum reserve ratio required by applicable regulations.

1. 8. Agreement of sale to Lone Star

1 Repurchase of Servihabitat Servicios Inmobiliarios, SL (Servihabitat)

On 8 June 2018, CaixaBank reached an agreement with the company SH Findel, S.À.R.L. (subsidiary company of TPG Sixth Street Partners) to repurchase 51% of the share capital of Servihabitat at a price of EUR 176.5 million. After this purchase, which has obtained the necessary authorisations and which was closed on 13 July 2018, the Group now holds 100% of the share capital of Servihabitat.

As a result of the combination of businesses, Servihabitat is now consolidated through the method of global integration, for accounting purposes, from 1 July 2018. The impact on equity and profit of the difference between the acquisition date and the date that control was effectively obtained (13 July 2018) was not significant. This operation has involved the emergence of the following impacts on the Group's income statement:

- **A** A review of the carrying amount of the prior stake in Servihabitat (49%) by virtue of the update of the valuation of this share, consistent with the sale offer accepted by the Group with regard to the operation announced on 28 June and described in the following section. It has resulted in the recording of a EUR 52 million loss under the heading "Impairment/(reversal) of impairment on investments in joint ventures and associates" of the accompanying consolidated income statement.
- **B** The recognition of a loss amounting to EUR 152 million under the heading "Provisions or reversal of provisions" in the accompanying consolidated income statement, corresponding to the difference between the transaction price (EUR 176.5

million) and the fair value of the share purchased in 51% of Servihabitat, estimated in the context of the sale of this share to Lone Star.

Similarly, the result generated by this stake as a consequence of its business combination in July 2018 until sold, after the implementation of the transaction described in the following section, is classified under "Profit/(loss) after tax from discontinued operations" in the consolidated income statement. In addition, the integration by global consolidation of the discontinued result of Servihabitat between July 2018 and the sale of the stake under different headings of the Group's consolidated income statement has not been, in any case, significant. Nor, for that matter, would presenting the period's income statement or economic effects be significant, if the businesses had been combined on 1 January 2018.

2 Agreement of sale to Lone Star

On 28 June 2018, CaixaBank arranged to sell 80% of its real estate portfolio to a company owned by Lone Star Fund X and Lone Star Real Estate Fund V. This transaction mainly includes the portfolio of real estate assets available for sale on 31 October 2017, as well as 100% of the share capital of Servihabitat. The gross value of the property assets at 31 October 2017 used for the sale was approximately EUR 12,800 million, the net carrying amount of which was approximately EUR 6,700 million.

The Group has transferred the aforementioned portfolio, together with 100% of Servihabitat, to a new company (Coral Homes, S.L.), 80% of which was subsequently sold to Lone Star, withholding a 20% stake through BuildingCenter. This operation was materialised by means of the following transactions:

- On 14 November, CaixaBank made a non-monetary contribution to BuildingCenter of the property assets that it held used for the sale, together with 100% of the stake in Servihabitat.
- On 16 November, BuildingCenter made a non-monetary contribution to Coral Homes, S.L. of all the property assets used for the sale (including those previously contributed by CaixaBank) together with 100% of the stake in Servihabitat.

On 20 December, after acquiring the pertinent authorisations, the Group materialised the sale of 80% of Coral Homes, S.L. to Lone Star, for an amount of EUR 3,974 million, mostly collected in cash. The Group has not provided significant financing for the transaction.

The price paid for the transaction involves the valuation of Coral Homes, S.L. at EUR 4,967 million and involves an adjustment with respect to the starting price, mainly deriving from the implementation of sales of the agreed property scope. This price could be adjusted up or down in the coming months according to a series of variables common to this type of transaction.

This sale has involved a significant part of the property portfolio and of the stake in Servihabitat being derecognised. The overall impact of the operation on the consolidated statement of profit or loss (including, expenses, taxes and other costs) was ultimately EUR -48 million after tax and +15 basis points in the fully-loaded CET1 ratio at 31 December 2018.

The outcome of this operation does not imply the discontinuation of the non-core real-estate business (see Note 8), insofar as the Group withholds, in addition to other aspects, the real estate activity linked to rentals and incorporations from foreclosures produced from 1 November 2017.

As part of the operation with Lone Star, Servihabitat will go on servicing the Group's property assets during a period of 5 years under a new contract that enables the Group to reach a greater degree of flexibility and efficiency.

1.9. Events after the reporting period

Issuances of debt securities

On 18 January 2019, CaixaBank completed an issuance of senior non-preferred debt amounting to EUR 1,000 million, maturing in five years and paying an annual return of 2.47% (equivalent to the midswap + 225 bp).

2. Accounting policies and measurement bases

The main accounting principles and policies, and measurement bases used in the preparation of the consolidated financial statements of the Group for 2018 were as follows:

2.1. Business combinations and basis of consolidation

In addition to data relating to the parent company the consolidated financial statements also contain information on subsidiaries, joint ventures and associates. The procedure for integrating the assets and liabilities of these companies depends on the type of control or influence exercised.

Subsidiaries

The Group considers as subsidiaries companies over which it has the power to exercise control. Control is evidenced when it has:

- power to direct the relevant activities of the investee, i.e. the rights (legal or by-law provisions or through agreements) that confer the ability to direct the activities of the investee that significantly affect the investee's returns,
- the present (practical) ability to exercise the rights to exert power over the investee to affect its returns, and,
- exposure, or rights, to variable returns from its involvement with the investee.

In general, voting rights give the ability to direct the relevant activities of an investee. To calculate voting rights, all direct and indirect voting rights, as well as potential voting rights (e.g. call options on equity instruments of the investee) are considered. In some circumstances, a company may have power to direct the activities without holding a majority of the voting rights.

In these cases, the investor considers whether it has the practical ability to direct the relevant activities unilaterally (financial and operating decisions, or appointing and remunerating governing bodies, among others).

The subsidiaries are consolidated, without exception, on the grounds of their activity, using the full consolidation method, which consists of the aggregation of the assets, liabilities, equity, income and expenses of a similar nature included in their separate financial statements. The carrying amount of direct and indirect investments in the share capital of subsidiaries is eliminated in proportion to the percentage of ownership in the subsidiaries held by virtue of these investments. All other balances and transactions between consolidated companies are eliminated on consolidation.

The share of third parties in the equity and profit or loss is shown under "Minority interests [non-controlling interests]" in the balance sheet and in "Profit/(loss) attributable to minority interests [non-controlling interests]" in the statement of profit or loss.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition. Similarly, the results of subsidiaries that are no longer classified as subsidiaries in the year are consolidated at the amount generated from the beginning of the year up to the date on which control is lost.

Acquisitions and disposals of investments in subsidiaries without a change of control are accounted for as equity transactions, with no gain or loss recognised in the statement of profit or loss. The difference between the consideration paid or received and the decrease or increase in the amount of minority interests, respectively, is recognised in reserves.

According to IFRS 10, on loss of control of a subsidiary, the assets, liabilities, minority interests and other items recognised in valuation adjustments are derecognised, and the fair value of the consideration received and any remaining investment recognised. The difference is recognised in the statement of profit or loss.

Regarding non-monetary contributions to jointly controlled entities, the IASB recognised a conflict in standard between IAS 27, under which on the loss of control, any investment retained is measured at fair value and the full gain or loss on the transaction is recognised in the statement of profit or loss, and paragraph 48 of IAS 31 and the interpretation SIC 13, which, for transactions under their scope, restrict gains and losses to the extent of the interest attributable to the other equity holders of the jointly controlled entity. The Group has elected to apply, in a consistent manner, the provisions of IAS 27 to transactions under the scope of these standards.

Relevant information on these entities is disclosed in Appendix 1.The above information is based on the most recent data available (actual or estimated) at the time of preparation of these Notes.

Joint ventures

The Group considers as joint ventures those which are controlled jointly under a contractual arrangement, by virtue of which, decisions on relevant activities are made unanimously by the entities that share control with rights over the net assets.

Investments in joint ventures are accounted for using the "equity method", i.e. in the proportion to the Entity's share of the assets of the investee, after adjusting for dividends received and other equity eliminations.

The amortisation of intangible assets with a finite useful life identified as a result of a Purchase Price Allocation (PPA) is recognised with a charge to "Share of profit/(loss) of entities accounted for using the equity method" in the statement of profit or loss.

Relevant information on these entities is disclosed in Appendix 2.The above information is based on the most recent data available (actual or estimated) at the time of preparation of these Notes. For listed companies, the latest available public figures are shown.

Associates

Associates are companies over which the Group exercises significant direct or indirect influence, but which are not subsidiaries or joint ventures. In the majority of cases, significant influence is understood to exist when the company holds 20% or more of the voting rights of the investee. If it holds less than 20%, significant influence is evidenced by the circumstances indicated in IAS 28. These include representation on the board of directors, participation in policy-making processes, material transactions between the entity and its investee, interchange of managerial personnel or the provision of essential technical information.

Exceptionally, those not considered associates are companies in which more than 20% of the voting rights is held, but it can clearly be demonstrated that significant influence does not exist and, therefore, the Group lacks the power to govern the entity's financial and operation policies. Based on these criteria, at 31 December 2018, the Group held certain equity investments for very insignificant amounts, ranging from 20% to 50% classified under "Financial assets at fair value with changes in other comprehensive income".

Investments in associates are accounted for using the equity method, i.e. in the proportion to the share of the assets of the investee, after adjusting for dividends received and other equity eliminations. The profits and losses arising from transactions with an associate are eliminated to the extent of the Group's interest in the share capital of the associate.

The Group has not used the financial statements of companies accounted for using the equity method that refer to a different date than that of the Group's Parent.

The amortisation of intangible assets with a finite useful life defined as a result of a PPA is recognised with a charge to "Share of profit/(loss) of entities accounted for using the equity method" in the statement of profit or loss.

Relevant information on these entities is disclosed in Appendix 3.The above information is based on the most recent data available (actual or estimated) at the time of preparation of these Notes.

Erste Group Bank AG

The most representative investment in which it has significant influence with a stake of less than 20% is Erste Group Bank AG: There is a preferred partnership agreement between Erste's controlling shareholder (the Erste Foundation) and CaixaBank that confirms the amicable nature and long-term outlook of the investment, a corporate and sales collaboration agreement between Erste Bank and CaixaBank, and a collaboration agreement between Erste Foundation and "la Caixa". Under this agreement, CaixaBank i) can appoint two directors to Erste's Supervisory Board; ii) it votes in the General Committee of Shareholders in the same sense as the Erste Foundation only as regards to the choice of members of the Supervisory Board and iii) it is one of the Austrian bank's stable shareholders, alongside a group of Austrian savings banks and some of their foundations, and the WSW holding company, jointly holding a share of around 30% of the capital.

Banco de Fomento de Angola, SA (BFA)

After the agreement to sell 2% of BFA to Unitel at the end of 2016, BPI's stake in BFA stood at 48.1% of the share capital and a contract was entered into between the two BFA shareholders, whereby BPI had the right to designate two members out of a maximum of 15 on the board of directors, as well as a member on the Conselho Fiscal and a member on the Risk Committee and the Remuneration Committee. BPI's stake in the share capital of BFA and its presence on the governing bodies of BFA, albeit a minority representation and not proportional to its holding, afforded it a significant influence in BFA in accordance with the provisions of IAS 28. As a result, after the aforementioned sale of 2% of BFA, BPI classified its ownership interest in BFA as an associate. This classification remained in the consolidated financial statements of the Group after the takeover of BPI in February 2017.

As specified in Note 1, at every close, the Group assesses the most relevant judgements and estimates used to prepare the financial information. Following on from this, with the existence of indications of a possible significant loss of influence, at the time of preparing these financial statements, the Group has proceeded to classify BFA as an associate. It is worth stressing, among the main matters considered, that the absence of BPI representatives on the BFA executive body – its executive committee, which is the body that oversees the bank's operational management – has ultimately determined a lack of actual capacity of BPI to participate in decisions on the financial policy and operations of the entity in the terms set out in paragraph 6 of IAS 28. BPI's minority position on the board of directors, together with the presence of a controlling shareholder, has also prevented it, in practice, from having a real ability to influence the management of BFA. In this context, the weight of the BPI stake on BFA's operational and financial decisions has been far from the initial expectations based on the experience of many years of shareholding relations, where BPI played a key role in the development of BFA.

In light of greater experience, assessment and knowledge of BPI's shareholding relations at BFA, it is considered that, at the close of 2018, the circumstances which laid the groundwork for the existence of an actual ability of BPI to exercise its significant influence at BFA are no longer in place. Before these circumstances, at the close of 2018, BPI considered it appropriate to limit its presence on the committees or management bodies where it was represented, maintaining this minority presence solely on the social bodies of the aforementioned bank.

In accordance with the regulatory framework for accounting, the significant loss of influence has resulted in the reclassification of the stake in BFA from associate to "Financial assets at fair value with changes in other comprehensive income - equity instruments" of the consolidated balance sheet.

Structured entities

A structured entity is that which has been designed so that voting or similar rights are not the dominant factor in deciding its control, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Where the Group creates or holds ownership interests in entities to provide customers access to investments or transfer certain risks to third parties, it analyses whether it has control over the investee and, therefore, whether it should or should not be consolidated.

- Consolidated structured entities:

  To determine whether there is control over a structured entity and, therefore whether it should be consolidated, the Group analyses the contractual rights other than voting rights. For this, it considers the purpose and design of each entity and, inter alia, evidence of the ability to direct the relevant activities, potential indications of special relationships or the ability to affect the returns from its involvement.

  With regard to securisation funds, the Group is highly exposed to variable returns and has decision-making power over the entity, directly or through an agent. Information on these funds, the financial support given to the vehicles and the reason are detailed in Note 28.2.

  At year-end, there were no agreements to provide additional financial support to other types of consolidated structured entities than those described.

- Unconsolidated structured entities:

  The Group creates vehicles to provide its customers access to certain investments or to transfer risks or for other purposes. These vehicles are not consolidated, as the Group does not have control and as the criteria for consolidation set out in IFRS 10 are not met.

At year-end, the Group did not have any significant interests in or provide financial support to unconsolidated structured entities.

Business combinations

Accounting standards define business combinations as the combination of two or more entities within a single entity or group of entities. “Acquirer” is defined as the entity which, at the date of acquisition, obtains control of another entity.

For business combinations in which the Group obtains control, the cost of the combination is calculated. Generally, it will be the fair value of the consideration transferred. This consideration includes the assets transferred by the acquirer, the liabilities assumed by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

In addition, the acquirer recognises, at the acquisition date, any difference between:

i) the aggregate of the fair value of the consideration transferred, of the minority interests and the previously held equity interest in the company or business acquired, and

ii) the net amount of the identifiable assets acquired and liabilities assumed, measured at their fair value.

The positive difference between i) and ii) is recognised under “Intangible assets – Goodwill” in the balance sheet provided it is not attributable to specific assets or identifiable intangible assets of the company or business acquired. Any negative difference is recognised under “Negative goodwill recognised in profit or loss” in the statement of profit or loss.

2.2. Financial instruments

Classification of the financial assets

The criteria established by the regulatory framework for accounting for classifying financial instruments is set out below:

Contractual cash flows	Business model	Classification of financial assets (FA)	
Solely principal and interest payments on the amount of principal outstanding on specified dates (SPPI test)	In order to receive contractual cash flows.	FA at amortised cost.	
	In order to receive contractual cash flows and sale.	FA at fair value with changes in other comprehensive income.	
Others - No SPPI test	Derivative instruments designated as accounting hedging instruments.	Derivatives - Hedge accounting.	
	They originate from or are acquired with the aim of realising them in the short term.	FA at fair value through profit or loss.	FA held for trading.
	They are part of a group of financial instruments identified and managed together, for which there is evidence of a recent pattern of short-term profit-taking.		
	They are derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as accounting hedging instruments.		
	Others.		FA not designated for trading compulsorily measured at fair value through profit or loss.

Investments in equity instruments are an exception to the aforementioned general assessment criteria. In general, the Group irrevocably exercises the option in the initial recognition by including – in the portfolio of financial assets at fair value with changes in other comprehensive income – investments in equity instruments that are not classified as held for trading and that, in the event of not exercising this option, would be classified as financial assets compulsorily measured at fair value through profit or loss.

As for the assessment of the business model, this does not depend on the intentions for an individual instrument, but instead it is determined for a set of instruments, taking into account the frequency, amount and schedule of the sales in previous years, the reasons for these sales and the expectations for futures sales. The infrequent or insignificant sales, those near to the maturity of the asset and driven by increased credit risk of the financial assets or to manage the concentration risk, among others, can be compatible with the model of holding assets to receive contractual cash flows.

More specifically, the fact that Group expects to make regular sales, focusing on loans (or similar financial assets) that have experienced a drop in credit risk levels, is not inconsistent with how those loans are classified under a business model that holds financial assets to receive contractual cash flows. These sales are not counted for the purpose of determining the frequency of sales and their materiality will, therefore, remain separate from the tracking ratios.

If a financial asset contains a contractual condition under which the schedule or amount of its contractual cash flows can be modified (e.g. if the asset can be redeemed in advance or if maturity can be extended), the Group determines whether the contractual cash flows generated by the instrument over its life are solely principal and interest payments on the outstanding principal. To this end, the contractual cash flows that may be generated before and after the change to the schedule or the amount of the contractual cash flows are taken into consideration.

In turn, in the case of a financial asset with a periodic adjustment of the interest rate, but where the frequency of this adjustment does not match the term of the reference interest rate (e.g., the interest rate is adjusted every three months to the one-year rate), at the time of the initial recognition, the Group assesses this mismatch in the interest component to determine whether the contractual cash flows represent solely principal and interest payments on the amount of principal outstanding.

The contractual conditions that, at the time of the initial recognition, have a minimum effect on the cash flows or depend on exceptional and highly unlikely events taking place (such as liquidation of the issuer) do not prevent the asset from being classified in the amortised cost portfolio or fair value portfolio with changes recorded in other comprehensive income.

Classification of the financial liabilities

Financial liabilities are classified under: “Financial liabilities held for trading”, “Financial liabilities designated at fair value through profit or loss” and “Financial liabilities measured at amortised cost”, unless they must be presented under “Liabilities included in disposal groups classified as held for sale” or relate to “Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Derivatives – Hedge accounting”, which are presented separately.

Particularly, the portfolio "Financial liabilities measured at amortised cost": includes financial liabilities not classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss. The balances recognised in this category, irrespective of the substances of the contractual arrangement and maturity of such liabilities, arise from the ordinary capture activities of credit institutions.

Initial recognition and measurement

Upon initial recognition, all financial instruments are recognised at fair value. For the financial instruments that are not registered at fair value through profit or loss, the fair value amount is adjusted, adding or deducting transaction costs directly attributable to the acquisition or issuance thereof. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are immediately recognised in the statement of profit or loss.

The transaction costs are defined as expenses directly attributable to the acquisition or drawdown of a financial asset, or to the issuance or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include fees paid to intermediaries (such as prescribers); mortgage arrangement expenses borne by the Group and part of the staff expenses in the Risk Acceptance Centres. Under no circumstances are the internal administrative costs or those deriving from prior research and analysis considered transaction costs.

During the first quarter of 2018 the Group completed an internal project with the aim of identifying the direct and incremental transaction costs of asset transactions using analytical accounting tools. From 1 January 2018 the identified transaction costs are used when determining the effective interest rate, which is reduced for financial assets, thus, the costs are accrued throughout the duration of the transaction.

Subsequent measurement of the financial assets

After its initial recognition, the Group measures a financial asset at amortised cost, at fair value with changes in other comprehensive income, at fair value through profit or loss, or at cost.

The receivables for trading operations that do not have a significant financing component and the commercial loans and short-term debt instruments that are initially measured by the price of the transaction or its principal, respectively, continue to be measured by said amount less the correction of value due to estimated impairment as described in section 2.7.

Income and expenses of the financial assets and liabilities

The income and expenses of financial instruments at amortised cost are recognised according to the following criteria:

Portfolio		Recognition of income and expenses
Financial assets	At amortised cost	• **Accrued interest**: recorded in the statement of profit or loss using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where it is applied to the net carrying amount). • **Other changes in fair value**: income or expense when the financial instrument is derecognised from the balance sheet, reclassified or when losses occur due to impairment or gains are produced by its subsequent recovery.
	Measured at fair value through profit or loss	• **Fair value changes**: fair value changes are recorded directly in the statement of profit or loss, and a differentiation is made – for non-derivative instruments – between the part attributable to the returns earned by the instrument, which will be recorded as interest or as dividends according to its nature, and the rest, which will be recorded as results of financial operations in the corresponding balance item. • **Accrued interest**: on these debt instruments, calculated using the effective interest method.
	At fair value with changes in other comprehensive income (*)	• Interests or dividends earned, in the statement of profit or loss. For interest, the same as assets at amortised cost. • The differences in a change in the statement of profit or loss in the case of monetary financial assets, and in other comprehensive income, in the case of non-monetary financial assets. • For the case of debt instruments, impairment losses or gains due to their subsequent recovery in the statement of profit or loss. • The remaining changes in value are recognised in other comprehensive income.
Financial liabilities	At amortised cost	• **Accrued interest**: recorded in the statement of profit or loss using the effective interest rate of the operation on the gross carrying amount of the operation, except in the case of Tier 1 issuances, in which the discretionary coupons are recognised in reserves. • **Other changes in fair value**: income or expense when the financial instrument is derecognised from the balance sheet or reclassified.
	Measured at fair value through profit or loss	• **Changes in fair value**: changes in the value of a financial liability designated at fair value through profit or loss, in the case of applying in the following manner: a) the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of said liability is recognised in other comprehensive income, which would be directly transferred to a reserve item if the aforementioned financial liability is derecognised, and b) the remaining amount of the change in the fair value of the liability is recognised in the profit or loss for the year. • **Accrued interest**: on these debt instruments, calculated using the effective interest method.

(*) Thus, when a debt instrument is measured at fair value with changes in other comprehensive income, the amounts that will be recognised in the profit or loss for the year will be the same as those that would be recognised if it were measured at amortised cost.

When a debt instrument at fair value with changes in other comprehensive income is derecognised from the balance sheet, the profit or loss accumulated in equity is reclassified, and recorded in the statement of profit or loss for the period. In turn, when an equity instrument at fair value with changes in other comprehensive income is derecognised from the balance sheet, the amount of the loss or gain recorded in other accumulated comprehensive income is not reclassified to the statement of profit or loss, but instead to a reserve balance item.

For each of the aforementioned portfolios, the recognition would change if said instruments form part of a hedging relationship (see section 2.3).

Reclassifications between financial instrument portfolios

According to the provisions set out in IFRS 9, only in the event the Group decides to change its financial asset management business model, would all the affected financial assets be reclassified. This reclassification would be carried out prospectively from the date of the reclassification. In accordance with the IFRS 9 approach, in general, changes in the business model occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

2.3. Accounting hedges

The Group uses financial derivatives as a financial risk management tool, mainly structural interest rate risk (see Note 3). When these transactions meet certain requirements, they qualify for hedge accounting.

Since 1 January 2018, the Group has applied the provisions of IFRS 9 relating to hedge accounting, since it is deemed that this option best suits the risk management strategy of the Group, since there are changes with respect to IAS 39 in a number of areas, such as hedged items, hedging instruments, the accounting of the time value of options and the assessment of effectiveness, which enable the expansion of the transactions to which hedge accounting is applied and facilitate the application of hedge accounting.

When a transaction is designated as a hedge, this is done at inception of the transaction or of the instruments included in the hedge and a technical note of the transaction is documented in accordance with the regulations in force. The hedge accounting documentation duly identifies the hedging instrument or instruments, and the hedged item or forecast transaction, the nature of the risk to be hedged and the way in which the Group assesses whether the hedging relationship meets the requirements of hedging effectiveness (together with the analysis of the causes of failed protection and the way in which the coverage ratio is determined).

For the purpose of verifying the effectiveness requirement:

A there must be an economic relationship between the hedged item and the hedging instrument;

B the credit risk of the hedged item's counterparty or of the hedging instrument should not have a dominant effect on changes in value resulting from said economic relationship; and

C it is essential to comply with the coverage ratio of the hedging accounting relationship, which is defined as the relationship between the quantity of the hedged item and the quantity of the hedging instrument, and it must be the same as the coverage ratio used for management purposes.

Fair value hedges

Fair value hedges hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk and could affect the statement of profit or loss.

In fair value hedges, the gains or losses on the hedging instrument or on the hedged item for the portion attributable to the hedged risk are recognised in an asymmetrical way according to whether the hedged element is a debt instrument or an equity instrument:

- Debt instruments: In fair value hedges, the gains or losses on the hedging instrument or on the hedged item for the portion attributable to the hedged risk are recognised in the statement of profit or loss, in the "Gains/(losses) from hedge accounting, net" section. Particularly, in fair value macro-hedges, gains or losses arising on the hedged items are balanced in “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk” depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.
- Equity instruments: the gains or losses on the hedging instrument or on the hedged item for the portion attributable to the hedged risk are recognised in the section "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income" of the balance sheet.

When hedging derivatives no longer meet the requirements for hedging accounting, they are reclassified as trading derivatives. The amount of the previously registered adjustments to the hedged item is attributed as follows:

- Debt instruments: they are recognised in the heading "Gains/(losses) from hedge accounting, net" of the statement of profit or loss using the effective interest rate method at the date hedge accounting is discontinued.
- Equity instruments: are reclassified to reserves under the heading "Accumulated other comprehensive income – Elements that will not be reclassified to profit or loss – Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income" of the balance sheet.

Cash flow hedges

Cash flow hedges hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised financial asset or liability or with a highly probable forecast transaction and could affect profit or loss.

The amount adjusted on the hedging item is recognised in “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Reserve of cash flow hedges [effective portion]" where they will remain until the forecast transaction occurs, at which point it will be recognised in "Gains/(losses) from hedge accounting, net" of the statement of profit or loss. However, if it is expected that the transaction will not be carried out, it will be recognised immediately in the statement of profit or loss.

2.4. Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance statement when, and only when, the Entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, taking the following into consideration:

- The legally enforceable right to set off the recognised amounts should not be contingent on a future event and must be legally enforceable in all circumstances, including cases of default or insolvency of any or all of the counterparties.
- Settlements are considered equivalent to 'net settlement' that meet the following requirements: they totally eliminate or result in insignificant credit and liquidity risk; and settlement of the asset and liability is made in a single settlement process.

Details of the offset transactions are presented below:

OFFSETTING OF ASSETS AND LIABILITIES
(Thousands of euros)

	31-12-2018			31-12-2017		
	GROSS AMOUNT RECOGNISED (A)	AMOUNT OFFSET IN THE BALANCE SHEET (B)	NET AMOUNT REPORTED IN THE BALANCE SHEET (C=A-B)	GROSS AMOUNT RECOGNISED (A)	AMOUNT OFFSET IN THE BALANCE SHEET (B)	NET AMOUNT REPORTED IN THE BALANCE SHEET (C=A-B)
Trading derivatives			0	149,192	24,019	125,173
Reverse repurchase agreement (1)	1,012,123	1,012,099	24	6,728,929	6,728,929	
Tax lease transaction	410,095	410,095	0	244,014	244,014	
TOTAL ASSETS	**1,422,218**	**1,422,194**	**24**	**7,122,135**	**6,996,962**	**125,173**
Trading derivatives			0	239,916	220,977	18,939
Repurchase agreement (1)	2,594,832	2,594,832	0	6,678,541	6,992,601	(314,060)
Tax lease transaction	410,095	410,095	0	244,014	244,014	
TOTAL LIABILITIES	**3,004,927**	**3,004,927**	**0**	**7,162,471**	**7,457,592**	**(295,121)**

(1) Collateral exchange operations implemented through repos, whereby separate cancellation is not permitted. They are generally carried out at 12 months.

2.5. Derecognition of financial instruments

All or part of a financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the entity transfers the asset to a third party outside the entity.

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with ownership of the transferred assets are transferred to third parties:

- If substantially all the risks and rewards of ownership of the transferred asset are transferred (such as in the case of, among others: unconditional sales, a sale with an option to repurchase the financial asset at its fair value at the time of repurchase, a sale of a financial asset together with a put or call option that is deeply out of the money, or asset securitisations in which the transferor does not retain any subordinated loans and does not provide any type of credit enhancement to the new owners), it is derecognised, and any rights or obligations retained or arising as a result of the transfer are simultaneously recognised.
- If all the risks and rewards of ownership of the transferred financial asset are retained substantially (such as in the case of, among others: sale and repurchase transactions where the repurchase price is a fixed price or the sale price plus a lender's return, a securities lending agreement under which the borrower has the obligation to return the securities or similar) it is not derecognised and continues to be measured by the same criteria used before the transfer and the following are recognised:
    - A financial liability equal to the consideration received, which is subsequently measured at amortised cost, unless it meets the requirements to be classified under other liabilities at fair value through profit or loss; and

- The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offset.

- If substantially all the risks and rewards of ownership of the transferred financial asset are neither transferred nor retained (such as in the case of, among others: a sale of a financial asset together with a put or call option that is neither deep-in-the-money nor deep-out-of-the-money, securitisations in which the transferor assumes a subordinated loan or other type of credit enhancement for part of the transferred asset), the following distinction is made:

  - If the transferor does not retain control over the financial asset transferred, it is derecognised and any right or obligation retained or arising from the transfer is recognised; or

  - If the transferor retains control over the financial asset transferred, it continues to recognise the asset for an amount equal to its exposure to changes in value of the asset, recognising a liability associated with the financial asset transferred. The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or at fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

According to the terms of the transfer agreements in place, virtually the entire portfolio of loans and receivables securitised by the Group does not need to be written off the balance sheet.

Financial liabilities shall equally be derecognised when the obligation specified in the contract is discharged or cancelled or expires.

2.6. Financial guarantees

Financial guarantees given

Financial guarantees are defined as contracts whereby the issuer thereof undertakes to make specific payments to reimburse the creditor for the loss incurred when a specific debtor fails to meet its payment obligations, irrespective of the legal form of the obligation, such as deposits (including those to participate in auctions and tenders), financial and technical guarantees, irrevocable documentary credits, insurance contracts or credit derivatives.

Financial deposits comprise all manner of deposits that directly or indirectly guarantee debt securities such as loans, credit facilities, finance leases and deferred payment arrangements for all types of debt.

All these transactions are recognised under the memorandum item “Guarantees given” in the balance sheet.

Financial guarantees and guarantee contracts are recognised upon execution at fair value plus transaction costs, which is equal to the premium received plus the present value of the future cash flows, under "Financial assets measured at amortised cost" with a balancing entry in “Financial liabilities measured at amortised cost – Other financial liabilities” or “Other liabilities”. The changes in the fair value of the contracts are recognised as financial income in the statement of profit or loss.

Financial guarantee and guarantee contract portfolios, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, estimate any provision required. The credit risk is determined by applying criteria similar to those established for quantifying impairment losses on debt securities measured at amortised cost as set out in Note 23, except in the case of technical guarantees, where the criteria set out in Note 2.20 are applied.

Provisions set aside for this type of arrangement are recognised under "Provisions – Commitments and guarantees given" on the liability side of the balance sheet. Additions to and reversals of provisions are recognised in “Provisions or reversal of provisions” in the statement of profit or loss.

Should it become necessary to establish provisions for these financial guarantees, any fees that may accrue on these transactions in future which would be recognised in “Financial liabilities measured at amortised cost – Other financial liabilities” are reclassified to “Provisions – Commitments and guarantees given”.

Financial guarantees received

No significant guarantees or collateral were received with regard to which there is authorisation to sell or repledge without default by the owner of the guarantee or collateral, except for the collateral inherent to the Group's treasury activity (see Note 3.12).

2.7. Impairment of financial assets

The Group applies the requirements on impairment of debt instruments that are measured at amortised cost and at fair value with changes in other comprehensive income, as well as other exposures that involve credit risk, such as granted loan commitments, granted financial guarantees and other granted commitments.

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of the credit losses of operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including information of a prospective nature.

Impairment losses on debt instruments in the period are recognised as an expense under the heading "Impairment or reversal of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change" in the statement of profit or loss. The impairment loss of debt instruments at amortised cost are recognised against a corrective account of provisions that reduces the carrying amount of the asset, whereas those of instruments at fair value with changes in other comprehensive income are recognised against accumulated other comprehensive income.

The hedges to cover impairment losses in exposures involving credit risk other than debt instruments are recorded as a provision under the heading "Provisions – Commitments and guarantees given" on the liabilities side of the balance sheet. Additions to and reversals of these hedges are recognised charged under the heading “Provisions or reversal of provisions” in the statement of profit or loss.

For the purpose of recording the hedging for impairment losses of debt instruments, the following definitions must be taken into account in advance:

A. Credit losses: these correspond to the difference between all the contractual cash flows owed to the Group in accordance with the financial asset's contract and all the cash flows that it is due to receive (i.e. all the insufficiency of cash flows), discounted at the original effective interest rate or, for financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality, or the interest rate on the date referred to in the financial statements in the case of a variable rate.

   In the case of the granted loan commitments, the contractual cash flows that would be owed to the Group in the event the loan commitment were drawn down are compared to the cash flows that it would expect to receive if the commitment were drawn down. In the case of granted financial guarantees, the payments that the Group expects to receive are taken into account, less the cash flows that are expected to be received from the guaranteed holder.

   The Group estimates the cash flows of the operation during its expected life taking into account all the contractual terms and conditions of the operation (such as early repayment, extension, redemption and other similar options). In extreme cases when it is not possible to reliably estimate the expected life of the operation, the Group uses the remaining contractual term of the operation, including extension options.

   The cash flows taken into account include those deriving from the sale of collateral, taking into account the cash flows that would be obtained from the sale thereof, less the amount of the costs required to obtain them, maintenance and their subsequent sale, or other credit improvements that form an integral part of the contractual conditions, such as financial guarantees received.

   If the Group's current non-performing asset reduction strategy expects loan sales and other accounts receivable whose credit risk has increased (exposure classified at Stage 3), then the Group will retain any asset affected by this strategy under the model for retaining assets to receive their contractual cash flows, thus they are measured and classified in the portfolio of "Financial assets at amortised cost", provided that their flows only include payments of principal and interest. Similarly, until they no longer intend to make sales, the corresponding credit risk provision takes into account the price to be received from a third party.

B. Expected credit losses: these are the weighted average of the credit losses, using as weighting the respective risks of default events. The following distinction will be taken into account:

   - Expected credit losses during the life of the operation: these are expected credit losses resulting from all the possible default events during the expected life of the operation.

- Expected credit losses at twelve months: these are the part of the credit losses expected during the life of the operation corresponding to the expected credit losses resulting from any default events during the twelve months following the reference date.

The amount of the hedges to cover impairment loss is calculated according to whether there has been a significant increase in credit risk since the operation's initial recognition, and whether a default event has occurred:

	Observed impairment of credit risk since its initial recognition			
Credit risk category	**Performing** **Stage 1**	**Watch-liperforming** **Stage 2**	**Non-performing** **Stage 3**	**Write-off**
Classification and transfer criteria	Operations whose credit risk has not significantly increased since their initial recognition.	Operations whose credit risk has significantly increased (SICR), but they do not have any default events.	Operations with credit impairment. Default event: with amounts past due of over 90.	Operations without reasonable expectations of recovery.
Calculation of the impairment hedge	Expected credit losses at twelve months.	Expected credit losses during life of the operation.		The recognition in results of losses for the carrying amount of the operation and the total derecognition of the asset.
Interest calculation and recognition	It is calculated by applying the effective interest rate to the gross carrying amount of the operation.		It is calculated by applying the effective interest rate at amortised cost (adjusted to reflect any impairment value correction).	It is not recognised in the income statement.
Included operations	Initial recognition of the financial instruments.	Operations included in sustainability agreements that have not completed the trial period. Operations made by insolvent borrowers that should not be classified as non-performing or write-off. Refinanced or restructured operations that should not be reclassified as non-performing and that are still in the trial period. Operations with amounts past due of over **30 days.** Operations for which, through market indicators/triggers, it is possible to determine that a significant increase of risk has occurred.	**Doubtful due to borrower arrears:** operations with amounts past due of over **90 days.** Transactions where all holders are classified as non-performing (personal risk criteria). **Doubtful for reasons other than borrower arrears:** • Operations that pose reasonable doubts regarding full repayment. • Operations with legally demanded balances. • Operations in which the collateral execution process has been initiated. • Operations and guarantees of the holders in insolvency proceedings with no liquidation petition. • Refinanced operations classifiable as non-performing. • Operations bought/ originating with credit impairment.	Operations with remote recovery possibility. Partial write-offs without the extinction of the rights (partial write-off). Operations that are non-performing due to borrower arrears in excess of 4 years when the amount not secured by effective guarantees is fully covered for more than 2 years (except when it has effective collaterals that cover at least 10% of the gross amount). Operations with all the holders in insolvency proceedings in the liquidation phase (unless they have effective collaterals that cover at least 10% of the gross amount).

The Group classifies as impairments the debt instruments, whether due or not, for which after analysing them individually, it considers the possibility of recovery to be remote and proceeds to derecognise them, without prejudice to any actions that may be initiated to seek collection until their contractual rights are extinguished definitively by expiry of the statute-of-limitations period, forgiveness or any other cause.

This category includes i) non-performing transactions due to customer arrears older than four years, or, before the end of the four-year period when the amount not secured by effective guarantees is fully covered for more than two years, and ii) transactions made by borrowers declared to be insolvent which have entered or will enter the liquidation phase. In both cases, the transactions are not considered to be write-offs if they have real effective guarantees that cover at least 10% of its gross carrying amount.

Notwithstanding the above, to reclassify transactions to this category before these terms expire, the Group must demonstrate these transactions' remote recuperability.

Based on the Group's experience of recoveries, it deems the recovery of the remaining balance of mortgage operations remote when there is no additional collateral once the good has been recovered, and therefore, the aforementioned remainder is classified as a write-off.

When the contractual cash flows of a financial asset are modified or the financial asset is replaced with another, and the modification or exchange does not cause it to be derecognised from the balance sheet, the Group recalculates the gross carrying amount of the financial asset, taking into account the modified flows and the effective interest rate applicable before the modification, and recognises any difference that emerges as a loss or gain due to a change in the profit or loss of the period. The amount of the directly attributable transaction costs raises the carrying amount of the modified financial asset and it will be amortised during the remainder of its life, which will require the company to recalculate the effective interest rate.

Regardless of its subsequent classification, in the event that an operation is bought with or originates with credit impairment, its hedging would be equal to the accumulated amount of the changes in the credit losses after the initial recognition and the interest income of these assets would be calculated by applying the effective interest rate adjusted to reflect credit quality at the amortised cost of the instrument.

2.8. Refinancing or restructuring operations

Under current legislation, these relate to transactions in which the customer has, or will foreseeably have, financial difficulty in meeting its payment obligations under the contractually agreed terms and, therefore, has amended the agreement, cancelled the agreement and/or arranged a new transaction.

These transactions may derive from:

- A new transaction (refinancing operation) granted that fully or partially cancels other transactions (refinanced operations) previously extended by any CaixaBank Group company to the same borrower or other companies forming part of its economic group that become up-to-date on its payments for previously past-due loans.
- The amendment of the contract terms of an existing transaction (restructured operations) that changes its repayment schedule (grace periods, extension of loan maturities, reduction in interest rates, changes in the repayment schedule, extension of all or part of the capital on maturity, etc.).
- The activation of contract clauses agreed at source that extend the debt repayment terms (flexible grace period).
- The partial cancellation of the debt without the contribution of funds by the customer (foreclosure, purchase or dation of the collateral, or forgiveness of capital, interest, fees and commissions or any other cost relating to the loan extended to the borrower).

The existence of previous defaults is an indication of financial difficulty. Unless otherwise demonstrated, a restructuring or refinancing operation is assumed to exist when the amendment to contractual terms affects operations that have been past due for more than 30 days at least once in the three months prior to the amendment. However, previous defaults are not a requirement for an operation to be classified as refinanced or restructured.

The cancellation of an operation, changes in the contractual terms or the activation of clauses that delay payments when the customer is unable to meet future repayment obligations can also be classified as refinancing/restructuring.

In contrast, debt renewals and renegotiations may be granted when the borrower does not have, or is not expected to have, financial difficulties; i.e. for business reasons, not to facilitate repayments.

For a transaction to be classified as such, the borrower must have the capacity to obtain credit from the market, at the date in question, for a similar amount and on similar terms to those offered by the Entity. These terms must be adjusted to reflect the terms offered to borrowers with a similar risk profile.

In general, refinanced or restructured operations and new operations carried out for refinancing, are classified in the watch-list performing category. However, according to the particular characteristics of the operation they may be classified as non-performing when they meet the general criteria for classifying debt securities as such, and specifically i) operations backed by an unsuitable business plan, ii) operations that include contractual clauses that delay repayments in the form of interest-only periods longer than 24 months, and iii) operations that include amounts that have been removed from the balance sheet having been classified as unrecoverable that exceed the coverage applicable according to the percentages established for operations in the watch-list performing category.

Refinanced or restructured operations and new operations carried out for refinancing are classified as watch-list performing for a trial period until all the following requirements are met:

- After reviewing the borrower's asset and financial position it is concluded that they are unlikely to have financial difficulties and therefore it is highly probable that they will meet their obligations vis-a-vis the entity in both time and form.
- A minimum period of two years has elapsed from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from the non-performing category.
- The borrower has covered all the principal and interest payments from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from the non-performing category. Additionally: i) the borrower has made regular payments of an amount equivalent to the whole amount (principal and interest) falling due at the date of the restructuring or refinancing operation, or that were derecognised as a result of it; or ii) when it is deemed more appropriate given the nature of the operations, the borrower complies with other objective criteria that demonstrate their payment capacity.

  If there are contractual clauses that may delay repayments, such as grace periods for the principal, the operation will remain classified as watch-list performing until all criteria are met.
- The borrower must have no other operations with past due amounts for more than 30 days at the end of the period.

When all the above requirements are met, the operations are no longer classified as refinancing, refinanced or restructured operations in the financial statements.

During the previous trial period, further refinancing or restructuring of the refinancing, refinanced or restructured operations, or the existence of past-due amounts of more than 30 days in these operations, will mean that the operations are reclassified as non-performing for reasons other than arrears, provided that they were classified in the non-performing category before the start of the trial period.

Refinanced and restructured operations and new operations carried out for refinancing remain classified as non-performing until they meet the general criteria for debt instruments; specifically the following requirements:

- A period of one year has elapsed from the refinancing or restructuring date.
- The borrower has covered all the principal and interest payments (i.e. they are up to date on payments) thereby reducing the renegotiated principal, from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification to the non-performing category.
- The borrower has made regular payments of an amount equivalent to the whole amount (principal and interest) falling due at the date of the restructuring or refinancing operation, or that were derecognised as a result of it, or, when it is deemed more appropriate given the nature of the operations, the borrower complies with other objective criteria that demonstrate their payment capacity.
- The borrower has no other operations with past due amounts for more than 90 days at the date the refinancing or restructured operation is reclassified to the watch-list performing category.

2.9. Foreign currency transactions

The Group's functional and presentation currency is the euro. Consequently, all non-euro balances and transactions are foreign currency balances and transactions.

All foreign currency transactions are recorded, on initial recognition, by applying the spot exchange rate between the functional currency and the foreign currency.

At the end of each reporting period, foreign currency monetary items are translated to euros using the average exchange rate prevailing on the spot currency market at the end of each period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to euros using the exchange rate at the date of acquisition. Non-monetary items measured at fair value in a foreign currency are translated to euros using the exchange rates at the date when the fair value is determined.

Unmatured forward foreign exchange purchase and sale transactions not considered as hedges are translated to euros at the year-end exchange rates on the forward currency market.

The exchange rates used in translating the foreign currency balances to euros are those published by the ECB at 31 December of each year.

The exchange differences arising on the translation of foreign currency balances and transactions to the reporting currency of the Group are generally recognised under "Exchange differences (net)" in the consolidated income statement. However, exchange differences arising on changes in the value of non-monetary items are recognised under "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Exchange differences" in the balance sheet, and exchange differences arising on financial instruments classified as at fair value through profit or loss are recognised in the statement of profit or loss with no distinction made from other changes in fair value.

Income and expenses are translated at the closing exchange rate of each month.

In the case specific to companies in foreign currency, he owes emphasise that Angola went qualifier as a hyperinflationary economy during 2017 for the principal international audit companies considering the fact that presented an accumulated ratio of inflation close to 100% in the last three years as well as the evolution registered in the prices, wages and interest rates.

In this context, the Group from 2017 considers an estimate of the impact of the requirements' application of the standard IAS 29 – Financial Information in Hyperinflationary Economies in the financial statements of BFA on 31 December 2017 and during 2018, until the loss of significant influence on this share, for the purpose of determine the value of its share in the net assets and tax year results of BFA.

To date in which our share in BFA has been reclassified to the epigraph of «Financial assets at fair value with changes in other comprehensive income» (see Note 2.1), has been come registering in « Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Foreign currency exchange» the variations derived from the application of the IAS 29. During 2018 the effect of the IAS 29 has supposed a deposit to the aforementioned epigraph with a value of EUR 78 million (EUR 71 million net), at the same time that a detrimental impact in the epigraph of «Share of profit/(loss) of entities accounted for using the equity method» of losses and gains of EUR 90 million (EUR 81 million net). On the other hand, and as a result of successive devaluations of the kwanza, in «Another accumulated» overall result a decrease has been registered with a value of EUR 293 million net, derived from the conversion into euros of the financial statements of BFA, in application of the requirements of the IAS 21.

2.10. Recognition of income and expenses

The main policies applied to recognise income and expenses are as follows:

<table>
<tr><th></th><th colspan="2">Characteristics</th><th>Recognition</th></tr>
<tr><td rowspan="2">Interest income, interest expenses, dividends and similar items</td><td colspan="2">Interest income, interest expense and similar items</td><td>Recognised on an accrual basis, using the effective interest method, regardless of when the resulting monetary or financial flow arises, as previously described.</td></tr>
<tr><td colspan="2">Dividends received</td><td>Recognised as income when the right to receive payment is established. This is when the dividend is officially declared by the company's relevant body.</td></tr>
<tr><td rowspan="5">Fees collected/paid*</td><td rowspan="3">Credit fees
They are an integral part of the yield or effective cost of a financing operation.
They are received in advance.</td><td>Fees received by creating or acquiring financing operations that are not measured at fair value through profit or loss: (i.e.: remuneration from activities such as the assessment of the financial situation of the borrower, assessing and recording various guarantees, negotiating the terms and conditions of operations, preparing and processing documentation and closing the operation).</td><td>They are deferred and are recognised over the life of the transaction as an adjustment to the return or effective cost of the operation.</td></tr>
<tr><td>Fees negotiated as compensation for the commitment of granting financing, when this commitment is not measured at fair value through profit or loss and it is likely that the Group enters into a specific loan agreement.</td><td>They are deferred, deposited over the life of the transaction as an adjustment to the return or effective cost of the operation. If the commitment expires and the company has not made the loan, the fee is recognised as income at the time of expiry.</td></tr>
<tr><td>Fees paid when issuing financial liabilities at amortised cost.</td><td>They are included together with any related direct cost in the carrying amount of the financial liability, and are deposited as an adjustment to the effective cost of the operation.</td></tr>
<tr><td rowspan="2">Non-credit fees
This includes those deriving from different provisions for the various financial services of the financing operations.</td><td>Those related to the execution of a service provided over time (i.e. the fees for the administration of accounts and those received in advance for the issuance or renewal of credit cards).</td><td>They will be registered over time, measuring the progress towards full compliance with the execution obligation.</td></tr>
<tr><td>Those related to the provision of a service that is executed at a specific time (i.e.: subscription of securities, currency exchange, advice or loan syndication).</td><td>They are registered in the income statement upon collection.</td></tr>
<tr><td>Other non-financial income and expenses</td><td colspan="2">Other income from ordinary activities:</td><td>• As a general criterion, they are recognised inasmuch as the assets and services contractually agreed with the customers are provided. The amount of the payment to which the Group expects to have a right in exchange for these goods or services, is recognised as income, during the life of the contract.
• If it receives or has a right to receive a payment and the goods or services have not been transferred, the Group recognises a liability, which remains on the balance sheet until it is allocated to the statement of profit or loss.
• The Group can transfer the control over time or at a specific time (see the phases in the following chart).</td></tr>
</table>

(*) Exceptions: Fees for the financial instruments that are measured by their fair value through profit or loss and the non-availability fee (in operations where drawing down funds is optional for the credit holder) are immediately registered in the statement of profit or loss.

The accrued fees deriving from typical products or services of the financial activity are presented separate to those deriving from products and services that do not correspond to typical activity, which are presented under the heading "Other operating income" in the statement of profit or loss.

In particular the Group adheres to the following stages:

Phase 1	Identification of the contract (or contracts) with the customer and of the obligation or obligations arising out of the execution of the contract.	The Group assesses the committed goods or services and identifies – as an execution obligation – each commitment to transfer to the customer: • a good, a service or a differentiated group of goods or services, or • a series of differentiated goods or services that are practically identical and comply with the same customer transfer pattern.
Phase 2	Determining the price of the transaction.	Defined as the amount of the payment to which the Group expects to have the right in exchange for delivering the goods or providing the services, excluding amounts charged on behalf of third parties, such as indirect taxes, and not considering any cancellations, renewals or modifications to the contract. The price of the transaction can consist of fixed or variable amounts, or both, and may vary due to discounts, subsidies, reductions or other similar elements. Similarly, the price will be variable when the right to charge for the transaction depends on whether a future event will occur. To reach the transaction price it will be necessary to deduct discounts, subsidies or commercial reductions. If the price includes a variable payment, the Group initially estimates the amount of the payment to which it will have the right, either as an expected value, or as the amount in the most probable scenario. This amount is included, in whole or in part, in the transaction price only inasmuch as it is highly probable that there will be no significant reversal in the amount of the accumulated income recognised by the contract. At the end of each period, the Group updates the estimate of the transaction price, to accurately represent the existing circumstances at the time. To determine the price of the transaction, the Group adjusts the amount of the payment to take into account the time value of the money when the agreed payment schedule provides the customer or the company with a significant financing profit. The discount rate used is that which would be used in an independent financing transaction between the company and its customer at the start of the contract. This discount rate is not subject to subsequent updates. Notwithstanding the above, the Group does not update the amount of the payment if, at the start of the contract, the maturity is likely to be equal to or less than a year.
Phase 3	Allocation of the price of the transaction between the execution obligations.	The Group distributes the price of the transaction in such a way that each execution obligation identified in the contract is assigned an amount that represents the payment that it will obtain in exchange for transferring to the customer the good or service committed in this execution obligation. This amount is allocated based on the corresponding independent selling prices of the goods and services subject to each execution obligation. The best evidence of an independent selling price is its observable price, if these goods or services are sold separately in similar circumstances. The Group allocates to the different execution obligations of the contract any subsequent change in the estimate of the transaction price on the same basis as at the start of the contract.
Phase 4	Recognition of the income inasmuch as the company complies with its obligations.	The Group recognises as income the amount of the transaction price allocated to an execution obligation, inasmuch as it meets this obligation by transferring the committed good or service to the customer.

As for the accounting of the costs related to the contracts, the costs of obtaining a contract are those which the Group incurs to obtain a contract with a customer and which it would not have incurred if the Group had not entered into said contract.

They are recognised as an asset if they are directly related to a contract that can be identified specifically and the Group expects to recover them. In this case, they are amortised systematically and consistent with the transfer to the customer of the contractually related goods or services. However, if the asset's repayment period is equal to or less than one year, these costs are not recognised as an asset and are recorded as an expense.

2.11. Mutual funds, pension funds and other assets under management

Collective investment institutions and pension funds managed by Group companies are not presented on the face of the Group's balance sheet since the related assets are owned by third parties. The fees and commissions earned in the period from this activity are included under “Fee and commission income” in the statement of profit or loss.

2.12. Employee benefits

Employee benefits include all forms of consideration given in exchange for services rendered to the Group by employees or for benefits payable after completion of employment. They can be classified into four categories:

Short-term employee benefits

These are employee benefits (other than termination benefits) which fall due wholly within 12 months after the end of the period in which the employees render the related service. It includes wages, salaries and social security contributions; paid annual leave and paid sick leave; profit-sharing and bonuses; and non-monetary benefits payable to employees such as medical care, housing, cars and free or subsidised goods or services.

The cost of services rendered is recognised under "Administrative expenses – Staff expenses" of the statement of profit or loss, except for part of the personnel costs of the Risk Acceptance Centres which are presented as a smaller financial margin of the operations to which they are associated and certain incentives for the staff of the branch network for the marketing of products, including insurance policies, which are also presented with a reduced financial margin or under the heading of expenses from liabilities under insurance reinsurance contracts.

Credit facilities made available to employees at below market rates are considered to be non-monetary benefits and are calculated as the difference between market rates and the rates agreed with employees. The difference is recognised under “Administrative expenses – Staff expenses” with a balancing entry under “Interest income” in the statement of profit or loss.

Post-employment benefits

Post-employment benefits are all those undertaken with employees, to be paid after completion of their employment with the Group. They include: retirement benefits, such as pensions and one-off retirement payments; and other post-employment benefits, such as post-employment life insurance and post-employment medical care, at the end of the employment relationship.

Defined contribution plans

The post-employment obligations with employees are deemed to be defined contribution obligations when the Group makes pre-determined contributions to a separate entity and has no legal or constructive obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Defined contribution plans each year are recognised under “Administrative expenses – Staff expenses” in the statement of profit or loss. Post-employment obligations that do not meet the aforementioned conditions are considered defined benefit obligations.

Defined benefit plans

The present value of defined benefit post-employment obligations, net of the fair value of assets, is recorded under “Provisions – Pensions and other post-employment defined benefit obligations” in the balance sheet.

Plan assets are defined as those assets that will be used to directly settle plan obligations and that meet the following conditions:

- They are not owned by the Group, but rather by a legally separate, non-related third party.
- They are available to be used only to pay or fund post-employment benefits and are not available to the Group’s own creditors, even in bankruptcy. They cannot be returned to the Group unless the remaining assets of the plan are sufficient to meet all the related employee benefit obligations of the plan or CaixaBank, or are used to reimburse it for post-employment benefits the Group has already paid to employees.

On the other hand, the defined benefit commitments assured through policies contracted with the entities that are not considered related parties and which do meet the requirements to be considered plan assets. The fair value of these insurance contracts is recognised as a decrease in the value of the liabilities under “Provisions – Pensions and other post-employment defined benefit obligations”. When the value of plan assets is greater than the value of the obligations, the positive difference is recognised under “Other assets”.

The assets and liabilities of subsidiaries that include the mathematical provisions of the policies taken out are included on consolidation. Therefore, in this process the amount recognised under “Other assets - Insurance contracts linked to pensions” is eliminated and the same amount is deducted from “Liabilities under insurance contracts”.

Post-employment benefits are recognised as follows:

- Service cost is recognised in the statement of profit or loss and includes the following:
  - Current service cost, understood as the increase in the present value of obligations arising from employee service in the current period, recognised under "Administrative expenses – Staff expenses".
  - Past service cost, resulting from amendments to existing post-employment benefits or the introduction of new benefits, and the cost of curtailments, recognised under "Provisions or reversal of provisions".
  - Any gain or loss arising on settlement of a plan is recognised in "Provisions or reversal of provisions".
- The net interest on the net defined post-employment benefit liability/(asset), understood to be the change during the period in the net defined benefit liability/(asset) that arises from the passage of time, is recognised in "Interest expenses", or "Interest income" if it results in income, in the statement of profit or loss.
- Remeasurements of the net liability/(asset) for defined benefit post-employment benefits are recognised in "Accumulated other comprehensive income" in the balance sheet. It includes:
  - Actuarial gains and losses arising in the period from differences between the previous actuarial assumptions and what has actually occurred and from changes in the actuarial assumptions used.
  - The return on plan assets, excluding the amounts included in the net interest on the net defined post-employment liability/(asset) for defined benefit post-employment benefits.
  - Any change in the impact of the asset ceiling, excluding the amounts included in the net interest on the net defined post-employment liability/(asset) for defined benefit post-employment benefits.

Other long-term employee benefits

Other long term employee benefits, understood as obligations with pre-retired employees (those who have ceased rendering services but who, without being legally retired, continue to enjoy economic rights vis-à-vis the Entity until they acquire the status of legally retired), long-service bonuses and similar items, are treated for accounting purposes, where applicable, as established for defined benefit post-employment plans, except that the actuarial gains and losses are recognised in "Provisions or reversal of provisions" in the statement of profit or loss.

Termination benefits

These benefits are payables as a result of an Entity’s decision to terminate an employee’s employment before the normal retirement date, a valid expectation has been raised in the employee or an employee’s decision to accept voluntary redundancy in exchange for those benefits.

A liability and an expense for termination benefits are recognised when there is no realistic possibility of withdrawing the offer to pay the termination benefits or when the costs for restructuring which involves the payment of termination benefits are recognised. These amounts are recognised as a provision under "Provisions – Other long-term employee benefits” in the balance sheet until they are settled.

2.13. Income tax

The expense for Spanish income tax is considered to be a current expense and is recognised in the statement of profit or loss, except when it results from a transaction recognised directly in equity, in which case the corresponding tax effect is recognised in equity.

Income tax expense is calculated as the sum of the current tax for the year resulting from applying the tax rate to the taxable profit for the year and any changes in deferred tax assets and liabilities recognised in the year in the statement of profit or loss, less any allowable tax deductions.

Temporary differences, tax loss carryforwards pending offset and unused tax deductions are recognised as deferred tax assets and/or deferred tax liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

All tax assets are recognised under “Tax assets” in the balance sheet as current, for amounts to be recovered in the next 12 months, or deferred, for amounts to be recovered in future reporting periods.

Similarly, tax liabilities are recognised in “Tax liabilities" in the balance sheet, also by current and deferred. Current tax liabilities include the amount of tax payable within the next 12 months and deferred tax liabilities as the amount expected to be paid in future periods.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries, associates or joint ventures are not recognised when the Group is able to control the timing of the reversal of the temporary difference and, in addition, it is probable that the temporary difference will not reverse.

Deferred tax assets are only recognised when it is probable that they will be reversed in the foreseeable future and it is estimated that there is sufficient taxable profit against which they can be used.

2.14. Tangible assets

They include the amount of property, land, furniture, vehicles, IT equipment and other facilities owned or acquired under a finance lease. “Tangible assets” in the balance sheet is broken down into two line items: “Property, plant and equipment” and “Investment properties”.

“Property, plant and equipment” comprises property, plant and equipment for own use and other assets leased out under an operating lease. Property, plant and equipment for own use includes assets held by the Group for present or future administrative uses or for the production or supply of goods and services that are expected to be used over more than one financial period.

“Investment properties” reflects the carrying amounts of land, buildings and other structures owned to obtain rental income or gains through sale.

Tangible assets are generally stated at acquisition cost less accumulated depreciation and any impairment losses determined by comparing the carrying amount of each item to its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. Land is not depreciated since it is considered to have an indefinite life.

The depreciation charge is recognised under “Depreciation and amortisation” in the statement of profit or loss and is calculated basically using the depreciation rates set out in the table below, which are based on the years of estimated useful life of the various assets.

USEFUL LIFE OF TANGIBLE ASSETS

(Years)

	ESTIMATED USEFUL LIFE
Constructions	
Buildings	*16 - 50*
Facilities	*8 - 25*
Furniture and fixtures	4 - 50
Electronic equipment	4 - 8
Other	7 - 14

At the end of each reporting period, the Group assesses tangible assets for any indications that their net carrying amount exceeds their recoverable amount, understood as fair value less costs to sell and value in use.

Any impairment loss determined is recognised with a charge to “Impairment or reversal of impairment on non-financial assets – Tangible assets” in the statement of profit or loss and a reduction to the carrying amount of the asset to its recoverable amount.

After the recognition of an impairment loss, the depreciation charges for the asset in future periods are adjusted in proportion to its revised carrying amount and remaining useful life.

Similarly, when there are indications of a recovery in the value of the assets, a reversal of the impairment loss recorded in prior periods is recognised and the depreciation charge for the asset in future periods is adjusted. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Likewise, the estimated useful lives of tangible assets are reviewed each year or whenever indications are noted which make it advisable to do so and, where appropriate, the depreciation charges are adjusted in the statement of profit or loss of future years.

Upkeep and maintenance expenses are recognised under “Administrative expenses – Other administrative expenses” in the statement of profit or loss. Similarly, operating income from investment properties is recognised under “Other operating income” in the statement of profit or loss and the related operating expenses under “Other operating expenses”.

2.15. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance acquired from third parties or developed internally.

Goodwill

Goodwill represents the payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill is only recognised in the acquisition of a business combination for valuable consideration.

In business combinations, goodwill arises as the positive difference between:

- the consideration transferred plus, as appropriate, the fair value of any previously-held equity interest in the acquiree and the amount of minority interests; and
- the net fair value of the identifiable assets acquired less the liabilities assumed.

Goodwill is recognised in "Intangible assets – Goodwill" and is not amortised.

At the end of each reporting period or whenever there are indications of impairment, an estimate is made of any impairment that reduces the recoverable amount to below carrying amount and, where there is impairment, the goodwill is written down with a balancing entry in "Impairment or reversal of impairment on non-financial assets – Intangible assets" in the statement of profit or loss. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Other intangible assets

This includes the amount of other identifiable intangible assets, such as assets arising in business combinations and computer software.

Other intangible assets have an indefinite useful life when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group, and a finite useful life in all other cases.

Intangible assets with an indefinite life are not amortised. However, at the end of each reporting period, or whenever there is any indication of impairment, the remaining useful lives of the assets are reviewed in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets.

Any impairment losses on assets with either indefinite or finite useful lives are recognised with a balancing entry in “Impairment or reversal of impairment on non-financial assets – Intangible assets” in the statement of profit or loss. The policies for recognising impairment losses on these assets and for reversing impairment losses recognised in prior years are similar to those for tangible assets.

Internally developed computer software

Computer software developed internally is recognised as an intangible asset when, among other requirements, it is capable of being used or sold, and it is identifiable and its ability to generate future economic benefits can be demonstrated.

Expenses incurred during the research phase are recognised directly in the statement of profit or loss for the period in which they are incurred, and cannot subsequently be capitalised.

Almost all software recorded under this chapter of the balance sheet has been developed by third parties and is amortised with an average service life of between 3 and 15 years.

2.16. Inventories

This item in the balance sheet includes non-financial assets held for sale in the ordinary course of business, that are in the process of production, construction or development for such sale, or that are to be consumed in the production process or in the rendering of services.

Inventories are measured at the lower of cost, including borrowing costs, and net realisable value. Net realisable value is defined as the estimated selling price less the estimated costs of production and the estimated costs necessary to make the sale. The accounting principles and measurement bases applied to assets received as payments of debts classified under this item are the same as those set out in Note 2.17. These assets are classified as Level 2 in the fair value hierarchy.

The cost of inventories of items that are not ordinarily interchangeable and of goods and services produced and segregated for specific projects is determined individually, while the cost of other inventories is assigned mainly by using the First-In-First-Out method (FIFO) or weighted average cost formula, as appropriate.

Any write-downs to inventories or subsequent reversals of write-downs are recognised under “Impairment or reversal of impairment on non-financial assets – Other” in the statement of profit or loss for the year in which the write-down or reversal occurs.

When inventories are sold, the carrying amount of those inventories is derecognised and an expense recognised in the statement of profit or loss for the period in which the related revenue is recognised. The expense is recognised under “Other operating expenses” in the statement of profit or loss.

2.17. Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale

Assets recognised under this heading in the balance sheet reflect the carrying amount of individual assets or disposal groups, or assets that form part of a line of business that will be disposed of (discontinued operation) whose sale is highly probable in their present condition within one year from the reporting date. Assets that will be disposed of within a year but where disposal is delayed by events and circumstances beyond the Group’s control may also be classified as held for sale, when there is sufficient evidence that the Company is still committed to selling them. The carrying amount of these assets will be recovered principally through a sale transaction.

Specifically, property or other non-current assets received as total or partial settlement of debtors’ payment obligations in credit operations are recognised under "Non-current assets and disposal groups classified as held for sale" unless it has been decided to make continuing use of the assets.

The Group has centralised the ownership of virtually all the real estate assets acquired or foreclosed in payment of debts in its holding company BuildingCenter, SAU, in a bid to optimise management.

Non-current assets classified as held for sale are generally measured initially at the lower of the carrying amount of the financial assets and their fair value less costs to sell the asset to be foreclosed:

- To estimate provisions for the financial assets, the estimated fair value less the costs to sell the asset to be foreclosed are taken as the recoverable value of the guarantee when the Company's sales experience attests to its ability to realise this asset at fair value. This recalculated carrying amount is compared with the previous carrying amount and the difference is recognised as an increase or a release of provisions as appropriate.
- To determine the fair value less the costs to sell the asset to be foreclosed, the Company uses the market value extended in the full individual ECO appraisal at the time of foreclosure or reception. Internal valuation models are used to calculate the adjustment to be applied to this market value in order to estimate the discount on the reference price and the costs to sell. These in-house models factor in prior sales experience for similar assets in terms of price and volume.

When the fair value less costs to sell exceeds the carrying amount, the Group recognises the difference in the statement of profit or loss, as an impairment reversal, up to the limit of the impairment accumulated as from the initial recognition of the foreclosed asset.

After the initial recognition, the Group compares the carrying amount with the fair value less costs to sell, recognising any possible additional impairment in the statement of profit or loss. For this purpose, the main valuation used to estimate fair value is updated by the Group. In line with the procedure followed in the initial recognition process, the Group also applies an adjustment, based on the internal models, to the main valuation.

Impairment losses on an asset or disposal group are recognised under "Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, net" in the statement of profit or loss. Gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognised in the same statement of profit or loss item up to an amount equal to the previously recognised impairment losses.

Non-current assets held for sale are not depreciated while they are classified as held for sale.

2.18. Leases

Finance leases

Leases that substantially transfer all the risks and rewards inherent in the asset to the lessee are considered finance leases.

Financial leases in which the Entity acts as the lessor are recognised as lending under "Financial assets at amortised cost" in the balance sheet at the sum of the present values of the lease payments receivable. These payments include the exercise price of the lessee's purchase option at expiry of the lease, where this price is sufficiently below the fair value of the asset at expiry of the purchase option making it reasonably certain that the option will be exercised.

When the Entity acts as the lessee, the cost of the leased asset is recognised in the related item in the balance sheet based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise price of the purchase option).

These assets are depreciated using the same criteria as for the rest of the items of tangible assets for own use.

Financial income, when it acts as lessor, and financial expenses, when it acts as lessee, are recognised in the statement of profit or loss under "Interest income" and "Interest expenses", respectively.

Operating leases

Operating leases are leases in which all the risks and rewards inherent in the asset and ownership of the asset are substantially retained by the lessor.

In operating leases in which the Group acts as lessor, the acquisition cost of the leased assets is included under "Tangible assets" in the balance sheet. The assets are depreciated using the policies adopted for other items of tangible assets for own use and income from the leases is recognised under "Other operating income" in the statement of profit or loss.

When the Group acts as lessee, the lease payments are recognised under "Administrative expenses – Other administrative expenses" in the statement or profit or loss.

Sale and leaseback transactions

In sales of assets at fair value and the leasing back under an operating lease, the profit or loss from the transaction is recognised immediately in the statement of profit and loss. If the sale was made at a price below fair value, the profit or loss is also recognised immediately in the statement of profit or loss unless the loss is compensated for by future lease payments at below market price, in which case the loss is deferred and recognised in proportion to the lease payments over the period for which the asset is expected to be used. Conversely, if the asset is sold above fair value, the profit is deferred and recognised in the statement of profit or loss over the period for which the asset is expected to be used.

In sale and leaseback transactions, the Group has a procedure for monitoring the transaction prospectively, paying special attention to changes in market office rental prices compared to the contractual rents and the condition of the assets sold.

Generally, the review is carried out annually, or more frequently if exceptional circumstances in the office rental market make this advisable. The appropriate provisions will be recognised if, as a result of the monitoring described above, any permanent or significant situation occurs that requires it.

In addition, upon initial recognition an assessment is made of whether the lease includes a derivative embedded in a financial instrument that requires separation.

2.19. Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits. Contingent assets are not recognised in financial statements, except where an inflow of economic benefits is practically certain. If there is a probable inflow of economic benefits, the group discloses the contingent asset.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

2.20. Provisions and contingent liabilities

Provisions cover present obligations at the date of preparation of the financial statements arising from past events which could give rise to a loss considered likely to occur; and is certain as to its nature but uncertain as to its amount and/or timing.

The financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Provisions are recognised on the liability side of the balance sheet in accordance with the obligations covered.

Provisions, which are quantified based on the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each reporting period, are used for specific expenditures for which the provision was originally recognised. Provisions are fully or partially reversed when the obligations cease to exist or are reduced.

The tax contingency policy is to set aside provisions for the possible tax expense and late-payment interest arising from the income tax assessments initiated by the tax authorities for the main applicable taxes, irrespective of whether an appeal has been lodged. Meanwhile, provisions are made for legal suits, in those instances where there is over a 50% probability of losing the case.

The Group recognises any present obligations that are not likely to give rise to an outflow of resources embodying economic benefits as contingent liabilities. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes more probable than not that an outflow of future economic benefits will be required, a provision is recognised in the balance sheet.

Provisions are recognised under "Provisions" on the liability side of the balance sheet in accordance with the obligations covered. Contingent liabilities are recognised under memorandum items in the balance sheet.

Financial instruments

The Group's insurance companies (VidaCaixa and BPI Vida y Pensiones) have made use of the temporary exemption from IFRS 9, which is why its financial instruments are presented in accordance with IAS 39 in the heading "Assets under the insurance business" of the accompanying balance sheet (see Notes 1 and 17).

Classification of financial assets and liabilities

Financial assets are presented in the balance sheet, grouped in the section "Assets under the insurance business" in different categories in which they are classified for management and assessment purposes, and which are described below:

- "Financial assets and liabilities held for trading": This item mainly comprises financial assets or liabilities acquired or issued for the purpose of selling in the short term or which are part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent pattern of short-term profit-taking. Financial liabilities held for trading also comprise short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities. Also included as financial assets or liabilities held for trading are derivative assets and liabilities that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.
- "Financial assets and liabilities designated at fair value through profit and loss": includes, where applicable, financial instruments designated upon initial recognition, e.g. hybrid financial assets or liabilities mandatorily measured in full at fair value, or with financial derivatives, the purpose of which is to mitigate the exposure to changes in fair value, or managed as a group with financial liabilities and derivatives to mitigate the overall exposure to interest rate risk. In general, the category includes all financial assets and liabilities when such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatches) that would otherwise arise. Financial instruments in this category must be subject at all times to an integrated and consistent measurement system, management and control of risks and returns permitting verification that risk has effectively been mitigated. Financial assets and liabilities may only be included in this category on the date they are acquired or originated.
- "Available for sale financial assets": includes debt and equity instruments not classified under any of the preceding categories.
- "Loans and receivables": includes financing granted to third parties through ordinary lending and credit activities carried out by said subsidiaries, their receivables from policyholders and for debt securities not quoted in an active market.

Measurement of the financial assets

All financial instruments are initially recognised at their fair value, which, unless there is evidence to the contrary, is the transaction price.

Subsequently, at a specified date, the fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market. Accordingly, the quoted or market price is used.

If there is no market price, fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, always taking into account the specific features of the instrument to be measured and, in particular, the various types of risk associated with it.

Any changes in fair value of financial instruments, except for trading derivatives, due to the accrual of interest and similar items, are recognised in the statement of profit or loss of the year of the accrual. Dividends received from other companies are recognised in the statement of profit or loss of the year in which the right to receive the dividend is established.

Changes in fair value after initial recognition for reasons other than those indicated in the preceding paragraph are treated as described below based on the category of financial asset or financial liability:

- Financial instruments classified as “Financial assets held for trading”, “Financial assets designated at fair value through profit or loss”, “Financial liabilities held for trading” and “Financial liabilities designated at fair value through profit or loss” are measured initially at fair value, with any changes in fair value recognised with a balancing entry in the statement of profit or loss.

- In turn, financial instruments classified as "Available-for-sale financial assets" are initially measured at fair value, with subsequent changes, net of the related tax effect, recognised with a balancing entry in "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Available-for-sale financial assets” and “Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Foreign currency exchange” in the balance sheet.

- Derivatives are recognised in the balance sheet at fair value. When derivatives are entered into, in the absence of evidence to the contrary, fair value is the transaction price. The derivative is recognised as an asset if the fair value is positive and a liability if it is negative. For derivatives classified in Levels 1 and 2 of the fair value hierarchy (see section on "Fair value of financial instruments" of this Note), if the price differs from the fair value when the derivative is entered into, the difference is recognised immediately in the statement of profit or loss.

  Subsequent changes in fair value of derivatives are recognised in the statement of profit or loss, except with cash flow hedges, in which case they are recognised under "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedges.

  Derivatives embedded in other financial instruments or in other contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the instrument or host contract, provided a reliable fair value can be attributed to the embedded derivative taken separately.

- Financial instruments classified as “Loans and receivables” and “Financial liabilities measured at amortised cost” are measured at amortised cost. Amortised cost is the acquisition cost, plus or minus (as applicable) principal repayments and the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, in the case of assets, minus any reduction for impairment.

The effective interest rate is the discount rate that exactly equates the initial value of a financial instrument to the estimated cash flows for all items until the instrument matures or is cancelled. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate plus any commission or transaction costs included in its yield. Where the fixed rate of interest is contingent, the Group includes it in the estimate of the effective interest rate only if it is highly probable that the triggering event will be reached. For floating-rate financial instruments, the effective interest rate is calculated as a fixed rate until the next reference rate reset.

Reclassifications between financial instrument portfolios

At the close of the financial year, the amounts of financial assets under IAS 39 processing reclassified in previous financial years were not significant.

Impairment of financial assets (IAS 39)

A financial asset is considered to be impaired when there is objective evidence of an adverse impact on the future cash flows that were estimated at the transaction date, where the borrower is unable or will be unable to meet its obligations in time or form, or when the asset’s carrying amount may not be fully recovered. However, a decline in fair value to below the cost of acquisition is not in itself evidence of impairment.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net profit or loss due to a change” in the statement of profit or loss for the period in which the impairment becomes evident. The reversal, if any, of previously recognised impairment losses is recognised in the same item in the statement of profit or loss for the period in which the impairment no longer exists or has decreased.

For the case of debt instruments at amortised cost, the categories specified in section 2.7 remain, although the calculation of the hedges is based on the provisions of IAS 39. The calculated hedging or provision is defined as the difference between the gross carrying amount of the transaction and the estimated value of future expected cash flows, discounted at the original effective interest rate of the transaction. Effective guarantees received are taken into consideration. For the purposes of estimating hedging, the amount of the risk for debt instruments is the gross carrying amount, and for off balance exposures, the estimated value of the disbursements.

Both transactions classified as not bearing appreciable risk and those that, due to their type of collateral, are classified as not bearing appreciable risk, could have 0% hedging. This percentage will only be applied to the hedged risk.

The accounting policy referring to the recognition of losses due to impairment of the categories of available for sale instruments is described below:

- Debt instruments classified as available for sale: the market value of quoted debt securities is deemed to be a reliable estimate of the present value of their future cash flows.

  When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are removed from "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Available-for-sale financial assets" and the cumulative amount considered impaired at that date is recognised in the statement of profit or loss. If all or part of the impairment loss is subsequently reversed, the reversed amount is recognised in the statement of profit or loss for the period in which the reversal occurs.

- Equity instruments classified as available for sale: When there is objective evidence that a decline in the fair value is due to impairment, such as a fall of 40% of its market price or a situation of continued losses over a period of more than 18 months, the unrealised losses are recognised in accordance with the impairment loss recognition criteria applied to available-for-sale debt securities, with the exception that any recovery arising on these losses is recognised under "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Available-for-sale financial assets".

  When testing for impairment, the Group considers whether there are any legal, market, technological or other factors in the environment in which the assessed entity operates that could suggest the cost of the investment will not be recovered. The price volatility of each security is also individually considered to determine what share may be recovered through the sale thereof on the market. These considerations may result in different thresholds for certain securities or sectors to those mentioned in the previous paragraph.

- Equity instruments measured at cost: the impairment loss on equity instruments measured at cost is the positive difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities. In estimating the impairment, account is taken of the equity of the investee, except for "Accumulated other comprehensive income" due to cash flow hedges, determined on the basis of the latest approved balance sheet, adjusted for the unrealised gains at the measurement date. Impairment losses are recognised in the statement of profit or loss for the period in which they arose, as a direct reduction of the cost of the instrument.

Assets under insurance and reinsurance contracts

Furthermore, the chapter "Assets under the insurance business – under insurance and reinsurance contracts" of the balance sheet also covers the amounts that the consolidated companies have the right to receive that originate from reinsurance contracts that they hold with third parties, and more specifically, the share of the reinsurance in the technical provisions constituted by the consolidated insurance companies.

Liabilities under insurance contracts

The chapter "Liabilities under the insurance business" of the balance sheet covers the technical provisions of the direct insurance and of the accepted reinsurance recorded by the consolidated companies to cover the obligations originating from insurance contracts that they hold that are in force at the close of the period. The main components of technical provisions are as follows.

- Unconsumed premiums and risk in progress:
  - The provision for unearned premiums includes the proportion of premiums written in the year that must be allocated to the period between the close of the reporting period and the expiry of the policy period.

- The provision for unexpired risks is designed to complement the provision for unearned premiums by the amount which is not sufficient to cover the measurement of all the risks and expenses corresponding to the coverage period not elapsed at the end of the period.

- Life insurance provision: consists mainly of the mathematical provisions of the insurance contracts and the provision for unearned premiums of insurance contracts with a period of coverage equal to or less than one year. Mathematical provisions represent the excess of the current actuarial value of the future obligations of subsidiary insurance companies over that of the premiums which the policyholder must satisfy.

- Relating to life insurance when the policyholder assumes the investment risk: they correspond to the technical provisions of insurance contracts where the investment risk is born by the policyholder.

- Claims: this represents the total amount of outstanding liabilities on claims occurring before the end of the reporting period. The Group calculates this provision as the difference between the total estimated or exact cost of the claims that have occurred and are pending declaration, settlement or payment, including external and internal expenses for handling and processing the files, and the combined amount of the amounts already paid as a result of the claims.

- Provisions for bonuses and rebates: these include the benefits accrued to the policyholders or beneficiaries and not yet assigned at the end of the reporting period. Not included is the effect of allocating part of the unrealised gains on the investment portfolio to policyholders.

Technical provisions linked to risks assigned to reINSURANCEs are calculated on the basis of the reinsurance contracts entered into and by applying criteria similar to those used for direct insurance.

Additionally, the Group has applied the accounting option provided for in IFRS 4 named "shadow accounting", whereby the INSURANCE is permitted to change its accounting policies so that a recognised but unrealised gain or loss on an asset related to insurance contracts affects those measurements of liabilities under insurance contracts in the same way as a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) shall be recognised in the statement of profit or loss in other comprehensive income if, and only if, the unrealised gains or losses are recognised in other comprehensive income.

The Group carries out an annual liability adequacy test in order to identify any provision shortfall and to make the related provision. Otherwise, if the result of the liability adequacy test shows that the provisions recognised were adequate or that excess provisions were recognised, the Group adopts the principle of prudence as established in IFRS 4. The liability adequacy test consists of assessing liabilities under insurance contracts based on the most up-to-date estimates of future cash flows from their contracts in relation to the assets covered. In this respect, it determines:

- The difference between the carrying amount of the insurance contracts less any related deferred acquisition costs and any related intangible assets, and the present value of contractual cash flows from the insurance contracts and any related cash flows, such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.

- The difference between the carrying amount and the present value of projected cash flows from the financial assets related to the insurance contracts.

The future estimated cash flows arising from insurance contracts and affected financial assets are discounted subject to a yield curve of assets with high credit quality (Spanish sovereign debt). In order to estimate future cash flows arising from insurance contracts, the surrender rates observed in the portfolio in accordance with the average over the last three years for Pensión 2000 and the average observed over the last five years for other products are taken into consideration. In addition, sensitivity exercises are carried out with regard to the discounted curve used. This sensitivity analysis consists of entering a drop in the interest rate of 100, 150 and 200 basis points of the discounted curve used, and an increase of 80, 100 and 200 basis points.

The Group does not unbundle any deposit component of insurance contracts. This unbundling is voluntary. In addition, the fair value of the policyholders' option to surrender insurance contracts is estimated to be zero, otherwise it is measured as part of the value of the insurance contract liabilities.

2.22. Statements of cash flows

The following terms are used in the presentation of the statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the indirect method is used to present cash flows from operating activities, which are the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets, such as equity investments and strategic investments, and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that do not form part of operating activities, such as subordinated financial liabilities. The issues placed on the institutional market are classified as financing activities, whereas the issues placed on the Spanish retail market are classified as operating activities.

2.23. Statements of changes in equity. Part A) Statement of recognised income and expenses

This statement presents the income and expense recognised as a result of CaixaBank's activity in the period, with a distinction between those taken to profit or loss in the statement of profit or loss and other income and expense recognised directly in equity.

2.24. Statements of changes in equity. Part B) Statement of total changes in equity

This statement presents all changes in the Group's consolidated equity, including those due to accounting policy changes and error corrections. This statement presents a reconciliation between the carrying amount of each component of equity at the beginning and the end of the period, grouping movements by nature under the following headings:

- Adjustments due to accounting policy changes and error corrections: includes changes in equity as a result of the retrospective restatement of financial statement balances on account of changes in accounting policies or for correction of errors.
- Total comprehensive income: represents the aggregate of all items recognised in the statement of changes in equity part A) Comprehensive income, outlined above.
- Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of dividends, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in equity.

3. Risk management

3.1 Environment and risk factors

The following risk factors had a significant influence on the Group's management in 2018, due to their impact during the year and their long-term implications for the Group:

- Macroeconomic environment

  The global economy has been subject to a considerable degree of uncertainty, both arising from strictly economic reasons as well as political ones. As regards the former, it is worth emphasising that, in the context of the monetary normalisation of the Federal Reserve, there has been an impact on certain emerging economies which, due to their macroeconomic imbalance, are more exposed to the exchange rates and to capital flow changes. Similarly, doubts about the China's true deceleration rhythm and its capacity to address some of its imbalances, have also been noticeable at different times. With regard to political and geopolitical uncertainty, the main source of uncertainty has been the development of the so-called protectionist tendencies of the US, which has led to a spiral of commercial tensions with China and, to a certain extent, with the European Union.

  Furthermore, the context of risk the Euro area has been marked by geopolitical factors, mainly linked to the difficulties to reach an agreement for the United Kingdom to leave the EU (Brexit), and linked to the tension between Italy and the EU with regard to the compliance of the transalpine country's budgetary stability. These political uncertainties come in addition to the confirmation that the rate of growth of the Euro area was due to be somewhat lower than expected. Thus, after growing 2.5% in 2017, it is estimated that 2018 will have ended with 1.9% growth due to the worst performance of the external sector. At this juncture, and after confirming that the Euro area has been consolidated in the expansive phase of the cycle, the ECB will end net purchases of assets at the end of 2018. However, facing a recovery of inflation that will continue to be highly gradual, the ECB will maintain accommodative financial conditions by maintaining the size of its balance sheet and low interest rates (the ECB has reiterated that it will not raise rates until the latter part of 2019). Similarly, progress has been made in the process of the banking union.

  As regards the Spanish economy, activity indicators forecast growth to remain at high levels, although lower than the rhythm of 2017 (3.1%), due to the fading of the tail winds that have benefited the economy in recent years, such as the low price of oil or the depreciation of the euro. Thus, estimated growth in 2018 is 2.5%. Despite this deceleration, the basis of the growth remains solid: internal demand, the main engine of the economy, benefits from robust labour-market dynamics, the property sector continues to recover and financial conditions remain favourable, as is evident by the growth of new credit granting. Similarly, public finances have continued to improve: the budgetary path confirms the reduction in public deficit below 3% in 2018, which will enable Spain to leave the Excessive Deficit Procedure of the European Commission. However, public debt remains at high levels, close to 100% of the GDP.

  Finally, the rhythm of the Portuguese economy has slowed down to a certain extent, due to the softening of internal demand. Thus, the growth rate for 2018 as a whole is expected to stand at 2.1%, somewhat less than in 2017 (2.8%). Nonetheless, the overall assessment of the Portuguese financial situation remains positive: the public accounts continue to improve, the job market is prospering, consumer confidence remains at high levels and private sector credit continues to recover. As regards the country risk situation, since 2017, the Portuguese risk premium has dropped in a significant and sustained manner, reflecting the greater confidence of international investors following the public deficit adjustment in recent years and the country's improved economic outlook. In this context, Moody's has revised Portugal's sovereign rating upward. Thus, the three main agencies now establish Portuguese debt as investment-grade. Moody's justifies the change of rating due to the favourable trend of public finances and the diversification of the country's sources of growth.

- Regulatory changes, the main developments in 2018 are set out below:

  - The concentration in ***non-performing* exposure** (NPE) remains one of the key areas of concern, despite there being clear reduction.

    Following on from this, several initiatives have been implemented during this year, aimed at avoiding future accumulated non-performing exposure, such as: i) promoting the development of the secondary market through sales of portfolios and/or individual assets and properties; ii) streamlining insolvency mechanisms and establishing a homogenous management framework for non-performing, refinanced and foreclosed assets; and iii) establishing a common framework for managing NPEs. Similarly, the Group has sold off non-productive assets and implemented activities with the aim of improving the early NPL admission and management processes in order to reduce entries and adapt RAF metrics to make way for the regulatory requirements. All of this with the aim of meeting *stakeholders'* expectations.

- In the context of complying with the **Risk Data Aggregation (RDA)** principles established in January 2013 by the Basel Committee on Banking Supervision, in 2015 the Group initiated a project for the transformational and cultural adjustment of management to foster activities for governing information and quality of detail. During 2018 the Corporate Policy on the Governance of Information and Data Quality has been approved and the Governing bodies that have begun to operate regularly have been formed.

- In 2018 the European Banking Authority (EBA) conducted a banking stress test, in which CaixaBank took part for the first time as the parent of the Group for prudential purposes.

  This year, the test covered 70% of the European banking sector's assets and assessed the ability of the main banks to withstand an adverse macroeconomic scenario during the period 2018 to 2020. The EBA required no common equity threshold for passing the test and the projection has been crucial to the ECB's decisions on capital requirements in the context of the SREP.

  As in previous years, the Stress test consisted in an exercise with a bottom-up approach with constraints and with a time horizon of 3 years, under 2 stages (one central scenario and another adverse scenario).

In general, as a consequence of the regular Risk Assessment exercise and the Risk Catalogue review process, which identify the emerging risks affecting the Group together with potential threats identified to achieve the objectives of the Strategic Plan, the strategic main risks with a potential to materialise in the mid to long term have been identified.

In order to be able to anticipate and manage their effects, in this sense, the following most relevant strategic risks identified in this financial year are listed below:

- **Persistence of an environment of low interest rates** (identified in the Group's Catalogue within Business Profitability Risk and identified in the Strategic Plan).

  Various organisations warn of the risks that could arise from extending the environment of low and stable rates that coincide with market expectations for the period covered by the Strategic Plan faced with expansion that is weaker than forecast and uncertainties regarding the global economy and the economy of the Euro area.

  Mitigants: both the management of the general impacts and the specific mitigation actions are part of the structural interest rate risk management which, in turn, are part of the Group's Risk Catalogue. This risk is managed not only according to the regulatory criterion and indications, but also through an internal approach based on the best practices mentioned in the reference documents by the EBA and Basel, given that there is a double approach to the risk, since it is assessed both from the perspective of Economic Value and Financial Margin.

- **Uncertainties with regard to the external and internal political environment / regulatory and supervisory pressure** (Legal/Regulatory risk of the Group Catalogue and identified in the Strategic Plan).

  Possible emergence or aggravation of political events or applications of the regulatory standard that may imply a direct or indirect impact on the macroeconomic variables or on the management of the Group, resulting in an impact on the objectives and predictions of the Strategic Plan.

  Mitigants: this possible risk is a factor that can potentially affect any management aspect and can be related to any of risks in the Catalogue. Notwithstanding the above, it is considered that it would mainly affect Business Profitability Risk or Capital Adequacy/Solvency Risk (according to the triggering factor). Following on from this, the Group understands that these risks are sufficiently managed by the Group's capital levels, verified by the fulfilment of both external and internal stress exercises, and reported in the internal capital adequacy assessment process (ICAAP).

- **New competitors with the possibility to disrupt** (identified in the Strategic Plan).

  Increased competition from new entrants: fintechs and agile banks, as well as competition from global asset managers and bigtechs that are potentially disruptive in terms of competences or services. Possibility of impacts due to disaggregation and disintermediation of the value chain, impact on margins and cross-selling and competition with other more agile and flexible entities with a lighter cost structure; all of which can be aggravated according to the trend of regulatory demands to which it can be subjected.

Mitigants: the Group considers new entrants a threat and, at the same time, an opportunity as source of collaboration, learning and stimulus to meet the business digitisation and transformation objectives set out in the Strategic Plan. Additionally, the Group has ImaginBank as a top-level value proposal that it will continue strengthening. With respect to the Group's competition from bigtechs, it is committed to improving the customer experience with the added value represented by the Group's social sensitivity (bits and trust) in addition to proposing possible collaboration approaches (open banking).

- **Cybercrime and data protection** (as part of the Technological Risk of the Catalogue).

  Cybercrime and data protection risk is one of those identified in the risk self-assessment exercise which can have a higher short-term impact.

  Mitigants: the Group is highly aware of the importance and level of threat, which is why it holds an ongoing assessment of the technological environment and the applications: relating to the integrity and confidentiality of information, in addition to systems availability and business continuity, through planned reviews and continuous auditing by monitoring the risk indicators defined. All of which is due to be strengthened in the Strategic Plan as part of the information security strategy.

- **Increase of legal and customer protection risk** (identified in the risk self-assessment process).

  Legal and customer protection risk is one of those identified in the risk self-assessment exercise which can have a higher short-term impact. Specifically, greater concern is placed on minimising errors when advising on the different legal or regulatory interpretation matters; reducing the lawsuit management shortcomings; and improving the management of the requirements of regulators/supervisors and of the penalty proceedings that may be brought.

  Exists currently a particular litigiousness in Spain linked, among others matters, to contracts with consumers, financial instruments and control regulatory that, after the legal corresponding risk assessment, has, where applicable, corresponding provisions that they give coverage to the eventual resources exit when results probable an adverse legal decision or administrative process.

  Greater concern is also placed on personal data privacy and protection and in compliance with regulations and standards related to activities carried out by employees or agents that may harm the interests and rights of our customers.

  Mitigants: As part of the risks of the Group Catalogue, its management and control is regularly monitored. Following on from this, the monitoring indicators of its risk appetite have also been improved by the management and governance bodies.

- **Sustainability** (identified in the risk self-assessment process).

  Throughout this financial year, the measures related to the management of ESG (Environmental, Social & Governance) risks, defined as the risk of a possible reputation or economic loss resulting from a mistake when identifying or managing an existing or emerging sustainability risk, have become increasingly relevant.

  An example of this are the initiatives proposed in the European Commission's Action Plan, translated into specific legislative initiatives, which aim to: i) steer the flow of capital, boosting investment in sustainable and inclusive projects; ii) improve the management of financial risk from climate change, and environmental and societal issues; and iii) foster transparency and long-term thinking in finance and economic activities.

  From a point of view of the Group's business, ESG risks could materialise in aspects such as: potential exposure in financing/investment operations in sectors with high carbon emissions; possible mistakes in the assessment and coverage of operations or customers that are highly exposed to climate change risks; potential exposure in social risk financing operations (e.g. violations of human rights), among others.

  Mitigants: In anticipation, the principles and values upon which the Group is maintained demonstrate a noticeable alignment with ESG principles. Nonetheless, the increasing level of demand for sustainability in the sector implies greater relevancy in the potential reputation impact on the Group.

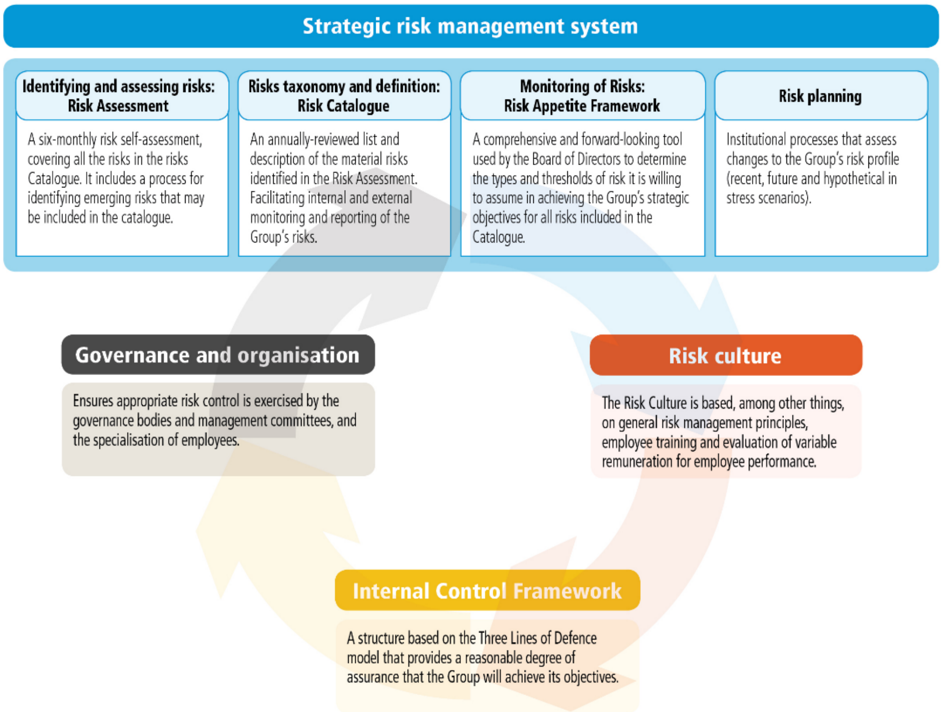
  The Group actively monitors the developments and initiatives in the aforementioned fields, e.g. participating in the sector debate of European guidelines on Spanish legislation. Similarly, it is associated with and active in the main global initiatives. Of all the initiatives in which CaixaBank is present, being a signatory of the Equator Principles for the consideration of ESG risks in large financing projects is particularly noteworthy. In addition, CaixaBank is associated with the UNEPFI (United Nations Environment Program Finance Initiative) and has demonstrated its support to the UNPRI (United Nations Principles for Responsible Investment) and the TCFD (Task Force on Climate-Related Financial Disclosures) of the Financial Stability Board, whose objective is to increase the relevance of climate-related risks and opportunities through reporting. Also, the Entity is included in the Carbon Disclosure Project (CDP - leadership category) for management and reporting on climate change.

Besides that, both VidaCaixa and CaixaBank Asset Management are adhered to the UNPRI (United Nations Principles for Responsible Investment) and the Climate Action 100+ initiative to drive the clean energy transition. In addition, within the framework of a rigorous, responsible and transparent decision-making process, the Group takes into account the ESG implications deriving from its admission policy. In this sense it strives to optimise the risk/return ratio and avoid, minimise, mitigate or remedy, insofar as possible, those factors that could entail a risk for the environment or community.

3.2. Risk control, management and governance

The main features of the Group's risk management and control framework are described below to provide a comprehensive overview thereof:

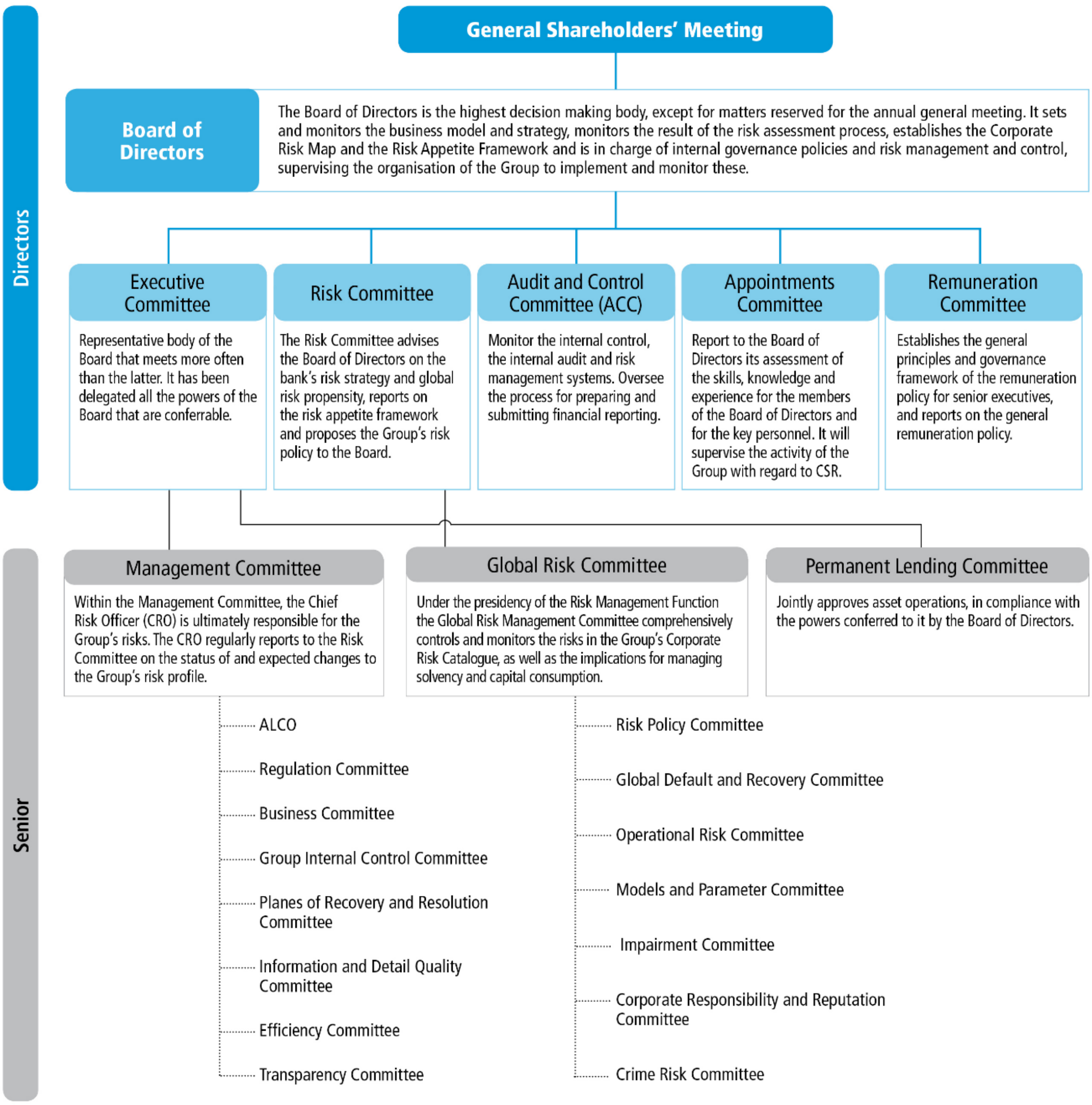
Risk governance, management and control



3.2.1. Governance and organisation

The organisational diagram in relation to the governance of the Group's risk management is set out below:

Organizational diagram



* Acting within the framework of the assigned duties it comprises several committees for risk governance, management and control.

As part of the executive team, the Chief Risks Officer (CRO) is a member of Management Committee, and is ultimately responsible for coordinating the management, monitoring and control of the Group's risks. The CRO operates independently of the business area and has full access to the Governance Bodies of the Group.

One of the General Management's most important missions, in collaboration with other areas of the Group, is to head the process of implementing instruments across the entire branch network to ensure integral risk management under Basel guidelines, the ultimate aim being to attain a balance between the risks assumed and the expected returns.

The Risk Management Function, as the element responsible for the development and implementation of the risk management and control framework and the second line of defence (see Note 3.2.4), acts independently of the risk-taking areas and has direct access to the Group's Governance Bodies, especially the Risk Committee, reporting regularly to its members on the status of the Group's risk profile and any expected changes thereof.

With the aim of boosting profitable and controlled growth of the Business, the General Risks Directorate has been transformed in 2018 to better align itself with the priorities of the new 2019-2021 Strategic Plan. This process has involved:

1. Gaining greater knowledge of the customer and the particularities of each portfolio, making it possible to maintain a proactive and preemptive approach.
2. Improving the function's efficiency and agility by a fresh impetus in automating processes and decision-making.
3. Strengthening the control environment and the corporate structure of the risk function.

The transformation plan for the risk function aims to turn it into a more agile organisation that is aligned and focused on achieving the strategic objectives within the Group's risk appetite.

3.2.2. Strategic risk management system

The Group has a strategic risk management system in place to identify, measure, monitor, control and report risks that is based on the following processes:

Risk Assessment

The Group carries out a process of self-assessment of risks every six months, seeking to:

- Identify, assess, classify and internally report significant changes in inherent risks assumed in its environment and business model.
- Make a self-assessment of its risk management, control and governance capacity, as a tool to help detect best practices and weaknesses in relation to risks.

The result of this self-assessment is reported at least annually, first to the Global Risk Committee and Risk Committee, secondly, and then approved by the Board of Directors.

Corporate Risk Catalogue

The Group has a Corporate Risk Catalogue that helps with the internal and external monitoring and reporting of the risks:

Corporate Risk Catalogue

Risks	Description
Business model risks	
Business returns	Obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital.
Eligible own funds/Solvency	Risk resulting from constraints on the Group's ability to adapt its level of capital to regulatory requirements or changes in its risk profile.
Funding and liquidity	Risk of insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.
Risks affecting financial activity	
Credit	Risk of a decrease in the value of the Group's assets due to uncertainty about a counterparty's ability to meet its obligations.
Impairment of assets	Reduction in the carrying amount of the shareholdings and non-financial assets (tangible, intangible, deferred tax assets (DTAs) and other assets) of the Group.
Market	Risk of decrease in value of the Group's assets or increase in value of its liabilities held for trading or to maturity, due to fluctuations in interest rates, credit spreads, external factors or prices in markets where such assets/liabilities are traded.
Interest rate risk in the banking book	Negative impact on the economic value of the balance sheet's items or on the financial margin due to changes in the temporary structure of interest rates and its impact on asset and liability instruments and those off the Group's balance sheet not recorded in financial assets held for trading.
Actuarial	Risk of a loss or adverse change to the value of the commitments assumed through insurance or pension contracts with customers or employees due to the differences between the estimate for the actuarial variables used in the tariff model and reserves and the actual performance of these.
Reputation and Operational risks	
Legal/Regulatory	The potential loss or decrease in the profitability of the CaixaBank Group as a result of changes in the legislation or in the regulation in force or due to conflicts of standards (in any field, including tax), in its interpretation or application by the corresponding authorities, or in its transfer to administrative or court rulings.
Conduct and compliance	Risk of CaixaBank applying criteria for action contrary to the interests of its clients or other stakeholders, or actions or omissions by the Group not compliant with the legal or regulatory framework, or internal policies, rules or procedures.
Technological	Risks of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyberattacks or other circumstances, that could compromise the availability, integrity, accessibility and security of the infrastructures and data.
Operating processes and external events	Risk of loss or damage caused by operational errors in processes related to the Group's activity, due to external events beyond its control, or due to third parties outside the bank, both accidentally and fraudulently. It includes errors in the management of suppliers, model risk and the custody of securities.
Reliability of financial reporting	Deficiencies in the accuracy, integrity and criteria of the process used when preparing the data necessary to evaluate the financial and equity position of the CaixaBank Group.
Reputational	The risk of loss of competitiveness due to the loss of trust in CaixaBank by some of its stakeholders, based on their assessment of actions or omissions, real or purported, by the Group, its Senior Management, its Governance Bodies, or because of related unconsolidated entities becoming bankrupt (step-in risk).

The Corporate Risk Catalogue is subject to ongoing review, particularly on risks of a material impact. The catalogue is reported at least annually, first to the Global Risk Committee and Risk Committee, secondly, and then approved by the Board of Directors.

Risk Appetite Framework

The Risk Appetite Framework (RAF) is a comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds of risk it is willing to assume in achieving the Group's strategic objectives. The RAF therefore sets the risk appetite for the activity.

Risk Appetite Framework

Body responsible / Priority dimensions	Equivalence in Risk Catalogue	Board of Directors (advised by the Risk Committee) Statements and primary metrics LEVEL I	Global Risk Committee Metrics that supplement and implement those of LEVEL I LEVEL 2	Risk and HR management areas/controllers Management levers LEVEL 3
Loss buffer The objective is to maintain a medium-low risk profile and a comfortable level of capital to strengthen customer trust by strengthening the financial soundness.	• Business profitability • Own funds and capital adequacy • Credit (default) • Impairment of other assets • Market • Structural interest-rate risk • Actuarial	• Regulatory solvency ratios • Model-based calculations and advanced methodologies • Accounting figures (cost of risk and NPL ratio)	• Detailed metrics that derive from the factorial decomposition of Level I metrics or from a greater breakdown. They also include more complex and specialised risk measurement parameters.	• Training and communication • Methodologies for risk measurement and assessment of assets and liabilities (FAR monitoring) • Limits, policies and powers • Incentives and appointments • Tools and processes
Funding and liquidity Certainty of its capability to comply with its financing obligations and needs, under adverse market conditions, through stable and diversified financing.	• Liquidity and financing	• Regulatory and internal liquidity metrics that ensure comfortable levels of liquidity		
Business composition Leader in retail banking and generation of revenue and capital in balanced and diversified manner.	• Credit (concentration)	• Indicators that encourage diversification (e.g. by borrower, sector) and minimise exposure to non-strategic assets.		
Franchise Activity with the highest ethical and governance standards, encouraging sustainability, social action and operating excellence.	• Legal and regulatory • Conduct and compliance • Technological • Operating processes and external events • Reliability of financial information • Reputational	• Quantitative metrics on non-financial risks (i.e. reputational, operational) • Metrics of number of incidents in compliance		

Alert System Reports

	Monthly to the Global Risk Committee				Quarterly to the Risk Committee	Half-yearly to the Board of Directors
	Green	**Tolerance**	**Non-compliance**	**Recovery Plan**		
Level 1		• The Global Risk Committee foments an action plan and draws up a schedule.	• Explanation of why corrective actions of the previous Plan have not worked and proposed action for Risk Committee approval.	• Governance Process of the Recovery Plan to reduce the possibility of bankruptcy. • Reduction process, minimising public cost.	• Trend of metrics and LEVEL I projection • State of non-compliance and action plans.	• Trend of metrics and LEVEL I projection • Non-compliance and action plans.
Level 2	Threshold-based					

Risk planning

The Group has institutional processes and mechanisms in place for assessing changes to the Group's risk profile (recent, future and hypothetical in stress scenarios). The Group plans the expected performance of the different factors and ratios that define the future risk profile, as part of the current Strategic Plan, with regular monitoring of compliance.

Additionally, changes in this profile are evaluated for potential stress scenarios, in both internal and regulatory tests (ICAAP, ILAAP, EBA stress tests). In this way, the management team and governing bodies are provided with an overview of the Group's resilience in the face of internal and/or external events.

3.2.3. Risk Culture

General risk management principles

The general principles guiding risk management at the Group can be summarised as follows:

- Risk is inherent to the Group's business.
- Risk is the ultimate responsibility of the Board of Directors and requires involvement of Senior Management
- Medium-low risk profile
- Involvement of the entire organisation
- Management throughout the full cycle of transactions
- Joint decision-making, with an authorisation system always requiring approval by two employees
- Independence of business and operating units
- Approval based on the borrower's repayment ability and an appropriate return
- The use of standard criteria and tools
- Decentralised decision-making
- Use of advanced techniques.
- Allocation of appropriate reserves

Training

Turning to risks specifically, the Senior Management define the content of any training for functions supporting the Board of Directors/Senior Management, covering specific matters that help high-level decision-making, as well as the rest of the organisation, especially branch network staff. This is carried out to ensure: communication of the RAF throughout the whole organisation; the decentralisation of decision-making; the updating of risk analysis competencies; and optimisation of risk quality.

The Group structures its training programme through the Risk School. It sees training as a strategic tool to provide support to business areas, whilst providing a conduit for disseminating the Group's risk policies, providing training, information and tools for all of the staff. This proposal comprises a training circuit for specialising in risk management. This is linked to the professional development of the entire workforce from Retail Banking staff through to specialists in any field.

The figures for the Group's main training initiatives in the field of promoting risk culture are as follows:

RISK CULTURE AND TRAINING

COURSE	TITLE	GROUP TRAINED	NUMBER OF INDIVIDUALS YEAR
Basic Banking Risk course *(fourth edition)*	Basic level university qualification	Generalist managers and staff from the branch network and other stakeholders who may need a basic knowledge of the organisation's risk management criteria to carry out their work	289
Postgraduate diploma in Banking Risk Analysis *(seventh edition)*	University diploma	Commercial branch deputy managers and managers and other stakeholders who, given their role, may be involved in approving loans or may require in-depth knowledge of risk	355
Specialist training in risks for AgroBank branches *(first edition)*	Speciality	Employees that make up the AgroBank branch network	1,169
Specialist training in risks for BusinessBank branches *(first edition)*	Speciality	Employees that make up the BusinessBank branch network	242
Specialist training in risks for Private Banking branches *(first edition)*	Speciality	Employees that make up the Private Banking network	366

Communication

Promoting the corporate culture of risks is a key element for maintaining a robust and coherent framework in line with the Group's risk profile. In this respect, it is worth emphasising the corporate risk Intranet, which constitutes a dynamic environment directly communicating the main updates of the risk environment. It is notable for its content on news, institutional information, sector information and training.

- In 2018, the Entity undertook a number of internal communication initiatives as a mechanism for disseminating the risk culture. In particular the analysis of the 2018 Stress test's results stands out: exercise to disclose the Group's results carried out on a mass scale via the corporate intranet, as well as in thematic sessions for employees with a special connection to the aspects related to stress tests.
- Annex IX to Bank of Spain Circular 4/2017 (transposition IFRS 9): once the new standard was implemented and the main implications of the change were set out, the entire network was sent a communication in which additional educational training was provided to better understand it, especially on an operational level.

Performance assessment and remuneration

As described in the RAF section, the Group works to ensure that the motivation of its employees is consistent with its risk culture and compliance with the levels of risk that the Board is prepared to take on.

Along these lines, there are compensation schemes directly linked to the annual progress of the RAF metrics and which are specified in the Annual Remunerations Report.

3.2.4. Internal Control Framework

The Group has an ICFR model in line with: i) the EBA Internal Guidelines on Internal Governance of 26 September 2017, implementing internal governance requirements established in Directive 2013/36/EU of the European Parliament, and ii) with other regulatory guidelines on control functions applicable to financial institutions and to the recommendations of the CNMV providing a reasonable degree of assurance that the Group will achieve its objectives.

The Internal Control Framework is structured around the three lines of defence model, in line with regulatory guidance and best practices in the sector:

Three lines of defence model

Corporate risks	First line of defence [1]	Second line of defence: B	Second line of defence: RMF [2]	Second line of defence: RMV	Second line of defence: IFC	Third line of defence
Business returns	Accounting, Management Control and Capital EM		●		●	Internal audit
Eligible Own Funds/Solvency	Accounting, Management Control and Capital EM		●		●	
Funding and liquidity	Finance EM		●			
Credit	Business GM, Risk GM, CIB and International Banking EM, NPL, Recoveries and Foreclosed Assets EM		●	●		
Impairment of assets	Intervention, Management Control and Capital EM, Legal Advice EM and Foreclosed Assets EM		●		●	
Market	Finance EM		●	●		
Structural interest-rate	Finance EM		●			
Actuarial	Insurance EM		●	●		
Legal and regulatory	Legal Advice EM	●				
Conduct and Compliance	Business GM, Legal Advice EM, Finance EM and CIB and International Banking EM	●				
Technological	Media EM		●			
Operating processes and external events	Media EM, Business GM and CIB and International banking EM		●	●		
Reliability of financial information	Accounting, Management Control and Capital EM		●		●	
Reputational	EM of Communication, Institutional Relationships, Brand and CSR and GM of Business	●				

(1) Areas of the Management Committee are identified, as well as other specific fields in particular.
(2) Risk Management Function, as per its name, comprising the Corporate Risk Management Function & Planning and its dependent fields including RMV.
RMF - Risk Management Function
RMV - Risk Model Validation
IFC - Internal Financial Control
C - Compliance
GM - General Management
EM - Executive Management

During the current year, in the context of the corporatisation of control functions, the limits of accountability, functional corporate limits and internal control limits of the subsidiaries have been formalised, in order to ensure that the risks are throughout the Group are monitored and controlled.

First line of defence

Comprising the business lines (risk takers) and support functions. They are responsible for developing and maintaining effective controls over their businesses, and for identifying, managing and measuring, controlling, mitigating and reporting the main risks that arise in their ongoing activity. Among other responsibilities, their tasks include the identification, assessment and notification of exposures, considering the bank's risk appetite, policies, procedures and controls.

The manner in which the business line carries out its responsibilities must reflect the bank's current risk culture, as defined by the Board of Directors.

These functions may be embedded in the business units and support areas. However, when the complexity, intensity or need to focus of the situation so require, specific control units should be set up, which are more specialised, to ensure that the risks relating to these activities are properly controlled.

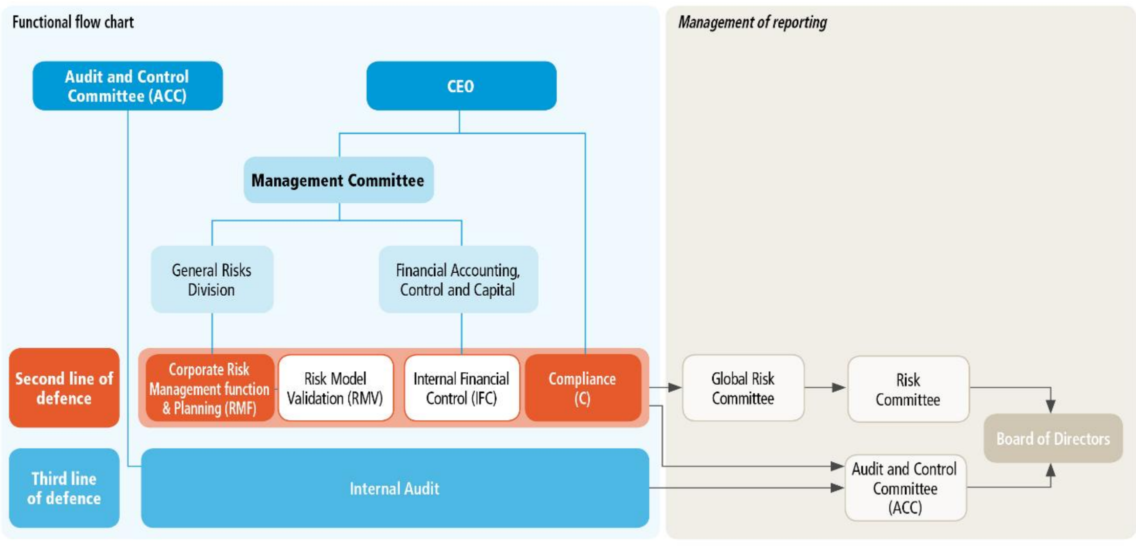
Second line of defence

The functions integrated in the second line of defence act independently of the business units and comprise:

- The establishment of risk management and control policies in coordination with the first line of defence, assessing their subsequent compliance.
- The identification, measurement and monitoring of the risks (including emerging risks), contributing to the definition and implementation of risk indicators aligned with the RAF.
- The identification of control weaknesses and establishment of action plans and their implementation.
- Independent internal or comparison validation of internal models.
- In addition, they coordinate the compliance and monitoring of the Risk Assessment process, the Corporate Risk Catalogue and the RAF

Activities of the second line of defence, as well as i) the identified weaknesses, ii) the monitoring of action plans and (iii) the opinion on the adequacy of the control environment in the Group are regularly reported to the bodies responsible for the control environment, following the established hierarchy, as well as to supervisory bodies.

Functional organisational and reporting diagram on the second and third



The second line of defence consists of:

- *Corporate Risk Management Function (RMF) & Planning*

  The RMF is responsible for identifying, monitoring, analysing, measuring, managing and reporting of risks, and for gaining a comprehensive view of all the Group's risks. For that purpose, all the aspects considered as relevant for carrying out its operations that are implemented by second line of defence functions without hierarchical dependency will be reported to the RMF.

  In addition, the RMF performs the following, on matters that fall within its remit: i) monitors the internal organisation of the second line of defence, general plans and activities, and evaluates their effectiveness; ii) oversees the appropriate scaling of the second line of defence in order to ensure effective management of its responsibilities, perform monitoring of the objectives, and of improvement projects relating to risk management and monitoring processes and systems; and iii) provides assurance to Management and Governance Bodies that risk control policies and procedures are in place in the organisation, and that they are designed correctly and applied effectively, evaluating the risk control environment. In addition, the RMF must reinforce coordination mechanisms of Risk Management Units of the first, second and third lines of defence, as necessary.

- Internal Financial Control (IFC)

  The Internal Control - Finance department, within the Financial Accounting, Control and Capital (FACC) department is integrated functionally into the RMF and performs functions as the second line of defence with regard to the following risks: i) business profitability; ii) own funds/capital adequacy; iii) impairment of other assets; and iv) the reliability of the financial information.

- *Compliance* (C)

  Compliance is a function that is dependent upon the CEO, and reports directly, within the scope of its activities, to the Senior Management, to the Governance Bodies, as well as to the supervisory bodies (Bank of Spain, ECB, SEPBLAC, Treasury, CNMV and other bodies).

  The Compliance supervision model is based on four main management levers: i) Definition and maintenance of a detailed taxonomy of risks in each area of action; ii) Annual compliance plan, where the activities for monitoring and reviewing internal procedures are determined according to their criticality; iii) monitoring gaps (control deficiencies or regulatory breaches) identified, either by the first line of defence, via the activities integrated in the Compliance Plan, or by reports from external experts, reports on the inspections of the supervisory bodies, and customer complaints, etc. and improvement Action Plans, which are subject to regular monitoring; iv) reporting and scaling of the relevant information, monitoring inspections or deficiencies in the area of Compliance.

  Similarly, the Compliance function carries out advisory activities on the matters under its responsibility, and carries out actions to develop and transform the Compliance "Culture". This is done so by redesigning technology-based processes, awareness-raising and communication plans throughout the organisation and by training actions, establishing a compulsory regulatory training plan linked to the annual bonus.

  Another activity undertaken is to ensure that best practices in integrity and rules of conduct are followed. To do this, among other things, an internal confidential whistle-blowing channel is provided for employees.

- Model Validation and Risk (internal validation)

  The function of internal validation in CaixaBank is carried out by the Model Validation and Risk unit, which reports to the RMF. Its objective is to issue an independent technical report on the suitability of internal models used for internal management purposes, and/or of a regulatory nature, within the Group. Its scope of action includes reviewing methodological and management (e.g. use of management models and tools, coverage levels, controls, governance, implementation of models in management processes) aspects, and verifying the existence of an IT environment with sufficient data quality to support the modelling needs.

  RMV's activities are aligned with regulatory requirements of the various oversight mechanisms.

  The findings of any RMV review activity are used as the basis for an overall opinion and several recommendations, where applicable. RMV focuses attention on the main deficiencies identified, adapting the level of monitoring recommendations and the scaling thereof according to their relevance.

Third line of defence

To guarantee the independence and powers of the audit function, Internal Audits reports functionally to the Audit and Control Committee – an expert board committee – and also reports to the Chairman of the Board of Directors.

Internal Audits has a rule book governing how it operates, approved by the Board of Directors. It establishes that it is an independent and objective assurance and consultation function, established to add value and improve operations. Its objective is to provide reasonable certainty to Senior Management and the Governance Bodies with regard to:

- The effectiveness and efficiency of internal control systems in offsetting the risks associated with the Group's activities.
- Compliance with prevailing legislation, especially the requirements of Supervisors and the appropriate application of the defined RAF.
- Compliance with internal policies and regulations, and alignment with best practices and uses in the sector, for adequate internal governance of the Group.

- The reliability and integrity of financial and operational information, including the effectiveness of Internal Control over Financial Reporting (ICFR).

Its main supervisory functions include:

- The adequacy, effectiveness and implementation of policies, regulations and procedures.
- The effectiveness of controls.
- Adequate measurement and monitoring of first line of defence and second line of defence indicators.
- The existence and correct implementation of action plans to remedy weaknesses of controls.
- The validation, monitoring and assessment of the control environment by the second line of defence.

Its functions also include: i) preparing the pluriannual Annual Audit Plan based on risk assessments, which includes regulatory requirements and tasks and projects requested by Senior Management/the Management Committee and the Audit and Control Committee; ii) reporting regularly on the conclusions of the work carried out and weaknesses identified to Governance Bodies, Senior Management, external auditors, supervisors and other applicable control and management areas; and iii) adding value by proposing recommendations to address weaknesses detected in reviews and monitoring their implementation by the appropriate centres.

3.3. Credit risk

3.3.1. Overview

Credit risk is the most significant risk item on the balance sheet and arises from the banking and insurance business, treasury operations and long-term equity investments.

The maximum credit risk exposure of the financial instruments included under the financial instruments headings on the asset side of the balance sheet, including counterparty risk, are set out below:

MAXIMUM EXPOSURE TO CREDIT RISK
(Thousands of euros)

	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING	CREDIT CONVERSION FACTORS (CCF)*
Financial assets held for trading (Note 11)	1,103,369		
Equity instruments	347,933		
Debt securities	755,436		
Financial assets not designated for trading compulsorily measured at fair value through	703,761		
Equity instruments	231,502		
Debt securities	144,988		
Loans and advances	327,271		
Financial assets at fair value with changes in other comprehensive income (Note 13)	21,888,237		
Equity instruments	3,564,945		
Debt securities	18,323,292		
Financial assets at amortised cost (Note 14)	248,300,295	(5,718,157)	
Debt securities	17,064,376	(4,742)	
Loans and advances	231,235,919	(5,713,415)	
Central banks	5,000		
Credit institutions	7,550,413	(298)	
Customers	223,680,506	(5,713,117)	
Trading derivatives and hedge accounting	3,906,270		
Assets under the insurance business (Note 17)	61,688,347		
TOTAL ACTIVE EXPOSURE	**337,590,279**	**(5,718,157)**	
TOTAL GUARANTEES GIVEN AND CONTINGENT COMMITMENTS	**89,026,365**	**(354,662)**	**(59,415,686)**
TOTAL	**426,616,644**	**(6,072,819)**	**(59,415,686)**

(*) CCF (*Credit Conversion Factors*) for guarantees given and commitments

The maximum exposure to credit risk is the gross carrying amount, except in the case of derivatives, which is the exposure value according to the mark-to-market method, which is calculated as the sum of:

- Current exposure: the highest value between zero and the market value of an operation or of a portfolio of operations in a set of operations that can be offset with a counterparty that would be lost in the event of non-payment of the counterparty, assuming that none of the value of the operations will be recovered in the event of insolvency or settlement beyond the collateral received.
- Potential risk: variation of the credit exposure as a consequence of the future changes of the valuations of operations that can be offset with a counterparty during the residual term until maturity.

Regarding its ordinary business, the group gears its lending activity towards meeting the finance needs of households and businesses in an environment of medium-low credit risk profile, in conformance with the RAF, while maintaining its position of leadership in loans to individuals and SMEs, while providing more value added services to the large companies segment, as set down in the 2015-2018 Strategic Plan.

The following principles and policies support the credit risk management at the Group:

- An appropriate relationship between income and the expenses borne by consumers.
- Documentary proof of the information provided by the borrower and the borrower's solvency.
- Pre-contractual information and information protocols that are appropriate to the personal circumstances and characteristics of each customer and operation.
- An appropriate independent assessment of real estate collateral.
- A Group-wide policy of not granting foreign currency loans to individuals.

3.3.2. Credit risk cycle

The full credit risk management cycle covers the entire life of the transaction, from feasibility studies and the approval of risks as per established criteria, to monitoring solvency and returns and, ultimately, to recovering non-performing assets. Diligent management of each of these stages is essential to successful recovery.

3.3.2.1. Admission and approval

The process for admitting and approving new loans is based on the analysis of four key issues: the parties involved, the purpose of the loan, the ability to repay and the characteristics of the transaction.

For this purpose, CaixaBank has developed an authority system based on an electronic file that includes all the relevant information so it can be analysed and resolved by the corresponding approval level. The approval levels are assigned by default to employees holding a position of responsibility according to the delegation established by Management as the standards associated with their position.

The authority system is based on the study of four key parameters:

- **Amount**: the amount applied for plus any risk already granted. The amount of the operation is defined based on two alternative methods according to the sector to which the operations belong:
    - Based on the accumulated expected loss of all the customer's transactions and those of its economic group. This is used for applications where the principal borrower is a private company or real estate developer classified in the Risk Information System (RIS) as a microenterprise, small enterprise, SME, medium-large company or large company.
    - Based on the nominal amount and collateral of all risks posed by the customer or its economic group. Applicable to natural persons and all other legal entities (very large companies, public sector entities, temporary joint ventures, etc.)
- **Guarantee**: the group of assets and/or funds pledged to secure fulfilment of a repayment obligation.
- **General Risk Policy**: raft of policies identifying and evaluating the relevant variables of each type of transaction. They mainly involve specific processing with reference to operations of a small relative amount, refinancing, person's alerts, risk monitoring activity, debt ratios and scoring diagnosis.
- **Term:** term of the requested transaction, correlated with the purpose of the transaction. There are specific policies according to the type of operation and its term, which require a higher level of authority for their approval.

In order to provide agility when granting to individuals and self-employed workers, there is an individual risk admission centre that is committed to responding to the applications within 48 hours, and they are pre-approved in certain cases through specific channels. Furthermore, applications by legal persons are distributed on a regional level via Risk Approval Centres (RACs), which manage the applications within their power levels, and transfer them to specialised Central Services centres in the event the application exceeds their powers. Except those that can be approved at branch level or by the Business Area Manager, the risk of operations can only be approved when countersigned by a business manager and risk manager.

Particularly, the internal organisation of Business Risk Approvals at Central Services is based on the following specialised structure, according to the type of risk and customer segment:

Corporate risk	Centralises business groups with annual turnover above EUR 200 million.
Company risk	Legal entities or business groups with turnover up to EUR 200 million and those with turnover over EUR 200 million not managed by Corporate centres.
Real estate risk	Covers developers in any segment, regardless of turnover, and real estate investment companies.
Tourism and Agri-Food risk	Covers all companies and business groups that operate in the tourism and food and agriculture sectors.
Project Finance	Includes all transactions presented under the project finance scheme.
Sovereign, Country and Financial Institution risk	Transactions of regional or central governments, town councils and local public agencies.
Country risk and Financial Sector risk	Management of bank counterparty risk and country risk inherent in funding transactions for the various segments.

Lastly, the Permanent Credit Committee holds the power to approve individual operations up to EUR 100 million, provided the accumulated risk with the customer is equal to or lower than EUR 150 million and, in general, it holds powers to approve operations that involve exceptions to the characteristics of those that can be approved in branches and in the RACs. In the event of exceeding the aforementioned amounts, the power of approval corresponds to the Executive Committee.

On the other hand, there are policies, methods and procedures for studying and granting loans, or responsible lending, as required in Act 2/2011 on Sustainable Economy and EHA Order 2899/2011 on transparency and protection of customers of banking services.

For pricing purposes, all the factors associated with the operation will be considered. In other words, costs involving structure, financing, customer historical profitability and expected loss of the operation. In addition to the previous costs, the operations must contribute compensation to the capital that will be calculated net of tax.

Tools related to pricing and RAR (Risk-Adjusted Return) allow the highest standards to be reached in controlling the balance between risk and return, making it possible to identify the factors determining the returns of each customer more easily and, thus, to analyse customers and portfolios in accordance with their adjusted returns.

The Chief Business Officer is responsible for approving the prices of the operations. Following on from this, the determination of the prices is subject a power system focused on obtaining compensation equal to the estimated cost of capital for the Group and, additionally, on establishing margins according to different businesses.

3.3.2.2. Mitigation of the risk

The Group's credit risk management profile is characterised by a prudent granting policy, at a price in keeping with the conditions of the borrower and suitable hedges/guarantees. In any case, long-term operations must have more robust guarantees due to the uncertainty deriving from the passing of time. These guarantees should never be used to substitute a lack of repayment capacity or an uncertain outcome for the operation.

For accounting purposes, effective guarantees or collateral are collateral and personal guarantees that can be demonstrated as valid as risk mitigators, according to: i) time required to enforce the guarantees; ii) the ability to realise the guarantees; and iii) the experience in realising guarantees. The different types of guarantees and collateral, along with the policies and procedures in their management and assessment, are as follows:

- Personal guarantees: most of these relate to risk operations with companies in which the collateral provided by the shareholders, irrespective of whether they are individuals or legal entities, is considered relevant. For individuals, collateral is estimated on the basis of asset declarations. Where the backer is a legal entity, it is analysed as the borrower for the purposes of the approval process.

- Collateral: the main types of collateral accepted are:
  - Pledged guarantees: they notably include the pledge of operations of liabilities or the intermediated balances. To be admitted as collateral, financial instruments must, among other requirements: i) be managed or deposited with the Group; ii) be free of liens and charges; iii) their contractual definition must not restrict their pledge; and iv) their credit quality or change in value must not be related to the borrower. The pledge remains until the loan matures or is repaid early, or it is derecognised.
  - Mortgage collateral: it is a real right on immovable property to secure an obligation.

Internal policies establish the following:

- The procedure for approval of guarantees and the requirements for drawing up operations, e.g. the documentation that must be supplied to the Group and the mandatory legal certainty of this documentation.
- The review processes for the appraisals registered, in order to ensure proper monitoring and control of the guarantees. Regular processes are also carried out to contrast and validate the appraisal values in order to detect any anomalies in the procedures of the appraisal entities acting as suppliers to the Group.
- The outlay policy, mainly concerning property development and self-development operations.
- Loan to value (LTV) of the transaction. The capital to be granted in mortgage operations is limited to percentages of the value of the guarantee, which is defined as the lowest amount out of the appraisal value and, if the transaction is a purchase, the value shown on the official deed. IT systems calculate the level of approval required for each type of transaction.
- Credit derivatives: guarantors and counterparty The Group occasionally uses credit derivatives, contracted with entities with a high credit level and protected by collateral contracts, to hedge against credit risk.

The detail of guarantees received in the approval of the Group's lending transactions is as follows:

CATEGORISATION BY STAGE OF THE AFFECTED GUARANTEES AND CREDIT INVESTMENT (*)
(Thousands of euros)

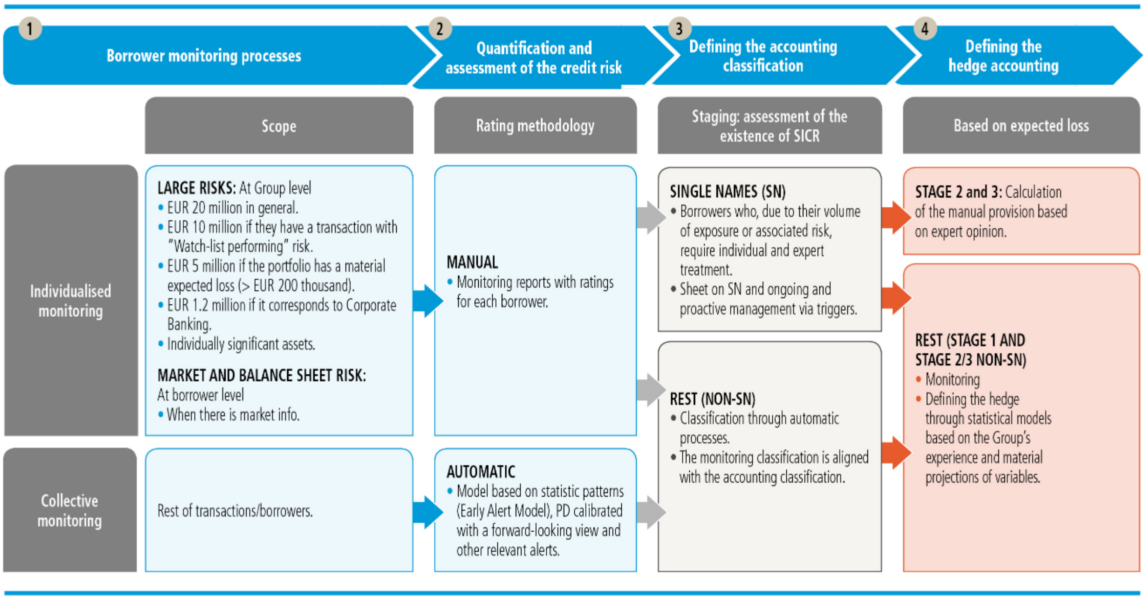
	31-12-2018			01-01-2018 (**)		
	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	VALUE OF COLLATERAL	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	VALUE OF COLLATERAL
Stage 1:	**194,618,247**	**(688,132)**	**290,246,154**	**191,743,509**	**(966,456)**	**317,648,901**
No collateral associated	78,459,195	(320,592)	0	75,395,044	(907,622)	0
With real estate collateral	110,276,145	(200,569)	284,512,331	107,093,703	(118,813)	301,992,488
With other collateral	5,882,907	(166,971)	5,733,823	9,254,762	59,979	15,656,413
Stage 2:	**16,327,557**	**(741,722)**	**24,636,323**	**15,663,409**	**(588,954)**	**14,415,418**
No collateral associated	4,882,433	(339,579)	0	5,973,838	(444,896)	0
With real estate collateral	10,856,058	(302,376)	24,098,951	9,050,368	(129,585)	14,018,436
With other collateral	589,066	(99,767)	537,372	639,203	(14,473)	396,982
Stage 3:	**10,732,835**	**(4,291,451)**	**15,604,700**	**13,780,771**	**(6,018,122)**	**15,456,007**
No collateral associated	2,614,591	(1,548,886)	0	3,630,156	(2,946,455)	0
With real estate collateral	7,896,696	(2,630,665)	15,526,731	9,895,923	(2,930,784)	15,352,133
With other collateral	221,548	(111,900)	77,969	254,692	(140,883)	103,874
LOANS	221,678,639	(5,721,305)	330,487,177	221,187,689	(7,573,532)	347,520,326
Stage 1:	2,016,212	(6,157)		1,870,592	(5,291)	
ADVANCES	2,016,212	(6,157)	0	1,870,592	(5,291)	0
TOTAL	**223,694,851**	**(5,727,462)**	**330,487,177**	**223,058,281**	**(7,578,823)**	**347,520,326**

(*) Includes loans and advances to customers under the headings "Financial assets at amortised cost" (Note 14) and "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" (Note 12)
(**) See section "Comparison of information" of Note 1.

On the other hand, counterparty risk mitigation measures are specified in section 3.3.5.

3.3.2.3. Monitoring and measurement of credit risk

The Group has a monitoring and measurement system that guarantees the coverage of any borrower and/or operation through methodological procedures adapted to the nature of each holder and risk:



1 Borrower monitoring processes

The objective is to reach a conclusion on the quality of the risk assumed with the borrower ("Monitoring Ratings") and any actions that need to be taken, including the estimation of impairment. The targets of risk monitoring are the borrowers that hold the debt instruments and off-balance-sheet exposures that bear credit risk, and the profit or loss is a reference for the future granting policy.

The exposure monitoring is guided by the Credit Risk Monitoring Policy, based on the exposure in question and the specific nature of the exposure and segregated into differentiated areas, in accordance with the various credit risk measurement methods.

The monitoring rating is an assessment of each customer's situation and risks. The different risk monitoring ratings are, from best to worse: imperceptible, low, medium, medium-high and non-performing; and they can be generated manually (in the case of the scope of borrowers under individualised monitoring) or automatically (for the rest).

According to the scope of monitoring and rating relating to the borrowers, it can be:

- **Customised monitoring:** These procedures are applied to exposures with a relevant amount and/or that contain specific characteristics. The monitoring of major risks leads to the issuance of group monitoring reports, concluding in a monitoring rating for the borrowers in the group.

- **Collective monitoring:** The ratings in this case are obtained by combining a statistical model, referred to as the Early Alert Model (EAM), the Probability of Default (PD) calibrated with a forward-looking view (consistent with the PD used to calculate the credit risk hedges) and other relevant alerts. Both the EAM and the PD are obtained at least on a monthly basis, and daily in the case of the alerts.

  Similarly, the EAM and PD models are subject to the Model Policy of the Group and they must fulfil the requirements included therein.

② *Quantification and assessment of the credit risk*

Credit risk quantifies losses that might derive from failure by borrowers to comply with their financial obligations, based on two concepts: expected loss and unexpected loss.

- **Expected Loss** (EL). It is the average or mathematical expectation of possible losses calculated by multiplying three factors: Exposure at default (EAD), Probability of default (PD) and Loss given default (LGD).
- **Unexpected Loss**. Potential unforeseen loss caused by a possible variability in losses with respect to the estimated expected loss, which may occur due to sudden changes in cycles, alterations in risk factors, and the dependence between the credit risk for the various debtors. Unexpected losses have a low probability and large amount, and should be absorbed by the Group's own funds. The calculation of unexpected loss is also mainly based on the operation's PD, EAD and LGD.

Credit risk parameters are estimated based on the historical default experience. To do so, the Entity has a set of tools and techniques for the specific needs of each type of risk, which are described below based on how they affect the three factors for calculating the expected loss:

- **Exposure:** The exposure provides an estimate of the outstanding debt in the event of default by the customer. This measurement is significant for financial instruments with a repayment structure that varies according to customer drawdowns (in general, any revolving credit product).

  The estimate is based on the internal default experience, relating the drawdown levels upon default and to drawdown levels over the 12 preceding months. To build the model, several variables are considered, such as product type, term to maturity and customer characteristics.

- **Probability of default**: the Group uses management tools covering virtually all of its lending business to help predict the probability of default associated with each borrower.

  These tools, implemented in the branch network and the risk monitoring and granting channels, were developed on the basis of NPL experience and include the measurements required to fine-tune the results both to the business cycle, with a view to securing relatively stable measures in the long term and to recent experience and future projections. The models can be classified according to their orientation toward the product or customer:

  - Product-oriented tools are used mainly within the scope of authorisation of new retail banking operations (approval scorings) and take account of the debtor’s characteristics, information derived from the customer relationship, internal and external alerts, and the specific characteristics of the operation to determine its probability of default.
  - Customer-oriented tools assess the debtor’s probability of default. They comprise behavioural 'scoring' models for the monitoring of risk of individuals and ratings or companies.

    Rating tools for companies are specific according to the customer segment. The rating process for micro-enterprises and SMEs, in particular, is based on a modular algorithm, which rates three different sets of data: the financial statements, the information drawn from dealings with customers, internal and external alerts and certain qualitative factors.

    As regards large corporations, the Group has models that seek to replicate and be coherent with the ratings of rating agencies and require the expert criteria of analysts. In view of the lack of sufficient frequency of internal default delinquency in this segment to draw up purely statistical models, the models were built in line with the Standard & Poor’s methodology, and thus the global default rates published by the rating agency could be used, making the methodology much more reliable.

  The customers are scored and rated on a monthly basis in order to keep the credit rating up-to-date, except for the rating of large corporations, which is updated at least annually, and whenever significant events occur that can alter the borrower's credit quality. For legal persons, the financial statements and qualitative information is updated periodically to achieve the maximum level of coverage of the internal rating.

- **Loss given default**: Loss given default (LGD) is the percentage of debt that cannot be recovered in the event of customer default.

  The historic loss given default is calculated using internal information, taking into account the cash flows associated with contracts from the moment of default. The models allow different loss given defaults to be obtained based on the guarantee, the loan to value relationship, the product type, the borrower's credit quality and, for uses in which it is required by regulation, the recessional conditions of the economic cycle. This calculation also makes an estimate of the indirect expenses (office staff, infrastructure costs and similar) associated with the recovery process. In the case of large businesses, loss given default also includes expert judgement elements coherent to the rating model.

In addition to regulatory use to determine the Group's minimum own funds and the calculation of hedges, the credit risk parameters (PD, LGD and EAD) are used in a number of management tools, e.g. the risk-adjusted return (RAR) calculation tool, pricing tools, customer pre-qualification tools, monitoring tools and alert systems.

③ *Defining the accounting classification*

The accounting classification of operations with credit risk among the different Stages of IFRS 9 (see Note 2) will be defined according to whether there has been a significant increase in credit risk (SICR) since the operation's initial recognition, and/or whether a default event has occurred.

It will be considered that there has been significant increase in credit risk (SICR) and, therefore, the operations will be classified as Stage 2, when there are weaknesses that can involve assuming significantly higher losses than expected at the time the credit is granted. Following on from this, to identify weaknesses in operations and borrowers, the Group has the aforementioned monitoring and rating processes.

For these purposes, the Group proceeds to the Stage 2 accounting classification when the borrower's rating has significantly deteriorated with respect to the start of the operation or when there is a relative increase of relevant PD also with respect to the start of the operation.

Lastly, as well as by applying of the previous criteria, the following operations are classified as Stage 2: i) operations included in sustainability agreements that have not reached the end of their trial period; ii) refinancing, refinanced or restructured operations that should not be reclassified as non-performing and that are still in the trial period; iii) operations made by insolvent borrowers that should not be classified as Stage 3 or write-offs; and iv) operations with amounts past due of over 30 days, unless proven otherwise.

Unless they are identified as refinancing, refinanced or restructured operations, those that no longer meet the conditions to qualify for Stage 2 will be classified as Stage 1.

With respect to refinancing, refinanced or restructured operations that classify as Stage 2 due to failing to proceed to classify them as Stage 3 on the date of refinancing or restructuring or due to having been reclassified from the Stage 3 category, they will remain identified as Stage 2 for a probationary period until they meet all the following requirements: i) it is concluded that they are unlikely to have financial difficulties and therefore it is highly probable that they will meet their obligations vis-a-vis the entity in both time and form; ii) a minimum period of two years has elapsed from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from Stage 3; iii) one of the borrowers must have no other operations with past due amounts for more than 30 days at the end of the trial period; and iv) the borrower has covered all the principal and interest payments from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from stage 3.

Furthermore, the borrower must have made regular payments of an amount equivalent to the whole amount (principal and interest) falling due at the date of the restructuring or refinancing operation, or that were derecognised as a result of it, or when it is deemed more appropriate given the nature of the operations that the borrower complies with other objective criteria that demonstrate their payment capacity. This implies that there are no contractual clauses that may delay repayments, such as grace periods for the principal.

It will be considered that there has been a **default** and, therefore, an operation will be classified at Stage 3 when – regardless of the holder and the guarantee – there is an amount overdue (capital, interests or contractually agreed costs) by more than 90 days, as well as the operations of all other holders when operations with past due amounts of over 90 days account for more than 20% of the amounts pending collection.

Operations classified in Stage 3 due to the customer being non-performing will be reclassified to Stage 1 or Stage 2 when, as a result of charging part of the overdue amounts, the reasons that caused their classification as Stage 3 disappear and there remain no reasonable doubts regarding their full repayment by the holder for other reasons.

Additionally, the following operations will be classified as Stage 3: i) operations with legally demanded balances; ii) operations in which the collateral execution process has been initiated; iii) operations made by insolvent borrowers that should not be classified as write-offs; iv) refinancing, refinanced or restructured operations classifiable as non-performing including those that having been classified as non-performing before the trial period, are refinanced or restructured or that have amounts that are more than 30 days past-due; and v) operations with holders who, after an individualised review, pose reasonable doubts regarding full repayment (principal and interest) in the contractually agreed terms.

Unless they are identified as refinancing, refinanced or restructured operations, those classified as Stage 3 for reasons other than the customer being non-performing can be reclassified to Stage 1 or Stage 2 if, as a result of an individualised study, the reasonable doubts regarding their full repayment by the holder in the contractually agreed terms disappear and there are no amounts overdue by more than ninety days on the date of reclassification to Stage 1 or Stage 2.

In the case of refinanced, restructured or refinancing operations, in order to consider the credit quality of the operation to have improved and, therefore, to proceed to reclassify it to Stage 2, all the following criteria must be verified in general: i) a period of one year has elapsed from the refinancing or restructuring date; ii) the borrower has covered all the principal and interest payments (i.e. the operation has no overdue amounts) thereby reducing the renegotiated principal, from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification to the non-performing category; iii) furthermore, regular payments must have been made of an amount equivalent to the whole amount (principal and interest) falling due at the date of the restructuring or refinancing operation, or that were derecognised as a result of it, or when it is deemed more appropriate given the nature of the operations that the borrower complies with other objective criteria that demonstrate their payment capacity; and iv) one of the borrowers must have no other operations with past due amounts for more than 90.

The exposures of borrowers declared subject to bankruptcy proceedings without an application for liquidation shall be reclassified to Stage 2 if the borrower has paid at least 25% of the credit from the entity that is affected by the bankruptcy proceedings (once the agreed debt reduction, if any, has been deducted), or if two years have elapsed since the order approving the creditors' agreement was registered with the Mercantile Register, provided that this agreement is being faithfully performed and the equity and financial situation of the corporation dispels any doubts regarding full repayment of its debts, all unless interest has been agreed that is noticeably lower than the market rate.

The process for determining the borrower's accounting classification is specified below:

- ***Single Name***: These borrowers are constantly assessed as regards the existence of evidence or indications of impairment, as well as a potential significant increase in credit risk (SICR) from the initial recognition, and losses associated with the assets of this portfolio are assessed.

  In order help with the proactive management of evidence and indications of impairment and a significant increase in risk, the Group has developed triggers, for borrowers and for the operation, that are grouped according to the sector to which they belong, since the latter conditions the type of information required to analyse the credit risk and the sensitivity to the evolution of variables indicative of the depreciation. The triggers are an indication of depreciation of the asset affecting the customer or the operations. These triggers are assessed by the analyst to determine the classification of the customer's operations in Stage 2 or Stage 3:

  - Global triggers:
    - Financial difficulties of the issuer or debtor. There are subjective doubtful triggers (i.e. unfavourable financial information on the debtor, measured via various ratios on the available financial statements) and triggers of a minimum of Stage 2 (due to deterioration of the monitoring rating).
    - A breach of contract, such as a default or delinquency in interest or principal payments. There are Stage 3 triggers (i.e. non-payments exceeding 90 days) and triggers of a minimum of Stage 2 (non-payments exceeding 30 days).
    - In the event of financial difficulties, the borrowers are given concessions or advantages that would otherwise not be considered. Trigger of a minimum of Stage 2 (refinancing).
    - Probability of the borrower declaring bankruptcy or restructuring. Stage 3 trigger (Declaration of Insolvency).
    - Market triggers. There are triggers referring to identifying financial difficulties of the debtor or issuer, referring to breaches of contractual clauses or to the disappearance of an active market for the financial security.
  - Specific triggers: For sectors such as property developers, project finance and public administrations.

    In cases in which, in the opinion of the analyst, contracts are classified as Stage 2 or Stage 3, the Entity proceeds to the expert calculation of the specific provision.

- **Other contracts (No Single Name):** As previously stated, when the borrower's rating has significantly deteriorated with respect to the start of the operation or when there is a relative increase of relevant PD also with respect to the start of the operation, the Entity proceeds to classify the contract at accounting Stage 2. For these purposes, the classification is revised on a monthly basis, using the most recent monitoring classification and PD classification, which are also updated monthly or more frequently.
  The rest of classification criteria in Stage 2 or Stage 3 are also revised monthly.

④ *Defining the hedge accounting*

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of the expected credit losses of operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including information of a prospective nature (forward looking).

Principles for measuring expected credit losses for the purpose of defining the credit risk loss hedges

The calculated hedging or provision is defined as the difference between the gross carrying amount of the operation and the estimated value of future expected cash flows, discounted at the original effective interest rate of the operation, considering the effective guarantees received.

The Group estimates the expected credit losses of an operation so that these losses reflect:

A a weighted and non-biased amount, determined through the assessment of a series of possible results;

B the time value of the money, and

C the reasonable and substantial information that is available at the reference date, at no disproportionate cost or effort, on past events, current conditions and forecasts of future economic conditions.

In line with applicable rules, the hedging calculation method is set according to whether the borrower is individually significant and its accounting category.

- If, in addition to being individually significant, the customer has operations that are non-performing (whether for reasons of delinquency or for other reasons) or in Stage 2, the specific allowances for the non-performing operations are estimated through a detailed analysis of customer flows, factoring in the status of their owner and the flows expected to be paid out, which are assessed using two methodologies according to the borrower’s capacity to generate flows from their activities.

- In all other cases, hedging is estimated collectively using internal methodologies, subject to the Policy of Models and Parameters in force, based on past experience of portfolio defaults and recoveries and factoring in the updated and adjusted value of the effective guarantees. Additionally, future economic condition predictions will be considered under various scenarios.

  To determine hedging for credit losses of portfolios under collective analysis, the Entity employs models to estimate the PD, probability of correcting defaulting cycles (specifically its complementary measurement, PNC); loss given loss (LGL) in the event of no correction; recoverable value models for mortgage guarantees (haircuts); and adjustments to include LifeTime or forward-looking effects, according to the agreement's accounting classification.

  The models used are re-estimated or re-entered every six months and they are executed monthly to adopt the economic situation of the environment at all times, and in order to be representative of the current economic context. This makes it possible to reduce the differences between estimated loss and recent observations. The models will include an unbiased view of the potential forward-looking evolution to determine the expected loss, taking into account further relevant macroeconomic factors: i) GDP growth, ii) the unemployment rate, iii) 12-month EURIBOR and iv) evolution of property prices. Following on from this, the Group generates a baseline scenario, as well as a range of potential scenarios that make it possible to adjust the estimated expected loss, based on its probability.

  The calculation process is structured in two steps:

  - Setting the basis for the calculation of allowances, in two steps:

    1 calculation of exposure, which is the sum of the gross carrying amount at the time of calculation plus off balance-sheet amounts (available or exposure) expected to be disbursed when the borrower fulfils the conditions to be considered non-performing.

2. Calculation of the recoverable value of the effective guarantees linked to the exposure. In order to establish the recoverable value of these guarantees, for real estate collateral the models estimate the amount of the future sale of the collateral which is discounted from the total expenses incurred until the moment of the sale.

- Establishing the hedging to be applied on this basis for the calculation of allowances:

  This calculation factors in the probability of the borrower defaulting on the operation obligations, the probability of the situation being remedied or resolved and the losses that would occur if this did not happen.

  For insignificant portfolios where it is considered that the internal model approach is not suitable due to the processes involved or a lack of past experience, the Group may use the default coverage rates established in the current national regulations.

Both transactions classified as not bearing appreciable risk and those that, due to their type of collateral, are classified as not bearing appreciable risk, could have 0% hedging. This percentage will only be applied to the hedged risk.

The hedges estimated individually or collectively must be coherent in terms of the way in which the different categories into which the operations can be classified are processed. Thus, the hedging level for an operation must be higher than the level that would correspond to it, if it were classified in another category of a lower credit risk.

The necessary improvements detected in the backtesting and benchmarking exercises are also inserted in the review cycles. Similarly, the models developed are documented so they can be replicated by a third party. The documentation contains key definitions, information regarding the process of acquiring samples and data processing, methodological principles and results obtained, as well as the comparison of said results with those of previous years.

CaixaBank has a total of 80 models, in order to obtain the parameters necessary to calculate the hedges using a collective analysis. For each of the risk parameters, different models can be used to adapt to each type of exposure. Specifically, the models include those indicated below:

- 18 Scoring and Rating parameter models
- 21 PD parameter models
- 9 EAD parameter models
- 19 PNC parameter models
- 9 LGL parameter models
- 3 Haircut parameter models
- 1 LT/FL transformation parameter model

Other subsidiaries also have their own internal models. In the case of BPI a total of 50 and in the case of CaixaBank Consumer Finance a total of 27.

Incorporation of forward-looking information into the expected loss models

The projected variables considered for businesses in Spain are as follows:

FORWARD LOOKING MACROECONOMIC INDICATORS IN SPAIN (*)

(% Percentages)

	2019	2020	2021
GDP growth			
Baseline scenario	2.4	2.3	2.2
Upside range	4.3	3.7	3.2
Downside range	0.9	1.2	1.6
Unemployment rate			
Baseline scenario	13.7	12.0	10.5
Upside range	12.4	10.1	8.4
Downside range	15.0	14.2	13.2
12M Euribor (average for the period)			
Baseline scenario	0.09	0.55	1.12
Upside range	0.23	0.85	1.71
Downside range	(0.17)	0.09	0.46
Evolution of property prices			
Baseline scenario	4.5	4.5	4.4
Upside range	7.3	6.5	5.6
Downside range	1.5	2.1	2.7

(*) Source: CaixaBank Research

The projected variables considered for businesses in Portugal are as follows:

FORWARD-LOOKING MACROECONOMIC INDICATORS IN PORTUGAL (*)

(% percentages)

	2019	2020	2021
GDP growth			
Baseline scenario	2.1	2.0	1.8
Upside range	2.9	2.3	1.8
Downside range	1.1	1.1	1.8
Unemployment rate			
Baseline scenario	6.9	6.4	6.4
Upside range	5.8	5.1	5.1
Downside range	9.1	8.9	8.9
6M Euribor (end of the period)			
Baseline scenario	0.09	0.57	0.88
Upside range	0.23	1.01	1.49
Downside range	(0.23)	0.09	0.25
Evolution of property prices			
Baseline scenario	1.4	1.8	1.9
Upside range	1.8	2.1	2.2
Downside range	0.6	1.0	1.1

(*) Source: CaixaBank Research

The weighting of the scenarios considered in each of the financial years for each sector is as follows:

WEIGHTING OF OCCURRENCE OF THE CONSIDERED SCENARIOS

(% percentages)

	BASELINE SCENARIO	UPSIDE SCENARIO	DOWNSIDE SCENARIO
Spain	40	30	30
Portugal	40	30	30

From 1 January 2018 the provisions models have been adapted to the IFRS 9 principles, which has involved a material change in order to evolve from a point-in-time vision of the expected loss under IAS 39 to a forward-looking or life-time vision according to the accounting classification of the exposure.

The Group has carried out a sensitivity exercise on the expected loss based on the changes of the key hypotheses applied in isolation to calculate the expected loss. Along these lines, the estimated sensitivity to a change in the GDP growth forecast, as the most relevant macroeconomic figure, for the following twelve months is shown below:

ANALYSIS ON SENSITIVITY TO EXPOSURE

(Millions of euros)

	VARIATION IN EXPECTED LOSS IN SPAIN	VARIATION IN EXPECTED LOSS IN PORTUGAL
GDP growth		
+0.5%	(81)	(7)
-0.5%	81	7

The models and the estimates on macro-economic variations are periodically reviewed to detect possible impairment in the quality of the measurements. This continual risk assessment provides information on the distribution of risk exposure in the various portfolios with respect to creditworthiness, expressed as a probability of default.

3.3.2.4. NPL management

The recovery activity has been a top priority in the Group's risk management in recent years. In this sense, the Group have strengthened the governance model and the operational framework on the management of problematic assets, and has a comprehensive view of the whole life cycle associated with the default recoveries process and management of foreclosed assets.

The branch network is responsible for this activity and it begins as a preventive activity before default or before an obligation falls due, and ends with recovery or definitive write-off. The capillarity and specialisation of the branch network make it possible to know the reality of the customer and detect the first indications of the borrower's solvency impairment to adopt opportune measures more diligently. Following on from this, the operations and their associated guarantees are monitored and, where applicable, claims are brought to recover the debt based on the following principles: i) prevention with the early detection of default risk; ii) activities intended to help the customer find solutions to situations of payment irregularities, considering its relationship; and iii) seeking the utmost anticipation to reach a better stance to deal with the debtor and other creditors.

Knowledge of and proximity to the customer enable especially vulnerable social situations to be managed in a differentiated way, mainly caused by an unfavourable macroeconomic environment experienced years ago. In this respect, the Group has also adhered to the Code of Good Practices for the viable restructuring of mortgage debts on primary residences included in Royal Decree-Act 6/2012 and its subsequent amendments, on measures to strengthen the protection of mortgage borrowers, debt restructuring and subsidised housing rentals. In this field, it has developed an Aid Plan and customised solutions for customers who are undergoing current economic hardships, who are willing to collaborate and have good historic behaviour. All these actions contribute to better progress in the default rate and strengthen the Group's connection and commitment to its customers.

The Group's policies and strategies in relation to problematic assets in the property development segment

The underlying criterion guiding the Group’s management of problematic assets in the property development segment is to help borrowers meet their obligations.

First, with the commitment of shareholders and the borrower, the Entity studies the possibility of granting grace periods so that the financed land can be developed, ongoing property development can be finalised and finished units can be sold. The analysis places special importance on the feasibility of projects, thereby avoiding a higher investment for those properties whose sale is not reasonably assured.

With regard to refinancing operations, the aim is to add new guarantees to reinforce those already in place. The policy is to not exhaust the current margin of value provided by the initial guarantees with further mortgages.

Lastly, when there is no reasonable possibility that the borrower can continue to maintain its position, the mortgaged asset is acquired. The acquisition price is calculated by relying on an appraisal conducted by a valuation company registered on the Bank of

Spain's official register. When the acquisition price is lower than the outstanding debt, the loan is written down to the foreclosure value.

Foreclosed assets

BuildingCenter is the Group's company responsible for the ownership of property assets in Spain, which basically originate from streamlining of the Group's credit activity through any of the following ways: i) acquisition at auctions held after assets have been foreclosed, mainly in relation to mortgage loans; ii) acquisition of mortgaged real estate assets of individuals, with the subsequent subrogation and cancellation of the debts; and iii) acquisition of real estate assets of companies, mainly property developers, to cancel their debts.

The acquisition process includes conducting full legal and technical reviews of the properties using the committees appointed for such purpose.

In all cases, purchase prices are based on appraisals performed by appraisal firms approved by the Bank of Spain and in accordance with the parameters set forth in the internal rules approved for this type of transaction.

The strategies undertaken for the sale of these assets are as follows:

- Individual sale: there is a servicing contract with Servihabitat Servicios Inmobiliarios, which performs multi-channel marketing activities over 5 years via its own branches, the external collaboration of the network of real-estate agents and has an active presence on the Internet. This marketing activity comes in addition to a key factor: support in prescribing properties generated by the branch network.
- Institutional sales: the strategy of the Group features institutional operations of sales of asset portfolios to other specialised companies.
- Completion of housing developments: a number of minor measures to improve some of these developments are made to ensure they can be sold. These measures are performed using the synergies of the Group.
- In-house property development: restricted to very specific transactions where the asset's quality and characteristics mean that developing the asset is the clearest and most secure means to recovering the investment.
- Rental: it is a means of benefiting from rising demand and generating recurring income, as well as creating added value on the property in the event of its future institutional sale.

The table below shows foreclosed assets by source and type of property:

FORECLOSED REAL ESTATE ASSETS 31-12-2018 (*)

(Thousands of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT OF ASSETS (**)	*OF WHICH: ALLOWANCES FOR IMPAIRMENT OF ASSETS (***)*	NET CARRYING AMOUNT
Property acquired from loans to real estate constructors and developers	**1,787,216**	**(494,264)**	***(215,276)***	**1,292,952**
Buildings and other completed constructions	1,646,011	(435,707)	*(193,414)*	1,210,304
Homes	1,357,441	(327,988)	*(124,272)*	1,029,453
Other	288,570	(107,719)	*(69,142)*	180,851
Buildings and other constructions under construction	29,206	(15,903)	*(8,363)*	13,303
Homes	11,859	(7,270)	*(2,794)*	4,589
Other	17,347	(8,633)	*(5,569)*	8,714
Land	111,999	(42,654)	*(13,499)*	69,345
Consolidated urban land	58,618	(16,716)	*(4,061)*	41,902
Other land	53,381	(25,938)	*(9,438)*	27,443
Property acquired from mortgage loans to homebuyers	**2,313,925**	**(495,648)**	***(200,863)***	**1,818,277**
Other real estate assets or received in lieu of payment of debt	**467,581**	**(146,480)**	***(46,020)***	**321,101**
TOTAL	**4,568,722**	**(1,136,392)**	***(462,159)***	**3,432,330**

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 2,479 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 213 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 27 million, as this is not included in business in Spain.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 5,852 million and total write-downs of this portfolio amounted to EUR 2,420 million, EUR 1,136 million of which are impairment allowances recognised in the balance sheet.

(***) From foreclosure

FORECLOSED REAL ESTATE ASSETS 31-12-2017 (*)

(Thousands of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT OF ASSETS (**)	*OF WHICH: ALLOWANCES FOR IMPAIRMENT OF ASSETS (***)*	NET CARRYING AMOUNT
Property acquired from loans to real estate constructors and developers	**9,889,708**	**(4,795,547)**	***(2,631,086)***	**5,094,161**
Buildings and other completed constructions	5,275,095	(1,939,084)	*(911,427)*	3,336,011
Buildings and other constructions under construction	835,392	(463,481)	*(176,374)*	371,911
Land	3,779,221	(2,392,982)	*(1,543,285)*	1,386,239
Property acquired from mortgage loans to homebuyers	**4,535,129**	**(1,342,466)**	***(617,750)***	**3,192,663**
Other real estate assets or received in lieu of payment of debt	**1,872,977**	**(778,178)**	***(375,059)***	**1,094,799**
TOTAL	**16,297,814**	**(6,916,191)**	***(3,623,895)***	**9,381,623**

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 3,030 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 473 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 53 million, as this is not included in business in Spain.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 20,083 million and total write-downs of this portfolio amounted to EUR 10,701 million, EUR 6,916 million of which are impairment allowances recognised in the balance sheet.

(***) from foreclosure

3.3.2.5 Refinancing policies

The Group has a detailed customer debt refinancing policy that contains the same general principles issued by the EBA for this type of operation.

The risk management procedures and policies applied allow for detailed monitoring of credit transactions. In this regard, any transaction uncovered whose terms may need to be changed due to evidence of impairment of the borrower's solvency is marked appropriately so the associated provision for impairment at the date of the change is made. Therefore, as these transactions are correctly classified and valued according to the Group's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

Refinancing

The detail of refinancing by economic sector is as follows:

REFINANCING OPERATIONS 31-12-2018

(Thousands of euros)

	TOTAL						
	WITHOUT COLLATERAL		WITH COLLATERAL				ACCUMULATED IMPAIRMENT IN FAIR VALUE DUE TO CREDIT RISK (*)
					MAXIMUM AMOUNT OF THE COLLATERAL THAT CAN BE CONSIDERED		
	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	51	144,761	445	72,668	39,958	0	(10,122)
Other financial corporations and individual entrepreneurs (financial business)	42	19,175	7	1,856	1,752	49	(13,189)
Non-financial corporations and individual entrepreneurs (non-financial business)	5,360	2,003,645	11,483	2,547,230	1,748,372	16,321	(1,530,791)
Of which: Financing for real estate construction and development (including land)	*416*	*113,412*	*3,288*	*893,672*	*628,335*	*1,795*	*(293,594)*
Other households	37,914	360,498	92,879	5,013,104	4,234,605	10,137	(946,832)
TOTAL	**43,367**	**2,528,079**	**104,814**	**7,634,858**	**6,024,687**	**26,507**	**(2,500,934)**

Memorandum items: Financing classified as non-current assets held for sale (*)

	OF WHICH NON-PERFORMING						
	WITHOUT COLLATERAL		WITH COLLATERAL				ACCUMULATED IMPAIRMENT IN FAIR VALUE DUE TO CREDIT RISK (*)
					MAXIMUM AMOUNT OF THE COLLATERAL THAT CAN BE CONSIDERED		
	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	13	5,523	144	14,977	3,391	0	(10,096)
Other financial corporations and individual entrepreneurs (financial business)	29	13,009	6	1,193	1,178	7	(13,031)
Non-financial corporations and individual entrepreneurs (non-financial business)	3,207	1,173,904	7,481	1,660,821	956,535	8,144	(1,430,437)
Of which: Financing for real estate construction and development (including land)	*289*	*77,993*	*2,007*	*559,414*	*339,711*	*1,735*	*(263,591)*
Other households	20,507	235,114	53,896	3,094,018	2,431,506	5,198	(867,848)
TOTAL	**23,756**	**1,427,550**	**61,527**	**4,771,009**	**3,392,610**	**13,349**	**(2,321,412)**

Memorandum items: Financing classified as non-current assets held for sale (*)

(*) Corresponds to "Non-current assets and disposal groups classified as held for sale".

REFINANCING OPERATIONS 31-12-2017

(Thousands of euros)

	TOTAL						
	WITHOUT COLLATERAL		WITH COLLATERAL				ACCUMULATED IMPAIRMENT OR LOSSES IN FAIR VALUE DUE TO CREDIT RISK (*)
					MAXIMUM AMOUNT OF THE COLLATERAL THAT CAN BE CONSIDERED		
	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	54	180,962	466	77,521	52,821		(6,880)
Other financial corporations and individual entrepreneurs (financial business)	60	36,587	12	1,394	1,306	4	(25,829)
Non-financial corporations and individual entrepreneurs (non-financial business)	8,484	2,961,308	13,434	3,342,143	2,209,914	28,729	(1,879,563)
Of which: Financing for real estate construction and development (including land)	*807*	*148,761*	*3,520*	*1,181,833*	*811,463*	*1,842*	*(415,869)*
Other households	37,163	349,021	95,946	5,421,689	4,737,552	8,957	(731,467)
TOTAL	**45,761**	**3,527,878**	**109,858**	**8,842,747**	**7,001,593**	**37,690**	**(2,643,739)**

Memorandum items: Financing classified as non-current assets held for sale *

	OF WHICH: DOUBTFUL						
	WITHOUT COLLATERAL		WITH COLLATERAL				ACCUMULATED IMPAIRMENT OR LOSSES IN FAIR VALUE DUE TO CREDIT RISK (*)
					MAXIMUM AMOUNT OF THE COLLATERAL THAT CAN BE CONSIDERED		
	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	17	64,208	164	19,360	12,303		(6,880)
Other financial corporations and individual entrepreneurs (financial business)	45	26,208	11	1,004	944	4	(25,784)
Non-financial corporations and individual entrepreneurs (non-financial business)	6,542	1,742,260	9,830	2,252,478	1,442,637	16,225	(1,791,722)
Of which: Financing for real estate construction and development (including land)	*711*	*112,666*	*2,361*	*842,721*	*522,361*	*1,790*	*(385,724)*
Other households	22,702	246,733	60,548	3,506,778	2,937,614	5,643	(699,648)
TOTAL	**29,306**	**2,079,409**	**70,553**	**5,779,620**	**4,393,498**	**21,872**	**(2,524,034)**

Memorandum items: Financing classified as non-current assets held for sale *

(*) Corresponds to "Non-current assets and disposal groups classified as held for sale".

Changes in refinanced transactions:

CHANGES IN REFINANCED TRANSACTIONS
(Thousands of euros)

	31-12-2018	31-12-2017
OPENING BALANCE	9,726,886	9,163,771
Additions due to business combinations (Note 7)		1,089,608
Refinancing and restructuring in the year	1,143,504	2,205,797
Memorandum items: Impact recognised in the statement of profit or loss for the year (*)	*(152,960)*	*(86,943)*
Debt repayments	(1,598,247)	(2,147,656)
Foreclosures	(157,520)	(287,469)
Derecognitions (reclassification to written-off assets)	(252,014)	(301,049)
Other changes (**)	(1,200,606)	3,884
FINAL BALANCE	**7,662,003**	**9,726,886**

(*) Covers the net allocation for the financial year of the refinanced contracts
(**) Includes changes in contract sales and rehabilitation of refinanced operations

3.3.3. Concentration risk

In the Corporate Risk Catalogue concentration risk is conceptually included within credit risk, although it covers all types of assets, as recommended by sector supervisors and they carry out best practices.

The Group has developed mechanisms to systematically identify its overall exposure with regard to a particular customer, product, industry or geographic location. Wherever it is considered necessary, limits on relative exposures have been defined, under the RAF.

Concentration in customers or in "large exposures"

As part of the approvals process, the Group monitors and ensures compliance with the regulatory limits (25% of eligible own funds) and the concentration risk appetite thresholds. At year-end, no breach of the defined thresholds had been observed.

Concentration by product type

CaixaBank monitors and reports – to the management and governance bodies – a full perspective of accounting positions, segregated by product and issuer/counterparty, classified under Loans and advances, debt securities, equity instruments, derivatives and guarantees given, that complement the other positions of the Group and of the secured investment and pension funds.

Risk by geographic area is as follows:

CONCENTRATION BY GEOGRAPHIC LOCATION 31-12-2018
(Thousands of euros)

	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	38,170,974	18,932,281	16,894,374	744,391	1,599,928
Public administrations	89,495,669	77,926,403	10,317,492	909,069	342,705
Central government	76,582,315	66,092,940	9,237,858	908,993	342,524
Other public administrations	12,913,354	11,833,463	1,079,634	76	181
Other financial corporations and individual entrepreneurs (financial business)	16,159,225	7,153,786	8,091,497	725,938	188,004
Non-financial corporations and individual entrepreneurs (non-financial business)	99,032,221	74,371,047	18,418,275	4,597,053	1,645,846
Real estate construction and development (including land)	6,150,634	5,638,431	510,754	782	667
Civil engineering	4,646,189	3,807,109	514,228	306,692	18,160
Other	88,235,398	64,925,507	17,393,293	4,289,579	1,627,019
Large corporations	52,516,492	36,071,373	11,757,113	3,527,063	1,160,943
SMEs and individual entrepreneurs	35,718,906	28,854,134	5,636,180	762,516	466,076
Other households	121,949,947	107,272,821	14,123,181	166,644	387,301
Home purchase	95,178,812	82,934,382	11,782,091	139,511	322,828
Consumer spending	15,349,520	14,251,491	1,048,586	13,689	35,754
Other	11,421,615	10,086,948	1,292,504	13,444	28,719
TOTAL	**364,808,036**	**285,656,338**	**67,844,819**	**7,143,095**	**4,163,784**

CONCENTRATION BY GEOGRAPHIC LOCATION 31-12-2017
(Thousands of euros)

	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	37,392,330	21,800,503	13,242,627	776,232	1,572,968
Public administrations	83,899,852	72,595,598	10,983,012	26,220	295,022
Other financial corporations and individual entrepreneurs	15,596,770	6,428,068	8,598,244	391,023	179,435
Non-financial corporations and individual entrepreneurs (non-	96,802,213	75,204,955	16,848,514	3,437,362	1,311,382
Other households	123,132,043	110,015,741	12,514,815	204,505	396,982
TOTAL	**356,823,208**	**286,044,865**	**62,187,212**	**4,835,342**	**3,755,789**

The detail of risk in Spain by Autonomous Community is as follows:

CONCENTRATION BY AUTONOMOUS COMMUNITY 31-12-2018

(Thousands of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	FOUNDATION	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	OTHER (*)
Central banks and credit institutions	18,932,281	133,237			1,697	875	532,397	16,149,594	960	1,243,623	541,504	328,394
Public administrations	77,926,403	1,159,098	145,077	193,927	191,811	264,267	4,009,423	3,631,076	533,106	668,312	658,804	378,562
Central government	66,092,940											
Other public administrations	11,833,463	1,159,098	145,077	193,927	191,811	264,267	4,009,423	3,631,076	533,106	668,312	658,804	378,562
Other financial corporations and individual entrepreneurs (financial business)	7,153,786	55,269	1,951	9,456	3,917	60,843	1,346,046	5,300,785	17,505	142,388	179,930	35,696
Non-financial corporations and individual entrepreneurs (non-financial business)	74,371,047	5,798,397	2,053,756	2,413,846	1,267,270	1,522,190	15,873,105	29,105,095	1,149,538	4,706,367	3,881,685	6,599,798
Real estate construction and development (including land)	5,638,431	723,550	240,502	295,349	25,629	161,474	1,362,891	1,882,004	123,730	359,721	157,594	305,987
Civil engineering	3,807,109	282,097	54,832	93,013	56,631	56,949	1,066,684	1,482,658	94,941	175,332	82,909	361,063
Other	64,925,507	4,792,750	1,758,422	2,025,484	1,185,010	1,303,767	13,443,530	25,740,433	930,867	4,171,314	3,641,182	5,932,748
Large corporations	36,071,373	917,093	736,927	879,258	318,803	434,947	5,982,615	19,612,502	456,802	1,421,622	2,656,934	2,653,870
SMEs and individual entrepreneurs	28,854,134	3,875,657	1,021,495	1,146,226	866,207	868,820	7,460,915	6,127,931	474,065	2,749,692	984,248	3,278,878
Other households	107,272,821	17,823,792	4,138,246	6,201,063	2,677,879	3,724,396	30,974,899	16,151,577	3,324,630	8,505,643	3,451,070	10,299,626
Home purchase	82,934,382	13,123,348	3,253,904	5,068,026	2,111,525	3,018,433	23,023,370	13,180,325	2,740,244	6,586,213	2,816,259	8,012,735
Consumer spending	14,251,491	2,592,496	544,748	830,103	336,810	381,738	4,605,532	1,677,027	345,836	1,171,371	381,377	1,384,453
Other	10,086,948	2,107,948	339,594	302,934	229,544	324,225	3,345,997	1,294,225	238,550	748,059	253,434	902,438
TOTAL	**285,656,338**	**24,969,793**	**6,339,030**	**8,818,292**	**4,142,574**	**5,572,571**	**52,735,870**	**70,338,127**	**5,025,739**	**15,266,333**	**8,712,993**	**17,642,076**

CONCENTRATION BY AUTONOMOUS COMMUNITY 31-12-2017

(Thousands of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	FOUNDATION	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	OTHER (*)
Central banks and credit institutions	21,800,503	59,006	80	19	34	1,921	475,447	20,108,786	506	279,618	636,164	238,922
Public administrations	72,595,598	1,302,401	172,962	315,481	134,985	139,396	4,135,801	3,114,721	556,624	1,017,414	675,124	628,488
Other financial corporations and individual entrepreneurs (financial business)	6,428,068	88,026	4,359	9,007	3,047	18,248	1,128,751	5,054,634	1,753	60,392	15,026	44,825
Non-financial corporations and individual entrepreneurs (non-financial business)	75,204,955	5,710,526	1,955,899	2,421,277	1,211,534	1,644,938	15,326,096	30,924,335	1,271,339	5,098,182	3,546,421	6,094,408
Other households	110,015,741	18,358,096	4,257,496	6,425,765	2,762,781	3,782,074	31,801,562	16,550,902	3,436,927	8,636,151	3,474,081	10,529,906
TOTAL	**286,044,865**	**25,518,055**	**6,390,796**	**9,171,549**	**4,112,381**	**5,586,577**	**52,867,657**	**75,753,378**	**5,267,149**	**15,091,757**	**8,346,816**	**17,536,549**

(*) Includes autonomous communities that combined represent no more than 10% of the total

Concentration by economic sector

Risk concentration by economic sector is subject to the RAF limits, differentiating between private business economic activities and public sector financing, and the channels of the internal report defined therein. Particularly, for the private business sector, a maximum concentration limit in any economic sector is established by aggregating the accounting positions recognised, excluding treasury repo/depo operations and those of the held-for-trading portfolio.

Loans to customers by activity were as follow (excluding advances):

CONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS 31-12-2018

(Thousands of euros)

	TOTAL	*OF WHICH: MORTGAGE COLLATERAL*	*OF WHICH: OTHER COLLATERAL*	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE) ≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	11,424,525	438,640	387,023	107,368	223,364	253,628	148,325	92,978
Other financial corporations and individual entrepreneurs (financial business)	1,539,638	362,855	582,847	616,512	239,087	79,052	8,963	2,088
Non-financial corporations and individual entrepreneurs (non-financial business)	81,844,107	*21,578,055*	*4,266,629*	9,247,236	7,921,958	3,994,721	2,243,164	2,437,605
Real estate construction and development (including land)	5,865,719	5,190,178	128,833	1,500,400	1,858,550	957,978	613,697	388,386
Civil engineering	4,230,073	492,908	79,750	223,557	202,901	77,275	20,548	48,377
Other	71,748,315	*15,894,969*	*4,058,046*	7,523,279	5,860,507	2,959,468	1,608,919	2,000,842
Large corporations	37,171,712	4,131,854	1,783,653	1,801,668	1,270,927	785,645	742,048	1,315,219
SMEs and individual entrepreneurs	34,576,603	11,763,115	2,274,393	5,721,611	4,589,580	2,173,823	866,871	685,623
Other households	121,149,064	*103,515,739*	*1,078,384*	30,285,847	37,734,020	28,045,999	6,000,659	2,527,598
Home purchase	94,961,956	93,922,105	322,921	25,830,647	34,528,860	26,305,862	5,429,532	2,150,125
Consumer spending	15,281,516	3,550,024	425,649	1,825,277	1,188,374	619,117	228,081	114,824
Other	10,905,592	6,043,610	329,814	2,629,923	2,016,786	1,121,020	343,046	262,649
TOTAL	**215,957,334**	**125,895,289**	**6,314,883**	**40,256,963**	**46,118,429**	**32,373,400**	**8,401,111**	**5,060,269**
Memorandum items: Refinancing, refinanced and restructured transactions	7,662,003	6,195,186	200,220	1,155,599	1,547,972	2,279,549	796,567	615,719

CONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS 31-12-2017

(Thousands of euros)

	TOTAL	*OF WHICH: MORTGAGE COLLATERAL*	*OF WHICH: OTHER COLLATERAL*	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE) ≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	11,745,147	*668,013*	*284,837*	153,224	258,260	377,941	88,869	74,556
Other financial corporations and individual entrepreneurs (financial business)	4,077,535	*408,601*	*915,013*	984,376	238,547	91,099	2,093	7,499
Non-financial corporations and individual entrepreneurs (non-financial business)	78,433,818	*23,681,280*	*3,911,756*	9,944,323	8,928,733	4,504,843	1,545,263	2,669,874
Other households	122,598,361	*106,574,210*	*1,107,742*	29,762,798	38,938,623	29,116,519	7,292,963	2,571,049
TOTAL	**216,854,861**	**131,332,104**	**6,219,348**	**40,844,721**	**48,364,163**	**34,090,402**	**8,929,188**	**5,322,978**
Memorandum items: Refinancing, refinanced and restructured transactions	9,726,886	7,329,779	324,966	1,286,103	1,894,209	2,323,024	1,214,748	936,661

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE AND ARREARS STATUS:

(Thousands of euros)

	31-12-2018			01-01-2018 (*)		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Loan type and status						
Public administrations	11,042,538	357,490	47,850	10,826,114	377,169	132,417
Other financial corporations	1,525,660	20,513	16,131	6,754,824	18,015	43,762
Loans and advances to companies and individual entrepreneurs	73,436,895	6,788,296	4,695,666	70,766,544	9,150,594	7,027,621
Real estate construction and development (including land)	8,350,901	1,211,181	1,146,645	7,183,849	1,744,104	1,877,469
Other companies and individual entrepreneurs	65,085,994	5,577,115	3,549,021	63,582,695	7,406,490	5,150,152
Other households	108,613,154	9,161,258	5,973,188	103,396,027	6,117,631	6,576,971
Home purchase	86,064,486	6,491,611	3,943,057	82,995,407	4,276,400	4,521,697
Other	22,548,668	2,669,647	2,030,131	20,400,620	1,841,231	2,055,274
TOTAL	**194,618,247**	**16,327,557**	**10,732,835**	**191,743,509**	**15,663,409**	**13,780,771**

	31-12-2018	01-01-2018
By arrears status		
Of which: default on payment of less than 30 days or up to date on payments	215,196,426	213,239,479
Of which: default on payment between 30 and 60 days	725,352	703,375
Of which: default on payment between 60 and 90 days	304,146	311,973
Of which: default on payment between 90 days and 6 months	608,430	839,030
Of which: default on payment between 6 months and 1 year	764,334	1,237,331
Of which: default on payment of more than 1 year	4,079,951	4,856,501
By interest rate type		
Fixed	55,625,229	42,272,042
Floating	166,053,410	178,915,647

(*) See Note 1.4 "Comparison of information and changes in scope of consolidation"

DETAIL OF HEDGES OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE

(Thousands of euros)

	31-12-2018			01-01-2018 (*)		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Public administrations	(9,565)	(143)	(13,645)	(62)	0	(99,612)
Other financial corporations	(1,357)	(478)	(20,831)	(76,636)	(21,681)	(86,442)
Loans and advances to companies and individual entrepreneurs	(350,186)	(410,215)	(2,316,349)	(782,093)	(472,622)	(4,062,444)
Real estate construction and development (including land)	(41,302)	(69,095)	(502,538)	(27,086)	(39,377)	(844,846)
Other companies and individual entrepreneurs	(308,884)	(341,120)	(1,813,811)	(755,007)	(433,245)	(3,217,598)
Other households	(327,024)	(330,886)	(1,940,626)	(107,665)	(94,651)	(1,769,624)
Home purchase	(163,573)	(161,551)	(1,212,074)	(14,791)	(43,506)	(1,026,308)
Other	(163,451)	(169,335)	(728,552)	(92,874)	(51,145)	(743,316)
TOTAL	**(688,132)**	**(741,722)**	**(4,291,451)**	**(966,456)**	**(588,954)**	**(6,018,122)**
Of which: identified individually		*(148,765)*	*(1,255,931)*		*(139,092)*	*(2,000,743)*
Of which: identified collectively	*(688,132)*	*(592,957)*	*(3,035,520)*	*(966,456)*	*(449,863)*	*(4,017,379)*

Concentration according to credit quality

The methodology applied to assign credit ratings to fixed income issuances is based on:

- Fixed-income instruments: the regulatory banking criteria defined in the CRD IV regulation and the CRR on capital requirements, and therefore, the second best rating of all those available is used, if more than two ratings are available.
- Loan portfolio: certification of the internal classifications to the S&P methodology.

Standard & Poor's sovereign ratings for the Kingdom of Spain at 31 December 2018 and 2017 was A-.

The risk concentration according to credit quality of credit risk exposures associated with debt instruments for the Group, at the end of the financial year, is stated as follows:

CONCENTRATION ACCORDING TO CREDIT QUALITY (NO INSURANCE GROUP) 31-12-2018
(Thousands of euros)

	FA AT AMORTISED COST (NOTE 14)									
	LOANS AND ADVANCES TO CUSTOMERS				FA HELD FOR TRADING	FA NOT HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHEN*SIVE INCOME	LOAN COMMITMENTS AND FINANCIAL GUARANTEES (NOTE 26)		
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.	(NOTE 11)	(NOTE 12)	(NOTE 13)	STAGE 1	STAGE 2	STAGE 3
AAA/AA+/AA/AA-	29,413,953	67,207	11		123		880,305	13,121,218	13,895	66
A+/A/A-	27,145,951	261,793	149	10,190,331	623,149		10,186,734	10,385,733	33,220	283
BBB+/BBB/BBB-	26,595,338	317,582	106	3,269,171	121,202	1,079	7,181,322	15,640,078	40,544	294
INVESTMENT GRADE	**83,155,242**	**646,582**	**266**	**13,459,502**	**744,474**	**1,079**	**18,248,361**	**39,147,029**	**87,659**	**643**
Allowances for impairment losses	(262,002)	(5,552)	(168)	(22)				(9,831)	(25)	(139)
BB+/BB/BB-	39,502,257	1,504,229	884	574,505	107	53,868	36,500	16,493,381	194,403	1,363
B+/B/B-	15,011,255	4,063,405	7,019	30,003				5,901,868	611,117	2,985
CCC+/CCC/CCC-	620,866	2,791,359	70,845	0				277,894	307,736	52,456
No rating	58,345,277	7,321,982	10,639,038	3,000,366	10,855	90,041	38,431	5,512,486	672,203	424,480
NON-INVESTMENT GRADE	**113,479,655**	**15,680,975**	**10,717,786**	**3,604,874**	**10,962**	**143,909**	**74,931**	**28,185,629**	**1,785,459**	**481,284**
Allowances for impairment losses	(432,287)	(736,170)	(4,276,938)	(4,720)				(51,721)	(26,354)	(152,724)
TOTAL	**195,940,608**	**15,585,835**	**6,440,946**	**17,059,634**	**755,436**	**144,988**	**18,323,292**	**67,332,658**	**1,873,118**	**481,927**

DEBT SEC.: debt securities.
FA: Financial assets
(*) Compulsorily measured at fair value through profit or loss

CONCENTRATION ACCORDING TO CREDIT QUALITY (INSURANCE GROUP) 31-12-2018 (*)
(Thousands of euros)

	FINANCIAL ASSETS HELD FOR TRADING - DEBT SEC.	AVAILABLE-FOR-SALE FINANCIAL ASSETS - DEBT SEC.	LOANS AND RECEIVABLES - DEBT SEC.
AAA/AA+/AA/AA-		917,870	
A+/A/A-	392,732	45,451,984	
BBB+/BBB/BBB-	552,780	4,744,154	264,496
INVESTMENT GRADE	**945,512**	**51,114,008**	**264,496**
Allowances for impairment losses			
BB+/BB/BB-		191,932	
B+/B/B-			8,408
CCC+/CCC/CCC-			
No rating	52	38,697	381,786
NON-INVESTMENT GRADE	**52**	**230,629**	**390,194**
Allowances for impairment losses			
TOTAL	**945,564**	**51,344,637**	**654,690**

(*) Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder, (Unit-links).

CONCENTRATION ACCORDING TO CREDIT QUALITY 31-12-2017
(Thousands of euros)

	LOANS AND RECEIVABLES - CUSTOMERS - LOANS AND ADVANCES AND FINANCIAL GUARANTEES	LOANS AND RECEIVABLES - DEBT SEC.	FINANCIAL ASSETS HELD FOR TRADING	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS
AAA/AA+/AA/AA-	43,189,521	16,904		588,501	
A+/A/A-	38,658,185	70,333	221,458	1,901,527	
BBB+/BBB/BBB-	51,629,552	481,581	1,786,483	63,726,678	11,070,415
INVESTMENT GRADE	**133,477,258**	**568,818**	**2,007,941**	**66,216,706**	**11,070,415**
BB+/BB/BB-	49,358,641	101,264	7,681	305,643	
B+/B/B-	21,733,805	358,779		982	14,414
CCC+/CCC/CCC-	4,497,800	58,488		113,571	
No rating	74,455,427	1,488,254	16,176	34,956	
NON-INVESTMENT GRADE	**150,045,673**	**2,006,785**	**23,857**	**455,152**	**14,414**
TOTAL	**283,522,931**	**2,575,603**	**2,031,798**	**66,671,858**	**11,084,829**

Concentration according to sovereign risk

The Group's position in sovereign debt is subject to the general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile:

- The position in public, regional and local debt is subject to the general concentration and country risk limits established. Regular control procedures are in place for both preventing new positions in countries in which there is a high risk concentration, unless express approval is given by the pertinent authority.

- For fixed-income securities, a framework is in place regulating the solvency, liquidity and geographic location of all of the fixed-income issues and any similar transaction implying payment in cash for the buyer and the assumption of the issuer's credit risk or related collateral. This control is exercised during the risk acceptance phase and throughout the life of the position in the portfolio.

- Public debt positions held on the Treasury Desk are subject to the framework for market risk control and limits.

The carrying amounts of the main items related to sovereign risk exposure for the Group, excluding the insurance business:

SOVEREIGN RISK EXPOSURE (EXCLUDING INSURANCE GROUP) 31-12-2018
(Thousands of euros)

COUNTRY	RESIDUAL MATURITY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING *	FL HELD FOR TRADING - SHORT POSITIONS
Spain	Less than 3 months	783,906	22,657	20,985		
	Between 3 months and 1 year	2,948,903	263,686	4,146,731		(9,424)
	Between 1 and 2 years	2,947,778	50,086	268,496		(94,923)
	Between 2 and 3 years	5,155,210	58,065	2,727,676		(32,924)
	Between 3 and 5 years	4,770,819	77,334	5,164,872	273,171	(100,387)
	Between 5 and 10 years	3,590,476	76,217	1,857,889		(45,455)
	Over 10 years	1,908,586	56,842	7,753		(47,958)
	TOTAL	22,105,678	604,887	14,194,402	273,171	(331,071)
Italy	Less than 3 months		1,317	178,819		
	Between 3 months and 1 year		17			(3,042)
	Between 1 and 2 years	401,223	1,117			
	Between 2 and 3 years	100,735	1,577	503,493		
	Between 3 and 5 years		9,323	409,463		(5,492)
	Between 5 and 10 years		1,290	250,502		(7,226)
	Over 10 years		2,886			
	TOTAL	501,958	17,527	1,342,277		(15,760)
Portugal	Less than 3 months	79,137		50,044		
	Between 3 months and 1 year		3,157	740,618		
	Between 1 and 2 years		28			
	Between 2 and 3 years	761,706	4,168			
	Between 3 and 5 years	90,364	366			
	Between 5 and 10 years	145,554	43			
	Over 10 years	16,653				
	TOTAL	1,093,414	7,762	790,662		
US	Between 3 and 5 years			880,305		
	TOTAL			880,305		
Other (**)	Less than 3 months	155,350		706		
	Between 3 months and 1 year	90,984				
	Between 1 and 2 years	3,689				
	Between 3 and 5 years	13,792	123			
	Between 5 and 10 years	113,052				
	Over 10 years	3,534				
	TOTAL	380,401	123	706		
TOTAL COUNTRIES		**24,081,451**	**630,299**	**17,208,352**	**273,171**	**(346,831)**

FA: Financial assets
FL: Financial liabilities
FV: Fair value
(*) Compulsorily measured at fair value through profit or loss
(**) Exposure to the United Kingdom is not significant

SOVEREIGN RISK EXPOSURE 31-12-2017
(Thousands of euros)

COUNTRY	LOANS AND RECEIVABLES	FA HELD FOR TRADING - DEBT SEC.	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY INVESTMENTS	FL HELD FOR TRADING - SHORT POSITIONS
Spain	10,725,431	705,660	12,380,925	9,696,923	(638,923)
Italy		124,255	1,396,882		(30,678)
Portugal	1,054,050	92,686	3,311,463		(58,943)
Other	309,591		693		(10,089)
TOTAL	**12,089,072**	**922,601**	**17,089,963**	**9,696,923**	**(738,633)**

FA: Financial assets
FL: Financial liabilities
DEBT SEC.: Debt securities

The carrying amounts of the main items related to sovereign risk exposure for the insurance business:

SOVEREIGN RISK EXPOSURE (INSURANCE GROUP) 31-12-2018
(Thousands of euros)

COUNTRY	RESIDUAL MATURITY	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FINANCIAL ASSETS HELD FOR TRADING - DEBT SECURITIES
Spain	Less than 3 months	51,505	392,843
	Between 3 months and 1 year	914,390	
	Between 1 and 2 years	889,435	
	Between 2 and 3 years	2,075,462	
	Between 3 and 5 years	2,567,787	
	Between 5 and 10 years	10,012,883	
	Over 10 years	27,750,458	
	TOTAL	**44,261,920**	**392,843**
Italy	Less than 3 months	7,917	
	Between 3 months and 1 year	135,577	1,723
	Between 2 and 3 years	575,872	
	Between 3 and 5 years	726,312	
	Between 5 and 10 years	361,051	
	Over 10 years	2,151,967	
	TOTAL	**3,958,696**	**1,723**
Portugal	Less than 3 months		451,868
	Between 3 months and 1 year		94,047
	Between 1 and 2 years		1,322
	Between 2 and 3 years	1,403	
	Between 3 and 5 years	10,281	26
	Between 5 and 10 years	5,433	
	Over 10 years		306
	TOTAL	**17,117**	**547,569**
Other	Less than 3 months	625	
	Between 3 months and 1 year	2,811	
	Between 1 and 2 years	4,403	
	Between 2 and 3 years	10,110	
	Between 3 and 5 years	2,865	
	Between 5 and 10 years	5,076	
	Over 10 years	40,933	
	TOTAL	**66,823**	
TOTAL COUNTRIES		**48,304,556**	**942,135**

FA: Financial assets
FL: Financial liabilities

SOVEREIGN RISK EXPOSURE (INSURANCE GROUP) 31-12-2017
(Thousands of euros)

COUNTRY	FINANCIAL ASSETS HELD FOR TRADING - DEBT SECURITIES	AVAILABLE-FOR-SALE FINANCIAL ASSETS
Spain	607,607	42,111,817
Italy		3,934,202
Portugal	2,794	
Other	341,576	71,366
TOTAL COUNTRIES	**951,977**	**46,117,385**

FA: Financial assets
FL: Financial liabilities

3.3.4. Information regarding financing for property development, home purchasing, and foreclosed assets

The main data regarding financing for property development, home purchasing and foreclosed assets are discussed below.

Financing for real estate construction and development

The tables below show financing for real estate developers and developments, including developments carried out by non-developers, business in Spain:

FINANCING FOR REAL ESTATE CONSTRUCTION AND DEVELOPMENT 31-12-2018
(Thousands of euros)

	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	CARRYING AMOUNT	EXCESS OVER THE MAXIMUM RECOVERABLE VALUE OF COLLATERAL
Financing for real estate construction and development (including land)	**6,004,037**	**(428,031)**	**5,576,006**	**896,876**
Of which: Non-performing	*862,283*	*(346,724)*	*515,559*	*354,355*
Memorandum items: Asset write-offs	2,783,766			
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	185,670,424			

FINANCING FOR REAL ESTATE CONSTRUCTION AND DEVELOPMENT 31-12-2017
(Thousands of euros)

	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	CARRYING AMOUNT	EXCESS OVER THE MAXIMUM RECOVERABLE VALUE OF COLLATERAL
Financing for real estate construction and development (including land)	**6,829,524**	**(636,609)**	**6,192,915**	**1,418,495**
Of which: Non-performing	*1,480,517*	*(549,323)*	*931,194*	*602,142*
Memorandum items: Asset write-offs	3,816,292			
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	185,256,929			

The following table shows the breakdown of financing for real estate developers and developments, including developments carried out by non-developers, by collateral:

FINANCING FOR REAL ESTATE DEVELOPERS AND DEVELOPMENTS BY COLLATERAL

(Thousands of euros)

	GROSS AMOUNT	
	31-12-2018	31-12-2017
Not real estate mortgage secured	**477,468**	**813,393**
Real estate mortgage secured	**5,526,569**	**6,016,131**
Buildings and other completed constructions	3,773,663	4,335,892
Homes	2,556,079	2,811,016
Other	1,217,584	1,524,876
Buildings and other constructions under construction	1,185,054	931,428
Homes	1,056,075	839,971
Other	128,979	91,457
Land	567,852	748,811
Consolidated urban land	345,480	422,489
Other land	222,372	326,322
TOTAL	**6,004,037**	**6,829,524**

The following table presents financial guarantees given for real estate construction and development, including the maximum level of exposure to credit risk (i.e. the amount the Group could have to pay if the guarantee is called on).

FINANCIAL GUARANTEES

(Thousands of euros)

	31-12-2018	31-12-2017
Financial guarantees given related to real estate construction and development	**93,087**	**175,478**
Amount recognised under liabilities	0	54,910

The table below provides information on guarantees received from real estate development loans by classification of customer insolvency risk:

GUARANTEES RECEIVED FOR REAL ESTATE DEVELOPMENT TRANSACTIONS

(Thousands of euros)

	31-12-2018	31-12-2017
Value of collateral	**13,471,229**	**14,883,082**
Of which: Guarantees non-performing risks	*1,382,641*	*2,519,777*
Value of other guarantees	**84,271**	**115,137**
Of which: Guarantees non-performing risks	*337*	*11,710*
TOTAL	**13,555,500**	**14,998,219**

The breakdown of home-purchase loans (business in Spain), as well as the annual financing granted to purchase homes from credit streamlining at the end of these financial years, is as follows:

LOANS GRANTED TO BUYERS OF FORECLOSED HOMES CREDIT
(Millions of euros)

	31-12-2018	31-12-2017
Financing granted in the year	1,371	988
Average percentage financed	65%	70%

Home purchase loans with mortgage at these dates by the loan-to-value (LTV) ratio, based on the latest available appraisal, are as follows:

HOME PURCHASE LOANS BY LTV (*)
(Thousands of euros)

	31-12-2018		31-12-2017	
	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*
Not real estate mortgage secured	**761,510**	**12,152**	**767,099**	**14,806**
Real estate mortgage secured, by LTV ranges (**)	**79,917,182**	**3,102,849**	**82,494,803**	**3,529,788**
LTV ≤40%	21,373,882	223,814	21,111,162	228,157
40% < LTV ≤ 60%	30,022,075	411,948	31,420,061	517,076
60% < LTV ≤ 80%	20,668,259	595,188	22,425,018	799,928
80% < LTV ≤ 100%	4,347,918	591,313	4,461,785	699,250
LTV > 100%	3,505,048	1,280,586	3,076,777	1,285,377
TOTAL	**80,678,692**	**3,115,001**	**83,261,902**	**3,544,594**

(*) Includes financing for home purchases granted by investees Unión de Créditos para la Financiación Inmobiliaria, EFC, SAU (Credifimo) and Corporación Hipotecaria Mutual.
(**) LTV calculated based on the latest available appraisals. The ranges for non-performing transactions are updated in accordance with prevailing regulations.

3.3.5. Counterparty risk generated by transactions with derivatives, repos, securities lending and deferred settlement transactions

3.3.5.1. Monitoring and measurement of counterparty risk

For banking counterparties, the maximum authorised exposure to counterparty credit risk for credit approval purposes is determined using a complex calculation, primarily based on ratings of the entities and on analysis of their financial statements. In transactions with other counterparties, including retail customers, derivative transactions relating to loan applications (loan interest rate risk hedging) are approved jointly with the application. All other transactions are approved depending on whether the assigned risk limit is met, or depending on individual analysis. Approval of transactions corresponds to the risk areas responsible for loan analysis and approval.

CaixaBank has put in place a specific internal framework for risk with Central Counterparties (CCPs), specifying how the limits for such entities are determined, and how exposure is calculated to determine the available balance on this limit.

The definition of limits for counterparty risk is complemented by internal concentration limits, mainly for country and large exposure risks.

Counterparty risk relating to derivative transactions is quantitatively associated with the related market risk. Similarly, the equivalent credit exposure for derivatives is understood as the maximum potential loss over the life of an operation that the bank might incur should the counterparty default at any time in the future. This is calculated using Monte Carlo simulation with portfolio effect and offsetting of positions, as applicable, at a 95% confidence interval, based on stochastic models incorporating the volatility of the underlying and all of the characteristics of the operations.

Counterparty risk exposure for repos and securities lending is calculated in CaixaBank as the difference between the market value of the securities/cash granted to the counterparty and the market value of the securities/cash received from the counterparty as collateral, considering the applicable volatility adjustments in each case.

It also considers the mitigating effect of collateral received under Framework Collateral Agreements. In general, the methodology for calculating counterparty risk exposure described above is applied during the acceptance of new operations and in recurrent calculations on subsequent days.

Counterparty risk in the Group for financial counterparties is controlled through an integrated system that provides real-time data on the available exposure limit for any counterparty, product and maturity. For the remaining counterparties, counterparty risk is controlled through corporate applications, which contain both the limits of the lines of derivatives risk (if any) and credit exposure of derivatives and repos. Risk is measured both in terms of current market value and future exposure (the value of risk positions in due consideration of future changes to underlying market factors).

3.3.5.2. Mitigation techniques for counterparty risk

The main risk mitigation policies and techniques employed for counterparty risk with financial entities involve:

- ISDA/CMOF contracts. Standardised contracts for global derivative operations with a counterparty. These explicitly provide for the possibility of offsetting the flows of outstanding collections and payments between the parties for all derivatives trading hedged by the contracts.
- CSA contracts / CMOF appendix III. Agreements whereby each of the parties undertake to provide collateral (usually a cash deposit) as security for the net counterparty risk position arising from the derivatives traded between them, on the basis of a prior close-out netting agreement included in the clauses of the ISDA/CMOF contracts.
- GMRA/ CME/ GMSLA contracts (repo agreements and securities lending). Agreements whereby the parties undertake to deliver collateral to each other for the net counterparty risk exposure arising from differences between the value of the sum accrued by simultaneous buying and selling of securities and the market value of the securities.
- Break-up clauses. Such clauses provide for early termination of the agreement by one of the parties of its own free will, at a certain point in a contract. This mitigates counterparty risk by reducing the effective duration of the operations subject to the clause, or reduce the counterparty's counterparty risk exposure.
- Delivery-versus-payment in securities settlement systems. Systems that eliminate settlement risk with a counterparty, since clearing and settlement occur simultaneously and in an inseparable fashion. One major system is the CLS system for delivery against payment in the case of simultaneous collection and payment flows in different currencies.
- Central Counterparties (CCPs). The use of CCPs in derivatives and repo transactions can mitigate the associated counterparty risk, as these entities act as intermediaries on their own account between the two parties to the transaction, thus absorbing the counterparty risk. The EMIR regulations set forth an obligation to clear certain OTC derivatives contracts through these Central Counterparties, as well as to give notification of all transactions conducted.

For non-financial counterparties, the mitigation techniques for counterparty risk involve: ISDA/CMOF contracts, Quadro Contracts (in BPI), CSA contracts/CMOF Appendix III and break-up clauses, pledges of financial guarantees and guarantees issued by counterparties with higher credit quality than the original counterparty in the operation.

Risk is often quantified by marking to market all outstanding transactions (normally on a daily basis). This entails revision and modification, as necessary, of the collateral delivered by the debtor. Meanwhile, the impact on collateral of a hypothetical downgrade to the Group's rating would not be significant as most of the collateral agreements do not include franchises related to its rating.

3.3.6. Risk associated with the investee portfolio

The risk relating to the investee portfolio is the risk associated with the possibility of incurring losses as the result of fluctuations in market prices and/or default on the positions making up the equity portfolio with a medium to long time horizon.

For investments intended to be held on a long-term basis, the most significant risk is credit risk, and, therefore, the PD/LGD approached is used where possible. For investments classified in the portfolio at fair value with changes in other comprehensive income, the calculation is carried out using the internal VaR model, as the most significant risk is market risk (see section 3.4.

"Market risk"). If the requirements for applying the aforementioned methods are not met, the simple risk-weighting method is applied in accordance with current regulations.

Controlling and financial analysis of the main investees are also performed through specialists exclusively responsible for monitoring changes in economic and financial data and for understanding and issuing alerts in the event of changes in regulations and fluctuations in competition in the countries and sectors in which the investees operate. These financial analysts also liaise with listed investees' investor relations departments and gather the information, including reports by third parties (e.g. investment banks, rating agencies) needed for an overview outlook of possible risks to the value of the stakes.

In general, with the most significant shareholdings, both the estimates of and actual data on investees' contributions to income and equity are updated regularly. In these processes, the outlook for securities markets and analysts' views (e.g. recommendations, target prices, ratings, etc.) are shared with Senior Management for regular comparison with the market.

3.4. Market risk

3.4.1. Overview

The market risk includes almost all the Group's trading portfolio, as well as the deposits and repos arranged by trading desks for management.

Risk factors are managed according to the return-risk ratio determined by market conditions and expectations, the limits structure and the authorised operating framework.

3.4.2. Market risk cycle

3.4.2.1. Monitoring and measurement of market risk

On a daily basis, the responsible departments monitor the contracts traded, calculate how changes in the market will affect the positions held (daily marked-to-market results), quantify the market risk taken, monitor compliance with global limits and analyse the ratio of actual return to the risk undertaken. With the results obtained from these activities, they produce a daily report on position, risk quantification and the utilisation of risk thresholds, which is distributed to Senior Management, the officers in charge of its management, Validation, Model Risk and the Internal Audit division.

As a general rule, there are two types of measurements which constitute a common denominator and market standard for the measurement of market risk:

Sensitivity

Sensitivity represents risk as the impact a slight change in risk factors has on the value of positions, without providing any assumptions about the probability of such a change.

Value-at-risk (VaR)

The benchmark market risk measurement is VaR at 99% with a one-day time horizon for which the RAF defines a limit for trading activities of EUR 20 million (excluding the economic hedging CDS for the CVA, recognised for accounting purposes in the held-for-trading portfolio). Daily VaR is defined as the highest of the following three calculations:

- The parametric VaR technique, based on the statistical treatment of parameters such as volatility and matching fluctuations in the prices and interest and exchange rates of the assets comprising the portfolio. It is applied to two time horizons: a 75-day data window, giving more weight to recent observations; and a one-year data window, giving equal weight to all observations.
- Parametric VaR with a covariance matrix arising from historical performance over one year and equal weightings.
- The historical VaR technique, which calculates the impact on the value of the current portfolio of historical changes in risk factors. Daily changes observed over the last year are taken into account, with a confidence interval of 99%. Historical VaR is an extremely useful system for completing the estimates obtained by the parametric VaR technique, since it does not include

any assumptions on the statistical behaviour of risk factors. The parametric VaR technique assumes fluctuations that can be modelled using normal statistical distribution. Historical VaR is also an especially suitable technique since it includes non-linear relationships between the risk factors.

Moreover, since a downgrade in the credit rating of asset issuers can also give rise to adverse changes in market prices, quantification of risk is completed with an estimate of the losses arising from changes in the volatility of the credit spread on private fixed-income and credit derivative positions (spread VaR), which constitutes an estimate of the specific risk attributable to the security issuers. This calculation is made using a historical method while taking into account the potentially lower liquidity of these assets, with a confidence interval of 99%, and assuming absolute weekly variations in the simulation of credit spreads.

Total VaR results from the aggregation of VaR arising from fluctuations in interest rates, exchange rates (and the volatility of both) and from the Spread VaR, which are aggregated on a conservative basis, assuming zero correlation between the two groups of risk factors, and the addition of VaR of the Equities portfolio and VaR of the commodities portfolio (currently with no position), assuming in both cases a correlation of one with the other risk factor groups.

The table below shows the average 1-day VaR at 99% attributable to the various risk factors at CaixaBank. The consumption levels are moderate and are concentrated on risk in the interest rate curve, which includes the credit spread on sovereign debt. The risk amounts for other factors have less significance. Compared to the previous year, exposure to corporate credit spreads decreased equity volatility risk increased:

PARAMETRIC VaR BY RISK FACTOR

(Thous. of euros)

	TOTAL	INTEREST RATE	EXCHANGE RATE	SHARE PRICE	INFLATION	COMMODITY PRICE	CREDIT SPREAD	INTEREST RATE VOLATILITY	EXCHANGE RATE VOLATILITY	SHARE PRICE VOLATILITY
Average VaR 2018	1,020	517	167	158	241	0	236	25	72	241
Average VaR 2017	1,116	612	141	144	299	0	332	44	82	188

The highest market risk levels, up to EUR 1.7 million, were reached in May, mainly as VaR anticipates a potentially negative movement in the daily market value of transactions with sovereign debt positions due to the rise of the volatility of the Spanish and Italian sovereign debt rates as a result of the news deriving from the government formed in Italy.

At BPI, the standard measurement for market risk is 10-day VaR at 99%. In 2018, the average 1-day VaR and maximum 1-day VaR at 99% for BPI trading activities was EUR 0.08 million and EUR 0.18 million, respectively.

Additional measures to VaR

As an analysis measurement, the Group completes the VaR measurements with the following risk metrics, updated weekly:

- **Stressed VaR** indicates the maximum loss on adverse movements in market prices based on a stressed historical period of one year, with a 99% confidence level and a daily time horizon (subsequently extrapolated to the regulatory horizon of 10 market days, multiplying by the root of 10). The stressed VaR calculation is leveraged by the same methodology and infrastructure as the historical VaR, with the only significant difference being the historical window selected.
- The **incremental default and migration risk** reflects the risk related to changes in credit ratings or breach of positions in fixed-income instruments and credit derivatives in the trading portfolio, with a confidence level of 99.9%, one-year time horizon, and a quarterly liquidity horizon, which is justified by the high liquidity of portfolio issuances. The estimate is made using Monte Carlo simulation of possible future states of external rating of the issuer and the issuance, based on transition matrices published by the main ratings agencies, where dependence between credit quality variations between the different issuers is modelled using Student's t-distribution.

The maximum, minimum and average values of these measurements in this year, as well as their value at the close of the period of reference, are shown in the following table.

SUMMARY OF RISK MEASUREMENTS - 2018
(Thousands of euros)

	MAXIMUM	MINIMUM	MEDIUM	LAST
1-day VaR	1,665	723	1,020	1,099
1-day Stressed VaR	6,916	2,299	3,774	3,090
Incremental risk	41,774	9,891	19,082	16,818

Capital requirements for market risk are determined using internal models as the sum of the 3 previous measurements, with a time horizon of 10 market days. It is displayed below:

CAPITAL REQUIREMENTS AT 31 DECEMBER 2018
(Thousands of euros)

	LAST VALUE	60-DAY AVERAGE	EXCEEDED	MULTIPLIER	CAPITAL
10-day VaR	3,475	3,208	2	3	9,625
10-day Stressed VaR	9,773	9,791	2	3	29,374
Incremental risk	16,818	20,095	-	-	20,095
TOTAL (*)					**59,094**

(*) Charges for VaR and stressed VaR are identical and correspond to the maximum between the last value and the arithmetic mean of the last 60 values, multiplied by a factor depending on the number of times the actual daily result was less than the estimated daily VaR. Similarly, capital for Incremental Default is the maximum of the last value and the arithmetic mean of the preceding 12 weeks.

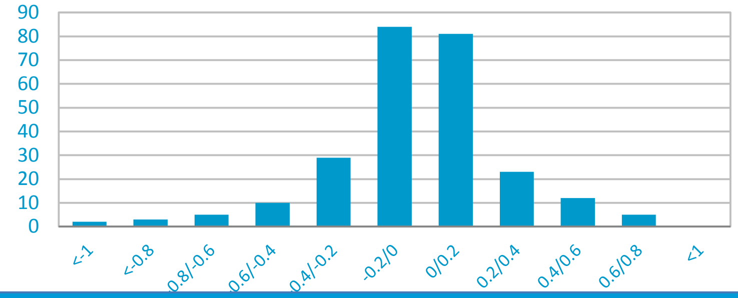
Backtesting

To confirm the suitability of the estimates of the internal model, daily results are compared against the losses estimated under the VaR technique, which is what is referred to as backtesting. The risk estimate model is checked in two ways, as required by the Regulator:

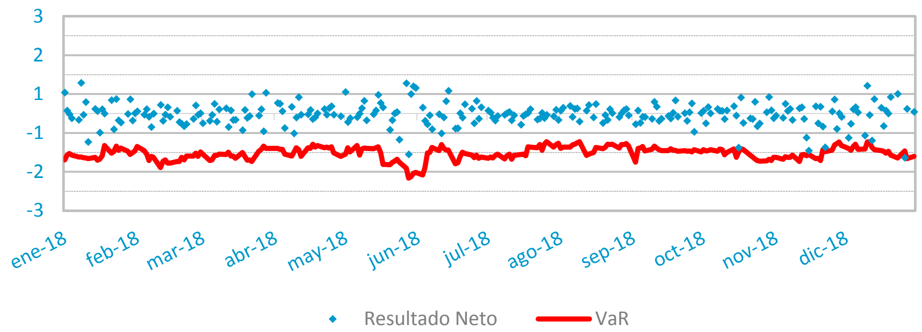
- Though net or hypothetical backtesting, which relates the portion of the daily marked-to-market result of open positions at the close of the previous session to estimated VaR over a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This backtesting is the most appropriate means of performing a self-assessment of the methodology.
- Gross (or actual) backtesting, which compares the total result obtained during the day (including intraday transactions) to VaR for a time horizon of one day, calculated on the basis of the open positions at the close of the previous session. This provides an assessment of the importance of intraday transactions in generating profit and estimating the risk.

The daily result used in both backtesting exercises does not include mark-ups, reserves, fees or commissions.

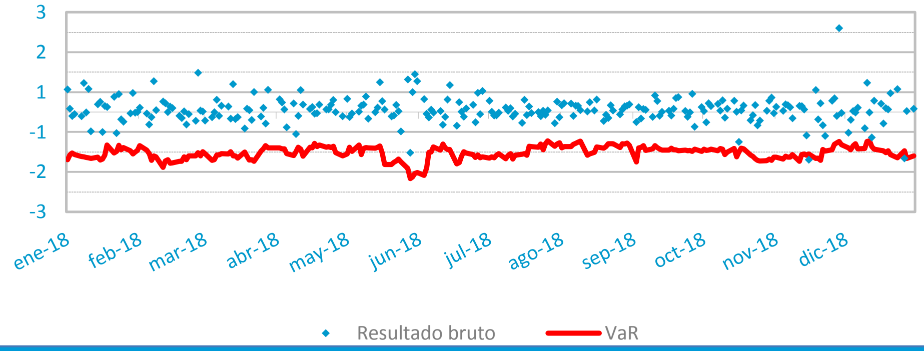
During the year, there were two excesses in the gross backtesting exercise and one excess in the net backtesting exercise:



Distribution of net results from trading activities in 2018
(Frequency – number of days. Millions of euros)



Distribution of daily net results vs. daily VaR
(Millions of euros)



Distribution of daily gross results vs. daily VaR
(Millions of euros)

Stress testing

Lastly, two stress testing techniques are used on the value of the trading positions to calculate the possible losses on the portfolio in situations of extreme stress:

- ***Systematic* stress**: this technique calculates the change in value of the portfolio in the event of a specific series of extreme changes in the main risk factors. It considers parallel interest rate shifts (rising and falling); changes at various points of the slope of the interest rate curve (steepening and flattening); variation of the spread between the instruments subject to credit risk and government debt securities (bond-swap spread); parallel shifts in the EUR/USD curves; higher and lower volatility of interest rates; variation of the euro with respect to the USD, JPY and GBP; variation in exchange rate volatility, share prices; and higher and lower volatility of shares and commodities.
- **Historical scenarios**: this technique addresses the potential impact of actual past situations on the value of the positions held.
- To complete these analyses of risk in extreme situations, a "**worst-case scenario**" is determined for the market activity as the state of the risk factors in the last year that would cause the heaviest losses on the current portfolio. This is followed by an analysis of the "distribution tail", which is the sum of the losses that would arise if the market factor movement causing the losses were calculated on the basis of a 99.9% confidence level.

Based on the set of measures described above, the management of market risk on trading positions in markets is in accordance with the methodological and monitoring guidelines.

3.4.2.2. Mitigation of market risk

As part of the required monitoring and control of the market risks taken, there is a structure of overall VaR limits complemented by the definition sublimits, stressed VaR and incremental default and migration risk, Stress Test and Stop Loss results and sensitivities for the various management units that could assume market risk.

The risk factors are managed using economic hedges on the basis of the return/risk ratio determined by market conditions and expectations, always within the assigned limits.

Beyond the trading portfolio, fair-value hedge accounting is used, which eliminates potential accounting mismatches between the balance sheet and statement of profit or loss caused by the different treatment of hedged instruments and their hedges at market values. In the area of market risk, levels for each hedge are established and monitored, expressed as ratios between total risk and the risk of the hedged items.

3.5. Operational risk

3.5.1. Overview

Operational risk is defined as the possibility of incurring losses due to the failure or unsuitability of processes, people, internal systems and external events. The objective that is pursued through its management consists of: improving the quality of business management, supplying information on operational risks to allow decisions to be made that ensure long-term continuity within the organisation, improvements to its processes and the quality of both internal and external customer service, in accordance with the regulatory framework established, and the optimisation of capital consumption.

The overall objective comprises a number of specific objectives:

- to identify and anticipate existing and/or emerging operational risks.
- to ensure the organisation's long-term continuity.
- to promote the establishment of continuous improvement systems for operating processes and the control structure.
- to exploit operational risk management synergies.
- to promote an operational risk management culture.
- to comply with the current regulatory framework and requirements for the applicability of the management and calculation models chosen.

3.5.2. Operational risk cycle

Although the standardised method is used to calculate regulatory capital, the Group's operational risk measurement and management is based on policies, processes, tools and methodologies that are risk-sensitive, in line with market best practices.

Operational risks are structured into four categories or hierarchical levels, from the most generic to the most specific and detailed:

- Tier 1 and 2: of the regulations
- Tier 3: Internal Group level based on identification of the risks detailed
- Tier 4: Individual risks, obtained after allocation of a tier 3 risk to a process or activity

Operational risk is measured with the following aspects:

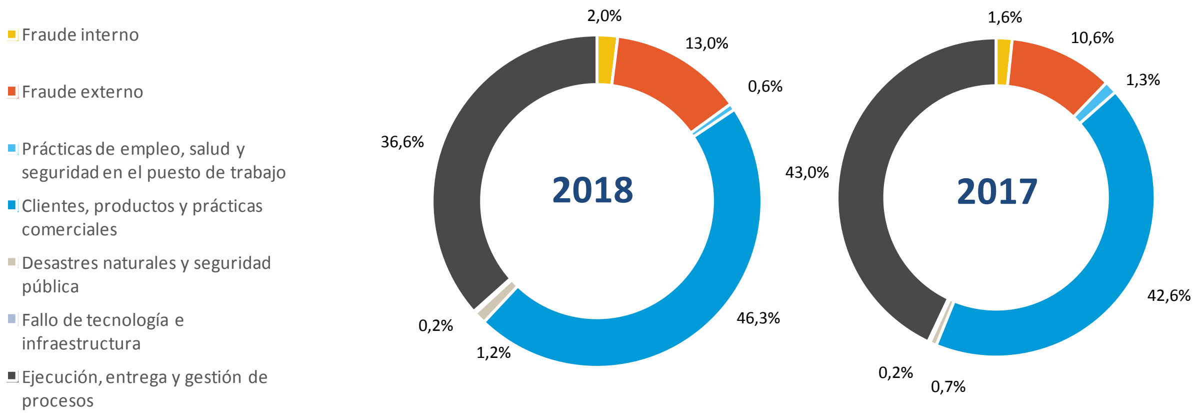
- **Qualitative measurement**: Operational risks are subjected to self-assessments on an annual basis, which with regard to operational risk, make it possible to: i) obtain greater knowledge of the operational risk profile and the new critical risk; and ii) maintain a standardised update process for the taxonomy of operational risks, which is the foundation upon which this risk's management is defined.

  A series of expert workshops and meetings are also held to generate hypothetical extreme operational loss scenarios. The objective is for these scenarios to be used to detect areas of improvement in the management and to supplement the available external and internal historical data on operational losses.

- **Quantitative measurement**: The internal operational loss database is one of the foundations for managing operational risk (and the future calculation of the capital for operational risk). With this aim in mind, the technological environment of the operational risk system provides all the functionality required and is fully integrated into the bank's transactional and information systems.

  An **operational event** is the implementation of an identified operational risk, an event that causes an operational loss. The operational event is the most important and central concept in the Internal Database model. An event can have none (in this case we refer to "near losses"), one, or multiple loss effects; loss effects are defined as each individual economic impact related to an operational loss or recovery.

  Gross losses by type of risk break down as follows:



Lastly, the internal historical data of operational losses are supplemented by external data. For this reason, the Group is registered with the ORX (Operational Riskdata eXchange) consortium, which anonymously exchanges operational loss information from banks on a worldwide level, and allows geographical subgrouping, among other functions, to manage risks (news service, working groups, methodological initiatives on operational risk). ORX requires its members to classify operational loss data using a series of parameters, both regulatory and proprietary. As a result, all of the parameters required by the ORX are reported in events in the database.

- Additionally, measurement via Operational Risk indicators (KRIs) is a quantitative/qualitative methodology that: i) enable us to anticipate the development of operational risks, taking a forward-looking approach to their management and ii) provide information on development of the operational risk profile and the reasons for this. A KRI is a metric that detects and anticipates changes in said risk; its monitoring and management is integrated in the operational risk corporate management tool. KRIs are not by nature a direct result of risk exposure. They are metrics that can be used to identify and actively manage operational risk.

3.5.3. Mitigation of operational risk

With the aim of mitigating the operational risk, action plans that entail appointing a centre to be in charge, setting out the actions to be undertaken to mitigate the risk, the percentage or degree of progress, which is updated regularly, and the plan's final commitment date have been defined. This allows mitigation via i) decreasing the frequency at which the events occur, as well as their impact; ii) possessing a solid structure of sustained control in policies, methodologies, processes and systems and iii) integrating into the everyday management of the Group the information provided by operational risk management levers.

In addition, the corporate insurance programme for dealing with operational risk is designed to cover certain risks, and it is updated annually. Risk transfer depends on risk exposure, tolerance and appetite at any given time.

3.6. Legal and regulatory risk

Legal and regulatory risk is defined as the potential loss or decrease in the profitability of the Group as a result of changes in the legislation or in the regulation in force or due to conflicts of standards (in any field, including tax), in its interpretation or application by the corresponding authorities, or in its transfer to administrative or court rulings.

To manage this risk accordingly from the Legal Advisory service, work is undertaken to continuously monitor and follow regulatory changes, defend the Group's interests (actively participating in the queries made by the regulators), analyse and adapt to regulations, identify risks, implement procedures, and argue the Group's case in legal proceedings.

Similarly, given the impact of the regulatory framework on the Group's activities and its potential impact on its long-term sustainability, Senior Management is implicated, via the Regulation Committee, the Transparency Committee and the Privacy Committee.

The main milestones of the ongoing regulatory agenda and its impact on the Group are focused on the environment of the prudential and accounting framework. In addition, it is particularly noteworthy how regulation has also increased in terms of customer and investor protection and digital and technological matters. These notably feature:

- Inclusion of various European Directives in Spanish regulations, specifically: i) the Mortgage Credit Directive (MCD); ii) the Basic Payment Accounts Directive (PAD); iii) the Second Payment Services Directive (PSD2); iv) the General Data Protection Regulation (GDPR); v) the Markets in Financial Instruments Directive (MiFID 2); vi) the Fourth Anti Money Laundering Directive (AMLD 4) and vii) the Insurance Distribution Directive (IDD).

- With regard to the banking sector's digital transformation, it has actively participated on a national level in setting up the new controlled testing mechanism (regulatory sandbox), and at European and international level, in: the European Commission FinTech Action Plan, the EBA Guidelines on externalisation to the cloud, initiatives regarding crowdfunding service suppliers and electronic communication privacy regulations (ePrivacy).

- In terms of taxation, the draft bills published on 23 October 2018 have been especially monitored: i) Draft bill for the Tax on Financial Transactions; ii) Draft bill for the Tax on Specific Digital Services; and iii) Draft bill for Measures to Prevent and Combat Tax Fraud.

Similarly, the Group has worked actively in the implementation of different standards, although certain aspects of the European Union Directives and/or Regulations involved are still pending full incorporation into Spanish legislation. In particular, the General Regulation on Data protection, PSD2, MiFID 2, the directive on property credit agreements and the directive on payment account switching and access to payment accounts with basic features (PAD).

Similarly, decisions made by the High Court have been adopted and general projects have been carried out to improve the formal and material transparency of contractual documents with consumers and specific actions to improve risk management and the effectiveness of the control measures.

3.7. Conduct and compliance risk

Insofar as operational risk is concerned, conduct and compliance risk is defined as the Group's risk arising from the application of conduct criteria that run contrary to the interests of its customers and stakeholders, along with deficient procedures resulting in acts or omissions that are not compliant with the legal or regulatory framework, or with internal codes and rules, and which could result in administrative sanctions or reputational damage. The objective of the Group is: i) to minimise the probability of this risk occurring and ii) if it does, to detect, report and address the weaknesses promptly.

The management of compliance and conduct risk is not limited to any specific area, but rather the entire Group. All employees must ensure compliance with prevailing regulations, applying procedures that capture regulations in their activity.

In order to manage compliance and conduct risk, the dissemination and promotion of the values and principles set out in the Code of Business Conduct and Ethics are encouraged, and its members and other employees and Senior Management must ensure that they are compliant as a core criterion guiding their day-to-day activities. Therefore, as the first line of defence, the areas whose business is subject to compliance and conduct risk implement and manage a first level of indicators and controls to detect potential sources of risk and act effectively to mitigate them.

Exists currently a particular litigiousness in Spain linked, among others matters, to contracts with consumers, financial instruments and control regulatory that, after the legal corresponding risk assessment, has, where applicable, corresponding provisions that they give coverage to the eventual resources exit when results probable a legal decision or adverse administrative process.

The Group has policies, criteria, analysis and follow-up procedures as well as of controls specific to regular character with the aim of identifying and updating the provisions necessary to cover the current obligations emerged as a result of last facts of which you can derive financial damages provided that is considered probable its quip derived from unfavourable resolutions, both judicial and extrajudicial (i.e. claims clients) sanctioning office workers, urged against the Group in the civil orders, penitentiary, tax and confrontational office worker.

3.8. Technological risk

It refers to risks of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyberattacks or other circumstances, which could compromise the availability, integrity, accessibility and security of the infrastructures and data. The risk is broken down into 5 categories that affect ICT (Information and communications technology): i) availability and continuity; ii) security; iii) change; iv) data integrity; and v) outsourcing.

Its measurement is included in a level-2 monthly-monitored RAF indicator, calculated using individual indicators linked to the governance of information technologies, information security and technological contingencies. Resources carries out regular reviews of a sample of indicators. This review verifies the quality of the information and validates the methodology used in creating the indicators reviewed.

The governance frameworks available in the area of technological risk have been designed according to leading international standards, applied in the areas of:

- IT governance, designed and developed under the ISO 38500 standard.
- Information security, designed and developed under the ISO 27001 standard.
- Technological contingency, designed and developed under the ISO 27031 standard.

Specifically, business continuity refers to the capability of an organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident. Its management consists in identifying potential threats to the organisation and the impacts to operations. It provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value - creating activities.

Within this scope, CaixaBank has adopted and maintained a Business Continuity Management System (BCMS) based on the international ISO 22301:2012 standard and certified by the British Standards Institution (BSI), with number BCMS 570347. Similarly, CaixaBank has been designated a critical infrastructure operator by virtue of the provisions of Act 8/2011 and is under the supervision of the National Centre for the Protection of Critical Infrastructures dependent on the State Secretary of Home Office Security.

Furthermore, CaixaBank holds a general emergency plan and various internal regulations on security measures in different areas of the Group, which include priority aspects such as: i) cybersecurity strategy; ii) the fight against customer fraud and internal fraud; iii) data protection; iv) security governance and disclosure; and v) supplier security.

3.9. Risk of operating processes and external events

Within the context of operational risk, this is defined as the risk of losses or damage caused by operational errors in processes related to the Group's activity, due to external events beyond its control, or due to third parties outside the Group, both accidentally and fraudulently. It includes errors in the management of suppliers, model risk and the custody of securities.

All of the Group's areas and companies are responsible for the operational risks that arise from operating processes and external events within their respective remits. This implies identifying, assessing, managing, controlling and reporting the operational risks of their activity and helping the Group's Operational Risk Division to implement the management model.

3.10. Risk of reliability of financial reporting

The Financial Information Reliability Risk is the risk of damage, whether financial or other, stemming from possible deficiencies in the accuracy, integrity and criteria of the processes used in preparing the data necessary to evaluate the financial and equity situation of the Group.

The accounts closing constitutes the fundamental pillar of almost all the financial information that is generated in the Group. The 1st line of defence activities on the accounts closing process include: i) defining accounting criteria to apply in the Group as well as the processing of the unique corporate operations and transactions; ii) reviewing the reasonableness of the judgements and estimates as well as of the rest of the changes in accounting figures; iii) monitoring the implementation of new accounting circuits and standards as well as analysing the differences between estimated and actual impacts; iv) working on and controlling the applications and other manual processes and v) coordinating the Group's companies to prepare the consolidated accounting closings.

To manage and monitor the Reliability Risk of the Financial Information, the Group has a System of Internal Control over Financial Reporting (ICFR), which is defined as the set of processes that are carried out to provide reasonable assurance on the reliability of financial information published by the Group in the markets. It is designed in accordance with the guidance established by the Spanish National Securities Market Regulator (CNMV) in its document "Guidelines on Internal Control over Financial Reporting in Listed Companies" (companies issuing securities admitted to trading). For further information, see section F of the Annual Corporate Governance Report, accompanying the Comprehensive Management Report.

This risk is managed by assessing whether the financial information reported by the various companies composing the Group complies with the following principles:

- The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
- The information includes all transactions, facts and other events in which the Group is the affected party (completeness).
- The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
- The transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).

- The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

It is worth also noting the existence in the Group of the "Policy on disclosure and verification of financial information" approved by the Board of Directors, the main objectives of which are:

- Define the scope of information to disclose, the general policy and criteria related to control and verification of financial information.
- Provide the Group with a reference framework that allows management of the reliability risk of the financial information to be disclosed, and standardises control activities.
- Define the governance framework to be followed both for information to disclose and for verification of documentation.

3.11. Structural interest rate risk

3.11.1. Structural interest rate risk

The management of this risk by the Group seeks to i) optimise the net interest margin and ii) maintain the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the risk appetite framework in terms of volatility of the financial margin and value sensitivity.

This risk is analysed considering a broad set of market-type scenarios, including the potential impact of all possible sources of structural interest rate risk, i.e. repricing risk, curve risk, basis risk and optionality risk. Optionality risk considers automatic optionality related to the behaviour of interest rates and the optionality of customer behaviour, which is not only dependent on interest rates.

The Group applies best practices in the market and the recommendations of regulators in measuring interest rate risk, using various measurement techniques that make it possible to analyse the Group's positioning and its risk situation. These notably include:

- Static gap: it shows the contractual distribution of maturities and interest rate reviews for applicable balance sheet and/or off-balance aggregates at a particular date. GAP analysis is based on comparison of the values of the assets and liabilities reviewed or that mature in a particular period.
- Sensitivity of net interest income: it shows the impact on the net income caused by changes in the interest rate curve as a result of the review of balance sheet transactions This sensitivity is determined by comparing a net interest income simulation before various interest rate scenarios (immediate parallel and progressive movements of different intensities, as well as changes in slope). The most likely scenario, which is obtained using the implicit market rates, including the business trend and hedge management forecasts, is compared with other scenarios of rising or falling interest rates and parallel and non-parallel movements in the slope of the curve. The difference between these stressed net interest income figures compared to the baseline scenario give us a measure of the sensitivity, or volatility, of net interest income.
- Balance sheet economic value: it is calculated as the sum of i) the fair value of net interest-rate sensitive assets and liabilities on the balance sheet; ii) the fair value of off-balance sheet products (derivatives); and iii) the net carrying amounts of non-interest-rate sensitive asset and liability items.
- Economic value sensitivity: The economic value of sensitive balances on and off the balance sheet is reassessed under the various stress scenarios considered by the Group. The difference between this value and the economic value calculated at current market rates gives us a numeric representation of the sensitivity of economic value to the various scenarios employed.
- Balance sheet VaR: defined as the maximum economic value that could be lost from the balance sheet in a certain period of time, applying market prices and volatilities as well as correlation effects using a specific confidence level and time horizon.

The sensitivities of net interest income and economic value are measurements that complement each other and provide an overview of the structural interest rate risk, which focuses more on the short and medium term, in the case of net interest income, and on the medium and long term in the case of equity.

The tables below show, using a static gap, the breakdown of maturities and interest rate maturities and revaluations of sensitive items on the Group's balance sheet, at the close of the financial year:

MATRIX OF MATURITIES AND REVALUATIONS OF THE BALANCE SHEET SENSITIVE TO THE INTEREST RATES IN SPAIN AT 31 DECEMBER 2018

(Thousands of euros)

	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	>5 YEARS	TOTAL
ASSETS							
Interbank and Central Banks	15,340,096	0	0	0	0	20,000	15,360,096
Loans and advances to customers	145,695,891	15,535,102	4,779,072	3,385,033	2,583,250	14,195,556	186,173,904
Fixed income portfolio	6,476,472	3,483,871	6,907,767	8,563,748	948,633	3,413,104	29,793,595
TOTAL ASSETS	167,512,459	19,018,973	11,686,839	11,948,781	3,531,883	17,628,660	231,327,595
LIABILITIES							
Interbank and Central Banks	7,080,947	27,539,291	165,822	220,636	56,430	208,260	35,271,387
Customer deposits	106,127,268	18,618,975	7,887,849	7,691,077	7,699,850	37,697,147	185,722,166
Issuances	4,774,725	1,522,458	2,690,700	2,534,022	6,339,506	13,396,411	31,257,822
TOTAL LIABILITIES	117,982,940	47,680,724	10,744,371	10,445,735	14,095,786	51,301,818	252,251,374
ASSETS LESS LIABILITIES	**49,529,519**	**(28,661,751)**	**942,468**	**1,503,046**	**(10,563,903)**	**(33,673,158)**	**(20,923,779)**
HEDGES	(11,959,730)	3,972,095	1,458,754	1,414,252	4,098,522	972,683	(43,424)
TOTAL DIFFERENCE	**37,569,789**	**(24,689,656)**	**2,401,222**	**2,917,298**	**(6,465,381)**	**(32,700,475)**	**(20,967,203)**

MATRIX OF MATURITIES AND REVALUATIONS OF THE BALANCE SHEET SENSITIVE TO THE INTEREST RATES IN PORTUGAL AT 31 DECEMBER 2018

(Thousands of euros)

	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	>5 YEARS	TOTAL
ASSETS							
Interbank and Central Banks	2,723,964						2,723,964
Loans and advances to customers	19,681,053	550,090	298,871	204,604	129,933	656,642	21,521,193
Fixed income portfolio	1,844,872	404,046	1,605,562	22,313	4,631	181,690	4,063,114
TOTAL ASSETS	24,249,889	954,136	1,904,433	226,917	134,564	838,332	28,308,271
LIABILITIES							
Interbank and Central Banks	2,750,284	410,000	953,830				4,114,114
Customer deposits	14,873,541	1,045,851	1,600,965	1,106,239	1,105,301	2,209,721	21,941,618
Issuances	1,107,169	6,493	162				1,113,824
TOTAL LIABILITIES	18,730,994	1,462,344	2,554,957	1,106,239	1,105,301	2,209,721	27,169,556
ASSETS LESS LIABILITIES	**5,518,895**	**(508,208)**	**(650,524)**	**(879,322)**	**(970,737)**	**(1,371,389)**	**1,138,715**
HEDGES	(726,058)	985,279	491,306	(122,429)	(178,037)	(442,917)	7,144
TOTAL DIFFERENCE	**4,792,837**	**477,071**	**(159,218)**	**(1,001,751)**	**(1,148,774)**	**(1,814,306)**	**1,145,859**

Below is the sensitivity of the net interest income and economic value to sensitive balance sheet assets and liabilities for a scenario of rising and falling interest rates of 100 basis points:

INTEREST RATE SENSITIVITY

(incremental % with respect to the market baseline scenario / implicit rates)

	SPAIN		PORTUGAL	
	+100 BP	-100 BP (3)	+100 BP	-100 BP (3)
Net interest income (1)	9.5%	-7.4%	-0.2%	-18.2%
Economic value of equity for sensitive balance sheet aggregates (2)	4.3%	-1.9%	-0.7%	2.6%

(1) Sensitivity of the 1-year NII of sensitive balance sheet aggregates.

(2) Sensitivity of economic value for sensitive balance sheet aggregates.

(3) In the case of falling-rate scenarios the applied internal methodology enables the interest rates to be negative. At the current level of rates, this methodology enables the falling shock to reach approximately -1%. For example, if the interest rates of the EONIA curve are -0.40% the interest rates levels that this curve could reach, in the shock of -100 basis points, is -1.40%.

With regard to measurement tools and systems, information is obtained at the transaction level of the sensitive balance sheet transactions from each computer application used to manage the various products. This information is used to produce databases with a certain amount of aggregation in order to speed up the calculations without impairing the quality or reliability of the information or results.

The assets and liabilities management application is parameterised in order to include the financial specifics of the products on the balance sheet, using behavioural customer models based on historical information (pre-payment models). The sensitivity to interest rates – conditioned by the speed with which market rates are transposed and the expected terms to maturity – have been analysed for items without a contractual maturity date (demand accounts) on the basis of past experience of customer behaviour, including the possibility that the customer may withdraw the funds invested in this type of product. For other products, in order to define the assumptions for early termination, internal models are used which include behavioural variables of customers, products, seasonality and interest rate fluctuations.

The projection tool is also fed with growth data budgeted in the financial plan (volumes, products and margins) and information on the various market scenarios (interest and exchange rate curves), in order to perform a reasonable estimate of the risks associated with the interest income and economic value of sensitive balance sheet aggregates.

To mitigate the structural interest rate risk, the Group actively manages risk by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet as a result of the complementarity between the sensitivity to fluctuations in interest rates on deposits and on lending transactions arranged with customers or other counterparties.

The balance sheet interest rate risk assumed by the Group is substantially below levels considered significant (outliers) under current regulations.

3.11.2. Structural exchange rate risk

The Group has foreign currency assets and liabilities in its balance sheet as a result of its commercial activity and its shares in foreign currencies, in addition to the foreign currency assets and liabilities deriving from the Group’s measures to mitigate exchange rate risk.

The equivalent euro value of all foreign currency assets and liabilities in the Group's balance sheet is as follows:

FOREIGN CURRENCY POSITIONS
(Thousands of euros)

	31-12-2018	31-12-2017
Cash and cash balances at central banks and other demand deposits	1,146,356	1,148,537
Financial assets held for trading	1,851,726	1,123,809
Financial assets with changes in other comprehensive income / Available-for-sale financial assets	1,457,543	101,405
Financial assets measured at amortised cost / Loans and receivables	7,950,706	7,126,396
Investments in joint ventures and associates (1)	94,245	668,424
Other assets	1,611,893	72,183
TOTAL FOREIGN CURRENCY ASSETS	**14,112,469**	**10,240,754**
Financial liabilities at amortised cost	7,899,064	6,737,266
Deposits	7,008,940	5,872,869
Central banks	1,402,392	2,388,808
Credit institutions	1,268,791	1,033,623
Customers	4,337,757	2,450,438
Debt securities issued	847,481	807,379
Other financial liabilities	42,643	57,018
Other liabilities	1,918,900	1,121,230
TOTAL FOREIGN CURRENCY LIABILITIES	**9,817,964**	**7,858,496**

The Group maintains the hedging of foreign currency risk, which involves the arrangement of cash transactions. Financial derivatives can also be used to mitigate asset and liability positions in the balance sheet. However, the nominal amount of these instruments is not reflected directly in the balance sheet but as memorandum items for financial derivatives. This risk is managed by seeking to minimise the level of currency risk assumed in its commercial activity, which explains why the Group's exposure to the risk is low or virtually non-existent.

The remaining minor foreign currency positions in the banking book and of the treasury activity are chiefly held with credit institutions in major currencies. The methods for quantifying these positions, which are the same, are applied alongside the risk measurements used for the treasury activity as a whole.

The percentage breakdown, by currency, of loans and receivables, investments and financial liabilities measured at amortised cost is as follows:

MAIN BALANCE SHEET ITEMS BY CURRENCY
(Percentage)

	31-12-2018	31-12-2017
USD	69	69
JPY	7	9
GBP	11	9
PLN (Polish Zloty)	5	4
CHF	3	3
Other	5	6
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST / TOTAL LOANS AND RECEIVABLES	**100**	**100**
USD	64	95
GBP	0	4
MAD	0	1
AKZ	36	0
TOTAL FINANCIAL ASSETS WITH CHANGES IN OTHER COMPREHENSIVE INCOME / TOTAL AVAILABLE-FOR-	**100**	**100**
AOA (Angolan Kwanza)	0	85
USD	0	0
MZN	96	12
BRL	4	3
TOTAL INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	**100**	**100**
USD	89	92
GBP	5	4
Other	6	4
TOTAL LIABILITIES AT AMORTISED COST	**100**	**100**

Given the reduced exposure to exchange rate risk and considering the existing hedges, the sensitivity of the balance sheet's economic value is not significant.

3.12. Liquidity risk

3.12.1. Overview

The Group manages this risk to maintain sufficient levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework. The strategic principles that are followed to meet this objective are:

- Having a decentralised liquidity management system across two units (the CaixaBank subgroup and the BPI subgroup) that includes a segregation of duties to ensure optimal management, control and monitoring of risks.
- Maintaining an efficient level of liquid funds to meet obligations assumed, fund business plans and comply with regulatory requirements.
- Actively manage liquidity; this entails continuous monitoring of liquid assets and the balance sheet structure.
- Sustainability and stability, these being principles of the funding source strategy, which is based on i) the customer deposit-based funding structure and ii) capital market funding, complementing the funding structure.

The liquidity risk strategy and appetite for liquidity risk and financing involves:

- Identification of significant liquidity risks for the Group;
- formulating the strategic principles the Group must observe when managing each of these risks;
- defining significant metrics for each risk;
- setting appetite, tolerance and, as the case may be, recovery thresholds within the RAF;
- establishing management and control procedures for each of the risks, including mechanisms of systematic internal and external reporting;
- defining a stress testing framework and a Liquidity Contingency Plan to ensure that liquidity risk is managed accordingly in situations of moderate and serious crisis;
- and a Recovery Planning framework, in which scenarios and measures are devised for stress conditions.

In particular, the Group holds specific strategies with regard to: i) management of intraday liquidity risk; ii) management of the short-term liquidity; iii) management of sources of financing/concentrations; iv) management of liquid assets; and v) management of collateralised assets. Similarly, the Group has procedures to minimise liquidity risks in stress conditions through i) the early detection of the circumstances through which it can be generated; ii) minimising negative impacts; and iii) sound management to overcome a potential crisis situation.

3.12.2. Mitigation techniques for liquidity risk

On the basis of the principles mentioned in the previous section, a Contingency Plan has been drawn up defining an action plan for each of the established crisis scenarios. This sets out measures to be taken on the commercial, institutional and disclosure level to deal with this kind of situation, including the possibility of using the liquidity reserves or extraordinary sources of finance. In the event of a situation of stress, the liquid asset buffer will be managed with the objective of minimising liquidity risk.

The measures in place for liquidity risk management and anticipatory measures feature:

- Authority from the Annual General Meeting to issue securities.
- Availability of several facilities open with i) the ICO, under credit facilities – mediation, ii) the EIB and iii) the Council of Europe Development Bank (CEB). In addition, there are financing instruments with the ECB for which a number of guarantees have been posted to ensure that liquidity can be obtained immediately:

AVAILABLE IN ECB FACILITY
(Thousands of euros)

	31-12-2018	31-12-2017
Value of guarantees delivered as collateral	**53,651,288**	**50,148,351**
CaixaBank	46,697,539	43,483,688
BPI	6,953,749	6,664,663
Drawn-down	**(28,182,830)**	**(28,819,830)**
TLTRO II – CaixaBank	(26,819,000)	(26,819,000)
TLTRO II – BPI	(1,363,830)	(2,000,830)
Accrued interest	**279,069**	
Accrued interest - CaixaBank	268,097	
Accrued interest - BPI	10,972	
TOTAL AVAILABLE BALANCE IN ECB FACILITY	**25,747,527**	**21,328,521**

- Maintaining issuance programmes aimed at expediting formalisation of securities issuances in the market:

DEBT ISSUANCE CAPACITY
(Thousands of euros)

	31-12-2018	
	TOTAL ISSUANCE CAPACITY	NOMINAL USED
CaixaBank promissory notes programme (CNMV 12-07-2018) (1)	1,000,000	27,549
CaixaBank fixed-income programme (CNMV 24-07-2018)	15,000,000	7,123,000
Structured retail fixed-income programme (CNMV 14-06-2018) CaixaBank Notas Minoristas	1,000,000	48,606
CaixaBank EMTN ("Euro Medium Term Note") programme (Ireland 23-04-2018)	15,000,000	7,250,000
EMTN programme ("Euro Medium Term Note") BPI (Luxembourg 20-03-2018)	7,000,000	321,578
ECP ("Euro Commercial Paper") PROGRAMME CaixaBank (Ireland 20-12-2018)	2,000,000	0
BPI mortgage covered bonds programme (CMVM Portugal 22-02-2018)	7,000,000	6,500,000
BPI public sector covered bonds programme (CMVM Portugal 12-10-2017)	2,000,000	600,000

(1) Programme extendible to EUR 3,000 million

- Capacity to issue backed bonds (mortgage covered and public sector covered bonds, etc.)

COVERED BOND ISSUANCE CAPACITY
(Thousands of euros)

	31-12-2018	31-12-2017
Mortgage covered bond issuance capacity	1,136,607	2,804,590
Public sector covered bond issuance capacity	1,151,585	355,016

- To facilitate access to short-term markets, CaixaBank currently maintains the following:
    - Interbank facilities with a significant number of banks and third-party states
    - Repo lines with a number of domestic counterparties
    - Access to central counterparty clearing houses for repo business (LCH Ltd – London, LCH SA – Paris, Meffclear – Madrid and EUREX – Frankfurt)
- The Contingency Plan and Recovery Plan contain a wide range of measures that allow for liquidity to be generated in diverse crisis situations. These include potential issuances of secured and unsecured debt, use of the repo market, and so on. For all these, viability is assessed under different crisis scenarios and descriptions are provided of the steps necessary for their execution and the expected period of execution.

3.12.3. Liquidity situation

The following table presents a breakdown of the Group's liquid assets based on the criteria established for determining high quality liquid assets to calculate the LCR:

LIQUID ASSETS
(Thousands of euros)

	31-12-2018		31-12-2017	
	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT
Level 1 assets	54,841,393	54,770,920	51,772,969	51,772,969
Level 2A assets	50,695	43,091	332,627	282,733
Level 2B assets	4,308,277	2,279,136	2,858,172	1,554,070
TOTAL HIGH QUALITY LIQUID ASSETS (HQLAS) (1)	**59,200,365**	**57,093,147**	**54,963,768**	**53,609,772**
Available in facility not made up of HQLAs assets		22,437,200		19,165,232
TOTAL LIQUID ASSETS		**79,530,347**		**72,775,004**

(1) Assets under the calculation of the LCR (Liquidity Coverage Ratio). It corresponds to high-quality liquid assets available to meet liquidity needs for a 30 calendar day stress scenario.

The following table presents the calculation of the LCR for the Group:

LCR RATIO (*)
(Thousands of euros)

	31-12-2018	31-12-2017
High-quality liquid assets - HQLAs (numerator)	57,093,147	53,609,772
Total net cash outflows (denominator)	28,602,427	26,570,899
Cash outflows	33,819,467	31,633,523
Cash inflows	5,217,040	5,062,624
LCR (LIQUIDITY COVERAGE RATIO) (%)	**200%**	**202%**

(*) According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to liquidity coverage requirement for credit institutions. The established regulatory limit for the LCR ratio stands at 100% from 1 January 2018.

Regarding the NSFR (Net Stable Funding Ratio), the definition was approved by the Basel Committee in October of 2014. In November 2016, the European Commission sent proposed amendments to Directive 2013/36/EU (the "CRD IV") and Regulation 575/2013 (the "CRR") to the European Parliament and the European Commission, which included, among other aspects, the regulation of the NSFR. Therefore, their regulatory transposition is currently being awaited.

Regarding this ratio, currently calculated using Basel criteria, the large weight of (more stable) customer deposits on the Group's funding structure and limited use of wholesale markets for short-term funding provides a balanced funding structure, which would result in a NSFR of 117% at the end of 2018.

Key credit ratings are displayed below:

CAIXABANK CREDIT RATING

	LONG-TERM DEBT	SHORT-TERM DEBT	OUTLOOK	EVALUATION DATE	MORTGAGE-COVERED BOND RATING
Moody's Investors Service	BAA1	P-2	Stable	01-08-2018	Aa1
Standard & Poor's Global Ratings	BBB+	A-2	Stable	06-04-2018	AA- (positive)
Fitch Ratings	BBB+	F2	Stable	08-10-2018	-
DBRS Ratings Limited	A	R-1(low)	Stable	12-04-2018	AAA

In the event of a downgrade of the current credit rating, additional collateral must be delivered to certain counterparties, or there are early redemption clauses. The breakdown of the impact on liquidity deriving from 1, 2 and 3-notch downgrading is shown below:

SENSITIVITY OF LIQUIDITY TO VARIATIONS IN THE CREDIT RATING

(Thousands of euros)

	DOWNGRADE 1 NOTCH	DOWNGRADE 2 NOTCHES	DOWNGRADE 3 NOTCHES
Trading in derivatives (CSA agreements) (*)	(742)	(742)	(804)
Deposits taken with credit institutions (*)		(1,144,320)	(1,144,320)

(*) The balances presented are accumulated for each rating reduction

3.12.4. Asset encumbrance – assets received and delivered under guarantee

Assets securing certain financing transactions and unencumbered assets are as follows:

ASSETS SECURING FINANCING OPERATIONS AND UNENCUMBERED ASSETS

(Thousands of euros)

	31-12-2018		31-12-2017	
	CARRYING AMOUNT OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS	CARRYING AMOUNT OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS
Equity instruments	0	4,144,380	0	3,288,124
Debt securities (1)	8,314,219	27,969,129	11,070,894	20,157,391
Of which: covered bonds	*4,856*	*3,685*	*16,905*	*5,068*
Of which: asset-backed securities	*0*	*22*	*0*	*23*
Of which: issued by public administrations	*7,222,167*	*24,563,590*	*10,206,875*	*17,643,165*
Of which: issued by financial corporations	*906,475*	*1,272,363*	*847,114*	*1,121,038*
Of which: issued by non-financial corporations	*180,721*	*2,129,469*	*0*	*1,388,097*
Financial assets at amortised cost (2)	69,542,861	173,809,593	81,207,842	160,677,874
Other assets (3)	4,579,953	47,291,892	3,588,236	55,028,379
TOTAL	**82,437,033**	**253,214,994**	**95,866,972**	**239,151,768**

(1) Mainly corresponds to assets provided in repurchase agreements and asset-backed securities pledged for securities lending transactions and ECB financing transactions.
(2) Mainly corresponds to assets pledged for securitisation bonds, mortgage-covered bonds and public-sector covered bonds.
(3) Mainly corresponds to cash delivered as collateral on derivative transactions.

The following table presents the assets received under guarantee, segregating those unencumbered from those that may be pledged to raise finance:

ASSETS SECURING FINANCING OPERATIONS AND UNENCUMBERED ASSETS

(Thousands of euros)

	31-12-2018		31-12-2017	
	FAIR VALUE OF ENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS	FAIR VALUE OF ENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS
Collateral received	2,096,947	13,323,490	3,396,585	17,228,487
Equity instruments	0	0	0	0
Debt securities	2,085,035	11,977,091	3,386,308	15,631,276
Other guarantees received	11,912	1,346,399	10,276	1,597,211
Own debt securities other than covered bonds or asset-backed securities	0	250,560	0	857,986
Own covered bonds and asset-backed securities issued and not pledged		42,820,637	0	34,160,906
TOTAL	**2,096,947**	**56,394,687**	**3,396,585**	**52,247,379**

(1) Mainly corresponds to assets received in reverse repurchase agreements and securities lending transactions.
(2) Mainly corresponds to cash received as collateral on derivative transactions.
(3) Corresponds to own guaranteed debt, senior debt and secured instruments issued.

The asset encumbrance ratio is as follows:

ASSET ENCUMBRANCE RATIO

(Millions of euros)

	31-12-2018	31-12-2017
Encumbered assets and collateral received (numerator)	**84,533,979**	**99,263,557**
Debt securities	10,399,254	14,457,202
Loans and receivables	69,554,773	81,218,119
Other assets	4,579,952	3,588,236
Total assets + Total assets received (denominator)	**351,072,463**	**355,643,811**
Equity instruments	4,144,380	3,288,124
Debt securities	50,345,474	50,245,869
Financial assets at amortised cost	243,364,366	241,895,993
Other assets	53,218,243	60,213,826
ASSET ENCUMBRANCE RATIO	**24.08%**	**27.91%**

During 2018, the asset encumbrance ratio has improved with respect to the 2017 ratio, down by 3.83 percentage points due to reduced guarantees in a collateralised loan of securities, reduced use of the repo market and a lower balance of secured issuances placed on the market.

Secured liabilities and the assets securing them are as follows:

SECURED LIABILITIES

(Millions of euros)

	31-12-2018		31-12-2017	
	LIABILITIES HEDGED, CONTINGENT LIABILITIES OR SECURITIES CEDED	ASSETS, GUARANTEES RECEIVED AND TREASUREY INSTRUMENTS ISSUED (*)	LIABILITIES HEDGED, CONTINGENT LIABILITIES OR SECURITIES CEDED	ASSETS, GUARANTEES RECEIVED AND TREASUREY INSTRUMENTS ISSUED (*)
Financial liabilities	69,818,926	81,471,833	82,020,843	95,664,166
Derivatives	5,196,905	5,591,846	4,313,986	4,593,897
Deposits	45,517,075	51,320,903	57,152,044	64,275,051
Issuances	19,104,946	24,559,084	20,554,813	26,795,219
Other sources of charges	2,697,323	3,062,146	3,182,882	3,599,390
TOTAL	**72,516,249**	**84,533,979**	**85,203,726**	**99,263,557**

(*) Excluding encumbered covered bonds and asset-backed securities

3.12.5. Residual maturity periods

CaixaBank Group (except for insurance business)

The detail, by contractual term to maturity of the balances of certain items on the balance sheets, in a scenario of normal market conditions, is as follows:

RESIDUAL MATURITY PERIODS 31-12-2018

(Millions of euros)

	DEMAND DEPOSITS	<1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Cash and cash balances at central banks and other demand deposits *	18,894						18,894
Financial assets held for trading – Derivatives		179	142	252	1,451	6,683	8,707
Financial assets held for trading – Debt securities		8	22	292	272	161	755
Financial assets compulsorily measured at fair value through profit or loss	334			1		198	533
Financial assets at fair value through equity	2,854	38	282	5,047	10,811	2,148	21,180
Financial assets at amortised cost	5,560	9,997	7,688	14,869	55,439	159,143	252,696
Loans and advances	5,552	9,724	7,444	14,123	42,301	156,231	235,375
Debt securities	8	273	244	746	13,138	2,912	17,321
Derivatives – Hedge accounting	2		5	178	735	1,136	2,056
TOTAL ASSETS	**27,644**	**10,222**	**8,139**	**20,639**	**68,708**	**169,469**	**304,821**
Financial liabilities held for trading – Derivatives	2	187	137	188	1,043	7,059	8,616
Financial liabilities at amortised cost	189,966	10,725	7,500	20,697	44,017	15,289	288,194
Deposits	185,331	10,392	7,124	18,545	32,966	1,223	255,581
Central banks		455	885	176	28,153		29,669
Credit institutions	1,639	2,246	508	360	1,893	827	7,473
Customers	183,692	7,691	5,731	18,009	2,920	396	218,439
Debt securities issued	661	5	5	2,110	10,973	13,925	27,679
Other financial liabilities	3,974	328	371	42	78	141	4,934
Derivatives – Hedge accounting		3	11	1	209	569	793
TOTAL LIABILITIES	**189,968**	**10,915**	**7,648**	**20,886**	**45,269**	**22,917**	**297,603**
Of which are wholesale issues net of treasury shares and multi-issuers				*2,133*	*10,824*	*16,496*	*29,453*
ASSETS LESS LIABILITIES	**(162,324)**	**(693)**	**491**	**(247)**	**23,439**	**146,552**	**7,218**

RESIDUAL MATURITY PERIODS 31-12-2017
(Millions of euros)

	DEMAND DEPOSITS	<1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Total assets	24,493	13,723	11,445	25,674	67,877	172,087	315,299
Total liabilities	169,513	21,359	13,834	29,969	50,885	30,249	315,809
Of which are wholesale issues net of treasury shares	*0*	*1,200*	*1,053*	*2,726*	*7,608*	*16,104*	*28,691*
ASSETS LESS LIABILITIES	**(145,020)**	**(7,636)**	**(2,389)**	**(4,295)**	**16,992**	**141,838**	**(510)**

The transaction maturities are projected according to their contractual and residual maturity, irrespective of any assumption that the assets and/or liabilities will be renewed. In order to assess the negative gap in the short term, the following aspects must be considered:

- The Group has high and stable retail financing with probable renewal.
- Additional guarantees are available at the European Central Bank, and there is the capacity to generate new deposits through asset securitisation and the issuance of mortgage- and/or public sector-covered bonds.

The calculation does not consider growth assumptions, and consequently disregards internal strategies for raising net liquidity, which are especially important in the retail market. Similarly, implementation of the available liquid assets is not considered.

As regards issuances, the Group's policies take into account a balanced distribution of maturities, preventing concentrations and diversifying financing instruments. In addition, its reliance on wholesale markets is limited.

Insurance business

In particular, for the insurance business, liquidity that emerges from commitments (liabilities) arising from insurance contracts, mainly life savings insurance, is managed through the actuarial financial estimate of cash flows arising from the aforementioned contracts. Financial immunisation techniques are also applied based on estimated actuarial financial maturity, i.e. not necessarily contractual, and the financial assets affected. In this regard, it should be noted that the liquidity of the balance sheet is managed separately for the insurance business and other businesses, mainly banking, and for this reason, the maturities of the insurance Group's portfolio of financial assets, mainly classified as held for sale, are presented separately below:

RESIDUAL MATURITIES OF THE ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS 31-12-2018
(Thousands of euros)

	<1 YEAR	1-3 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Financial assets under the insurance business - Debt securities	1,140,870	4,032,347	3,999,355	42,172,065	51,344,637
Liabilities under insurance contracts	2,898,249	4,698,573	4,463,155	39,339,299	51,399,276

RESIDUAL MATURITIES OF THE ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS 31-12-2017
(Thousands of euros)

	<1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Financial assets under the insurance business	482,405	8,551,794	40,491,084	49,525,283
Liabilities under insurance contracts	3,068,977	8,367,414	38,313,998	49,750,389

3.13. Reputational risk

Reputational risk is the possibility that the Group's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of actions or omissions, real or purported, by the Entity, its Senior Management or Governance Bodies, or because of related unconsolidated entities becoming bankrupt (step-in risk).

The risk is monitored using internal and external selected reputational indicators from various sources of stakeholder expectations and perception analysis. The measurement indicators are weighted according to their strategic importance and are grouped in a balanced reputation scorecard that enables a Global Reputation Index (GRI) to be obtained. This metric enables the positioning to be monitored quarterly by sector and time, and the tolerated ranges and metrics to be set in the RAF.

The main instrument that enables formal monitoring of reputational risk management is the Reputational Risk taxonomy. This enables the risks to be identified and organised into a hierarchy according to their criticality, and also enables monitoring indicators to be set up for each risk (KRI) and coverage and mitigation policies thereof to be established.

A number of policies that cover different scopes of the Group impact on the control and mitigation of reputational risk. In addition, there are specific procedures and activities by the areas most directly implicated in managing the main reputational risks, which enable the implementation of the risk to be prevented and/or mitigated.

Similarly, the Internal Reputational Risk Management Polices also include developing in-house training to mitigate the appearance and effects of reputational risks, establishing protocols to deal with those affected by the Bank's actions, or defining crisis and/or contingency plans to be activated if the various risks arise.

3.14. Actuarial risk

3.14.1 General description

The European regulatory framework of reference for insurance companies, known as Solvency II, is transposed into to the Spanish legal system through Act 20/2015 and Royal Decree 1060/2015, which are known, respectively, as LOSSEAR and ROSSEAR. This framework is supplemented by the technical standards approved by the European Commission (ITS), which are directly applicable, and guidelines published by EIOPA, which have been adopted by the Directorate General for Insurance and Pension Funds (DGSFP) as their own.

In addition to other risks, the insurance business is exposed to subscription or actuarial risk, defined as risk of loss or adverse change to the value of commitments contracted through insurance or pension contracts with customers or employees, as a result of the deviation between the estimate for actuarial variables issued in setting the rates, reserves and actual evolution thereof.

Furthermore, the aforementioned regulatory framework establishes the framework for managing the credit and liquidity risk of the insurance business, determining credit quality and the level of diversification (see the risk structure of the insurance business in these fields, presented in a segmented way in Notes 3.3 and 3.12). Similarly, in relation to interest rate risk, the Group manages insurance contract commitments and the affected assets jointly using financial immunisation techniques envisaged in the provisions of the DGSFP.

3.14.2 Actuarial risk cycle

3.14.2.1. Actuarial risk monitoring and measurement

Actuarial risk management, established in policies approved by the Group's main risk management governance bodies, seeks the long-term stability of the main actuarial factors that affect the technical evolution of marketed insurance products, which are as follows:

- Non-life branches: based on the claims ratio.

- Life branches:
  - Mortality risk: The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
  - Longevity risk: The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
  - Disability or morbidity risk: The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.
  - Lapse risk: The risk of loss, or of adverse change in the value of benefits (reduction) or future expected losses (increase) of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.
  - Expense risk: The risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance and reinsurance contracts.
  - Catastrophe risk: The risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events.

On this note, and for each line of business, the policy of underwriting and provision of reserves - which is updated at least annually - identifies various parameters for risk approval, measurement, rate-setting and lastly, to calculate and set aside reserves covering underwritten policies. General operating procedures are also in place for underwriting and the provision of reserves.

Systems for measuring actuarial risk, from which the sufficiency of the actuarial reserves are quantified and assessed policy-by-policy, are integrated in the management of the insurance business. In this sense, production operations, irrespective of the channel, are recorded in the systems using the various contracting, benefits management and provision calculation applications (e.g. TAV for individual and ACO or Avanti for group insurance). Investment software is used to manage and control the investments backing the company's insurance activity. All of the applications are accounted for automatically in the accounting support software.

There is a series of applications that perform management support tasks within these integrated and automated systems. It is worth noting applications for data processing that are used for preparation of reporting information and risk management. In addition, there is a solvency and risk datamart, which serves as a support tool for compliance with all the requirements of the Solvency II Directive.

3.14.2.2. Mitigation of actuarial risk

The Group mitigates the actuarial risk assumed by acquiring insurance with reinsurances. To do so, the Group has a policy which is updated at least annually, which identifies the extent to which risk is passed on is determined taking into account the risk profile of direct insurance contracts, and the type, suitability and effectiveness of the reinsurance agreements in place.

By doing so, an insurance company can reduce risk, stabilise solvency levels, use available capital more efficiently and expand its underwriting capacity. However, regardless of the reinsurance taken out, the insurance company is contractually liable for the settlement of all claims with policyholders.

The Group's reinsurance programme lists the procedures that must be followed to implement the established reinsurance policy. These include:

- Disclosure of the types of reinsurance to be contracted, the terms and conditions of the policy, and aggregate exposure by type of business.
- Definition of the amount and type of insurance to be automatically covered by the reinsurance contract, e.g. mandatory reinsurance contracts.
- Procedures for acquiring facultative reinsurance.

In this respect, the Group has established limits on the net risk retained per business line, by risk or event (or a combination of both). These limits are set in accordance with the risk profile and reinsurance cost.

3.15. Business profitability risk

Business profitability risk refers to obtaining results lower than market expectations or the Group's targets which prevent the Group from reaching a profitability level that is higher than the cost of capital.

The Group's objectives, backed by a process of financial planning, are defined in the strategic plan and in the budget and are subject to ongoing monitoring.

Business Profitability Risk is managed considering the following levels:

- 1st level: the overall aggregated return at Group level.
- 2nd level: the return from business generated from the Group's sectors (banking insurance business, investee business, non-core real estate business and BPI business).
- 3rd level: the return from business generated from the commercial network for different business sectors and for different sectors and business centres.
- 4th level: the return in terms of business generated from customers/products/contracts. Additionally, the return generated from different projects/operations with a relevant impact on the return.

3.16. Risk of impairment of other assets

Risk of impairment of other asserts is defined as the risk of a reduction in the carrying amount of shareholdings and in non-financial assets of the Group. The management of this risk is customised according to its classification:

- Investee risk: risk of loss arising from unfavourable movements in share prices, or impairment loss, of positions in the Group's investee portfolio, except those over which it exercises control. These positions may originate in explicit management decisions to take a position or from the integration of other entities, or they may result from the restructuring or execution of guarantees within what was initially a credit transaction.

  They are managed through the establishment of policies and frameworks that ensure optimum management of investments within the Group's strategic objectives, such as continuous monitoring of different metrics and risk limits, trends in their economic and financial data, regulatory changes and economic and competitive dynamics in the countries and sectors where each of them operates. In addition, impairment and recoverability analyses are carried out with required frequency, using generally accepted methodologies.

- Tangible assets: consist mainly of foreclosed assets available for sale and lease. A majority of these assets are owned by the Group's real estate subsidiary BuildingCenter, S.A.U. In terms of appraisal of the foreclosed assets, prevailing regulations are complied with.

- Intangible assets: mainly goodwill generated in acquisition processes.

- Deferred Tax Assets (DTAs)

3.17. Capital adequacy and solvency risk

The Group has set an objective of maintaining a medium-low risk profile and a comfortable level of capital to strengthen its position. Capital adequacy to cover eventual unexpected losses is measured from two different perspectives and using different methodologies: the regulatory capital and economic capital.

The regulatory capital of financial corporations has been regulated by Regulation (EU) 575/2013 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council, which implement the Basel III regulatory framework (BIS III) in the European Union, and it corresponds to the metric i) required by the regulators and ii) the metric used by analysts and investors to compare financial institutions. Similarly, following the transposition to European legislation, the Basel Committee and other relevant bodies published a series of additional rules and documents containing new specifications for the calculation of capital. This means that procedures are constantly being updated, and therefore the Group continuously adapts its processes and systems to ensure the calculation of capital consumption and direct deductions from capital are fully aligned with the new established requirements.

Furthermore, the economic capital forms the basis of the internal estimate of own funds requirements which acts as a supplement to the regulatory view of capital adequacy and corresponds to the metrics used for i) the self-assessment of capital, subject to presentation and review in the Group's corresponding bodies; ii) updating the Economic Capital Ratio, as a monitoring and control tool; and iii) calculating the Risk Adjusted Return (RAR) and the Pricing. In contrast with regulatory capital, economic capital is an internal estimate which the Entity adjusts according to its level of tolerance to risk, volume, and type of business activity. Hence, economic capital is a supplement which is used to better offset the actual risk assumed by the Group and it includes risks that have not been factored in at all or only partially, by the regulatory measures.

In addition to the risks referred to in Pillar 1 (credit, market and operational risk), it includes others also included in the risk catalogue, e.g. structural interest rate, liquidity, business and actuarial risk, etc. When managing it, the Group uses the same confidence level as that used in the Pillar I calculations, 99.9% of Basel II, which allows it to maintain its desired target rating in alignment with best sector practices.

4. Capital adequacy management

4.1. Regulatory framework

The global regulatory framework for capital, known as Basel III, came into force in the European Union through Directive 2013/36 (CRD IV) and Regulation 575/2013 (CRR), in which a progressive schedule of implementation is established for these requirements. Furthermore, the SREP (Supervisory Review and Evaluation Process), which configures Pillar II of the Basel regulatory framework, consists of an ongoing supervisory process to evaluate the adequacy of capital, liquidity, corporate governance, and risk management and control using a standardised European process put in place by the EBA. The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses specifically detected. The SREP seeks to assess the individual viability of entities, considering comparisons against their peers. Any potential additional capital requirements are complemented by combined capital buffer requirements (CBR).

4.2. Solvency management

The composition of the Group's eligible own funds is as follows (phase-in):

ELIGIBLE OWN FUNDS
(Thousands of euros)

	31-12-2018		31-12-2017	
	AMOUNT	AS %	AMOUNT	AS %
Net equity	**24,058,445**		**24,683,281**	
Shareholders' equity	24,836,379		24,203,895	
Capital	5,981,438		5,981,438	
Profit/(loss)	1,984,647		1,684,167	
Reserves and other (1)	16,870,294		16,538,290	
Non-controlling interests and valuation adjustments (2)	(777,934)		479,386	
Other CET1 instruments	**(800,976)**		**(755,785)**	
Adjustments applied to the eligibility of minority interests and valuation adjustments	(43,385)		(147,896)	
Other adjustments (3)	(757,591)		(607,889)	
CET1 instruments	**23,257,469**		**23,927,496**	
Deductions from CET1 (4)	**(6,040,272)**		**(4,961,008)**	
Intangible assets	(4,250,284)		(3,364,813)	
Deferred tax assets	(1,581,397)		(1,125,674)	
Other deductions from CET1	(208,591)		(470,521)	
CET1	17,217,197	11.8%	18,966,488	12.7%
AT1 instruments (4)	**2,233,436**		**999,000**	
Deductions from AT1 (5)	**0**		**(891,300)**	
Intangible assets	0		(841,203)	
Other deductions from AT1	0		(50,097)	
TIER 1	19,450,633	13.3%	19,074,188	12.8%
T2 instruments (6)	**3,295,383**		**5,023,123**	
Deductions from T2 (5)	**0**		**(50,097)**	
TIER 2	3,295,383	2.3%	4,973,026	3.3%
TOTAL CAPITAL	**22,746,016**	**15.6%**	**24,047,214**	**16.1%**
Other eligible subordinated instruments MREL (7)	2,302,517		1,607,865	
SUBORDINATED MREL	**25,048,533**	**17.1%**	**25,655,079**	**17.2%**
Memorandum items: Ratios expected for the end of the transitional period (fully loaded)				
CET1	16,799,678	11.5%	17,322,953	11.7%
TIER 1	19,033,115	13.0%	18,321,953	12.3%
Total Capital	22,328,498	15.3%	23,345,076	15.7%
Risk-weighted assets (RWA)	145,942,433		148,694,598	

(1) The variation in "Reserves and other" in 2018 is especially due to the impact of the first application of IFRS 9, as well as the dividends paid during 2018 and the addition of the previous year's profit.
(2) The heading covers the effect of the repurchase of minority interests and the drop in the share prices of holdings recognised at their fair value.
(3) Mainly the forecast for dividends payable.
(4) A total of EUR 1,250 million in AT1 instruments have been issued during the year.
(5) As a result of applying the transitory provisions, in 2018 all deductions are attributed to CET1.
(6) EUR 1,000 million issued in Tier 2 instruments and repayment of two issuances with a nominal amount of EUR 2,822 million.
(7) Mainly senior non-preferred debt (SNP).

On an individual level, CaixaBank has the following ratios: 13.3% CET1, 15.0% Tier 1 and 17.5% Total Capital, with EUR 132,684,048 thousand in RWAs.

The following chart sets out a summary of the minimum requirements of eligible own funds:

MINIMUM REQUIREMENTS
(Thousands of euros)

	31-12-2018		31-12-2017	
	AMOUNT	AS %	AMOUNT	AS %
BIS II phase-in minimum requirements				
CET1 (*)	11,783,743	8.063%	10,984,344	7.375%
Tier 1	13,976,067	9.563%	13,218,448	8.875%
Total Capital	16,899,167	11.563%	16,197,253	10.875%

(*) Includes the minimum requirement of Pillar I of 4.5%; the requirement of Pillar II of 1.5%; the capital conservation buffer of 1.875% (2.5% to be phased in over 4 years through to 2019); and the O-SII (Other Systemically Important Institution) buffer of 0.1875% (0.25% to be phased in over 4 years through to 2019).
The ECB has communicated that the Group owe maintain in 2019 a CET1 of 8.75%, that includes: the minimum regulatory of Pillar 1 (4.5%); ECB Pillar 2 requirement (1.5%); the capital conservation buffer (2.5%); and the O-SII (0.25%). Similarly, starting from Pillar 1 minimum requirements applicable to the Tier 1 capital (6%) and to the Total Capital (8%), the demands would reach 10.25% for the Tier 1 capital and 12.25% for the Total Capital.

The following chart provides a breakdown of the phase-in leverage ratio:

LEVERAGE RATIO
(Thousands of euros)

	31-12-2018	31-12-2017
Exposure	344,902,089	344,281,393
Leverage ratio (Tier 1/Exposure)	5.6%	5.5%

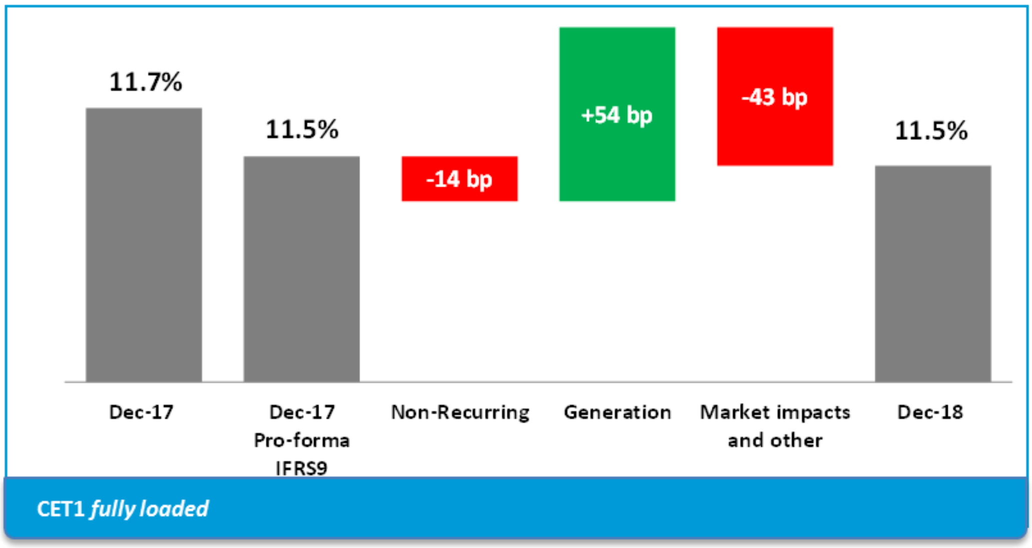
The changes in eligible own funds are as follows:

CHANGES IN ELIGIBLE OWN FUNDS
(Thousands of euros)

	2018		2017	
	AMOUNT	AS %	AMOUNT	AS %
CET1 AT THE START OF THE YEAR	18,966,488	12.7%	17,789,218	13.2%
Changes in CET1 instruments	**(670,027)**		**1,004,121**	
Profit	1,984,647		1,684,167	
Expected dividends	(1,016,400)		(896,966)	
Reserves	(455,131)		(103,011)	
Minority interests	(277,820)			
Valuation adjustments and other	(905,323)		319,931	
Changes in deductions from CET1 (1)	**(1,079,264)**		**173,149**	
Intangible assets	(885,471)		(949,170)	
Deferred tax assets	(455,723)		(440,489)	
Other deductions from CET1	261,930		(132,699)	
AT1 deductions covered by CET1	0		1,695,507	
CET1 AT THE END OF THE YEAR	**17,217,197**	**11.8%**	**18,966,488**	**12.7%**
ADDITIONAL TIER 1 AT THE START OF THE YEAR	107,700	0.1%	0	0.0%
Changes in AT1 instruments	**1,234,436**		**999,000**	
Changes in deductions from CET1 (1)	**891,300**		**(891,300)**	
Deductions from AT1	891,300		(891,300)	
ADDITIONAL TIER 1 AT THE END OF THE YEAR	**2,233,436**	**1.5%**	**107,700**	**0.1%**
TIER 2 AT THE START OF THE YEAR	4,973,026	3.3%	4,002,657	3.0%
Changes in Tier 2 instruments	**(1,727,740)**		**935,387**	
Subordinated issuances	1,000,000		2,150,000	
Redemption of issuances	(2,822,000)		(1,302,000)	
Other	94,260		87,387	
Changes in Tier 2 deductions (1)	**50,097**		**34,982**	
TIER 2 AT THE END OF THE YEAR	**3,295,383**	**2.3%**	**4,973,026**	**3.3%**

(1) The changes in deductions are a result of applying the transitory provisions. From 2018 all the deductions are attributed to CET1.

The causative details of the main aspects of the financial year that have influenced the fully-loaded CET1 ratio are set out below:



Excluding the impact of -15 basis points due to the first-time application of the IFRS 9 regulation and -14 basis points due to extraordinary movements during the year (purchase of minority interests in BPI and the sale of 80% of the real estate business), growth of the CET1 ratio has been +54 basis points due to organic generation of capital and -43 basis points mostly caused by market volatility and other impacts, among which adjustment to credit risk requirements of the non-performing mortgage portfolio are included in the third quarter, derived from the TRIM process of the European Central Bank.

The 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. In addition, CaixaBank's dividend policy meets the requirements prescribed by the ECB in its recommendation of 28 December 2017, on the dividend distribution policies of credit institutions, meaning therefore that it does not limit or confine the Group in any way.

4.3. Risk-weighted assets

Information on capital requirements by risk calculation method is presented below:

DETAIL OF RISK-WEIGHTED ASSETS BY METHOD
(Thousands of euros)

	31-12-2018		31-12-2017	
	AMOUNT	%	AMOUNT	%
Credit risk (1)	111,776,888	76.5%	110,818,912	74.4%
Standardised approach	60,649,034	41.5%	64,171,518	43.1%
IRB approach	51,127,854	35.0%	46,647,394	31.3%
Shareholder risk	19,347,397	13.2%	22,860,407	15.3%
PD/LGD method	7,438,516	5.1%	10,040,278	6.7%
Simple method	11,876,393	8.1%	12,559,782	8.4%
VaR method	32,488	0.0%	260,347	0.2%
Market risk	1,922,156	1.3%	2,278,293	1.5%
Standardised approach	1,183,484	0.8%	1,227,668	0.8%
Internal models (IMs)	738,672	0.5%	1,050,625	0.7%
Operational risk	13,108,513	9.0%	12,982,647	8.7%
Standardised approach	13,108,513	9.0%	12,982,647	8.7%
TOTAL	**146,154,954**	**100.0%**	**148,940,259**	**100.0%**

(1) Includes credit valuation adjustments (CVA), deferred tax assets (DTAs) and securitisations.

5. Appropriation of profit

The appropriation of CaixaBank's profit of in 2018, to be presented by the Board of Directors for approval at the Annual General Meeting, is as follows:

APPROPRIATION OF CAIXABANK'S PROFIT
(Thousands of euros)

	2018
Distribution basis	
Profit/(loss) for the year	1,162,560
Distribution:	
To dividends	1,016,662
To interim dividend (November 2018)	418,518
To final dividend (1)	598,144
To reserves:	145,898
To legal reserve (2)	
To voluntary reserve (3)	145,898
NET PROFIT FOR THE YEAR	**1,162,560**

(1) Includes the proposal of a complementary dividend of EUR 0.10 per share, to be paid in April 2019. The total distributable amount is the estimated maximum, which will be reduced in accordance with the number of treasury shares held by CaixaBank at the date of payment of the dividend.
(2) It is not necessary to transfer part of the 2018 profit to the legal reserve, as this reserve has reached 20% of the share capital (art. 274 of the Spanish Corporate Enterprises Act).
(3) Estimated amount allocated to the voluntary reserve. This amount will increase by the same amount that the amounts earmarked for payment of the final dividend decreases (see Note 1 above).

The table below shows the liquidity statements prepared by the directors indicating there is sufficient liquidity and profit to pay the interim dividend against 2018 profits approved by the Board of Directors on 25 October 2018 and published by means of an official statement issued at that date and paid in November 2018:

CAIXABANK LIQUIDITY ADEQUACY AND RESULTS
(Millions of euros)

	30-09-2018
Actual liquidity (1)	46,156
Potential liquidity (2)	63,799
High quality assets - HQLAs	52,624
High quality assets - HQLAs + available through facility (3)	67,031
Balance in current accounts	13,797
MAXIMUM AMOUNT PAYABLE	**419**
PROFIT/(LOSS) AFTER TAX AT 30-09-2018	**780**

(1) Basically cash on hand, the interbank balance and unencumbered sovereign debt, less the balance to be withheld as a cash ratio.
(2) As well as Balance Sheet Liquidity, also includes the balance available through the ECB facility.
(3) Includes the balance available through the ECB facility not included in high quality assets - HQLAs.

6. Shareholder remuneration and earnings per share

6.1. Shareholder remuneration

Under the new dividend policy approved, the Board of Directors at its meeting of 23 February 2017 resolved that remuneration for 2018 would be paid through half-yearly cash dividends.

On 31 January 2019, the Board of Directors approved the amendment of the dividend policy in accordance with which the shareholders will be remunerated through the payment of a single cash dividend, which will be paid after the end of the financial year, around April. This amendment will be applied starting from the payment of dividends charged to 2019 profit.

In line with the 2019-2021 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash greater than 50% of consolidated net profit, setting the maximum amount to be distributed charged to 2019 at 60% of the consolidated net profit).

The following dividends were distributed in this year:

DIVIDENDS PAID IN 2018
(Thousands of euros)

	EUROS PER SHARE	AMOUNT PAID IN CASH	ANNOUNCEMENT DATE	PAYMENT DATE
Final dividend for 2017	0.08	478,307	06-04-2018	13-04-2018
Interim dividend - 2018	0.07	418,518	25-10-2018	05-11-2018
TOTAL	**0.15**	**896,825**		

6.2. Earnings per share

Basic and diluted earnings per share of the Group are as follows:

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE
(Thousands of euros)

	2018	2017
Numerator	1,901,795	1,658,048
Profit attributable to the Parent	1,984,647	1,684,167
Less: Preference share coupon amount (AT1)	(82,852)	(26,119)
Denominator (thousands of shares)	5,978,642	5,977,811
Average number of shares outstanding (1)	5,978,642	5,977,811
Adjusted number of shares (basic earnings per share)	5,978,642	5,977,811
Basic earnings per share (in euros) (2)	0.32	0.28
Diluted earnings per share (euro) (3)	0.32	0.28

(1) Number of shares outstanding at the beginning of the year, excluding average number of treasury shares held during the period. Includes the retrospective adjustments set out in IAS 33.
(2) Including CaixaBank's 20148 individual profit, basic earnings per share would be EUR 0.19.
(3) Preference shares did not have any impact on the calculation of diluted earnings per share, since their capacity to be convertible was unlikely. Additionally, equity instruments associated with remuneration components were not significant.

7. Business combinations, acquisition and disposal of ownership interests in subsidiaries

There were no significant business combinations during 2018.

The 2017 consolidated financial statements describe the BPI business combination operation, the effective takeover date of which was 7 February 2017, and which entailed the recognition of the following accounting impacts:

- The revaluation of the previous 45.5% holding in BPI at the takeover bid price (EUR 1.134 per share) has given rise to a loss of EUR 186 million (before and after tax), which was recognised under "Gains/(losses) on derecognition of non-financial assets and investments, net".
- A positive amount equivalent to the negative difference arising on consolidation of EUR 442 million under “Negative goodwill recognised in profit or loss” in the accompanying condensed interim consolidated statement of profit or loss (before and after tax).

In view of the foregoing, at the date of acquisition of control, the total impact of the business combination was EUR 256 million.

8. Segment information

The objective of business segment reporting is to allow internal supervision and management of the Group's activity and profits. The information is broken down into several lines of business according to the Group's organisation and structure. The segments are defined and segregated taking into account the inherent risks and management characteristics of each one, based on the basic business units which have accounting and management figures. Similarly, the following is applied to create them: i) the same presentation principles are applied as those used in Group management information, and ii) the same accounting principles and policies as those used to prepare the financial statements:

Banking and insurance: the Group's core business; includes the results of the banking business (retail banking, corporate and institutional, cash management and markets), together with the insurance business and asset management, primarily carried out in Spain through the branch network and the other complementary channels. It covers the activity and results generated by the Group's customers, as well as liquidity and ALCO management, income from financing the other businesses and the corporate centre. After the implementation of certain corporate operations, this business includes:

- All the assets and liabilities of BPI Vida e Pensoes from the end of December 2017 and its results starting from 1 January 2018. This transaction was implemented through VidaCaixa.
- All the assets and liabilities and the results of BPI Gestao De Activos and BPI Global Investment Fund since April 2018 deriving from the purchase of these companies by CaixaBank Asset Management.
- From November, it includes the results of the card business acquired from BPI.

The insurance and banking business is presented in a unified way consistent with the joint business and risk management, since it is a comprehensive business model within a regulatory framework that shares similar monitoring and accounting objectives. The Group markets insurance products, in addition to the other financial products, through its commercial network with the same client base, because the majority of the insurance products offer savings alternatives (life-savings and pensions) to the banking products (savings and investment funds).

Non-core **real estate business:** includes the results, net of the related financing charge, of non-core real estate assets in Spain, which comprise: i) non-core developer lending: ii) foreclosed real estate assets (available for sale and rental); and iii) other real estate assets and holdings.

On 20 December 2018, the sale of 80% of the real estate portfolio that the Group had at 31 October 2018 (see Note 1.8 – Agreement of sale to Lone Star) was formalised.

Equity investments: includes income from dividends and/or profit from banks accounted for using the equity method, net of financing costs, from the interests and gains/(losses) on financial assets and liabilities held in Erste Group Bank, Repsol, Telefónica, BFA and BCI. It also includes the significant impacts on income of other relevant stakes acquired to diversify across sectors. The results contributed by BPI to the consolidated income statement under the equity method are included in this segment through to the effective takeover in February 2017, whereupon a new business segment described below was created.

BPI: since the takeover in February 2017, it has included the assets and liabilities contributed to the consolidated Group, considering the adjustments made in the business combination. The income statement includes the reversal of the adjustments deriving from the measurement at fair value of the assets and liabilities under the business combination. It excludes the profit and loss and figures in the balance sheet associated with BPI assets allocated to the investments business.

The allocation of capital to the non-core real estate and investments businesses is in line with the corporate objective of maintaining a fully-loaded Common Equity Tier 1 (CET1) ratio of between 11% and 12%, taking into account both the 11% weighting applied to risk-weighted assets and any applicable deductions. The allocation of capital to BPI is at sub-consolidated level, i.e., taking into account the subsidiary's equity. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to the investment business.

The difference between total Group equity and the capital allocated to these businesses, including BPI, is attributed to the banking and insurance business.

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

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: i) Impact of the allocation to the equity investments business of BFA, BPI and Viacer, which were previously shown in the BPI business; and ii) removal of analytical income in the banking business and insurance charged to the non-core real estate business, associated with the process of marketing assets.

The performance of the Group by business segment is shown below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CAIXABANK GROUP - BY BUSINESS SEGMENT
(Millions of euros)

	BANKING AND INSURANCE BUSINESS (1)				NON-CORE REAL ESTATE BUSINESS		INVESTMENTS		BPI		CAIXABANK GROUP	
	2018		2017									
		OF WHICH: INSURANCE ACTIVITY		*OF WHICH: INSURANCE ACTIVITY*	2018	2017	2018	2017	2018	2017	2018	2017
NET INTEREST INCOME	4,682	*305*	4,603	*306*	(23)	(71)	(149)	(168)	397	382	4,907	4,746
Dividend income and share of profit/(loss) of entities accounted for using the equity method (2)	217	*171*	191	*156*	3	32	746	416	6	14	972	653
Net fee and commission income	2,310	*(124)*	2,222	*(103)*	(7)	1			280	276	2,583	2,499
Gains/(losses) on financial assets and liabilities and others	225	*1*	303	*64*	(6)		11	(44)	48	23	278	282
Income and expenses under insurance and reinsurance contracts	551	*551*	472	*472*	0						551	472
Other operating income and expenses	(351)	*51*	(212)	*31*	(147)	(200)			(26)	(18)	(524)	(430)
GROSS INCOME	7,634	*955*	7,579	*926*	(180)	(238)	608	204	705	677	8,767	8,222
Administrative expenses	(3,762)	*(87)*	(3,602)	*(73)*	(51)	(42)	(4)	(4)	(436)	(502)	(4,253)	(4,150)
Depreciation and amortisation	(301)	*(21)*	(328)	*(41)*	(67)	(63)			(37)	(36)	(405)	(427)
PRE-IMPAIRMENT INCOME	3,571	*847*	3,649	*812*	(298)	(343)	604	200	232	139	4,109	3,645
Impairment losses on financial assets and other provisions	(498)	*1*	(1,606)		(175)	(138)		4	106	29	(567)	(1,711)
NET OPERATING INCOME/(LOSS)	3,073	*848*	2,043	*812*	(473)	(481)	604	204	338	168	3,542	1,934
Gains/(losses) on disposal of assets and others	(62)	*1*	154		(117)	6	(607)	5	51	(1)	(735)	164
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	3,011	*849*	2,197	*812*	(590)	(475)	(3)	209	389	167	2,807	2,098
Income tax	(810)	*(186)*	(536)	*(178)*	115	155	90	49	(107)	(46)	(712)	(378)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	2,201	*663*	1,661	*634*	(475)	(320)	87	258	282	121	2,095	1,720
Profit/(loss) attributable to minority interests	2		6		55		33	13	20	17	110	36
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**2,199**	***663***	**1,655**	***634***	**(530)**	**(320)**	**54**	**245**	**262**	**104**	**1,985**	**1,684**
Total assets	345,122	*66,244*	335,945	*64,016*	5,737	11,530	4,685	6,894	31,078	28,817	386,622	383,186
Of which: positions in sovereign debt	*87,786*	*49,247*	*81,254*	*47,068*					*3,307*	*3,727*	*91,093*	*84,981*

(1) In 2017 this segment includes the impact of the business combination resulting from the acquisition of Banco BPI, as it derived from a corporate operation.
(2) Insurance business includes the contribution of the stake in SegurCaixa Adeslas.

The banking and insurance businesses have an integrated Banking-Insurance management model. Under a regulatory framework with similar accounting and supervision objectives, sales and risks are managed jointly, as the model is integrated. The results of the Banking-Insurance business are presented as a single business segment in the segment reporting because of this integrated Banking-Insurance management model.

The income of the Group by segment, geographical area and distribution of ordinary income is as follows:

DISTRIBUTION OF INTEREST AND SIMILAR INCOME BY GEOGRAPHICAL AREA
(Thousands of euros)

	CAIXABANK		CAIXABANK GROUP	
	2018	2017	2018	2017
Domestic market	4,265,645	4,278,028	6,459,747	6,550,243
Export	23,047	19,156	485,751	420,201
a) European Union	*19,243*	*15,567*	*480,735*	*405,421*
b) OECD countries			*1,211*	*2*
c) Other countries	*3,804*	*3,589*	*3,805*	*14,778*
TOTAL	**4,288,692**	**4,297,184**	**6,945,498**	**6,970,444**

DISTRIBUTION OF ORDINARY INCOME (*)
(Thousands of euros)

	ORDINARY INCOME FROM CUSTOMERS		ORDINARY INCOME BETWEEN SEGMENTS		TOTAL ORDINARY INCOME	
	2018	2017	2018	2017	2018	2017
Banking and insurance	**10,854,312**	**10,704,888**	**229,277**	**319,917**	**11,083,589**	**11,024,805**
Spain	10,764,062	10,681,560	229,277	319,917	10,993,339	11,001,477
Other countries	90,250	23,328			90,250	23,328
Non-core real estate activity	**215,929**	**259,333**			**215,929**	**259,333**
Spain	215,929	259,333			215,929	259,333
Other countries					0	0
Investments	**758,372**	**372,015**			**758,372**	**372,015**
Spain	347,709	239,446			347,709	239,446
Other countries	410,663	132,569			410,663	132,569
BPI	**821,777**	**775,680**	**47,108**	**6,955**	**868,885**	**782,635**
Portugal/Spain	813,315	734,287	47,108	6,955	860,423	741,242
Other countries	8,462	41,393			8,462	41,393
Ordinary adjustments and eliminations between segments			**(276,385)**	**(326,872)**	**(276,385)**	**(326,872)**
TOTAL	**12,650,390**	**12,111,916**	**0**	**0**	**12,650,390**	**12,111,916**

(*) Corresponding to the following items in the Group's public statement of profit or loss.
1. Interest income
2. Dividend income
3. Share of profit/(loss) of entities accounted for using the equity method
4. Fee and commission income
5. Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
6. Gains/(losses) on financial assets and liabilities held for trading, net
7. Gains/(losses) on assets not designated for trading compulsorily measured at fair value through profit or loss, net
8. Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net
9. Gains/(losses) from hedge accounting, net
10. Other operating income
11. Income from assets under insurance and reinsurance contracts

9. Remuneration of key management personnel

9.1. Remuneration of the Board of Directors

At the Ordinary Annual General Meeting of CaixaBank held in April 2018, the remuneration policy for the Board of Directors was approved for the years 2018 to 2020, in conformance with the remuneration scheme set out in the By-laws and the Regulations of the Board of Directors, as well as the provisions of the Corporate Enterprises Act and Act 10/2014.

Article 34 of CaixaBank's By-laws stipulates that the position of Director shall be remunerated and that this remuneration shall consist of a fixed annual sum with a maximum amount determined by the Annual General Meeting and which shall remain in force until the General Meeting agrees to modify it. This maximum amount shall be used to remunerate all the Directors in their condition as such and shall be distributed as deemed appropriate by the Board of Directors, following the proposal of the Remuneration Committee, both in terms of remuneration to members, especially the Chairman, who receives additional fixed remuneration for carrying out his duties, and according to the duties and position of each member and to the positions they hold in the various Committees. Likewise, in conformance with the agreement and subject to the limits determined by the Annual General Meeting, Directors may be remunerated with Company shares or shares in another publicly traded Group company, options or other share-based instruments or of remuneration referenced to the value of the shares.

Non-executive Directors maintain an organic relationship with CaixaBank and consequently do not have contracts established with the Company for exercising their functions or do not have any type of recognized payment for the termination of the Director position; it only consists of fixed components.

Executive Directors carrying out executive duties are entitled to receive remuneration for these duties, which may be either a fixed amount, a complementary variable amount, incentive schemes, and benefits, which may include pension plans and insurance and, where appropriate, social security payments. In the event of departure of the CEO not caused by a breach of their functions, they may be entitled to compensation.

In addition, given the enormous practical issues involving an individual policy, Executive Directors are covered by the civil liability policy for Directors and executives of the Group to cover any third-party liabilities they may incur when carrying out their duties. The amounts corresponding to the part of the premium attributable are considered remuneration in kind.

Details of remuneration and other benefits received by the members of the Board of Directors of CaixaBank for their membership in that body those years are as follows:

REMUNERATION OF THE BOARD OF DIRECTORS
(Thousands of euros)

	POSITION	TYPE OF DIRECTOR	WAGES	REMUNERATION FOR BOARD MEMBERSHIP	REMUNERATION FOR BEING ON OTHER BOARD COMMITTEES	VARIABLE REMUNERATION IN CASH	SHARE-BASED REMUNERATION SCHEMES	COMPENSATION	LONG-TERM SAVINGS SYSTEM	OTHER ITEMS (4)	OTHER POSITIONS IN GROUP COMPANIES	REMUNERATION FOR MEMBERSHIP OF OTHER COMMITTEES OUTSIDE THE GROUP (5)	TOTAL 2018	TOTAL 2017
Gual Solé, Jordi	Chairman	Proprietary		1,090	60							353	1,503	1,161
Masanell Lavilla, Antonio (1)													0	1,939
Muniesa Arantegui, Tomás (2)	Deputy Chairman	Proprietary	395	61	34		39		58	1	433	6	1,031	0
Gortázar Rotaeche, Gonzalo	CEO	Executive	1,306	90	50	392	504		382	8	565	250	3,547	3,209
Vives Torrents, Francesc Xavier	Lead Director	Independent		128	50								178	157
Bassons Boncompte, Maria Teresa	Director	Proprietary		90	33								123	143
Fisas Vergés, M. Verónica	Director	Independent		90	50								140	111
Fundación Privada Monte de Piedad y Caja de Ahorros San Fernando de Huelva, Jerez y Sevilla (Fundación Cajasol), represented by Guillermo Sierra Molina (3)													0	14
Fundación Bancaria Canaria Caja General de Ahorros de Canarias (Fundación CajaCanarias), represented by Natalia Aznarez Gómez	Director	Proprietary		90	46								136	74
Gabarró Serra, Salvador (3)													0	36
García-Bragado Dalmau, Alejandro	Director	Proprietary		90	28								118	90
Garralda Ruiz de Velasco, Ignacio	Director	Proprietary		90	46								136	55
Ibarz Alegría, Javier	Director	Proprietary		90	54						73		217	280
Minc, Alain	Director	Independent		90	90								180	180
Moraleda Martínez, María Amparo	Director	Independent		90	93								183	256
Reed, John S.	Director	Independent		90	33								123	90
Rosell Lastortras, Juan	Director	Independent		90	32						68		190	230
Sáinz de Vicuña y Barroso, Antonio	Director	Independent		90	113								203	236
Sanchiz Irazu, Eduardo Javier	Director	Independent		90	92								182	25
Serna Masiá, José	Director	Proprietary		90	50								140	129
Usarraga Unsain, Koro	Director	Independent		90	96								186	140
TOTAL			**1,701**	**2,629**	**1,050**	**392**	**543**	**0**	**440**	**9**	**1,139**	**609**	**8,512**	**8,555**

(*) Registered in the statement of profit or loss of the respective companies.
(1) Relinquished his role as Deputy Chairman on 21 December 2017, effective 31 December 2017.
(2) Appointed on 26 April 2018. He was Executive Deputy Chairman from said date to 22 November 2018, when he was appointed Proprietary Deputy Chairman.
(3) Stepped down in 2017
(4) Includes remuneration in kind (health and life insurance premiums paid in favour of Executive Directors), interest accrued on deferred variable remuneration, other insurance premiums paid and other benefits.
(5) Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group

At the 28 April 2016 Ordinary Annual General Meeting, shareholders voted to set the number of Board members at 18. At 31 December 2018 and 2017 the Board comprised 18 Directors.

CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such. The balances of the contingent risks and commitments associated with the "key management personnel" are reported in Note 41.

9.2. Remuneration of Senior Management

The breakdown and details of remuneration received by Senior Management of the Group are as follows:

REMUNERATION OF SENIOR MANAGEMENT
(Thousands of euros)

	31-12-2018	31-12-2017
Salary (1)	8,698	9,924
Post-employment benefits (2)	1,313	1,233
Other long-term benefits	96	110
Other positions in Group companies	423	774
TOTAL	**10,530**	**12,041**
Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group (3)	98	22
TOTAL REMUNERATION	**10,628**	**12,063**
Composition of Senior Management	10	11
General Managers	*3*	*4*
Deputy General Managers	*1*	*1*
Executive Managers	*5*	*5*
General Secretary and Secretary to the Board of Directors	*1*	*1*

(1) This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating a 100% achievement, and includes the accrued portion of the long-term share-based variable remuneration plan approved at the Annual General Meeting held on 23 April 2015.
(2) Includes insurance premiums and discretionary pension benefits.
(3) Registered in the statement of profit or loss of the respective companies.

The employment contracts with members of the Management Committee contain clauses on termination benefits for the early termination or rescission of such contracts.

The value of obligations accrued as defined contribution post-employment commitments with executive Directors and Senior Management are as follows:

DEFINED CONTRIBUTION COMMITMENT WITH EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES
(Thousands of euros)

	31-12-2018	31-12-2017
Defined contribution post-employment obligations	15,904	44,604

9.3. Other disclosures concerning the Board of Directors

Article 229.3 of the Corporate Enterprises Act introduces the duty to report to the Board of Directors any situation of direct or indirect conflicts of interest between each Director or parties related thereto and the Company. In this connection, the Directors have informed of the following:

CONFLICTS OF INTEREST

DIRECTOR	CONFLICT
Tomás Muniesa Arantegui	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
	Abstention from the deliberation and voting on the resolution regarding the approval of their discontinuation protocol.
	Abstention from the deliberation and voting on the resolution regarding fulfilment of the 2017 individual and corporate objectives of the Deputy Chairman, CEO, Management Committee, Deputy General Manager of Control & Compliance and the Global Risk Management Executive Director.
	Abstention from the deliberation and voting on resolutions regarding the remuneration of executive directors and senior executives for 2018.
	Abstention from the deliberation and voting on the resolutions regarding 2018 objectives of the Deputy Chairman, CEO, Management Committee and Deputy General Manager of Control & Compliance.
Gonzalo Gortázar Rotaeche	Abstention from the deliberation and voting on the resolutions regarding the 2018 bonus scheme and corporate challenges.
	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
	Abstention from the deliberation and voting on the resolution regarding appointment at Fundación CajaCanarias as member of the Risk Committee.
Fundación CajaCanarias represented by Natalia Aznárez Gómez	Abstention from the deliberation and voting on the resolutions regarding the operation to sell properties to the Lone Star fund, since the headquarters of Fundación CajaCanarias is in the scope of the assets to be transmitted.
	Abstention from the deliberation and voting on the resolution regarding the amendment of Banca Cívica's integration agreement and the CaixaBank Shareholders' Agreement.
Alejandro García-Bragado Dalmau	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Remuneration Committee.
	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
	Abstention from the deliberation and voting on resolutions regarding the takeover of BPI insomuch as they affect the reorganisation of the partnership of the BPI and Allianz Portugal insurance business.
Ignacio Garralda Ruiz de Velasco	Abstention from the presentation, analysis and deliberation on the Strategic Plan approved by VidaCaixa for the 2019-2021 period.
Javier Ibarz Alegría	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
Alain Minc	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Appointments Committee.
Ms. María Amparo Moraleda Martínez	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
John S. Reed	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Appointments Committee.
Juan Rosell Lastortras	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Remuneration Committee.
Eduardo Javier Sanchiz Irazu	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Audit and Control Committee.
	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
Koro Usarraga Unsain	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.

Prohibition of competition

Specifically, article 229.1f) of the Corporate Enterprises Act establishes that Board members may not carry out for their own account or the account of other activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company's interests. Article 230 of the Corporate Enterprises Act stipulates that this prohibition can be lifted if the Company is not expected to incur damages or it is expected that it will be indemnified for an amount equal to the benefits expected to be obtained from the exemption. Express and separate approval of the exemption must be obtained from shareholders at the Annual General Meeting.

In this regard, Ignacio Garralda Ruiz de Velasco was appointed proprietary director at the Annual General Meeting of 6 April 2017, representing the shareholder Mutua Madrileña Automovilista, Sociedad de Seguros a Prima Fija ("Mutua Madrileña"). Mr Garralda is Chairman and CEO of Mutua Madrileña, the parent of a business group which, much like the CaixaBank Group, operates in numerous sectors of the insurance universe, with a presence also in pension fund management, investment fund management and the real estate business, that after revising the situation, remains currently. Both entities maintain their strategic alliance through SegurCaixa Adeslas, a company owned by Mutual Madrileña (50%) and the CaixaBank Group (49.92%) and engaged in the exclusive development, marketing, sale and distribution of general insurance products in Spain, this despite the fact that Mutual Madrileña competes with SegurCaixa Adeslas in all insurance sectors except Health. This situation is expressly addressed in the Shareholders' Agreement signed by both companies.

In view of the scant relevance of the level of competition between both groups in the insurance, pension fund and investment fund management, and real estate business sectors and of the advantages that Mr Garralda would contribute to the CaixaBank Board of Directors arising from his long-standing experience and qualifications, in addition to facilitating greater development of the current strategic alliance between both groups, a motion was laid before the Annual General Meeting of 6 April 2017 agreeing to exempt Ignacio Garralda Ruiz de Velasco from the non-compete obligation set out in article 229.1 f) of the Spanish Corporations Act, and allowing him, within the framework provided, to hold office and discharge functions at companies belonging to the group at which Mutua Madrileña is the parent and in direct and indirect investee companies of Mutua Madrileña that arise from the interest or the discharge of functions in Mutua Madrileña. Within the scope of the exemption, the Board of Directors approved a specific protocol to ensure that CaixaBank is not exposed to any damage as a result of Ignacio Garralda Ruiz de Velasco's new status as board member.

9.4. CaixaBank shares held by Board members

At year-end, the (direct and indirect) stakes held by members of the Board of Directors in the share capital of the Entity are as follows:

CAIXABANK SHARES HELD BY BOARD MEMBERS

(Number of shares)

	DIRECT	INDIRECT	TOTAL	PERCENTAGE (*)
Jordi Gual Solé	54,848	0	54,848	0.001%
Tomás Muniesa Arantegui	134,452	0	134,452	0.002%
Gonzalo Gortázar Rotaeche	671,527	0	671,527	0.011%
Francesc Xavier Vives Torrents	3,345	0	3,345	0.000%
Mª Teresa Bassons Boncompte	19,369	0	19,369	0.000%
Fundación Caja Canarias	38,237,375	0	38,237,375	0.639%
Alejandro García-Bragado Dalmau	3,718	0	3,718	0.000%
Javier Ibarz Alegría	20,058	0	20,058	0.000%
Alain Minc	12,932	0	12,932	0.000%
John S. Reed	12,564	0	12,564	0.000%
Joan Rosell Lastortras	0	42,031	42,031	0.001%
Antonio Sainz de Vicuña y Barroso	609	0	609	0.000%
José Serna Masiá	2,040	10,462	12,502	0.000%
Koro Usarraga Unsain	7,175	0	7,175	0.000%
TOTAL	**39,180,012**	**52,493**	**39,232,505**	**0.656%**

(*) % calculated on issued capital at 31 December 2018.

10. Cash and cash balances at central banks and other demand deposits

The detail of this heading is as follows:

DETAIL OF CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS
(Thousands of euros)

	31-12-2018	31-12-2017
Cash	2,467,794	2,177,351
Cash balances at central banks	15,783,569	17,092,094
Other demand deposits	906,850	885,873
TOTAL	**19,158,213**	**20,155,318**

Cash balances at central banks includes balances held to comply with the mandatory minimum reserves requirement in the central bank based on eligible liabilities. The mandatory reserves earn interest at the rate applicable to all major Eurosystem financing operations.

11. Financial assets and liabilities held for trading

11.1. Trading derivatives

The detail of this heading is as follows:

DETAIL OF TRADING DERIVATIVES (PRODUCT AND COUNTERPARTY)
(Thousands of euros)

	31-12-2018		31-12-2017	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Unmatured foreign currency purchases and sales	**404,680**	**406,965**	**456,820**	**410,046**
Purchases of foreign currencies against euros	221,413	33,219	67,038	293,668
Purchases of foreign currencies against foreign currencies	138,375	131,072	93,841	99,828
Sales of foreign currencies against euros	44,892	242,674	295,941	16,550
Acquisitions and sales of financial assets	**274**	**796**	**657**	**808**
Acquisitions	77		434	400
Sales	197	796	223	408
Financial futures on shares, interest rates and currencies			**113,442**	**115,755**
Bought			113,442	
Sold				115,755
Share options	**202,553**	**253,277**	**194,654**	**210,645**
Bought	202,553		194,654	
Issued		253,277		210,645
Interest rate options	**103,116**	**119,136**		
Bought	103,116			
Issued		119,136		
Foreign currency options	**131,240**	**83,536**	**113,337**	**142,178**
Bought	131,240		113,337	
Issued		83,536		142,178
Other share and interest rate transactions	**4,669,744**	**5,449,154**	**4,575,552**	**4,837,279**
Share swaps	119,429	66,827	16,820	57,802
Future rate agreements (FRAs)	34		1,126	264
Interest rate swaps	4,550,281	5,382,327	4,557,606	4,779,213
Credit derivatives	**110**	**11,900**		**33,659**
Sold	110	11,900		33,659
Commodity derivatives and other risks	**3,195,010**	**2,291,053**	**2,707,710**	**2,110,268**
Swaps	3,190,388	2,283,168	2,698,314	2,096,574
Bought	4,622	7,885	9,396	13,694
TOTAL	**8,706,727**	**8,615,817**	**8,162,172**	**7,860,638**
Of which: contracted in organised markets	*31,971*	*77,447*	*12,887*	*32,781*
Of which: contracted in non-organised markets	*8,674,756*	*8,538,370*	*8,149,285*	*7,827,857*

For the most part, the Group hedges the market risk related to derivatives arranged with customers individually by arranging symmetric derivatives on the market, recognising both in the trading portfolio. In this way, the market risk arising from these operations is not significant.

11.2. Equity instruments

The detail of this heading is as follows:

BREAKDOWN OF EQUITY INSTRUMENTS
(Thousands of euros)

	31-12-2018	31-12-2017
Shares in Spanish companies	266,762	268,244
Shares in foreign companies	81,171	134,470
TOTAL	**347,933**	**402,714**

11.3. Debt securities

The detail of this heading is as follows:

BREAKDOWN OF DEBT SECURITIES (**)
(Thousands of euros)

	31-12-2018	31-12-2017
Spanish government debt securities (*)	604,887	1,313,266
Treasury bills	203,866	669,419
Government bonds and debentures	68,108	240,793
Other issuances	332,913	403,054
Foreign government debt securities (*)	25,412	561,312
Issued by credit institutions	45,535	64,448
Other Spanish issuers	37,151	51,650
Other foreign issuers	42,451	41,122
TOTAL	**755,436**	**2,031,798**

(*) See Note 3.3.3., section 'Concentration according to sovereign risk'.
(**) See ratings classification in Note 3.3.3, section "Concentration according to credit quality".

11.4. Short positions on securities

The detail of this heading is as follows:

BREAKDOWN OF SHORT POSITIONS
(Thousands of euros)

	31-12-2018	31-12-2017
On securities lending agreements	0	0
Equity instruments	0	0
On overdrafts on repurchase agreements	398,903	744,292
Debt securities - public debt (*)	346,831	738,633
Debt securities issued - other issuers	52,072	5,659
TOTAL	**398,903**	**744,292**

Contractual obligations upon maturity of the financial liability
(*) See Note 3.3.3., section 'Concentration according to sovereign risk'.

Overdrafts on repurchase agreements of debt securities are short-term transactions arranged to offset off-balance sheet positions that have been sold or are subject to a repurchase agreement.

12. Financial assets not designated for trading compulsorily measured at fair value through profit or loss

The detail of this heading is as follows:

DETAIL OF FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
(Thousands of euros)

	31-12-2018	01-01-2018
Equity instruments (1)	231,502	284,018
Debt securities	144,988	147,658
Loans and advances	327,271	389,932
Customers	327,271	389,932
TOTAL	**703,761**	**821,608**

(1) In February 2018, the subsidiary company Banco BPI reported that, together with the Fundo de Pensões do Banco BPI, it signed a contract agreeing the sale to Violas SGPS, S.A. of its shareholdings in the company Viacer - Sociedad Gestora de Participaciones Sociales, Lda (Viacer), which holds 56% of the share capital of Super Bock Group, SGPS, SA. Banco BPI held a 14% stake of the share capital of Viacer, which it agreed to sell for an amount of EUR 130 million and Fundo de Pensões do Banco BPI held 11% of the share capital of Viacer, which it agreed to sell for EUR 103 million. This operation involved a EUR 60 million profit recorded under "Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss (net)" in the statements of profit or loss.

The changes in the valuation of these financial assets as a result of variations of credit risk are not significant, because of their credit quality (Note 3.3.3).

13. Financial assets at fair value with changes in other comprehensive income

The detail of this heading is as follows:

DETAIL OF FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME
(Thousands of euros)

	31-12-2018	31-12-2017 (*)
Equity instruments	**3,564,945**	**2,882,849**
Shares in listed companies	2,697,310	2,229,712
Shares in non-listed companies	867,635	449,228
Ownership interests in mutual funds and other listed investments		203,909
Debt securities	**18,323,292**	**66,671,858**
Spanish government debt securities	14,194,402	54,492,743
Treasury bills	0	65,037
Government bonds and debentures	11,790,995	50,638,225
Other issuances	2,403,407	3,789,481
Foreign government debt securities	3,013,950	8,714,605
Issued by credit institutions	144,203	2,678,671
Other Spanish issuers	36,166	49,358
Other foreign issuers	934,571	736,481
TOTAL	**21,888,237**	**69,554,707**
Equity instruments		
Of which: gross unrealised gains	75,067	235,946
Of which: gross unrealised losses	(965,427)	(488,975)
Debt securities		
Of which: gross unrealised gains	367,912	540,446
Of which: gross unrealised losses	(3,183)	(2,064)

(*) Corresponds to balances recognised under "Available-for-sale financial assets" (see Note 1).

13.1. Equity instruments

The detail of the changes under this heading is as follows:

CHANGES IN EQUTY INSTRUMENTS - 2018
(Thousands of

	31-12-2017	1st APPLICATION OF IFRS 9 (NOTE 1)	01-01-2018	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	AMOUNTS TRANSFERRED TO RESERVES	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	31-12-2018
Telefónica, SA	2,109,346		2,109,346				(204,055)		1,905,291
Repsol (Note 16)					(336,526)	3,851	(160,536)	1,279,709	786,498
Other (Note 16)	773,503	(243,265)	530,238	10,563	(70,507)	(29,356)	(97,111)	529,329	873,156
TOTAL	**2,882,849**	**(243,265)**	**2,639,584**	**10,563**	**(407,033)**	**(25,505)**	**(461,702)**	**1,809,038**	**3,564,945**

CHANGES IN EQUTY INSTRUMENTS - 2017
(Thousands of euros)

	31-12-2016	ADDITIONS DUE TO BUSINESS COMBINATIONS	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	AMOUNTS TRANSFERRED TO PROFIT OR LOSS	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	IMPAIRMENT LOSSES	31-12-2017
Telefónica,	2,288,453		1,347			(180,454)			2,109,346
Other	657,577	253,693	7,086	(60,841)	(4,343)	49,123	11,412	(140,204)	773,503
TOTAL	**2,946,030**	**253,693**	**8,433**	**(60,841)**	**(4,343)**	**(131,331)**	**11,412**	**(140,204)**	**2,882,849**

The relevant financial information of the most relevant equity instruments classified in this section is as follows:

FINANCIAL INFORMATION ON KEY INVESTMENTS
(Millions of euros / Millions of kwanzas (3))

CORPORATE NAME	REGISTERED ADDRESS	% OWNERSHIP	% VOTING RIGHTS	EQUITY	LATEST PUBLISHED PROFIT/(LOSS)
Telefónica, SA (1)	Gran Vía, 28 28013 Madrid	5.00%	5.00%	25,194	2,721
Repsol, S.A. (1)	Mendez Álvaro, 28045 Madrid	3.66%	3.66%	31,223	2,171
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, SA (Sareb) (2)	Paseo de la Castellana, 89 28046 Madrid	12.24%	12.24%	(3,707)	(565)
Caser, Compañía de Seguros y Reaseguros, SA (2)	Avenida de Burgos, 109 28050 Madrid	11.51%	11.51%	11,780	66
Banco de Fomento Angola, S.A. (3)	Rua Amilcar Cabral, 58 458 Maianga - Angola	48.10%	48.10%	217,422	69,085

(1) Listed company. Information on equity and latest published profit/(loss) is as at 30-09-2018. The figures are in millions of euros
(2) Non-listed companies. Information on equity and latest published profit/(loss) is as at 31-12-2017. The figures are in millions of euros.
(3) The information on equity and the last published profit/(loss) is at 31-12-2017 and the figures are in millions of kwanzas.

13.2. Debt securities

The detail of the changes under this heading is as follows:

CHANGES IN DEBT SECURITIES
(Thousands of euros)

	FROM STAGE 1:	FROM STAGE 2:	FROM STAGE 3:	TOTAL
Balance at the start of the year - Available-for-sale financial assets	**66,671,858**			**66,671,858**
1st application IFRS 9 (Note 1)	(49,454,000)			(49,454,000)
Adjusted balance at January 1, 2018	**17,217,858**			**17,217,858**
Plus:				**0**
Additions due to business combinations				0
Acquisitions	9,234,062			9,234,062
Interest	51,340			51,340
Gains/(losses) recognised with adjustments to equity (Note 24.2)	(194,368)			(194,368)
Less:				**0**
Sales and redemptions (*)	(7,937,306)			(7,937,306)
Amounts transferred to statement of profit or loss (Note 32)	(48,294)			(48,294)
CLOSING BALANCE	**18,323,292**			**18,323,292**

(*) In 2018 there have been fixed-income portfolio sales with a profit of EUR 48 million, under the heading "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" and EUR 80 million of profit under the heading "Gains/(losses) from hedge accounting, net" due to the cancellation of the fair value microhedge of this portfolio.

14. Financial assets at amortised cost

The detail of this heading is as follows:

DETAIL OF FINANCIAL ASSETS AT AMORTISED COST 31-12-2018
(Thousands of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	IMPAIRMENT ALLOWANCES	ACCRUED INTEREST	FEES	OTHER	OUTSTANDING AMOUNT
Debt securities	**16,956,604**	**(4,742)**	**107,772**			**17,059,634**
Loans and advances	**230,864,939**	**(5,713,415)**	**490,199**	**(373,359)**	**254,140**	**225,522,504**
Central banks	5,000	0	0			5,000
Credit institutions	7,546,170	(298)	4,265	(22)		7,550,115
Customers	223,313,769	(5,713,117)	485,934	(373,337)	254,140	217,967,389
TOTAL	**247,821,543**	**(5,718,157)**	**597,971**	**(373,359)**	**254,140**	**242,582,138**

BREAKDOWN OF LOANS AND RECEIVABLES 31-12-2017 (*)
(Thousands of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	IMPAIRMENT ALLOWANCES	ACCRUED INTEREST	FEES	OTHER	OUTSTANDING AMOUNT
Debt securities	**2,627,181**	**(53,039)**	**1,461**			**2,575,603**
Loans and advances	**230,154,521**	**(6,815,817)**	**546,210**	**(348,987)**	**160,969**	**223,696,896**
Central banks	5,000					5,000
Credit institutions	7,369,414		4,654	(33)		7,374,035
Customers	222,780,107	(6,815,817)	541,556	(348,954)	160,969	216,317,861
TOTAL	**232,781,702**	**(6,868,856)**	**547,671**	**(348,987)**	**160,969**	**226,272,499**

(*) Corresponds to balances classified under the heading "Loans and receivables", which have been reclassified through applying IFRS 9, mainly to the heading "Financial assets at amortised cost" (see Note 1).

14.1. Debt securities

The detail of the net balances under this heading is as follows:

BREAKDOWN OF DEBT SECURITIES
(Thousands of euros)

	31-12-2018	31-12-2017 (*)
Spanish government debt securities	13,947,125	140,655
Other Spanish issuers	1,269,523	861,566
Other foreign issuers	1,842,986	1,573,382
TOTAL	**17,059,634**	**2,575,603**

(*) Corresponds to the balances of Loans and receivables - Debt securities

The detail of changes in the gross book value (amount on balance sheet without considering value corrections due to impairment of assets) of debt securities at amortised cost is as follows:

CHANGES IN DEBT SECURITIES - 2018
(Thousands of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**2,615,564**		**13,078**	**2,628,642**
1st application IFRS 9 (Note 1)	10,172,402	8,914		10,172,402
Adjusted balance at January 1, 2018	**12,787,966**	**8,914**	**13,078**	**12,809,958**
New financial assets	6,194,978	8,185		6,203,163
Financial asset disposals (other than write-offs)	(1,839,429)	(8,914)	(13,078)	(1,861,421)
Changes in contractual cash flows	86	8,149	12,565	20,800
Changes in interest accrual	(108,124)			(108,124)
CLOSING BALANCE	**17,035,477**	**16,334**	**12,565**	**17,064,376**

The detail of the movement of hedges of "Financial assets at amortised cost – Debt securities" is as follows:

CHANGES IN THE IMPAIRMENT FUND OF DEBT SECURITIES - 2018
(Thousands of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**37,452**		**15,587**	**53,039**
1st application IFRS 9 (Note 1)	*(36,761)*	*226*	*(3,950)*	*(40,485)*
Adjusted balance at January 1, 2018	**691**	**226**	**11,637**	**12,554**
Net impairment charge	(25)	80	(1,211)	(1,156)
Transfers and other			(6,656)	(6,656)
CLOSING BALANCE	**666**	**306**	**3,770**	**4,742**

CHANGES IN THE IMPAIRMENT FUND OF DEBT SECURITIES - 2017
(Thousands of euros)

	BALANCE AT 31-12-2016	ADDITIONS DUE TO BUSINESS COMBINATIONS	NET ALLOWANCES	AMOUNTS USED	TRANSFERS AND OTHER	BALANCE AT 31-12-2017
Debt securities	1,198	17,122	30,319		4,400	53,039

14.2. Loans and advances

Loans and advances – Credit institutions

The detail of the gross balances of this heading is as follows:

BREAKDOWN OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS BY TYPE
(Thousands of euros)

	31-12-2018	31-12-2017
Demand	**6,153,606**	**5,099,388**
Other accounts	6,153,606	5,099,388
Term	**1,392,564**	**2,270,026**
Deposits with agreed maturity	1,392,564	1,296,960
Reverse repurchase agreement	0	961,232
Assets in stage 3 (non-performing assets in 2017)	0	11,834
TOTAL	**7,546,170**	**7,369,414**

Loans and advances - Loans and advances to customers

The breakdown of the balances is covered in Note 3.3.3 – Concentration by economic sector

The detail of changes in the gross book value (amount on balance sheet without considering value corrections due to impairment of assets) of loans and advances to customers is as follows:

CHANGES IN LOANS AND ADVANCES TO CUSTOMERS - 2018
(Thousands of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**209,337,003**		**13,796,675**	**223,133,678**
1st application IFRS 9 (Note 1)	*(16,112,834)*	*15,663,409*	*(15,904)*	*(465,329)*
Adjusted balance at January 1, 2018	**193,224,169**	**15,663,409**	**13,780,771**	**222,668,349**
Transfers	**(2,253,799)**	**1,794,312**	**459,487**	**0**
From stage 1:	(4,718,242)	4,149,922	568,320	0
From stage 2:	2,437,467	(3,210,506)	773,039	0
From stage 3:	26,976	854,896	(881,872)	0
New financial assets	45,674,628	1,795,180	871,774	48,341,582
Financial asset disposals (other than write-offs)	(40,010,101)	(2,925,344)	(3,015,323)	(45,950,768)
Write-offs			(1,378,657)	(1,378,657)
CLOSING BALANCE	**196,634,897**	**16,327,557**	**10,718,052**	**223,680,506**

The movement of hedges of "Financial assets at amortised cost – Loans and advances to customers" is as follows:

CHANGES IN IMPAIRMENT ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS - 2018
(Thousands of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**1,411,561**		**5,404,256**	**6,815,817**
1st application IFRS 9 (Note 1)	*(439,814)*	*588,954*	*613,866*	*763,006*
Adjusted balance at January 1, 2018	**971,747**	**588,954**	**6,018,122**	**7,578,823**
Net allowances	(203,062)	(203,657)	475,135	68,416
From stage 1:	52,244	23,020	180,446	255,710
From stage 2:	(9,843)	(59,609)	(38,084)	(107,536)
From stage 3:	(4,128)	(26,836)	54,770	23,806
New financial assets	134,389	77,315	414,816	626,520
Disposals	(375,724)	(217,547)	(136,813)	(730,084)
Amounts used			(1,777,426)	(1,777,426)
Transfers and other	(74,396)	356,425	(438,725)	(156,696)
CLOSING BALANCE	**694,289**	**741,722**	**4,277,106**	**5,713,117**

CHANGES IN IMPAIRMENT ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS - 2017
(Thousands of euros)

	BALANCE AT 31-12-2016	ADDITIONS DUE TO BUSINESS COMBINATIONS	NET IMPAIRMENT ALLOWANCES	AMOUNTS USED	TRANSFERS AND OTHER	BALANCE AT 31-12-2017
Credit risk allowance of the borrower	**6,678,675**	**1,088,199**	**553,724**	**(970,947)**	**(543,658)**	**6,805,993**
Loans and advances	6,678,675	1,088,199	553,724	(970,947)	(543,658)	6,805,993
Credit institutions	0	0	3,513	0	(3,513)	0
Public sector	3,753	0	62,139	(4)	10,960	76,848
Other sectors (*)	6,674,922	1,088,199	488,072	(970,943)	(551,105)	6,729,145
Country risk allowance	**9,832**	**0**	**(8)**	**0**	**0**	**9,824**
Loans and advances to customers	9,832	0	(8)	0	0	9,824
TOTAL	**6,688,507**	**1,088,199**	**553,716**	**(970,947)**	**(543,658)**	**6,815,817**

15. Derivatives – Hedge accounting (assets and liabilities)

The detail of the balances of these headings is as follows:

DETAIL OF HEDGING DERIVATIVES (PRODUCT AND COUNTERPARTY)
(Thousands of euros)

	31-12-2018		31-12-2017	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rates	1,752,401	363,635	2,201,327	302,696
Equity instruments			107,437	
Currencies and gold	(3,667)	1,659	(727)	1,585
Other	94,531	88,143	92,839	97,220
TOTAL FAIR VALUE HEDGES	1,843,265	453,437	2,400,876	401,501
Interest rates	3,326		14,953	13,979
Equity instruments	62,888		19,485	
Currencies and gold	312	103	106	206
Other	146,413	339,869	161,519	377,446
TOTAL CASH FLOW HEDGES	212,939	339,972	196,063	391,631
TOTAL	**2,056,204**	**793,409**	**2,596,939**	**793,132**
Memorandum items				
Of which: OTC - credit institutions	*896,877*	*559,743*	*1,222,697*	*721,135*
Of which: OTC - other financial corporations	*1,157,389*	*233,666*	*1,369,195*	*67,247*
Of which: OTC - other	*1,938*		*5,047*	*4,750*

The details of the schedule of the nominal amount of interest rate hedging items and their average interest rate is as follows:

MATURITY SCHEDULE OF HEDGING ITEMS AND AVERAGE INTEREST RATE
(Thousands of euros)

	NOMINAL AMOUNT						AVERAGE INTEREST RATE
	< 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	>5 YEARS	TOTAL	
Interest rates	416,954	2,688,070	8,064,145	17,729,243	12,099,409	40,997,821	1.17%
TOTAL FAIR VALUE HEDGES	416,954	2,688,070	8,064,145	17,729,243	12,099,409	40,997,821	
Interest rates	116,600	233,200	1,026,000	1,236,474	1,336,128	3,948,402	0.92%
TOTAL CASH FLOW HEDGES	116,600	233,200	1,026,000	1,236,474	1,336,128	3,948,402	
TOTAL HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS							
TOTAL	**533,554**	**2,921,270**	**9,090,145**	**18,965,717**	**13,435,537**	**44,946,223**	

HEDGING ITEMS - FAIR VALUE HEDGES
(Thousands of euros)

				31-12-2018		2018		31-12-2017	
				VALUE OF HEDGING INSTRUMENT		CHANGE IN FV USED TO CALCULATE THE INEFFECTIVENESS OF THE HEDGE	INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS	VALUE OF HEDGING INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES			ASSETS	LIABILITIES
Macrohedges	Issuances (*)	Transformation from fixed to floating	Interest-rate swaps and options	1,710,231	123,543	(214,424)	(997)	2,044,897	231,913
	Fixed-rate loans	Transformation from fixed to floating	Interest-rate swaps and options	18,447	193,377	(190,495)	2,621	69,439	35,506
	Floating-rate loans	Transformation from Euribor 12M floating rate to EONIA floating rate	Interest-rate swaps	7,085		(11,140)		18,163	
	Other			12,827	16,056	21,824	696	9,544	35,524
	TOTAL			**1,748,590**	**332,976**	**(394,235)**	**2,320**	**2,142,043**	**302,943**
Microhedges	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps		3,005	(32,308)		64,690	1,337
	Public debt OCI portfolio	Transformation from floating to fixed rate	Interest-rate swaps, inflation-linked swaps and inflation-linked options	88,233	107,623	(7,263)		86,374	97,221
	Public debt OCI portfolio	Transformation from fixed-rate debt in foreign currency to floating-rate debt in foreign currency	Interest-rate swaps		9,833	(7,029)	(49)		
	Equity instruments portfolio changes in OCI	Value of the instrument	Equity Swap	Expired	Expired			107,437	
	Other			6,442		(788)	2	332	
	TOTAL			**94,675**	**120,461**	**(47,388)**	**(47)**	**258,833**	**98,558**

FV: Fair value
(*) In 2018, a subordinated bond issuance with a nominal amount of EUR 2,072 million has been repaid early, for which a profit of EUR 110 million has been recorded, recognised under "Gains or losses on derecognition of financial assets and liabilities designated at fair value through profit or loss, net" in the accompanying consolidated income statement, deriving from the hedge operation associated with this issuance (Note 32).

HEDGED ITEMS - FAIR VALUE HEDGES
(Thousands of euros)

				31-12-2018				2018			31-12-2017	
				HEDGED INSTRUMENT		ACCUMULATED FAIR VALUE ADJUSTMENTS IN THE HEDGED ITEM					HEDGED INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ACCUMULATED AMOUNT OF FV HEDGING ADJUSTMENTS OF HEDGED ITEMS	CHANGE IN VALUE USED TO CALCULATE THE INEFFECTIVENESS OF THE HEDGE	LINE ON THE BALANCE SHEET INCLUDING THE HEDGED ITEM	ASSETS	LIABILITIES
Macrohedges	Issuances	Transformation from fixed to floating	Interest-rate swaps	-	23,479,295	75,102	1,240,029	97,418	213,427	Financial liabilities at amortised cost	0	24,846,262
	Fixed-rate loans	Transformation from fixed to floating	Interest-rate swaps	12,350,717	0	163,739	0	(31,245)	193,117	Financial assets at amortised cost	10,836,561	0
	Floating-rate loans	Transformation from Euribor 12M floating rate to EONIA floating rate	Interest-rate swaps	3,615,000		(6,390)	0		11,140	Financial assets at amortised cost	3,715,000	
	Other			493,606	5,084,484	0	3,474	-	(21,128)		516,053	4,891,742
	TOTAL			**16,459,323**	**28,563,779**	**232,451**	**1,243,503**	**66,173**	**396,556**		**15,067,614**	**29,738,004**
Microhedges	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps	64,419	0	N/A	N/A	1,618	32,308	Financial assets at fair value *	4,610,248	
	Public debt OCI portfolio	Transformation of inflation-linked debt to fixed-rate to floating-rate	Interest-rate swaps	433,822	0	N/A	N/A	(1,508)	7,263	Financial assets at fair value *	425,120	0
	Public debt OCI portfolio	Transformation of fixed-rate debt in foreign currency to floating-rate in foreign currency	Interest-rate swaps	880,305	0	N/A	N/A	0	6,979	Financial assets at fair value *	0	0
	Equity instruments portfolio changes in OCI	Value of the instrument	Equity Swap	0	0	overdue	overdue	0	overdue		479,444	
	Other			33,764	0	0	6,638	(722)	790	0	33,969	
	TOTAL			**1,412,310**	**0**	**0**	**6,638**	**(612)**	**47,340**		**5,548,781**	**0**

(*) with changes in other comprehensive income

HEDGING ITEMS - CASH FLOW HEDGES
(Thousands of euros)

				31-12-2018				31-12-2017	
				VALUE OF HEDGING INSTRUMENT		AMOUNT RECLASSIFIED FROM EQUITY TO PROFIT OR LOSS	INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS	VALUE OF HEDGING INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES			ASSETS	LIABILITIES
Macrohedges	Floating-rate loans	Transformation from floating rate to fixed rate	Interest-rate swaps	3,312		(11,456)		14,953	
	Fixed-rate term deposits	Transformation from fixed to floating	Interest-rate swaps			(1,990)		0	13,979
	TOTAL			**3,312**	**0**	**(13,446)**	**0**	**14,953**	**13,979**
Microhedges	Inflation-linked public debt	Transformation from inflation-linked floating to fixed rate	Inflation-linked swaps and inflation-linked options	144,726	339,869	(30,403)		161,441	377,446
	Corporate bonds to floating	Transformation from floating rate to fixed rate	Interest rate swaps	14		34	(38)		
	Currency-linked public debt	Transformation from floating rate in foreign currency to floating rate in euros	Currency swaps	312	103	1,038		106	206
	Equity instruments portfolio associates	Value of the instrument	Equity Swap	62,888		7,024			
	Other			1,687		98,751		19,563	0
	TOTAL			**209,627**	**339,972**	**76,444**	**(38)**	**181,110**	**377,652**

HEDGED ITEMS - CASH FLOW HEDGES
(Thousands of euros)

				31-12-2018			31-12-2017	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	RESERVE OF CASH FLOW HEDGES	PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES	LINE ON THE BALANCE SHEET INCLUDING THE HEDGED ITEM	RESERVE OF CASH FLOW HEDGES	PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES
Macrohedges	Floating-rate loans	Transformation from floating rate to fixed rate	Interest-rate swaps	1,761		Financial assets at amortised cost	6,172	
	Fixed-rate term deposits	Transformation from fixed to floating	Interest-rate swaps		25,867	Financial assets at amortised cost	(13,671)	45,674
	TOTAL			**1,761**	**25,867**	**0**	**(7,499)**	**45,674**
Microhedges	Inflation-linked public debt	Transformation from inflation-linked floating debt to fixed rate	Inflation-linked swaps and inflation-linked options	(55,220)		Financial assets at fair value *	(55,600)	
	Corporate bonds to floating	Transformation from floating rate to fixed rate	Interest-rate swaps	10		Financial assets at fair value *		
	Currency-linked public debt	Transformation from floating rate in foreign currency to floating rate in euros	Currency swaps	212		Financial assets at fair value *	(91)	
	Equity instruments portfolio associates	Value of the instrument	Equity Swap	61,524		Investments in joint ventures and associates		
	Other			1,725	(4,303)		41,312	(823)
	TOTAL			**8,251**	**(4,303)**		**(14,379)**	**(823)**

(*) with changes in other comprehensive income

16. Investments in joint ventures and associates

The detail of the changes of the balance under this heading is as follows:

CHANGES IN INVESTMENTS - 2018
(Thousands of euros)

	31-12-2017						31-12-2018	
	CARRYING AMOUNT	*%PART*	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	MEASURED USING THE EQUITY METHOD	TRANSFERS AND OTHER	CARRYING AMOUNT (***)	*%PART*
UNDERLYING CURRENT AMOUNT	5,689,175		59,496	(1,533,639)	136,002	(982,705)	3,368,329	
Repsol, S.A.	2,705,048	*9.64%*	35,708	(1,415,904)	132,740	(1,457,592)		
Erste Group Bank AG (*)	1,352,724	*9.92%*			28,362		1,381,086	*9.92%*
Coral Homes (Note 1)					1,381	1,080,385	1,081,766	*20.00%*
SegurCaixa Adeslas, SA de Seguros Generales y Reaseguros (**)	714,954	*49.92%*		(113,248)	22,717		624,423	*49.92%*
Associates BPI subgroup	747,949				(62,826)	(516,911)	168,212	
Other	168,500		23,788	(4,487)	13,628	(88,587)	112,842	
GOODWILL	360,875		0	0	0	0	360,875	
SegurCaixa Adeslas, S.A. de Seguros	299,618						299,618	
Associates BPI subgroup	42,467						42,467	
Other	18,790						18,790	
IMPAIRMENT ALLOWANCES	(12,732)		0	1,881	0	(7,766)	(18,617)	
Other	(12,732)			1,881		(7,766)	(18,617)	
TOTAL ASSOCIATES	**6,037,318**		**59,496**	**(1,531,758)**	**136,002**	**(990,471)**	**3,710,587**	
UNDERLYING CURRENT AMOUNT	185,520		4,531	(37,589)	15,175	(371)	167,266	
Comercia Global Payments, Entidad	104,283	*49.00%*			18,905		123,188	*49.00%*
Joint ventures BPI subgroup	35,065				189	(371)	34,883	
Other	46,172		4,531	(37,589)	(3,919)		9,195	
GOODWILL	1,624		0	0	0	(172)	1,452	
Other	1,624					(172)	1,452	
IMPAIRMENT ALLOWANCES	(37)		0	0	0	(362)	(399)	
Other	(37)					(362)	(399)	
TOTAL JOINT VENTURES	**187,107**		**4,531**	**(37,589)**	**15,175**	**(905)**	**168,319**	

(*) At 31 December 2018, the market value of 9.92% of the stake was EUR 1,238,525 thousand. CaixaBank has arranged a cash flow microhedge on 1.36% of this stake.

(**) Arising from a distribution of the investment's share premium, with no variation in the ownership percentage.

(***) Includes EUR 58 million in intangible assets generated at the time of the purchase, which are being repaid in the corresponding term.

Repsol S.A.

On 20 September 2018, the Group agreed to dispose of the current shareholding in Repsol, in line with the guidelines set out in the current strategic plan. The process was undertaken in the following way:

- The two equity-swap contracts in place on 4.61% of the shares were settled in advance at 20 September 2018, through the delivery of shares.
- The proprietary directors of CaixaBank on the Board of Directors of Repsol stood down from their corresponding positions.
- The remaining position in Repsol of approximately 4.75% of the share capital was reclassified as "Financial assets at fair value with changes in other comprehensive income".
- The sales programme for the shares classified under "Financial assets at fair value with changes in other comprehensive income" will have a daily limit of a maximum of 15% of the trading volume during the day. The number of shares sold will depend on the market conditions and a listing that ensures the income obtained represents a fair value for the CaixaBank shareholders, among others conditions. The completion of the sales programme will be disclosed through an official statement.

The impact derived from the significant loss of influence in the shareholding in Repsol, after the execution of the equity-swap contracts and the reclassification of the residual shareholding to the financial heading "Financial assets at fair value with changes in other comprehensive income" of the consolidated balance sheet stands at a gross loss of EUR 453 million, registered under the heading "Gains/(losses) on derecognition of non-financial assets, net" of the accompanying income statement (see Note 38).

Banco de Fomento de Angola, SA (BFA)

After the agreement to sell 2% of BFA to Unitel at the end of 2016, BPI's stake in BFA stood at 48.1% of the share capital and a contract was entered into between the two BFA shareholders, whereby BPI had the right to designate two members out of a maximum of 15 on the board of directors, as well as a member on the Conselho Fiscal and a member on the Risk Committee and the Remuneration Committee. BPI's stake in the share capital of BFA and its presence on the governing bodies of BFA, albeit a minority representation and not proportional to its holding, afforded it a significant influence in BFA in accordance with the provisions of IAS 28 and as a result, after the aforementioned sale of 2% of BFA, BPI classified its ownership interest in BFA as an associate. This classification remained in the consolidated financial statements of the Group after the takeover of BPI in February 2017.

At the close of 2018, after assessing the conditions of the Group's presumed significant influence over BFA in accordance with the provisions of IAS 28.6, the Group has reclassified its stake in BFA to the heading "Financial assets at fair value with changes in other comprehensive income – Equity instruments" of the consolidated balance sheet.

The judgement regarding the non-existence of significant influence is described in Note 2.

In accordance with the regulatory framework for accounting, the significant loss of influence has resulted in the reclassification of the stake in BFA from associate to "Financial assets at fair value with changes in other comprehensive income - equity instruments" of the consolidated balance sheet to its reasonable value to the date of its reclassification. This has involved reclassifying, in the income statement, the valuation adjustments that remained recorded in the Group's equity until now. This has resulted in recording a net loss in the consolidated income statement amounting to EUR 154 million (EUR 139 million, net) under the heading "Gains/(losses) on derecognition of non-financial assets, net" of the accompanying income statement (see note 38).

In accordance with the countable normative framework, the loss of significant influence has supposed reclassify the share in BFA from investment in associates to «Financial assets at fair value with changes in other comprehensive income» of the consolidated balance sheet to its reasonable value to the date of its reclassification. It has involved reclassify in the income statement reductions of assessment that they remained registered until now in the net worth of the Group (mostly reductions for differences of conversion of the Angolan currency), supposing the record of a net loss in the consolidated income statement with a value of EUR 154 million (EUR 139 million net) registered in the epigraph «Gains/(losses) on derecognition of non-financial assets and investments, net» of the attached income statement (see Note 38). From now on, variations of the value of the stake in BFA will be recorded in the Group's equity. To date of its reclassification, the total BFA net contribution as a company associated with the results of the Group during 2018 registered in the epigraph of «Results of companies considered by the method of the share», once deduced the attributable net earnings to minority and the associated taxes has ascended to EUR 190 million net. The total contribution to the results of the Group once deduced the loss associated with the reclassification of this share has been of EUR 51 million net.

Impairment of the portfolio of investments

At year-end, there were no agreements to provide additional financial support or any other contractual commitment made by the parent company or subsidiaries with associates and joint ventures of the Group not recognised in the financial statements. Likewise, there are no contingent liabilities related to these investments.

For the purpose of assessing the recoverable amount of investments in associates and joint ventures, in accordance with IAS 36, the Group regularly monitors the impairment indicators related to its investees. Particularly, the following items are considered, among others: i) business performance; ii) share prices throughout the period; and iii) the target prices published by renowned independent analysts.

Generally accepted valuation methods are employed - for example, discounted cash flow (DCF) models, dividend discount (DDM) models and regression curves. It did not consider potential control premiums.

The projections for the balance sheet and statement of profit or loss are made with a time horizon between 4 and 5 years using assumptions based on the macroeconomic data of country and specific sectors of each investment, contrasted by means of renowned external sources and the entities' internal information.

A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND SENSITIVITY SCENARIOS
(Percentage)

	31-12-2018	31-12-2017	SENSITIVITY **
Discount rate	[8.57%; 10.1%]	[7.3%; 10.1%]	[-0.57%; +0.5%]
Growth rate *	[2%; 2.5%]	[0.5%; 2.5%]	[-0.5%; +0.5%]

(*) Corresponds to the normalised growth rate used to calculate the fair value
(**) In addition, sensitivity analyses are conducted on the net interest income [-0.05% +0.05%] and the banking sector's cost of risk -0.05% +0.05%.

Financial information of associates

Below, selected information is displayed on significant investments in entities accounted for using the equity method, which is additional to the information presented in Appendices 2 and 3:

SELECTED INFORMATION OF ASSOCIATES

	ERSTE GROUP BANK	SEGURCAIXA ADESLAS	CORAL HOMES
Nature of the company's activities	Has strong deposits business and offers retail products, corporate products and investment banking services.	Strategic alliance with Mutua Madrileña for the development, marketing and distribution of the general non-life insurance cover.	Holding, managing, administrating, swapping, leasing and selling all kinds of real estate assets, with their associated or accompanying furnishing elements, as well as promoting and carrying out all kinds of real estate developments.
Country of incorporation and countries of operation	Austria, the Czech Republic, Hungary, Croatia, Slovakia, Romania and Serbia	Spain	Spain
Restrictions on dividend payments	Regulatory restrictions or limitations according to the level of capital, return or growth outlook of the business	Regulatory restrictions on the distribution of dividends in accordance with certain solvency levels inherent in the insurance business (120% of the minimum solvency requirement) and other contractual restrictions of higher amounts to anticipate potential requirements brought about by future amendments to regulations.	

17. Assets and liabilities under the insurance business

The breakdown of the balances linked to the insurance business is as follows:

ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS
(Thousands of euros)

	31-12-2018		01-01-2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Financial assets under the insurance business *	**61,688,347**		**58,193,691**	
Financial assets held for trading	945,693		956,040	
Equity instruments	129		136	
Debt securities	945,564		955,904	
Financial assets designated at fair value through profit or loss **	7,990,023		6,493,636	
Equity instruments	5,265,108		4,292,990	
Debt securities	2,343,324		2,100,347	
Loans and advances - Credit institutions	381,591		100,299	
Available-for-sale financial assets	51,345,090		49,393,967	
Equity instruments	453		418	
Debt securities	51,344,637		49,393,549	
Loans and receivables	1,182,739		1,074,553	
Debt securities	654,690		786,151	
Loans and advances - Credit institutions	528,049		288,402	
Assets under insurance and reinsurance contracts	224,802		275,495	
Liabilities under the insurance business		**60,452,025**		**57,991,361**
Contracts designated at fair value through profit or loss		9,052,749		8,240,972
Liabilities under insurance contracts		51,399,276		49,750,389
Unearned premiums		3,891		3,622
Mathematical provisions		50,705,052		49,142,374
Claims		668,271		567,374
Bonuses and rebates		21,953		36,914
Other technical provisions		109		105

(*) The Group's insurance companies (VidaCaixa and BPI Vida y Pensiones) have decided to make use of the temporary exemption from IFRS 9, which is why its financial instruments are presented in accordance with IAS 39 in the heading "Assets under the insurance business" of the accompanying balance sheet (see Note 1)
(**) Includes i) the investments linked to the operations of life insurance products when the risk of the investment is assumed by the policyholder, called unit-linked, as well as ii) the investments under the product Immediate Flexible Life Annuity, in which part of the commitments with the policyholders are calculated by referencing the reasonable value of the affected assets, the nature of which is similar to unit-linked operations.

17.1. Available-for-sale financial assets

The breakdown of the balances of this section is as follows:

BREAKDOWN OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
(Thousands of euros)

	31-12-2018	01-01-2018
Equity instruments	**453**	**418**
Shares in non-listed companies	453	418
Debt securities	**51,344,637**	**49,393,549**
Spanish government debt securities	44,261,920	42,811,117
Foreign government debt securities	4,042,636	3,306,268
Issued by credit institutions	2,410,696	2,595,312
Other foreign issuers	629,385	680,852
TOTAL	**51,345,090**	**49,393,967**
Debt securities		
Of which: gross unrealised gains	8,068,675	8,025,984
Of which: gross unrealised losses		

The breakdown of the changes under this section is as follows:

CHANGES IN DEBT SECURITIES
(Thousands of euros)

	2018	2017
Opening balance	49,393,549	47,575,780
Plus:		
Additions due to business combinations	17,106	
Acquisitions	16,678,402	24,543,031
Gains/(losses) recognised with adjustments to equity (Note 24.2)	27,405	(859,375)
Less:		
Sales and redemptions	(14,116,902)	(21,699,371)
Implicit accrued interest	(654,923)	(166,516)
CLOSING BALANCE	**51,344,637**	**49,393,549**

17.2. Assets under insurance or reinsurance contracts

The breakdown of the changes under this section is as follows:

CHANGES IN ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS
(Thousands of euros)

	2018	2017
Opening balance	275,495	391,225
Provision	224,802	275,495
Amounts used	(275,495)	(391,225)
FINAL BALANCE	**224,802**	**275,495**

This balance sheet heading mainly covers mathematical provisions relating to Berkshire Hathaway Life Insurance Company of Nebraska, assumed as a result of the reinsurance agreement signed in 2012 by VidaCaixa to mitigate longevity risk associated with its life annuities savings portfolio.

17.3. Liabilities under insurance contracts

The breakdown of the changes under this section is as follows:

CHANGES IN LIABILITIES UNDER INSURANCE CONTRACTS
(Thousands of euros)

	2018	2017
Opening balance	**49,750,389**	**40,290,523**
1st application IFRS 9 (Note 1)	*8,240,972*	
Adjusted opening balance	**57,991,361**	**40,290,523**
Additions due to business combinations		2,057,674
Provision	60,452,025	47,692,715
Amounts used	(57,991,361)	(40,290,523)
FINAL BALANCE	**60,452,025**	**49,750,389**
Of which: Unearned premiums and unexpired risks	3,891	4,544
Of which: Life insurance – risk	524,737	422,221
Of which: Life insurance – saving	50,180,315	40,479,181
Of which: Life insurance – other	9,052,749	8,240,972
Of which: Claims	668,271	663,734
Of which: Provisions for bonuses and rebates	21,953	26,241
Of which: Technical provisions	109	100

As a result of the analysis on the sufficiency of liabilities, the following amounts corresponding to unrealised gains of the financial assets under the insurance business are reclassified from "Equity – Accumulated other comprehensive income" to "Liabilities under the insurance business":

TACIT ACCOUNTING ADJUSTMENT
(Millions of euros)

	31-12-2018	31-12-2017
Gains/(losses) reclassified as "Liabilities under the insurance business"	2,056	2,140

The following table shows the key cases at the close of the financial year for calculating the mathematical provisions of insurance in Spain and Portugal:

ACTUARIAL ASSUMPTIONS FOR MEASURING PROVISIONS

	BIOMETRIC TABLES	AVERAGE TECHNICAL INTEREST RATE
Life annuities - PVI	According to the different types, the tables GR-80, GR-80 less two years, GR-95 and GK-95 are used. From 21/12/2012, according to the type, the tables PASEM 2010 Unisex (sector mix), GR-95 Unisex (company mix, savings portfolio), PER2000P Unisex (company mix, savings portfolio) or PER2000P Women (from 70 years) are used.	2.26%
Life annuities - Pension 2000	According to different types, the tables GR-70, GR-80, GK-80, GR-95 and GK-95 are used. From 21/12/2012 the GR-95 Unisex (company mix, savings portfolio) tables are used.	6.85%
GBPs/ISPs	According to different types, the tables GR-80, GR-80 less two, GR-70, GR-95 and PER2000P are used. From 21/12/2012, according to the type, the PER2000P Unisex or PASEM2010 Unisex tables are used.	0.18%
Group insurance	Policies opened before 01/01/2009 use the GKM-80/GKF-80 tables. Policies opened between 01/01/2009 and 20/12/2012 use the INE 2004-2005 tables. Policies opened from 21/12/2012 use the PASEM 2010 Unisex (sector mix) tables.	Floating
PPA (Insured Pension Plan)	According to the types, the tables GR-80 less two years, GR-95 and GK-95 are used. For the new production from 21/12/2012 the tables PASEM 2010 Unisex (sector mix) are used.	2.59%
Unit Link	According to different types, the tables GK-80, GK-95 and INE 2005 are used. From 21/12/2012 the PASEM 2010 Unisex (sector mix) tables are used.	-

17.4. Selected information referring to financial assets under the ins. business

In addition to applying the temporary exemption from IFRS 9 to insurance companies controlled by the Group, the disclosure requirements of which are shown below, and in Notes 3 and 40.1, the aforementioned deferral has also been applied to SegurCaixa Adeslas (affiliated company of the Group). The impact on the value of financial instruments associated with the application of IFRS 9 in this company is not deemed significant, due to the low credit risk of the counterparties of its financial instruments.

The following table shows the fair value at the end of the year, differentiating between assets with cash flows that would solely represent payments of principal and interest (SPPI) in accordance with IFRS 9, and those managed by their fair value (non-SPPI):

COMPLIANCE WITH SPPI TEST
(Thousands of euros)

	SPPI*	NON-SPPI **	TOTAL
Financial assets not held for trading and not managed by their fair value	51,344,184	453	51,344,637
Financial assets held for trading or managed by their fair value	Not applicable	Not applicable	

AMOUNT OF THE CHANGE IN FAIR VALUE DURING 2018
(Thousands of euros)

	SPPI*	NON-SPPI **	TOTAL
Financial assets not held for trading and not managed by their fair value	1,983,275	(32,187)	1,951,088
Financial assets held for trading or managed by their fair value	Not applicable	Not applicable	

(*) The insurance companies use a combination of financial instruments to cover the risks to which their activities are exposed. For these purposes, in the investment operations of the Group's insurance business, different fixed-income securities include financial swaps which, in accordance with the sector practice and the applicable monitoring criteria, are recognised jointly, whether it is in "Available-for-sale financial assets" or in the amortised cost portfolio, and the fair value is shown in the top table.
These financial swaps individually assessed only taking into account their legal form will not pass the SPPI test considered in IFRS 9. Following on from this, within the framework of the project to implement IFRS 9 which is ongoing in the insurance companies, the Group has analysed the different accounting alternatives considered in the regulatory framework (including hedge accounting) jointly with the main changes that will be introduced by IFRS 17 Insurance Contracts in the assessment of actuarial reserves; all of this, with the ultimate aim of avoiding asymmetries in the income statement and assets of the Group. As for the aforementioned fixed income instruments, the insurance companies have estimated an non significant expected loss for their fixed-income portfolios that on the date of the IFRS 9 first application would be recorded under reserves.
(**) The change of the balance of assets that have not passed the SPPI test is explained by maturities occurring at the end of the year, as well as the adaptation of the financial instruments portfolio to the probable flows of the liabilities.

18. Tangible assets

The detail of the changes of the balance under this heading is as follows:

CHANGES IN TANGIBLE ASSETS
(Thousands of euros)

	31-12-2018			31-12-2017		
	LAND AND BUILDINGS	FURNITURE, FACILITIES AND OTHER	TOTAL	LAND AND BUILDINGS	FURNITURE, FACILITIES AND OTHER	TOTAL
Cost						
Opening balance	2,657,107	4,044,336	6,701,443	2,619,654	3,568,294	6,187,948
Additions due to business combinations				91,331	340,681	432,012
Additions	82,491	360,861	443,352	17,982	258,572	276,554
Disposals	(34,537)	(187,673)	(222,210)	(11,916)	(133,744)	(145,660)
Transfers	(90,453)	5,748	(84,705)	(59,944)	10,533	(49,411)
CLOSING BALANCE	2,614,608	4,223,272	6,837,880	2,657,107	4,044,336	6,701,443
Accumulated depreciation						
Opening balance	(546,519)	(3,045,797)	(3,592,316)	(472,731)	(2,686,934)	(3,159,665)
Additions due to business combinations				(68,918)	(313,137)	(382,055)
Additions	(31,830)	(163,590)	(195,420)	(24,240)	(149,913)	(174,153)
Disposals	18,704	137,425	156,129	11,131	67,369	78,500
Transfers	16,822	19,941	36,763	8,239	36,818	45,057
CLOSING BALANCE	(542,823)	(3,052,021)	(3,594,844)	(546,519)	(3,045,797)	(3,592,316)
Impairment allowances						
Opening balance	(19,436)	(13,347)	(32,783)	(12,260)	(11,361)	(23,621)
Allowances (Note 37)	(933)	(56)	(989)	(5,737)	(435)	(6,172)
Provisions (Note 37)	2,014	889	2,903	3,276	2,263	5,539
Transfers	(686)	(2,199)	(2,885)	(4,914)	(3,814)	(8,728)
Amounts used	203	0	203	199	0	199
CLOSING BALANCE	(18,838)	(14,713)	(33,551)	(19,436)	(13,347)	(32,783)
OWN USE, NET	**2,052,947**	**1,156,538**	**3,209,485**	**2,091,152**	**985,192**	**3,076,344**
Cost						
Opening balance	4,701,030	104,831	4,805,861	4,626,328	90,006	4,716,334
Additions	60,274	8,714	68,988	71,274	7,527	78,801
Disposals (Note 1.8)	(1,064,711)	(11,120)	(1,075,831)	(343,177)	(3,951)	(347,128)
Transfers*	160,039	4,031	164,070	346,605	11,249	357,854
CLOSING BALANCE	3,856,632	106,456	3,963,088	4,701,030	104,831	4,805,861
Accumulated depreciation						
Opening balance	(199,170)	(25,646)	(224,816)	(172,036)	(15,244)	(187,280)
Additions	(51,234)	(10,669)	(61,903)	(52,440)	(8,688)	(61,128)
Disposals (Note 1.8)	64,034	4,631	68,665	20,494	923	21,417
Transfers	(885)	(282)	(1,167)	4,812	(2,637)	2,175
CLOSING BALANCE	(187,255)	(31,966)	(219,221)	(199,170)	(25,646)	(224,816)
Impairment allowances						
Opening balance	(1,176,955)	0	(1,176,955)	(1,096,808)		(1,096,808)
Allowances (Note 37)	(249,445)	0	(249,445)	(293,569)		(293,569)
Provisions (Note 37)	253,241	0	253,241	270,686		270,686
Transfers	(23,448)	0	(23,448)	(142,098)		(142,098)
Amounts used	264,979	0	264,979	84,834		84,834
CLOSING BALANCE	(931,628)	0	(931,628)	(1,176,955)	0	(1,176,955)
REAL ESTATE INVESTMENTS	**2,737,749**	**74,490**	**2,812,239**	**3,324,905**	**79,185**	**3,404,090**

(*) They mainly include the value of property from other balance sheet headings: from "Own use" when a branch is closed or from "Non-current assets and disposal groups classified as held for sale" when the asset is put up for rent (see Note 21).

At 31 December 2018 and 2017, there were no restrictions on the realisation of tangible assets and the collection of the proceeds.

Property, plant and equipment for own use

Property, plant and equipment for own use are allocated to the Banking Business cash-generating unit (CGU) and at year-end they do not present any indication of impairment (see Note 19). In addition, the Group carries out regular individualised valuations of certain property for own use classified as "Land and buildings". At year-end, the available valuations do not indicate the existence of any impairment.

Selected information about property, plant and equipment of own use is presented below:

OTHER INFORMATION ABOUT PROPERTY, PLANT AND EQUIPMENT FOR OWN USE
(Millions of euros)

	31-12-2018	31-12-2017
Fully amortised assets still in use	2,478	2,498
Commitments to acquire items of property, plant and equipment *	Insignificant	Insignificant

(*) Sales made in previous years with sale and leaseback agreements include buy options that may be exercised by the Group on termination of the lease agreement at the market value of the offices at that date, to be determined where appropriate by independent experts (see Note 35).

19. Intangible assets

19.1. Goodwill

The detail of this heading is as follows:

BREAKDOWN OF GOODWILL
(Thousands of euros)

	CGU	31-12-2018	31-12-2017
Acquisition of Banca Cívica	Banking	2,019,996	2,019,996
Acquisition of Banca Cívica Vida y Pensiones	Insurance	137,180	137,180
Acquisition of Cajasol Vida y Pensiones	Insurance	50,056	50,056
Acquisition of Cajacanarias Vida y Pensiones	Insurance	62,003	62,003
Acquisition of Banca Cívica Gestión de Activos	Banking	9,220	9,220
Acquisition of the Morgan Stanley business in Spain	Banking/Insurance *	402,055	402,055
Acquisition of Bankpime, SA	Banking	39,406	39,406
Acquisition of VidaCaixa, SA de Seguros y Reaseguros	Insurance	330,929	330,929
TOTAL		**3,050,845**	**3,050,845**

* Of which EUR 3.7 million are allocated to the Insurance CGU and the remainder to the Banking CGU.

19.2. Other intangible assets

The detail of this heading is as follows:

BREAKDOWN OF OTHER INTANGIBLE ASSETS
(Thousands of euros)

	USEFUL LIFE	CGU	REMAINING USEFUL LIFE	31-12-2018	31-12-2017
Customer relationships (core deposits) of Barclays Bank	9 years	Banking	5 years	13,087	15,703
Customer relationships (core deposits) of Banca Cívica	4 to 9.5 years	Banking	1 to 3 years	29,914	71,812
Customer relations (core deposits) of Banco de Valencia	6,2 years	Banking	0.2 years	1,057	6,351
Insurance portfolio of Banca Cívica y Pensiones	10 years	Insurance	4.5 years	27,847	35,272
Insurance portfolio of CajaSol Vida y Pensiones	10 years	Insurance	4.5 years	5,912	7,303
Insurance portfolio of CajaCanarias Vida y Pensiones	10 years	Insurance	4.5 years	3,642	4,499
Customer funds of Banco de Valencia	10 years	Insurance	5 years	844	1,007
Customer funds of Barclays Bank	10 years	Insurance	7.5 years	16,072	18,164
Software and other	3 to 15 years		1 to 15 years	584,256	458,932
Contracts with Morgan Stanley customers	11 years	Banking/ Insurance		869	2,611
Contracts with Banca Cívica Gestión de Activos customers	10 years		4.5 years	3,017	3,687
Contracts with Barclays Gestión de Activos customers	9 years		5 years	4,082	4,899
Customer relationships (core deposits) of BPI	5,8 years	Banking	3.8 years	25,443	31,994
BPI brand		Banking		20,000	20,000
Life insurance portfolios of BPI Vida	5 to 10 years	Insurance	4 to 8 years	10,905	14,085
Customer portfolios - asset management	10 years	Banking	8 years	13,742	15,442
Customer portfolios - Insurance brokerage	10 years	Banking	8 years	22,633	25,433
Deposit portfolio	6 years	Banking	4 years	13,611	16,944
TOTAL				**796,933**	**754,138**

The detail of the changes of the balance under this heading is as follows:

CHANGES IN OTHER INTANGIBLE ASSETS

(Thousands of euros)

	2018			2017		
	SOFTWARE	OTHER ASSETS	TOTAL	SOFTWARE	OTHER ASSETS	TOTAL
Gross cost						
Opening balance	1,220,049	677,121	1,897,170	989,314	556,635	1,545,949
Additions due to business combinations (Note 7)				93,933	164,915	258,848
Additions	190,737	33,450	224,187	200,133	26,779	226,912
Transfers and other	26,611	(46,184)	(19,573)	11,108	(11,580)	(472)
Write-downs (Note 37)	(378)	(23,934)	(24,312)	(62,223)	(58,478)	(120,701)
Other disposals	(88,446)	(3,733)	(92,179)	(12,216)	(1,150)	(13,366)
SUBTOTAL	1,348,573	636,720	1,985,293	1,220,049	677,121	1,897,170
Accumulated depreciation						
Opening balance	(789,515)	(341,133)	(1,130,648)	(605,184)	(291,676)	(896,860)
Additions due to business combinations (Note 7)				(78,248)	(15,633)	(93,881)
Additions	(86,681)	(60,410)	(147,091)	(119,841)	(71,807)	(191,648)
Transfers and other	931	2,937	3,868	1,824	(5,433)	(3,609)
Write-downs (Note 37)	215		215	8,464	42,620	51,084
Other disposals	84,266	2,740	87,006	3,470	796	4,266
SUBTOTAL	(790,784)	(395,866)	(1,186,650)	(789,515)	(341,133)	(1,130,648)
Impairment allowances						
Opening balance	(540)	(11,844)	(12,384)	(431)	(12,151)	(12,582)
Allowances (Note 37)		(4,586)	(4,586)	(1,049)	(3,725)	(4,774)
Recoveries (Note 37)		3,811	3,811	0	4,027	4,027
Transfers and other		11,436	11,436			0
Amounts used		13	13	940	5	945
CLOSING BALANCE	(540)	(1,170)	(1,710)	(540)	(11,844)	(12,384)
TOTAL	**557,249**	**239,684**	**796,933**	**429,994**	**324,144**	**754,138**

During 2018, the Group has carried out an exercise to adapt the service lives of the internally developed software, in collaboration with an independent consultant. As a result of the aforementioned analysis, the service life of the software has been revised, depending on its nature, to between 3-15 years, and these modifications have been applied prospectively, starting from 2018, with no significant impact.

Selected information related to other intangible assets is set out below:

OTHER INFORMATION ABOUT OTHER INTANGIBLE ASSETS

(Millions of euros)

	31-12-2018	31-12-2017
Fully amortised assets still in use	912	551
Commitments to acquire intangible assets	Insignificant	Insignificant
Assets with ownership restrictions	Insignificant	Insignificant

Impairment test of the banking CGU

For the purpose of analysing the recoverable amount of the Banking Business CGU, the Group performs a regular allocation of the Group's capital based on internal regulatory capital models, which take into account the risks assumed by each of the businesses. The amount to be recovered from the CGU is compared to its recoverable amount to determine any potential impairment.

The recoverable amount is based on value in use, which was determined by discounting the estimated dividends over the medium term obtained from the projection of the Budget with a time horizon of 5 years. In addition, the projected cash flows are updated every six months to factor in any potential deviations to the model.

The projections are determined using assumptions based on the macroeconomic data applicable to the Group's activity, contrasted by means of renowned external sources and the entities' internal information. A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND BANKING BUSINESS CGU SENSITIVITY SCENARIOS
(Percentage)

	31-12-2018	31-12-2017	SENSITIVITY
Discount rate *	9.0%	9.3%	[-1.5%; + 1.5%]
Growth rate **	2.0%	2.0%	[-0.5%; + 0.5%]
Interest Margin over average total assets (NII)	[1.29% - 1.60%]	[1.27% - 1.60%]	[-0.5%; + 0.5%]
Cost of risk (CoR) ***	[0.09% - 0.33%]	[0.39% - 0.37%]	[-0.1%; + 0.1%]

(*) Calculated on the yield for the German 10-year bond, plus a risk Premium.
(**) Corresponds to the normalised growth rate used to calculate the fair value.
(***) Cost of the risk affected by one-off releases (without considering them, it would be [0.09% - 0.22%]).

At the close of the financial year, it has been confirmed that the projections used in the previous impairment test and actual figures would not have affected the conclusions of that test. Similarly, the sensitivity analyses did not uncover the need to recognise any impairment at the close of the financial year, even in adverse scenarios.

Impairment test of the Insurance CGU

The methodology for estimating the value of the insurance CGU in use is the same as that the methodology for the banking CGU, and the results obtained have not highlighted any indications of impairment at the close of the financial year.

A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND INSURANCE BUSINESS CGU SENSITIVITY SCENARIOS
(Percentage)

	31-12-2018	31-12-2017	SENSITIVITY
Discount rate	8.57%	8.84%	[-0.5%; + 0.5%]
Growth rate *	2.00%	2%	[-0.5%; + 0.5%]

(*) Corresponds to the normalised growth rate used to calculate the fair value

20. Other assets and other liabilities

The breakdown of these items in the balance sheet is as follows:

BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES
(Thousands of euros)

	31-12-2018	31-12-2017
Inventories	**56,735**	**877,586**
Other assets	**2,118,593**	**1,627,696**
Prepayments and accrued income	710,258	699,370
Of which: Shortfall in the Deposit Guarantee Fund to be settled over the next 3 years	*108,926*	*143,062*
Ongoing transactions	434,954	427,205
Dividends on equity securities accrued and receivable	23,501	114,830
Other	949,880	386,291
TOTAL OTHER ASSETS	2,175,328	2,505,282
Prepayments and accrued income	**1,036,403**	**1,055,794**
Ongoing transactions	**1,026,862**	**951,508**
Other	**575,509**	**327,806**
TOTAL OTHER LIABILITIES	2,638,774	2,335,108

The detail of the changes of the balance under "Inventories" is as follows:

CHANGES IN INVENTORIES
(Thousands of euros)

	2018		2017	
	FORECLOSURE ASSETS	OTHER ASSETS	FORECLOSURE ASSETS	OTHER ASSETS
Gross cost, inventories				
Opening balance	2,357,046	54,277	2,621,960	62,187
Plus:				
Acquisitions	77,966	244,734	85,342	175,453
Transfers and other		6,984		
Less:				
Sales (Note 1.8) *	(2,339,669)	(255,854)	(285,149)	(172,326)
Transfers and other **	(57,794)	(7,398)	(65,107)	(11,037)
CLOSING BALANCE	37,549	42,743	2,357,046	54,277
Impairment allowances, inventories				
Opening balance	(1,516,726)	(17,011)	(1,653,757)	(17,494)
Plus:				
Net allowances (Note 37)	(6,475)	(702)	(47,470)	82
Transfers and other	10,488	17,059	9,705	(10)
Less:				
Amounts used	1,489,810		174,796	411
CLOSING BALANCE	(22,903)	(654)	(1,516,726)	(17,011)
INVENTORIES	14,646	42,089	840,320	37,266

(*) Includes the costs attributable to sales and income from the provision of non-financial services.
(**) They mainly include the value of the constructions/land fields reclassified from other balance sheet headings: from "Investment property" or "Non-current assets and disposal groups classified as held for sale" (see Notes 18 and 21).

21. Non-current assets and disposal groups classified as held for sale

The detail of the changes of the balance under this heading is as follows:

BREAKDOWN OF NON-CURRENT ASSETS FOR SALE
(Thousands of euros)

	2018			2017		
	FORECLOSURE ASSETS			FORECLOSURE ASSETS		
	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)
Gross cost						
Opening balance	569,772	9,401,354	670,997	680,941	9,929,270	778,618
Additions due to business combinations					126,782	
Additions	166,519	423,955	64,312	536,218	486,947	31,306
Transfers and other (3)	(469,471)	413,966	26,598	(647,387)	487,062	(41,348)
Disposals in the year (Note 1.8)	0	(9,205,717)	(460,968)		(1,628,707)	(97,579)
CLOSING BALANCE	266,820	1,033,558	300,939	569,772	9,401,354	670,997
Impairment allowances						
Opening balance	(96,331)	(4,310,638)	(166,224)	(124,737)	(4,641,322)	(217,910)
Additions due to business combinations					(33,557)	
Allowances (Note 39)	(3,126)	(521,084)	(29,608)	(15,574)	(1,279,591)	(29,416)
Recoveries (Note 39)	89	210,541	7,885	17,052	1,105,500	26,807
Transfers and other (4)	45,546	(213,383)	147,568	26,928	(172,371)	34,867
Amounts used		4,553,382	13,526		710,703	19,428
CLOSING BALANCE	(53,822)	(281,182)	(26,853)	(96,331)	(4,310,638)	(166,224)
TOTAL	**212,998**	**752,376**	**274,086**	**473,441**	**5,090,716**	**504,773**

(1) Foreclosure rights are measured initially at the net value at which the asset will be recognised when the definitive foreclosure occurs.
(2) Mainly includes: investments reclassified as non-current assets held for sale, assets deriving from the termination of operating lease agreements and closed branches.
(3) Includes mainly reclassifications of foreclosure rights to "Other foreclosed assets" or "Tangible assets - Investment property" when the property is put up for lease (see Note 18).
(4) Includes provisions recognised to hedge against the risk of insolvency on credit operations of CaixaBank cancelled through the acquisition of real estate assets by BuildingCenter.

The detail, by age, of foreclosed assets, excluding impairment allowances, determined on the basis of the foreclosure date, is as follows:

AGE OF FORECLOSED ASSETS
(Thousands of euros)

	31-12-2018		31-12-2017	
	No. OF ASSETS	GROSS AMOUNT	No. OF ASSETS	GROSS AMOUNT
Up to 1 year	5,794	619,203	11,085	1,114,854
Between 1 and 2 years	3,040	290,709	11,848	1,159,211
Between 2 and 5 years	2,859	244,699	50,367	4,898,216
More than 5 years	1,845	145,767	25,399	2,798,845
TOTAL	**13,538**	**1,300,378**	**98,699**	**9,971,126**

22. Financial liabilities

The detail of this heading is as follows:

BREAKDOWN OF FINANCIAL LIABILITIES AT AMORTISED COST 31-12-2018 (*)

(Thousands of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTANDING AMOUNT
Deposits	**248,168,515**	**(52,763)**	**0**	**(15,582)**	**(459,988)**	**247,640,182**
Central banks	29,680,210	(274,148)				29,406,062
Credit institutions	8,022,953	11,259	0	0	0	8,034,212
Customers	210,465,352	210,126	0	(15,582)	(459,988)	210,199,908
Debt securities issued	**28,910,828**	**417,097**	**6,638**	**(9,835)**	**(81,421)**	**29,243,307**
Other financial liabilities	**5,576,181**					**5,576,181**
TOTAL	**282,655,524**	**364,334**	**6,638**	**(25,417)**	**(541,409)**	**282,459,670**

BREAKDOWN OF FINANCIAL LIABILITIES AT AMORTISED COST 31-12-2017

(Thousands of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTANDING AMOUNT
Deposits	**247,364,772**	**7,890**		**(18,377)**	**(550,148)**	**246,804,137**
Central banks	31,833,210	(152,525)				31,680,685
Credit institutions	11,500,576	14,795			(6)	11,515,365
Customers	204,030,986	145,620		(18,377)	(550,142)	203,608,087
Debt securities issued	**29,585,354**	**418,241**	**7,541**	**(19,225)**	**(73,408)**	**29,918,503**
Other financial liabilities	**4,174,741**					**4,174,741**
TOTAL	**281,124,867**	**426,131**	**7,541**	**(37,602)**	**(623,556)**	**280,897,381**

22.1. Deposits from credit institutions

The detail of the gross balances of this heading is as follows:

BREAKDOWN OF DEPOSITS FROM CREDIT INSTITUTIONS

(Thousands of euros)

	31-12-2018	31-12-2017
Demand	**1,445,114**	**1,402,535**
Reciprocal accounts	334	242
Other accounts	1,444,780	1,402,293
Time or at notice	**6,577,839**	**10,098,041**
Deposits with agreed maturity	4,182,366	5,825,616
Of which: registered mortgage covered bonds		*20,000*
Hybrid financial liabilities	2,786	2,517
Repurchase agreement	2,392,687	4,269,908
TOTAL	**8,022,953**	**11,500,576**

22.2. Deposits from customers

The detail of the gross balances of this heading is as follows:

BREAKDOWN OF CUSTOMER DEPOSITS
(Thousands of euros)

	31-12-2018	31-12-2017
By type	210,465,352	204,030,986
Current accounts and other demand deposits	113,062,307	102,237,743
Savings accounts	61,193,463	56,534,437
Deposits with agreed maturity	31,945,358	37,858,043
Hybrid financial liabilities	1,038,593	1,417,818
Repurchase agreements (*)	3,225,631	5,982,945
By sector	210,465,352	204,030,986
Public administrations	11,211,452	10,867,918
Private sector (*)	199,253,900	193,163,068

(*) Includes repurchase agreements in money market transactions through counterparty entities amounting to EUR 1,287 and 5,076 million at 31 December 2018 and 31 December 2017, respectively.

22.3. Debt securities issued

The detail of the gross balances of this heading is as follows:

BREAKDOWN OF DEBT SECURITIES ISSUED
(Thousands of euros)

	31-12-2018	31-12-2017
Mortgage covered bonds	16,272,393	17,555,564
Public sector covered bonds	300,000	50,300
Plain vanilla bonds	4,392,959	3,076,649
Asset-backed securities	1,820,308	2,442,920
Structured notes	696,106	447,900
Promissory notes	29,062	14,184
Preference shares	2,250,000	1,000,000
Subordinated debt	3,150,000	4,997,837
TOTAL	**28,910,828**	**29,585,354**

The changes in the balances of each type of securities issued is as follows:

CHANGES IN DEBT SECURITIES ISSUED 2018
(Thousands of euros)

	MORTGAGE COVERED BONDS	PUBLIC SECTOR COVERED BONDS	PLAIN VANILLA BONDS	ASSET-BACKED SECURITIES	HYBRID SECURITIES	SUBORDINATED DEBT	PREFERENCE SHARES
Gross balance							
Opening balance	53,920,637	7,400,000	4,022,496	38,871,486	553,800	5,360,445	1,000,000
Issuances	7,123,206	2,300,000	2,000,000	4,819,031	317,900	1,000,000	1,250,000
Repayment	(4,800,000)	(3,800,000)	(1,339,012)	(10,348,477)	(131,100)	(2,901,894)	
Exchange differences and other							
CLOSING BALANCE	56,243,843	5,900,000	4,683,484	33,342,040	740,600	3,458,551	2,250,000
Repo securities							
Opening balance	(36,365,073)	(7,349,700)	(945,847)	(36,428,566)	(105,900)	(362,608)	
Buy-backs	(4,858,000)	(2,000,000)		(4,819,031)	(31,700)		
Repayments and other	1,251,623	3,749,700	655,322	9,725,865	93,106	54,057	
CLOSING BALANCE	(39,971,450)	(5,600,000)	(290,525)	(31,521,732)	(44,494)	(308,551)	
CLOSING NET BALANCE	**16,272,393**	**300,000**	**4,392,959**	**1,820,308**	**696,106**	**3,150,000**	**2,250,000**

CHANGES IN DEBT SECURITIES ISSUED - 2017
(Thousands of euros)

	MORTGAGE COVERED BONDS	PUBLIC SECTOR COVERED BONDS	PLAIN VANILLA BONDS	ASSET-BACKED SECURITIES	HYBRID SECURITIES	SUBORDINATED DEBT	PREFERENCE SHARES
Gross balance							
Opening balance	42,054,255	7,050,000	2,730,639	29,881,607	566,100	4,123,865	30,000
Additions due to business combinations (Note 7)	5,200,000	500,000	72,786	4,736,640		396,714	
Issuances	11,468,013	350,000	2,253,418	5,213,773	108,800	2,450,000	1,000,000
Repayment	(4,801,631)	(500,000)	(1,034,347)	(960,534)	(121,100)	(1,610,134)	(30,000)
Exchange differences and other							
CLOSING BALANCE	53,920,637	7,400,000	4,022,496	38,871,486	553,800	5,360,445	1,000,000
Repo securities							
Opening balance	(23,499,056)	(6,999,700)	(1,077,600)	(27,537,668)	(36,100)	(34,204)	(20,000)
Additions due to business combinations (Note 7)	(5,950,000)	(400,000)	(4,866)	(4,258,381)		(327,476)	
Buy-backs	(8,277,500)	(350,000)	(12,642)	(5,213,773)	(78,200)	(300,000)	
Repayments and other	1,361,483	400,000	149,261	581,256	8,400	299,072	20,000
CLOSING BALANCE	(36,365,073)	(7,349,700)	(945,847)	(36,428,566)	(105,900)	(362,608)	0
CLOSING NET BALANCE	**17,555,564**	**50,300**	**3,076,649**	**2,442,920**	**447,900**	**4,997,837**	**1,000,000**

Details of preference share issues are as follows:

BREAKDOWN OF PREFERENCE SHARE ISSUES
(Thousands of euros)

				OUTSTANDING AMOUNT	
DATE OF ISSUE	MATURITIES	NOMINAL AMOUNT	NOMINAL INTEREST RATE	31-12-2018	31-12-2017
June 2017 *	Perpetual	1,000,000	6.75%	1,000,000	1,000,000
March 2018 *	Perpetual	1,250,000	5.25%	1,250,000	0
PREFERENCE SHARES				2,250,000	1,000,000
Own securities purchased				0	
TOTAL				**2,250,000**	**1,000,000**

(*) Perpetual issuance placed for institutional investors on organised markets, with a discretionary coupon, which may be redeemed under specific circumstances at the option of the Group and, in any case, they will be converted into new-issue common shares of the Group if it reports a Common Equity Tier 1 ratio (CET1) below the ratio set in each issuance.

Details of subordinated debt issues are as follows:

BREAKDOWN OF SUBORDINATED DEBT ISSUES
(Thousands of euros)

				OUTSTANDING AMOUNT	
DATE OF ISSUE	MATURITY	NOMINAL AMOUNT	NOMINAL INTEREST RATE	31-12-2018	31-12-2017
06-09-2007	PERPETUAL	60,000	E3M + 1.65%		60,000
09-02-2012	09-02-2022	2,072,363	4.00%		2,072,363
14-11-2013	14-11-2023	750,000	5.00%		750,000
15-02-2017	15-02-2027	1,000,000	7.00%	1,000,000	1,000,000
07-07-2017	07-07-2042	150,000	4.00%	150,000	150,000
14-07-2017	14-07-2028	1,000,000	2.75%	1,000,000	1,000,000
17-04-2018	17-04-2030	1,000,000	2.25%	1,000,000	
SUBORDINATED DEBT				3,150,000	5,032,363
Own securities purchased					(34,526)
TOTAL				**3,150,000**	**4,997,837**

The degree of collateralization and overcollateralization of the mortgage covered bonds issued is as follows:

DEGREE OF COLLATERALISATION AND OVERCOLLATERALISATION
(Thousands of euros)

		31-12-2018	31-12-2017
Non-registered mortgage covered bonds		50,043,843	47,770,637
Registered mortgage covered bonds placed as customer deposits		2,953,044	3,899,367
Registered mortgage covered bonds issued by credit institutions		0	20,000
MORTGAGE COVERED BONDS ISSUED	**(A)**	**52,996,887**	**51,690,004**
Total outstanding mortgage loans and credits (*)		115,923,645	121,264,013
Mortgage participations issued		(5,173,801)	(5,848,560)
Mortgage transfer certificates issued		(20,679,781)	(22,170,892)
PORTFOLIO OF LOANS AND CREDIT COLLATERAL FOR MORTGAGE COVERED BONDS	**(B)**	**90,070,063**	**93,244,561**
COLLATERALISATION:	**(B)/(A)**	**170%**	**180%**
OVERCOLLATERALISATION:	**[(B)/(A)]-1**	**70%**	**80%**

(*) Includes on- and off-balance-sheet portfolio

22.4. Other financial liabilities

The detail of the balance of this heading in the balance sheet is as follows:

BREAKDOWN OF OTHER FINANCIAL LIABILITIES
(Thousands of euros)

	31-12-2018	31-12-2017
Payment obligations	1,969,844	1,710,338
Of which: Contributions and shortfalls pending payment to the DGF	*337,100*	*357,027*
Guarantees received	51,321	60,136
Clearing houses	905,675	466,163
Tax collection accounts	1,262,114	847,419
Special accounts	475,227	619,887
Other items	912,000	470,798
TOTAL	**5,576,181**	**4,174,741**

23. Provisions

The detail of the changes of the balance under this heading is as follows:

CHANGES IN PROVISIONS 2018
(Thousands of euros)

	BALANCE AT 31-12-2017	1st APPLICATION OF IFRS 9 (NOTE 1)	BALANCE ADJUSTED TO 01-01-2018	PROVISION RECOGNISED IN PROFIT OR LOSS	REVERSAL RECOGNISED IN PROFIT OR LOSS	OTHER CHARGES (*)	ACTUARIAL (GAINS) / LOSSES	AMOUNTS USED	TRANSFERS AND OTHERS	BALANCE AT 31-12-2018
Provisions for pensions and other post-employment defined benefit obligations	2,107,776		2,107,776			27,313	(80,890)	(114,240)	48,843	1,988,802
Provisions for other long-term employee benefits	1,223,077		1,223,077	88,964	(11,072)	2,413		(231,270)	(15)	1,072,097
Provisions for pending legal issues and tax litigation	802,700		802,700	203,566	(120,997)			(169,659)	(1,617)	713,993
Legal contingencies	504,136		504,136	174,208	(120,153)			(127,725)	(1,719)	428,747
Provisions for taxes	298,564		298,564	29,358	(844)			(41,934)	102	285,246
Provisions for commitments and guarantees given	356,927	10,090	367,017	163,482	(175,372)				(465)	354,662
Country risk allowance	8,703		8,703	23	(8,703)					23
Allowance for identified losses	348,224	10,090	358,314	163,459	(166,669)				(465)	354,639
Other provisions	510,461	(2,422)	508,039	325,048	(32,008)			(309,562)	(10,676)	480,841
TOTAL PROVISIONS	**5,000,941**	**7,668**	**5,008,609**	**781,060**	**(339,449)**	**29,726**	**(80,890)**	**(824,731)**	**36,070**	**4,610,395**

(*) Interest cost of pension fund (Note 29)	36,356
Staff expenses	(6,630)
TOTAL OTHER PROVISIONS	29,726

CHANGES IN PROVISIONS 2017
(Thousands of euros)

	BALANCE AT 31-12-2016	ADDITIONS DUE TO BUSINESS COMBINATIONS	PROVISION RECOGNISED IN PROFIT OR LOSS	REVERSAL RECOGNISED IN PROFIT OR LOSS	OTHER CHARGES (*)	ACTUARIAL (GAINS)/ LOSSES	AMOUNTS USED	TRANSFERS AND OTHER	BALANCE AT 31-12-2017
Provisions for pensions and other post-employment defined benefit obligations	2,028,612	33,548			30,170	38,144	(120,265)	97,567	2,107,776
Provisions for other long-term employee benefits	972,767	3,000	463,729		280		(213,187)	(3,512)	1,223,077
Provisions for pending legal issues and tax litigation	633,224	72,758	351,192	(120,908)			(168,041)	34,475	802,700
Legal contingencies	343,533	9,782	335,651	(114,794)			(99,551)	29,515	504,136
Provisions for taxes	289,691	62,976	15,541	(6,114)			(68,490)	4,960	298,564
Provisions for commitments and guarantees given	228,553	83,394	154,886	(104,874)			(8)	(5,024)	356,927
Country risk allowance	8,703								8,703
Allowance for identified losses	219,850	83,394	154,886	(104,874)			(8)	(5,024)	348,224
Other provisions	867,115	4,735	95,645	(78,022)	106,400		(370,949)	(114,463)	510,461
TOTAL PROVISIONS	**4,730,271**	**197,435**	**1,065,452**	**(303,804)**	**136,850**	**38,144**	**(872,450)**	**9,043**	**5,000,941**

(*)	Interest cost of pension fund (Note 29)	35,431
	Staff expenses	101,419
	Total other provisions	136,850

23.1. Pensions and other post-employment defined obligations

Provisions for pensions and similar obligations – Defined benefit post-employment plans

The Group's defined-benefit post-employment benefit obligations are as follows:

- Commitments with employees and former employees of the Group covered using insurance policies with Group or non-Group entities, mainly from merger processes. In this case, CaixaBank is the policyholder, and the contracts are managed by each insurance company, which also assumes the risks.
- The rest of the obligations vested on the business in Spain arise from the CaixaBank Employment Pension Plan, which mostly covers its risks through insurance policy contracts with VidaCaixa. CaixaBank has a duty to oversee the plan, which it exercises through its membership of the plan's Control Committee.
- Due to the fact that most of these obligations are covered with insurance policies, the Group is not exposed to unusual market risks, nor does it need to apply asset-liability matching strategies or longevity swaps. The fair value of insurance contracts linked to pensions and the fair value of the plan assets at year-end relate to insurance policies of Group entities and other entities, respectively.
- Meanwhile, BPI has assumed all the obligations externalised in the "Fundo de Pensoes Banco BPI" pension fund, and recognises the present value of the obligations, net of the fair value of plan assets.

The detail of the changes of the balance under this heading is as follows:

CHANGES IN PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS - 2018
(Thousands of euros)

	DEFINED BENEFIT OBLIGATIONS	FAIR VALUE OF PLAN ASSETS	OTHER ASSETS	NET (ASSET)/LIABILITY FOR DEFINED BENEFIT OBLIGATIONS
OPENING BALANCE	3,710,841	1,610,066	(7,001)	2,107,776
Included in profit or loss				
Service cost for the current year	(5,618)			(5,618)
Interest cost (income)	67,689	34,758		32,931
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	62,071	34,758	0	27,313
Revaluations included in the statement of other comprehensive income				
Actuarial (gains)/losses arising from changes in demographic assumptions	(42,858)	37,482		(80,340)
Actuarial (gains)/losses arising from changes in financial assumptions	(550)			(550)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN EQUITY	(43,408)	37,482	0	(80,890)
Other				
Plan contributions		10,560		(10,560)
Plan payments	(169,560)	(55,320)		(114,240)
Settlements *	(1,864)	(1,864)		0
Transactions	66,374	14,832	(7,861)	59,403
TOTAL OTHER	(105,050)	(31,792)	(7,861)	(65,397)
CLOSING BALANCE	**3,624,454**	**1,650,514**	**(14,862)**	**1,988,802**

Of which: Vested obligations	2,001,222
Of which: Non-vested obligations	25,030
Of which: Obligations with Group companies	1,598,202

(*) Settlements correspond mainly to benefits paid to the subplan B group (defined benefits) under CaixaBank's Employee Pension Plan.

CHANGES IN PENSION FUNDS AND SIMILAR OBLIGATIONS - 2017
(Thousands of euros)

	DEFINED BENEFIT OBLIGATIONS	FAIR VALUE OF PLAN ASSETS	OTHER ASSETS	NET (ASSET)/LIABILITY FOR DEFINED BENEFIT OBLIGATIONS
OPENING BALANCE	61,458	31,288	0	30,170
Included in profit or loss				
Service cost for the current year	(3,168)			(3,168)
Interest cost (income)	64,626	31,288		33,338
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	61,458	31,288	0	30,170
Revaluations included in the statement of other comprehensive income				
Actuarial (gains)/losses arising from changes in financial assumptions	174,939	136,795		38,144
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN EQUITY	174,939	136,795	0	38,144
Other				
Plan payments	(121,866)	(1,601)		(120,265)
Settlements *	(40,271)	(36,255)		(4,016)
Additions due to business combinations (Note 7)	1,464,359	1,430,811		33,548
Transactions	68,263	(26,319)	(7,001)	101,583
TOTAL OTHER	1,370,485	1,366,636	(7,001)	10,850
CLOSING BALANCE	**3,710,841**	**1,610,066**	**(7,001)**	**2,107,776**

Of which: Vested obligations	2,113,061
Of which: Non-vested obligations	35,317
Of which: Obligations with Group companies	1,562,463

(*) Settlements correspond mainly to benefits paid to the subplan B group (defined benefits) under CaixaBank's Employee Pension Plan.

The value of defined benefit obligations was calculated using the following criteria:

- The "projected unit credit" method has been used, which considers each year of service as giving rise to one additional unit of benefit entitlement and measures each unit separately.
- The estimated retirement age of each employee is the first at which the employee has the right to retire or the agreed age, as applicable.
- The actuarial assumptions used are unbiased and mutually compatible.

The assumptions used in the calculations regarding business in Spain are as follows:

ACTUARIAL ASSUMPTIONS IN SPAIN

	2018	2017
Long-term discount rate (1)	1.64%	1.66%
Short-term discount rate (1)	0.05%	0.12%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
Annual cumulative CPI	1.2% 2018, 1.8% 2019 and onwards	1.2% 2017, 1.8% 2018, 1.8% 2019 and onwards
Annual salary increase rate	1.25% 2018; CPI + 0.5% 2019 and onwards	1.75% 2017; 2% 2018; CPI + 0.5% 2019 and onwards

(1) Rate obtained by using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed, considering, for 2018, post-employment obligations lasting 12.1 years and long-term obligations of 2.3 years (12.2 and 2.6 years, respectively, for 2017).
(2) Depending on each obligation.

The assumptions used in the calculations regarding BPI's business in Portugal are as follows:

ACTUARIAL ASSUMPTION IN PORTUGAL

	31-12-2018	31-12-2017
Discount rate (1)	1.97%	2.00%
Mortality tables for males	TV 88/90	TV 88/90
Mortality tables for females	TV 88/90 – 3 years	TV 88/90 – 3 years
Annual pension review rate	0.50%	0.50%
Annual salary increase rate	[1-2]%	[1-2]%

(1) Rate obtained by using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed, considering obligations lasting 18 years for 2018 and 2017.

Below follows a sensitivity analysis of the value of obligations based on the main assumptions using the 'projected unit credit method', the same method used to calculate the value of defined benefit obligations. For the sensitivity analysis the calculation of the value of the obligations is replicated, changing the specific variable and maintaining the remaining actuarial assumptions unchanged. One drawback of this method is that it is unlikely that a change will occur in one variable alone as some of the variables may be correlated:

SENSITIVITY OF THE ACTUARIAL OBLIGATIONS - SPAIN
(Thousands of euros)

	+50 bp	-50 bp
Discount rate	(118,305)	131,933
Annual pension review rate	95,494	(86,278)

The estimate of the fair value of the insurance contracts linked to pensions and of the plan assets are calculated taking into account the value of the discounted future payments guaranteed, given that the expected flows of payments guaranteed by the insurance company with which the contracts are held are matched to the future estimated flows of the obligations. Therefore, potential reasonable changes at the year-end in the discount rate would have the same impact on the fair value of the insurance contracts linked to pensions and the fair value of the plan assets.

No changes in the methods and assumptions used to prepare the sensitivity analysis were made this year compared to the previous year.

The estimated payment of the provisions planned for the next 10 years is stated below:

ESTIMATED PAYMENTS OF POST-EMPLOYMENT
(Thousands of euros)

	2019	2020	2021	2022	2023	2024-2028
Estimated payments of post-employment benefits	124,192	121,624	119,346	116,826	113,919	520,747

23.2. Provisions for other employee benefits

The Group has funds to cover the obligations arising from its early retirement programmes with regard to salaries and other welfare charges, from the date of early retirement to the age established in the agreements. Funds are also in place covering length of service bonuses and other obligations with existing personnel. The main training programmes for which funds are kept are as follows:

EARLY RETIREMENT PROGRAMMES
(Millions of euros)

	YEAR RECOGNISED	NUMBER OF INDIVIDUALS AFFECTED	INITIAL PROVISION
Labour agreement 17-07-2014	2014	500	182
Labour agreement for Barclays Bank personnel restructuring 2015	2015	968	187
Labour agreement 29-06-2015 (territorial reorganisation of the workforce)	2015	700	284
Paid early retirements and resignations 16-04-2016	2016	371	160
Labour agreement 29-07-2016	2016	386	121
Paid early retirements and resignations 10-01-2017	2017	350	152
Labour agreement 28-04-2017 - Discontinuations 2017	2017	630	311
Labour agreement 28-04-2017 - Discontinuations 2018	2018	137	67

The detail of the changes of the balance under this heading is as follows:

RECONCILIATION OF BALANCES OF OTHER LONG TERM EMPLOYEE BENEFITS
(Thousands of euros)

	NET (ASSET)/LIABILITY FOR DEFINED BENEFIT OBLIGATIONS	
	2018	2017
OPENING BALANCE	1,223,077	972,767
Included in profit or loss		
Service cost for the current year	4,792	(2,320)
Past service cost	78,072	471,592
Interest cost (income)	2,531	2,602
Revaluations (gains)/losses	(5,090)	(7,865)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	80,305	464,009
Other		
Plan payments	(231,270)	(213,187)
Additions due to business combinations (Note 7)		3,000
Transactions	(15)	(3,512)
TOTAL OTHER	(231,285)	(213,699)
CLOSING BALANCE	**1,072,097**	**1,223,077**
Of which: With pre-retired personnel	633,228	730,876
Of which: Termination benefits	229,346	252,850
Of which: Supplementary guarantees and special agreements	90,737	122,059
Of which: Length of service bonuses and other	58,532	55,975
Of which: Other commitments deriving from Barclays Bank, SAU.	59,788	60,796
Of which: Other obligations of Group companies	466	521

23.3. Provisions for pending legal issues and tax litigation

Given the nature of these obligations, the expected timing of outflows of funds embodying economic benefits, should they arise, is uncertain.

Provisions for pending legal issues

The Group is subject to claims. Therefore, it is party to certain legal proceedings arising from the normal course of its business, including claims in connection with lending activities, relationships with employees and other commercial or tax matters. The outcome of court proceedings is inherently uncertain. Based on available information, the Group considers that it had reliably estimated the obligations arising from each proceeding and had recognised, where appropriate, sufficient provisions to reasonably cover the liabilities that may arise as a result of these tax and legal situations. It also considers that any responsibility arising from these proceedings will not, as a whole, have a material adverse effect on the Group's businesses, financial position or results of operations.

Provisions for taxes

The detail of the balance of this heading in the balance sheet is as follows:

BREAKDOWN FOR PROVISIONS OF TAXES
(Thousands of euros)

	31-12-2018	31-12-2017
Income tax assessments for years 2004 to 2006 (1)	33,171	33,171
Income tax assessments for years 2007 to 2009 (2)	11,713	11,533
Income tax assessments for years 2010 to 2012 (3)	13,496	14,758
Tax on deposits	17,788	53,083
Other	209,078	186,019
TOTAL	**285,246**	**298,564**

(1) Corresponds to the maximum risk that could arise from Corporation Tax and VAT assessments signed under protest resulting from inspections carried out by the Tax Authorities ended in the year 2010. During 2017, the National High Court issued rulings partially upholding the appeals lodged against these tax assessments, which have been contested before the Supreme Court.
(2) Corresponds to the maximum risk that could arise from Corporation Tax and VAT assessments signed under protest resulting from inspections carried out by the Tax Authorities ended in the year 2013. The assessments relating to VAT are on appeal before the Supreme Court and the Spanish High Court has issued a ruling partially upholding the appeal in relation to the Corporation Tax assessments.
(3) During 2017 the verification proceedings were completed, after economic-administrative claims were filed against the assessments signed under protest in relation to Corporation Tax and VAT.

The various interpretations that can be drawn from the tax regulations governing transactions carried out by financial institutions may give rise to certain contingent tax liabilities that cannot be objectively quantified. The Group's management considers that the provisions set up are sufficient to cover these contingent liabilities.

23.4. Provisions for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given (Note 26).

23.5. Other provisions

The content of the main sections of this heading is set out below. The expected timing of outflows of funds embodying economic benefits, should they arise, is uncertain.

Losses from agreements not formalised and other risks

During the years 2015 and 2016, the Group recognised a total of EUR 625 million to cover the reasonable estimate of the disbursements that could derive from the class action in which the claimants are seeking to disapply the use of floor causes in certain mortgage loans in the Group, the estimate of which took into account the status of the process and the uncertainty surrounding the matter, and was verified by an independent expert.

Furthermore, in accordance with the provisions of Royal Decree-Law 1/2017, of 20 January, on urgent consumer protection measures in connection with floor clauses, the Group implemented a code of best practices in 2017, creating a specialised department or service to swiftly handle claims filed in relation to this Royal Decree-Law, and thereby attend and provide responses to its customers within the established period. The established procedure has been activated. Claims are still being reviewed and customers are being informed of the decisions made and disbursements are made when applicable. The amount of this provision paid in 2018 stands at EUR 107 million.

Ongoing legal proceedings

The unit value of the provision covering the obligations that may derive from the various ongoing legal proceedings is not significant at year-end.

24. Equity

24.1. Equity

Share capital

Selected information on the figures and type of share capital figures is presented below:

INFORMATION ABOUT SHARE CAPITAL

	31-12-2018	31-12-2017
Number of fully subscribed and paid up shares (units) (1).	5,981,438,031	5,981,438,031
Par value per share (euros)	1	1
Closing price at year-end (euros)	3.164	3.889
Market cap at year-end, excluding treasury shares (million euros) (2)	18,916	23,262

(1) All shares have been recognised by book entries and provide the same rights.
(2) CAIXABANK's shares are traded on the continuous electronic trading system, forming part of the Ibex-35.

Retained earnings, revaluation reserves and other reserves

The detail of the balances of these headings is as follows:

BREAKDOWN OF RESERVES
(Thousands of euros)

	31-12-2018	31-12-2017
Reserves attributable to the parent company of the CaixaBank Group	**10,845,844**	**10,387,088**
Legal reserve (1)	1,196,288	1,196,288
Restricted reserves for financing the acquisition of treasury shares	3,452	3,452
Other restricted reserves (2)	508,798	508,798
Unrestricted reserves	1,225,291	1,225,291
Other consolidation reserves assigned to the parent	7,912,015	7,453,259
Reserves of fully-consolidated subsidiaries	**(5,789,457)**	**(5,813,032)**
Reserves of companies accounted for using the equity method	**189,956**	**351,582**
TOTAL	**5,246,343**	**4,925,638**

(1) At 2018 year-end, the legal reserve has reached the minimum amount required by the Spanish Corporate Enterprises Act.
(2) They include EUR 508,736 thousand concerning the goodwill of Morgan Stanley, Bankpime and Banca Cívica.

Other equity instruments

The value of shares included in variable share-based remuneration plans not delivered is as follows:

BREAKDOWN OF OTHER EQUITY INSTRUMENTS
(Thousands of euros)

	31-12-2018	31-12-2017
Value of shares not delivered	19,205	10,054

Treasury shares

The detail of the changes of the balance under this heading is as follows:

CHANGES IN TREASURY SHARES - 2018
(Thousands of euros)

	2017	ACQUISITION AND OTHER	DISPOSAL AND OTHER **	2018 ***
Number of treasury shares	3,565,959	374,732	(1,135,652)	2,805,039
% of share capital *	0.060%	0.006%	(0.019%)	0.050%
Cost / Sale	11,753	1,532	(3,746)	9,539

CHANGES IN TREASURY SHARES - 2017
(Thousands of euros)

	2016	ACQUISITION AND OTHER	DISPOSAL AND OTHER **	2017
Number of treasury shares	4,335,865	59,634	(829,540)	3,565,959
% of share capital *	0.072%	0.001%	(0.014%)	0.060%
Cost / Sale	14,339	208	(2,794)	11,753

(*) Percentage calculated on the basis of the total number of CaixaBank shares at the end of the respective years.
(**) In 2018, treasury share transactions generated net gains of EUR 309 thousand, recognised under "Other reserves - Unrestricted reserves" (gains of EUR 34 thousand in 2017).
(***) Does not include 7,515 VidaCaixa shares associated with unit-links, registered under the heading "Financial assets designated at fair value through profit or loss".

Additionally, the number of treasury shares accepted as financial guarantees given by the Group and treasury shares owned by third parties and managed by a Group company were as follows:

TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES AND OWNED BY THIRD PARTIES
(Thousands of shares / Thousands of euros)

	TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES		TREASURY SHARES OWNED BY THIRD PARTIES MANAGED BY THE GROUP	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
Number of treasury shares	12,095	11,807	18,778	12,088
% of share capital (*)	0.202%	0.197%	0.314%	0.202%
Nominal amount	12,095	11,807	18,778	12,088

24.2. Other comprehensive income

The changes to this heading are as follows:

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME - 2018
(Thousands of euros)

	BALANCE AT 31-12-2017	1st APPLICATION OF IFRS 9 (NOTE 1)	ADJUSTED BALANCE AT 01-01-2018	AMOUNTS TRANSFERRED TO THE STATMENT OF PROFIT OR LOSS (AFTER TAXES)	AMOUNTS TRANSFERRED TO RESERVES	DEFERRED TAX ASSETS/LIABILITIES	VALUATION GANIS/(LOSSES) (BEFORE TAX)	BALANCE AT 31-12-2018
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		(421,838)	(421,838)		(18,267)	31,862	(495,678)	(903,921)
Share of other recognised income and expense of investments in joint ventures and associates		25,205	25,205				(64,315)	(39,110)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income		(447,043)	(447,043)		(18,267)	31,862	(431,363)	(864,811)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	45,366	399,124	444,490	96,756	(56,623)	35,815	(423,945)	96,493
Foreign currency exchange (Note 16)	74,199		74,199	142,178		20	(214,811)	1,586
Hedging derivatives. Reserve of cash flow hedges	16,081		16,081	75,928		(9,507)	(60,399)	22,103
Fair value changes of debt instruments measured at fair value with changes in other comprehensive income		407,959	407,959	(121,350)		69,569	(229,341)	126,837
Available-for-sale financial assets	(16,370)	16,370						
Equity instruments	(424,329)	424,329						
Debt securities (1)	407,959	(407,959)						
Share of other recognised income and expense of investments in joint ventures and associates	(28,544)	(25,205)	(53,749)				(284)	(54,033)
Actuarial gains/(losses) on pension plans (Note 23.1)					(56,623)	(24,267)	80,890	
TOTAL	**45,366**	**(22,714)**	**22,652**	**96,756**	**(74,890)**	**67,677**	**(919,623)**	**(807,428)**

(1) The valuation adjustment of financial assets under the insurance business remains recognised under "Fair value changes of equity instruments measured at fair value with changes in other comprehensive income".

CHANGES IN OTHER COMPREHENSIVE INCOME - 2017
(Thousands of euros)

	BALANCE AT 31-12-2016	AMOUNTS TRANSFERRED TO THE STATMENT OF PROFIT OR LOSS (AFTER TAXES)	AMOUNTS TRANSFERRED TO RESERVES	DEFERRED TAX ASSETS/LIABILITIES	VALUATION GAINS/(LOSSES) (BEFORE TAXES)	BALANCE AT 31-12-2017
Available-for-sale financial assets	**(26,494)**	**46,295**		**3,120**	**(39,291)**	**(16,370)**
Equity instruments	(393,309)	94,740		39,546	(165,306)	(424,329)
Debt securities	366,815	(48,445)		(36,426)	126,015	407,959
Cash flow hedges	**25,316**	**(40,057)**		**(10,510)**	**41,332**	**16,081**
Exchange differences	**2,332**			**113**	**71,754**	**74,199**
Entities accounted for using the equity method	**125,467**			**0**	**(154,011)**	**(28,544)**
Actuarial gains/(losses) on pension plans (*)			**26,701**	**11,443**	**(38,144)**	**0**
TOTAL	**126,621**	**6,238**	**26,701**	**4,166**	**(118,360)**	**45,366**

24.3. Minority interests

The details of the balance under this heading is as follows:

DETAILS OF MINORITY INTERESTS
(Thousands of euros)

	31-12-2018	31-12-2017
Reserves of minority interests	(26,348)	373,799
Profit/(loss) attributable to minority interests	55,661	34,461
Interim dividends paid		
Valuation adjustments attributable to non-controlling interests	181	25,760
TOTAL	**29,494**	**434,020**
Of which: Banco BPI		402,432
Of which: Inversiones Inmobiliarias Teguise Resort, S.L.	7,688	7,609
Of which: Telefónica Consumer Finance, E.F.C., S.A.	19,783	21,374
Of which: Grupo Riberebro Integral, SL	(547)	5,784

Banco BPI

On 6 May 2018 CaixaBank announced the acquisition of an 8.42% stake of the share capital of Banco BPI, S.A. owned by Allianz group, for a total price of EUR 178 million (EUR 1.45 per share), becoming the holder of 92.93% of the share capital of Banco BPI. This price represented a premium of 22.67% on the share price and a premium of 22.16% with respect to the average price weighted by the price volume of the last 6 months.

In the aforementioned announcement, CaixaBank also informed about its intention, on the one hand, to convene a General Shareholders' Meeting of Banco BPI to decide on the delisiting of Banco BPI in accordance with article 27.1.b) of the Portuguese Securities Code and offering all shareholders that did not vote in favour of the delisting the purchase of their shares at a price of EUR 1.45 per share; and conversely, the exercising of the sell-out under article 490 of the Commercial Company Code – in the context of the *takeover offer* after the delisting – also at a price of EUR 1.45 per share for all the remaining shares of Banco BPI which it did not yet hold at the time.

With a majority of 99.26% of the votes issued, on 29 June 2018 the Banco BPI General Shareholder's Meeting approved the delisting and the purchase offered by CaixaBank to the shareholders that did not vote in favour, at a price of EUR 1.45 per share. Subsequently, on 12 July 2018, Banco BPI requested its delisting from the CMVM.

On 23 August 2018, the CMVM determined that an independent consultant must set the price per share of CaixaBank's purchase offer. The CMVM made this decision based on the fact that the price offered by CaixaBank arose from an *individual negotiation* given that it was the same as that which had been paid to the Allianz group (EUR 1.45 per share), and therefore it was presumed *unfair* in accordance with article 188.3 of the Securities Code. The designated expert was RSM & Asociados, SROC, LDA.

Between 5 May and 23 August, CaixaBank purchased shares in BPI on the market for a price equal to or lower than EUR 1.45 per share, until reaching 94.9% of its share capital.

On 11 December, the CMVM publicly announced that the independent expert set the minimum price of CaixaBank's purchase offer at EUR 1.47 euros per share. Subsequently, on 14 December, the CMVM approved the delisting of Banco BPI.

Finally, on 27 December 2018, after the delisting and the combination of the offer intended for the shareholders who had not voted in favour of the delisting and the *takeover offer* in the area of article 490 of the Company Code, CaixaBank exercised its sell-out right on the Banco BPI shares which it did not yet hold at a price of EUR 1.47 per share, and thus, became the holder of 100% of the Banco BPI share capital.

The sell-out right was settled at the beginning of January 2019. The disbursement in order to acquire 5.1% of the share capital after the delisting from the stock exchange and to reach 100% of the Banco BPI share capital amounted to EUR 108 million and has not affected the consolidated statement of profit or loss.

The following table shows the Group subsidiaries in which certain non-controlling interests held a stake of 10% or more:

SUBSIDIARIES WITH MINORITY SHAREHOLDERS WITH STAKES GREATER THAN 10%

(Percentage)

		MINORITY INTEREST	
SUBSIDIARY	MINORITY SHAREHOLDERS	31-12-2018	31-12-2017
Inversiones Inmobiliarias Teguise Resort, S.L.	Metrópolis Inmobiliarias y Restauraciones, S.L.	40%	40%
Grupo Riberebro Integral, SL	Inversiones Cuevas Villoslada Hermanos, SL	10%	10%
	Hermanos Ayensa Ambrosi, SL	10%	10%
	Javier Sánchez Muro	10%	10%
	Luis Sánchez Muro	10%	10%
Coia Financiera Naval, SL	Construcciones Navales P. Freire, SA	21%	
El Abra Financiera Naval, SL	Astilleros Zamakona, SA	21%	
CaixaBank Electronic Money, SA	Erste Group Bank AG	10%	10%
Telefonica Consumer Finance, EFC, SA	Telefonica, SA	50%	50%

25. Tax position

25.1. Tax consolidation

The consolidated tax group for Income Tax includes CaixaBank, as the parent, and subsidiaries that comply with the requirements for inclusion under regulations. The remaining Group companies file taxes in accordance with applicable tax legislation.

Furthermore, CaixaBank and some of its subsidiaries belong to the consolidated tax group for Value Added Tax (IVA) since 2008, whose parent company has been CaixaBank.

25.2. Years open for review

On 24 July 2018, the Spanish tax authorities notified CaixaBank of the beginning of an inspection for the main taxes applicable to it for the years 2013 to 2015, inclusive. Accordingly, the Group, regarding its activity in Spain, has the year 2016 and following open for review for the main taxes applicable.

Furthermore, as the successor of Banca Cívica and the savings banks that formerly contributed their assets comprising the financial activity to Banca Cívica, Banco de Valencia and Barclays Bank, these institutions are open to inspection for the main taxes applicable to them from 2010 and beyond. Note 23.3 includes the tax contingencies related to the inspections completed by the Tax Agency.

25.3. Reconciliation of accounting profit to taxable profit

The Group's reconciliation of accounting profit to taxable profit is presented below:

RECONCILIATON OF ACCOUNTING PROFIT TO TAXABLE PROFIT
(Thousands of euros)

	2018	2017
Profit/(loss) before tax (A)	**2,806,786**	**2,097,983**
Adjustments to profit (loss)		
Return on equity instruments (1)	(133,828)	(98,530)
Share of profit/(loss) of entities accounted for using the equity method (1)	(825,963)	(526,153)
Negative goodwill	0	(256,151)
Taxable income/(tax loss)	**1,846,995**	**1,217,149**
Tax payable (taxable income * 30%)	**(554,099)**	**(365,145)**
Adjustments:	**(165,134)**	**(28,051)**
Changes in taxation of sales and gains/(losses) of portfolio assets	(155,253)	(5,463)
Changes in portfolio provisions excluding tax effect and other non-deductible expenses	(54,639)	(17,944)
Change in deferred tax assets and liabilities	(862)	17,389
Recognition of deferred tax assets and liabilities	62,603	956
Effect on tax expense of jurisdictions with different tax rates (2)	6,803	3,609
Withholdings from foreign dividends and other	(23,786)	(26,598)
Income tax (B)	**(711,859)**	**(377,628)**
Income tax for the year (revenue/(expense)) (D)	(719,233)	(393,196)
Tax rate (3)	38.9%	32.3%
Income tax adjustments (2017/2016)	7,374	15,568
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS (A) + (B)	**2,094,927**	**1,720,355**

(1) Income to a large extent exempt from tax due to already having been taxed at source.
(2) Practically all of CaixaBank's income and expense is taxed at the general rate of 30% in the case of the businesses in Spain, and around 27% for the businesses in Portugal.
(3) The effective tax rate is calculated by dividing income tax for the year by taxable income

25.4. Deferred tax assets and liabilities

The changes in the balance of these headings is as follows:

BREAKDOWN OF DEFERRED TAX ASSETS - 2018
(Thousands of euros)

	31-12-2017	1st APPLICATION IFRS 9 (NOTE 1)(1)	ADJUSTED BALANCE AT 01-01-2018	REGULARISA-TIONS	INCREASES DUE TO MOVEMENTS IN THE YEAR	DECREASES DUE TO MOVEMENTS IN THE YEAR	31-12-2018
Pension plan contributions	583,450		583,450	18,046		(7,454)	594,042
Allowances for credit losses	4,244,650	(8,100)	4,236,550	(24,394)		(87,975)	4,124,181
Allowances for non-performing loans (IFRS 9)		250,965	250,965			(83,655)	167,310
Early retirement obligations	27,465		27,465	69		(9,308)	18,226
Provision for foreclosed property	1,035,012		1,035,012	10,919		(102,440)	943,491
Origination fees for loans and receivables	8,403		8,403	(1,381)		(111)	6,911
Unused tax credits	1,063,025		1,063,025	(138,396)			924,629
Tax loss carryforwards	1,591,009		1,591,009	54,382			1,645,391
Assets measured at fair value through equity	56,125		56,125		48,306		104,431
Other deferred tax assets arising on business combinations	194,838		194,838	1,782		(54,404)	142,216
Other (2)	1,450,864	4	1,450,868	29,789	144,998	(179,514)	1,446,141
TOTAL	**10,254,841**	**242,869**	**10,497,710**	**(49,184)**	**193,304**	**(524,861)**	**10,116,969**
Of which: monetisable (millions of euros)	5,891						5,680

(1) In accordance with transitory provision thirty-nine of the Corporation Tax Act, the amount to include in the tax base in 2018 amounts to EUR 279 million, and EUR 558 million remains to be included

(2) Includes, inter alia, eliminations from intra-group operations and those corresponding to different provisions, and other adjustments due to differences between accounting and tax rules.

CHANGES IN DEFERRED TAX LIABILITIES - 2018
(Thousands of euros)

	31-12-2017	1st APPLICATION IFRS 9 (NOTE 1)	ADJUSTED BALANCE AT 01-01-2018	REGULARISATIONS	INCREASES DUE TO MOVEMENTS IN THE YEAR	DECREASES DUE TO MOVEMENTS IN THE YEAR	31-12-2018
Revaluation of property on first time application of IFRS	235,768		235,768	(4,183)		(16,739)	214,846
Assets measured at fair value through equity	192,405	(410)	191,995			(115,545)	76,450
Intangible assets generated in business combinations	43,274		43,274			(10,675)	32,599
Mathematical provisions	203,837		203,837				203,837
Other deferred tax liabilities arising on business combinations	279,671		279,671	4,373		(50,890)	233,154
Other	239,171	410	239,581		32,797		272,378
TOTAL	**1,194,126**	**0**	**1,194,126**	**190**	**32,797**	**(193,849)**	**1,033,264**

The Group does not have any significant unrecognised deferred tax assets.

The Group assesses the recoverable amount of its recognised deferred tax assets. To do so, it has developed a model based on the Group's projected results. The model has been prepared together with an independent expert and is updated every six months, adjusting the assumptions made in the analysis to the real situation at each given moment, to include any deviations from reality with respect to the model. At 31 December 2018, the results of the model and the back testing exercises support the recoverability of the deferred tax assets within the legal recovery period. Likewise, in the current interest-rate environment, the nominal amount of deferred tax assets is not significantly different from present value.

25.5. Other

As per Article 42 of the consolidated text of the Corporation Tax Law, the main figures are provided in Appendix 4.

26. Guarantees and contingent commitments given

The detail of "Guarantees and contingent commitments given" included as memorandum items:

BREAKDOWN OF EXPOSURE AND COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS 31-12-2018
(Thousands of euros)

	OFF-BALANCE SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	5,328,254	182,132	224,344	(37,822)	(23,962)	(135,317)
Loan commitments given	62,004,404	1,690,986	257,583	(23,730)	(2,417)	(17,546)
Other commitments given	18,596,312	501,589	240,761	(7,117)	(717)	(106,034)

BREAKDOWN OF EXPOSURE AND COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS 01-01-2018
(Thousands of euros)

	OFF-BALANCE SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	5,636,283	199,181	179,888	(33,572)	(18,174)	(66,094)
Loan commitments given	59,214,663	1,587,248	387,807	(22,196)	(1,702)	(30,532)
Other commitments given	18,612,653	500,490	347,890	(6,977)	(674)	(187,096)

The Group is only obliged to pay the sum of contingent liabilities if the counterparty guaranteed fails to comply with its obligations at the time of non-compliance. It believes that most of these risks will reach maturity without being settled.

With respect to contingent commitments, the Group has an undertaking to facilitate funds to customers through drawables on lines of credit and other commitments, whenever it receives a request and subject to compliance with certain conditions by the counterparties. It believes that a large portion of them will fall due prior to drawdown, either because they will not be requested by customers or because the drawdown conditions will not be met. The detail of "Loan commitments given" included as memorandum items in the balance sheet:

LOAN COMMITMENTS GIVEN
(Thousands of euros)

	31-12-2018		31-12-2017	
	DRAWABLE	LIMITS	DRAWABLE	LIMITS
Drawable by third parties				
Credit institutions	93,498	231,586	37,335	90,254
Public administrations	1,959,623	2,607,784	1,813,647	2,646,747
Other sectors	61,899,852	117,820,351	59,338,736	107,860,742
TOTAL	**63,952,973**	**120,659,721**	**61,189,718**	**110,597,743**
Of which: conditionally drawable	4,098,039		3,789,522	

The table below details the contractual maturities of the loan commitments given:

CONTRACTUAL MATURITIES
(Thousands of euros)

	< 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	> 5 YEARS	TOTAL
Drawable by third parties	538,553	1,242,875	7,619,129	19,940,249	34,612,167	63,952,973

27. Other significant disclosures

27.1. Transactions for the account of third parties

The detail of off-balance sheet funds managed for the account of third parties is as follows:

BREAKDOWN OF CUSTOMER FUNDS
(Thousands of euros)

	31-12-2018	31-12-2017
Assets under management	93,950,844	96,551,941
Mutual funds, portfolios and SICAVs	64,541,090	66,882,469
Pension funds	29,409,754	29,669,472
Other (*)	5,107,716	5,363,258
TOTAL	**99,058,560**	**101,915,199**

(*) Includes temporary funds associated with transfers and collections, in addition to other funds distributed by CaixaBank and Banco BPI.

27.2. Transferred financial assets

The Group converted a portion of their homogeneous loan and credits into fixed-income securities by transferring the assets to various securitisation special purpose vehicles set up for this purpose. In accordance with current regulations, securitisations in which substantially all the risk is retained may not be derecognised.

The balances classified in "Financial assets at amortised cost" corresponding to the outstanding amounts of securitised loans are as follows:

BREAKDOWN OF SECURITISED LOANS
(Thousands of euros)

	31-12-2018	31-12-2017
Securitised mortgage loans	**26,737,764**	**29,365,891**
Other securitised loans	**10,753,115**	**9,450,089**
Loans to companies	7,772,121	7,017,467
Leasing arrangements	240,530	307,465
Consumer financing	2,737,982	2,122,674
Other	2,482	2,483
TOTAL	**37,490,879**	**38,815,980**

Details of securitisations arranged, with the amounts outstanding and the amounts corresponding to credit enhancements granted to the securitisation funds are provided below.

LOAN SECURISATION - ISSUES ON DERECOGNISED SECURITISED LOANS
(Thousands of euros)

DATE OF ISSUE		ACQUIRED BY:	INITIAL EXPOSURE SECURITISED	CARRYING VALUE - SECURITISED LOAN		CARRYING VALUE - REPO SECURISATION BONDS		CREDIT ENHANCEMENTS	
				2018	2017	2018	2017	2018	2017
June	2001	TDA 14 Mixto, FTA	122,005	2,908	3,975		197	1,382	1,382
June	2002	AyT 7 Promociones Inmobiliarias 1, FTA	269,133	1,626	1,995			3,791	3,792
October	2002	AyT 11, FTH (*)	120,055		12,497				573
March	2003	TDA 16 Mixto, FTA (*)	152,000		18,502				2,668
May	2003	TDA 16 Mixto, FTA (*)	100,000		5,459		258		1,294
June	2003	AyT Hipotecario III, FTH	130,000		9,898		4,356		1,460
November	2004	TDA 22 Mixto, FTH (*)	150,000	23,694	26,130			749	749
April	2005	AyT Hipotecario Mixto III, FTH	170,000		38,988				297
November	2005	TDA 24, FTA (*)	144,117	36,302	40,191			520	520
July	2006	TDA 25, FTA (*)	205,000	71,637	76,708			753	753
December	2006	TDA 27, FTA (*)	186,993	64,911	71,168			1,782	1,782
July	2007	TDA 28, FTA (*)	200,000	89,880	97,068			2,324	2,324
TOTAL			**1,949,303**	**290,958**	**402,579**	**0**	**4,811**	**11,301**	**17,594**

(*) In accordance with the regulations in force at the time of issue, the securitised loans were derecognised when the bonds were issued, given that circumstances arose that substantially allowed all risks and rewards relating to the underlying securitised financial asset to be transferred. They mainly relate to the securitisation funds of Credifimo, acquired in a business combination with Banca Cívica.

Currently, the Group does not have any continued involvement in the derecognised assets, and only as an agreement with the securitisation fund to manage the loans in market conditions.

LOAN SECURISATION - ISSUES ON ON-BALANCE-SHEET SECURITISED LOANS

(Thousands of euros)

DATE OF ISSUE		ACQUIRED BY:	INITIAL EXPOSURE SECURITISED	CARRYING VALUE - SECURITISED LOAN 2018	CARRYING VALUE - SECURITISED LOAN 2017	CARRYING VALUE - REPO SECURISATION BONDS 2018	CARRYING VALUE - REPO SECURISATION BONDS 2017	CREDIT ENHANCEMENTS 2018	CREDIT ENHANCEMENTS 2017
June	2003	AyT Génova Hipotecario II, FTH	800,000	97,830	114,536	34,688	40,631	8,000	8,136
July	2003	AyT Génova Hipotecario III, FTH	800,000	108,021	126,853	42,122	40,550	8,000	8,000
February	2004	AyT Hipotecario Mixto, FTA	140,000	18,160	20,112	18,160	24,050	8,317	8,317
March	2004	AyT Génova Hipotecario IV, FTH	800,000	124,658	146,472	20,442		8,000	8,000
April	2004	Valencia Hipotecario 1, FTA	472,015		49,554		1,072		4,720
June	2004	AyT Hipotecario Mixto II, FTA	160,000	317	790	1,083	1,379	1,911	1,911
November	2004	TDA 22 Mixto, FTH	120,000	31,120	34,357	16,627	18,365	2,069	2,292
June	2005	AyT Hipotecario Mixto IV, FTA	200,000	33,485	39,277	15,238	17,930	1,152	1,152
June	2005	AyT Génova Hipotecario VI, FTH	700,000	144,088	166,016	90,940	104,690	5,000	5,000
November	2005	FonCaixa FTGENCAT 3, FTA	649,998		62,243		27,384		7,349
November	2005	AyT Génova Hipotecario VII, FTH	1,400,000	339,378	389,612	137,368	135,538	8,524	9,973
November	2005	Douro Mortgages no. 1	1,500,000	256,936	292,377	148,202			
December	2005	Valencia Hipotecario 2, FTH	940,243	158,615	185,835	30,639	40,467	5,000	9,900
June	2006	AyT Génova Hipotecario VIII, FTH	2,100,000	493,451	567,821	266,848	308,506	9,068	11,023
July	2006	FonCaixa FTGENCAT 4, FTA	599,999	71,484	86,290	19,504	19,802	5,043	6,475
July	2006	AyT Hipotecario Mixto V, FTA	317,733	72,289	82,086	54,966	63,934	1,937	1,937
September	2006	Douro Mortgages no. 2	1,500,000	367,324	416,365	282,668			
November	2006	Valencia Hipotecario 3, FTA	900,711	230,462	261,691	80,502	91,492	5,200	5,909
November	2006	AyT Génova Hipotecario IX, FTH	1,000,000	317,368	357,255	121,200	125,329	6,878	8,216
June	2007	AyT Génova Hipotecario X, FTH	1,050,000	356,245	401,068	357,467	402,595	11,650	11,650
July	2007	Douro Mortgages no. 3	1,500,000	567,806	635,597	515,566			
November	2007	FonCaixa FTGENCAT 5, FTA	1,000,000	210,690	243,053	37,500	37,500	26,500	26,500
December	2007	AyT Génova Hipotecario XI, FTH	1,200,000	429,010	479,264	434,731	484,933	39,500	39,500
July	2008	FonCaixa FTGENCAT 6, FTA	750,015	154,684	178,455	22,500	22,500	18,800	18,800
July	2008	AyT Génova Hipotecario XII, FTH	800,000	307,149	344,946	306,359	345,697	30,106	30,106
March	2009	AyT ICO-FTVPO I, FTA	129,131	15,684	19,879	19,365	41,472	3,218	3,218
April	2009	Bancaja BVA-VPO 1, FTA	55,000		33,915		22,875		4,695
December	2010	AyT Goya Hipotecario III, FTA	4,000,000	1,984,051	2,196,117	1,979,651	2,191,871	200,276	208,433
February	2011	Douro SME Series 2	3,472,400	3,348,300	3,392,300	3,348,300			
April	2011	AyT Goya Hipotecario IV, FTA	1,300,000	647,714	718,274	662,174	734,910	66,555	66,555
December	2011	AyT Goya Hipotecario V, FTA	1,400,000	728,270	810,438	748,288	832,653	75,894	77,311
March	2013	FonCaixa Leasings 2, FTA	1,216,494	240,530	307,465	243,333	312,748	111,861	111,861
October	2015	FonCaixa PYMES 6, FTA	1,119,358		582,940		622,502		45,067
November	2015	FonCaixa PYMES 7, FTA	2,529,055		942,155		973,173		87,823
February	2016	CaixaBank RMBS 1, FT	14,200,000	11,800,023	12,678,320	11,846,055	12,742,422	568,083	568,417
June	2016	CaixaBank Consumo 2, FT	1,300,000	488,344	737,708	533,935	812,532	52,225	52,525
November	2016	CaixaBank Pymes 8, FT	2,250,000	1,242,488	1,679,774	1,342,977	1,795,787	92,625	92,925
March	2017	CaixaBank RMBS 2, FT	2,720,000	2,418,659	2,597,867	2,459,292	2,639,211	129,700	130,033
July	2017	CaixaBank Consumo 3, FT	2,450,000	1,407,891	2,098,718	1,456,985	2,161,974	98,583	98,917
November	2017	CaixaBank Pymes 9, FT	1,850,000	1,375,419	1,805,703	1,413,161	1,850,000	84,842	85,175
December	2017	CaixaBank RMBS 3, FT	2,550,000	2,324,655	2,532,482	2,343,627	2,550,000	115,417	115,750
May	2018	CaixaBank Consumo 4, FT	1,700,000	1,346,749		1,494,031		68,733	
November	2018	CaixaBank Pymes 10, FT	3,325,000	3,231,532		3,325,000		158,788	
TOTAL			**68,967,152**	**37,490,879**	**38,815,980**	**36,271,494**	**32,638,474**	**2,037,455**	**1,983,571**

Securitisation bonds placed in the market are recognised under "Financial liabilities measured at amortised cost - Debt securities issued" in the accompanying balance sheets, and they are the difference between the carrying amount of securitised bonds and the carrying amount of repo bonds adjusted by the differences arising from redemption mismatches.

Furthermore, the Group maintains the following synthetic securitisation transactions, by means of which it partially transfers the credit risk of a group of borrowers classified under the heading "Financial assets at amortised cost – Loans and receivables" of the balance sheet:

SYNTHETIC SECURITISATION TRANSACTIONS
(Thousands of euros)

			CARRYING AMOUNT SECURITISED	
ISSUE DATE	FUND	INITIAL EXPOSURE SECURITISED	31-12-2018	31-12-2017
February 2016	Gaudí I	2,025,000	920,452	2,021,410
August 2018	Gaudí II	2,025,000	2,025,000	
TOTAL			2,945,452	2,021,410

The transfer of credit risk takes the form of a financial guarantee and it is not considered a substantial transfer of risk and profit. Therefore, the underlying exposure is maintained on the balance sheet.

27.3. Securities deposits and investment services

The detail, by type, of the securities deposited by customers with the Group and third parties is as follows:

SECURITIES DEPOSITED BY THIRD PARTIES
(Thousands of euros)

	31-12-2018	31-12-2017
Book entries	**159,416,633**	**173,267,100**
Securities recorded in the market's central book-entry office	112,108,650	129,248,840
Equity instruments. - quoted	50,112,406	65,005,329
Equity instruments. - unquoted	2,873,412	3,453,793
Debt securities. - quoted	59,122,832	60,789,718
Securities registered at the Entity	29,123	13,466
Debt securities. - quoted	29,123	13,466
Securities entrusted to other depositories	47,278,860	44,004,794
Equity instruments. - quoted	16,728,218	16,895,795
Equity instruments. - unquoted	31,495	12,960
Debt securities. - quoted	25,902,256	27,038,249
Debt securities. - unquoted	4,616,891	57,790
Securities	**3,212,230**	**3,691,001**
Held by the Entity	3,173,739	3,651,188
Equity instruments	3,173,619	3,651,069
Debt securities	120	119
Entrusted to other entities	38,491	39,813
Equity instruments	38,491	39,813
Other financial instruments	**77,939,820**	**18,291,119**
TOTAL	240,568,683	195,249,220

27.4. Financial assets derecognised due to impairment

Changes in the items derecognised from the balance sheet because recovery was deemed remote are summarised below. These financial assets are recognised under “Suspended assets” in the memorandum accounts supplementing the balance sheet:

CHANGES IN WRITTEN-OFF ASSETS
(Thousands of euros)

	2018	2017
OPENING BALANCE	**15,822,981**	**15,457,081**
Additions:	**1,952,702**	**3,203,738**
Of which are due to business combinations (Note 7)		*1,284,459*
Disposals:	**3,137,024**	**2,837,838**
Cash recovery of principal (Note 36)	455,272	297,766
Cash recovery of past-due receivables	35,421	75,189
Disposal of written-off assets (2)	1,842,966	1,505,068
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	803,365	959,815
CLOSING BALANCE	**14,638,659**	**15,822,981**
Of which: interest accrued on the non-performing loans (million euros) (1)	4,463	4,497

(1) Primarily includes interest on financial assets at the time of derecognition from the balance sheet.
(2) Corresponds to the sale of non-performing and written-off assets and includes interest related to these portfolios.

28. Interest income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF INTEREST INCOME
(Thousands of euros)

	2018	2017
Central banks	**65**	**124**
Credit institutions	**30,836**	**30,782**
Debt securities	**1,992,893**	**2,169,385**
Financial assets held for trading	13,006	18,175
Financial assets compulsorily measured at fair value through profit or loss	4,864	
Financial assets at fair value with changes in other comprehensive income	1,855,691	
Available-for-sale financial assets		2,082,137
Financial assets at amortised cost	119,332	
Loans and receivables		20,748
Investment portfolio at maturity		48,325
Loans and advances to customers and other financial income	**4,762,177**	**4,657,005**
Public administrations	96,638	131,584
Trade credits and bills	176,399	185,302
Mortgage loans	2,018,020	2,063,449
Personal loans	1,909,576	1,667,519
Credit accounts	428,265	467,914
Other	133,279	141,237
Adjustments to income due to hedging transactions	**4,549**	**(67,836)**
Interest income - liabilities	**154,978**	**180,984**
TOTAL	**6,945,498**	**6,970,444**
Of which: interest on exposures in stage 3 (non-performing loans in 2017)	293,269	281,307

The average effective interest rate of the various financial assets categories calculated on average net balances (excluding rectifications):

AVERAGE RETURN ON ASSETS
(Percentage)

	2018	2017
Deposits at central banks	0.00%	0.00%
Financial assets held for trading – debt securities	0.64%	0.67%
Financial assets compulsorily measured at fair value through profit or loss - Debt securities	3.61%	
Financial assets measured at fair value with changes in other comprehensive income / Available-for-sale financial assets - Debt securities	2.71%	3.21%
Financial assets at amortised cost		
Loans and advances to credit institutions	0.64%	0.92%
Loans and advances to customers	2.28%	2.17%
Debt securities	0.70%	0.85%
Held-to-maturity investments - debt securities		0.51%

29. Interest expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF INTEREST EXPENSES
(Thousands of euros)

	2018	2017
Central banks	(38,652)	(36,682)
Credit institutions	(70,208)	(73,740)
Customer deposits and other finance costs	(349,753)	(409,266)
Debt securities issued (excluding subordinated liabilities) *	(686,139)	(738,637)
Subordinated liabilities *		
Adjustments to expenses as a consequence of hedging transactions	552,318	581,743
Interest cost attributable to pension funds (Note 23.1)	(36,356)	(35,431)
Finance cost of insurance products	(1,319,176)	(1,433,892)
Asset interest expenses	(90,632)	(79,006)
TOTAL	**(2,038,598)**	**(2,224,911)**

(*) Excluding interest from preferred shares accountable as Additional Tier 1 capital (recognised in shareholders' equity)

The average effective interest rate of the various financial liabilities categories calculated on average net balances (excluding rectifications):

AVERAGE RETURN ON LIABILITIES
(Percentage)

	2018	2017
Deposits from central banks	0.13%	0.11%
Deposits from credit institutions	0.54%	0.54%
Customer deposits	0.16%	0.20%
Debt securities issued (excluding subordinated liabilities)	2.26%	2.35%
Subordinated liabilities	2.45%	3.68%

30. Dividend income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

DIVIDEND INCOME
(Thousands of euros)

	2018	2017
Financial assets held for trading	10,786	9,681
Financial assets at fair value with changes in other comprehensive income	135,705	117,551
Telefónica	103,845	103,785
Other	31,860	13,766
TOTAL	**146,491**	**127,232**

31. Fees and commissions

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF FEE AND COMMISSION INCOME
(Thousands of euros)

	2018	2017
Contingent liabilities	156,146	126,905
Credit facility drawdowns	50,026	52,668
Exchange of foreign currencies and banknotes	97,293	109,543
Collection and payment services	1,027,907	914,251
Of which: credit and debit cards	*529,067*	*444,495*
Securities services	95,645	97,737
Marketing of non-banking financial products	1,120,988	989,847
Other fees and commissions	350,381	468,898
TOTAL	**2,898,386**	**2,759,849**

BREAKDOWN OF FEE AND COMMISSION EXPENSES
(Thousands of euros)

	2018	2017
Assigned to other entities and correspondents	(103,699)	(96,508)
Of which: transactions with cards and ATMs	*(97,077)*	*(83,659)*
Securities transactions	(23,949)	(18,466)
Other fees and commissions	(187,395)	(146,206)
TOTAL	**(315,043)**	**(261,180)**

32. Gains/(losses) on financial assets and liabilities

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES
(Thousands of euros)

	2018	2017
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**126,139**	**169,479**
Financial assets measured at amortised cost / Loans and receivables	(25,066)	1,133
Debt securities	670	225
Loans and advances	(25,736)	908
Financial liabilities measured at amortised cost (Note 15)	101,699	88,034
Financial assets at fair value with changes in other comprehensive income / Available-for-sale financial assets	48,294	77,241
Debt securities * (Note 13.2)	48,294	72,898
Equity instruments		4,343
Other	1,212	3,071
Gains/(losses) on financial assets and liabilities held for trading (net)	**40,206**	**46,876**
Equity instruments	(28,704)	105,863
Debt securities	(1,041)	988
Financial derivatives	69,956	(59,647)
Short positions	(5)	(328)
Gains/(losses) on financial assets not designated for trading compulsorily measured fair value through profit or loss (net)	**61,416**	**0**
Equity instruments (Note 12)	66,268	
Debt securities	(5,177)	
Loans and advances	325	
Gains/(losses) from hedge accounting, net	**38,640**	**(9,132)**
Ineffective portions of cash flow hedges (Note 15)	(38)	(23,672)
Ineffective portions of fair value hedges	2,273	14,540
Valuation of hedging derivatives (Note 15)	(441,623)	(365,560)
Valuation of hedged items (Note 15)	443,896	380,100
Other	36,405	
TOTAL	**266,401**	**207,223**
(*) Of which: amount reclassified to profit or loss at the time of the sale	*48,294*	*72,898*

33. Other operating income and expenses and assets and liabilities under insurance or reinsurance contracts

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF OTHER OPERATING INCOME
(Thousands of euros)

	2018	2017
Financial fees and commissions offsetting direct costs	289	43,706
Income from investment properties and other income (1)	142,130	144,960
Sales and income from provision of non-financial services	296,835	241,063
Other income	189,212	268,146
TOTAL	**628,466**	**697,875**

(1) Net carrying amount of assets generating rental income.

OTHER OPERATING EXPENSES
(Thousands of euros)

	2018	2017
Contribution to the Deposit Guarantee Fund/National Resolution Fund	(325,375)	(308,773)
Operating expenses from investment properties and other (1)	(319,582)	(357,593)
Changes in inventories and other expenses of non-financial activities	(263,446)	(211,348)
Expenses associated with regulators and supervisors	(12,274)	(11,316)
Other items	(231,798)	(239,013)
TOTAL	**(1,152,475)**	**(1,128,043)**

(1) Includes expenses related to leased investment property

DETAIL OF INCOME AND EXPENSES OF ASSETS AND LIABILITIES UNDER THE INSURANCE OR REINSURANCE BUSINESS
(Thousands of euros)

	2018	2017
Income		
Insurance and reinsurance premium income (*)	987,097	815,409
Reinsurance income	(47,912)	7,731
TOTAL	**939,185**	**823,140**
Expenses		
Paid provisions and other expenses related to insurance activity (*)	(107,002)	(117,299)
Net technical provisions (*)	(262,224)	(211,748)
Insurance and reinsurance premiums paid	(19,456)	(22,468)
TOTAL	**(388,682)**	**(351,515)**

(*) Net of the portion relating to financial expenses.

34. Staff expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF STAFF EXPENSES
(Thousands of euros)

	2018	2017
Wages and salaries	(2,186,595)	(2,137,427)
Social security contributions	(482,459)	(471,625)
Transfers to defined contribution plans	(139,392)	(136,240)
Transfers to defined benefit plans	3,395	2,189
Other staff expenses	(153,377)	(238,310)
TOTAL	**(2,958,428)**	**(2,981,413)**

The expense recognised in "Transfers to defined contribution plans" includes mainly mandatory contributions stipulated in the labour agreement on the pension scheme entered into on 31 July 2000 at "la Caixa" and upheld by CaixaBank after the ''la Caixa" Group's reorganisation in 2011. Contributions are made to the pension plan to cover retirement, disability and death obligations of serving employees. To cover retirement, CaixaBank makes a monthly contribution equal to a percentage of pensionable wage items ranging from 0% to 8.5% depending on the length of service at the Group and other agreed terms and conditions. Specifically, a period of 60 months to standardise conditions has been established for Banco de Valencia and Barclays Bank personnel. The contribution for disability and death is annual and equals the cost of the premium required to ensure against these risks.

"Other staff expenses" includes, inter alia, training expenses, education grants and indemnities and other short term benefits.

The cost of share-based payment plans, which is of little significance, is also recognised under this heading.

The average number of employees, by professional category and gender, is set out below:

AVERAGE NUMBER OF EMPLOYEES
(Number of employees)

	2018 (*)			2017		
	MEN	WOMEN	*OF WHICH: WITH A DISABILITY EQUAL TO OR ABOVE 33%*	MEN	WOMEN	*OF WHICH: WITH A DISABILITY EQUAL TO OR ABOVE 33%*
Directors	3,769	2,216	*0*	3,927	2,182	
Middle management	3,262	3,939	*29*	3,247	3,945	*64*
Administrators	10,365	13,765	*312*	10,342	13,643	*151*
TOTAL	**17,396**	**19,920**	***341***	**17,516**	**19,770**	***215***

(*) The distribution by professional category and gender at 31 December 2018 is not significantly different from that shown in the preceding table.

35. Other administrative expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF OTHER ADMINISTRATIVE EXPENSES
(Thousands of euros)

	2018	2017
IT and systems	(372,714)	(297,859)
Advertising and publicity *	(173,855)	(142,541)
Property and fixtures	(115,049)	(113,127)
Rentals	(184,733)	(178,385)
Communications	(70,034)	(60,355)
Outsourced administrative services	(109,301)	(141,967)
Tax contributions	(40,238)	(30,496)
Surveillance and security carriage services	(32,947)	(32,390)
Representation and travel expenses	(56,447)	(50,138)
Printing and office materials	(11,842)	(14,532)
Technical reports	(56,123)	(55,966)
Legal and judicial	(15,291)	(15,638)
Governing and control bodies	(9,791)	(7,989)
Other expenses	(47,126)	(27,483)
TOTAL	**(1,295,491)**	**(1,168,866)**

* Includes advertising in media, sponsorships, promotions and other commercial expenses.

The value of the future minimum lease payments receivable by the Group during the mandatory period of the lease, excluding future rental increases are as follows:

FUTURE PAYMENTS (EX VAT) ON OPERATING LEASES
(Thousands of euros)

	2019	2020 - 2023	2024 AND ONWARDS
Sales and leaseback agreement with Soinmob Inmobiliaria, SAU	40,122	149,487	522,178
Other operating leases	102,543	288,671	786,708
TOTAL	**142,665**	**438,158**	**1,308,886**

"Technical reports" relates to fees and expenses, excluding the related VAT, paid to the auditor, broken down as follows:

EXTERNAL AUDITOR FEES *
(Thousands of euros)

	2018	2017
Auditor of the Group (PwC in 2018 and Deloitte in 2017)	**4,862**	**11,028**
Audit	3,762	3,766
Statutory audit	2,817	2,879
Limited review	945	887
Other services	1,100	7,262
Financial due diligence		438
Comfort letters for issues	179	450
Agreed procedural reports	707	948
Other work	214	758
Support works in inspection activities		661
Regulatory advice		2,964
Cybersecurity services		995
Tax advisory services		48
Other auditors **	**40**	**4,205**
Audit	40	188
Other services		4,017
TOTAL	**4,902**	**15,233**

(*) The services contracted from our auditors comply with the Spanish Auditing Act's requirements of independence, and none of the work performed is incompatible with auditing duties.
(**) In addition, in 2018, the auditor of a company of the Group that does not have consideration of entity of public interest and whose participation, currently, is in process discontinuation invoice by the audit of the same one amount of EUR 85 thousands. The fees of other services invoiced by this auditor and his group to the group amount to EUR 7,823 thousand.

Information on the average payment period to suppliers

The following tables provide a breakdown of the required information relating to payments made and pending at the balance sheet date.

PAYMENTS MADE AND OUTSTANDING AT THE BALANCE SHEET DATE
(Thousands of euros)

	AMOUNT	
	2018	2017
Total payments made	2,403,211	2,065,315
Total payments pending	30,850	26,500
TOTAL PAYMENTS IN THE YEAR	**2,434,061**	**2,091,815**

AVERAGE SUPPLIER PAYMENT PERIOD AND RATIOS
(Day)

	DAYS	
	2018	2017
Average payment period to suppliers	24.21	25.96
Ratio of transactions paid	24.27	25.98
Ratio of transactions pending payment	19.63	24.87

In accordance with Transitional Provision Two of Law 15/2010, the general maximum statutory period is 30 days, which may be extended to 60 days upon agreement of the parties.

36. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
(Thousands of euros)

	2018	2017
Financial assets measured at amortised cost / Loans and receivables	**(124,028)**	**(804,781)**
Loans and advances	(125,184)	(774,462)
Net allowances (Note 14)	(68,407)	(553,716)
Of which - Credit institutions	*9*	*3,066*
Of which - Customers	*(68,416)*	*(556,782)*
Write-offs (Note 27)	(512,049)	(518,512)
Recovery of loans written off (Note 27)	455,272	297,766
Debt securities (Note 14)	1,156	(30,319)
Financial assets at fair value with changes in other comprehensive income / Available-for-sale financial assets	**(1,558)**	**(143,782)**
Write-downs	(1,558)	(143,782)
Equity instruments	0	(140,204)
Debt securities	(1,558)	(3,578)
TOTAL	**(125,586)**	**(948,563)**

37. Impairment or reversal of impairment on non-financial assets

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF NON-FINANCIAL ASSETS
(Thousands of euros)

	2018	2017
Tangible assets	**(17,272)**	**(52,616)**
Property, plant and equipment for own use	(21,068)	(29,733)
Allowances (Note 18)	(989)	(6,172)
Reversals (Note 18)	2,903	5,539
Write-downs	(22,982)	(29,100)
Investment property (Note 18)	3,796	(22,883)
Allowances	(249,445)	(293,569)
Releases	253,241	270,686
Intangible assets (Note 19)	**(24,872)**	**(70,364)**
Allowances	(4,586)	(4,774)
Releases	3,811	4,027
Write-downs	(24,097)	(69,617)
Other (Note 20)	**(6,577)**	**(47,387)**
Inventories	(7,177)	(47,388)
Allowances	(18,212)	(315,090)
Releases	11,035	267,702
Other	600	1
TOTAL	**(48,721)**	**(170,367)**

38. Gains/(losses) on derecognition of non-financial assets and investments, net

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF GAINS/(LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS AND INVESMENTS, NET
(Thousands of euros)

	2018			2017		
	GAINS	LOSSES	NET PROFIT/(LOSS)	GAINS	LOSSES	NET PROFIT/(LOSS)
On disposals of tangible assets	95,335	(66,088)	29,247	105,969	(71,848)	34,121
Due to sale of investments (Note 16)	8,995	(608,301)	(599,306)	1,560	(187,865)	(186,305)
On disposals of other assets (*)	98,916	(5,429)	93,487	40,563	(3,149)	37,414
TOTAL	**203,246**	**(679,818)**	**(476,572)**	**148,092**	**(262,862)**	**(114,770)**

(*) Corresponds to gains or losses on selling real estate classified as inventories (see Note 20).

39. Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE GAINS/(LOSSES) OF NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE
(Thousands of euros)

	2018	2017
Impairment losses on non-current assets held for sale (Note 21)	(335,303)	(175,222)
Profit/(loss) on disposal of non-current assets held for sale (*)	186,383	177,041
TOTAL	**(148,920)**	**1,819**

The total profit/(loss) on the disposal of non-current assets relate to property to satisfy loans, none of which were for significant amounts individually.

40. Information on the fair value

40.1. Fair value of financial assets

All financial instruments are classified into one of the following levels using the following hierarchy for determining fair value by valuation technique:

- Level 1: the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price") is used. In general, this level includes debt securities with a liquid market, quoted equity securities, derivatives traded on organised markets and mutual funds.
- Level 2: valuation techniques are used in which the assumptions correspond to directly or indirectly observable market data or to quoted prices on organised markets.

  The fair value of the instruments classified in Level 2, for which there is no market price, is estimated on the basis of the quoted prices of similar instruments and valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

- Level 3: valuation techniques are used in which certain of the significant assumptions are not supported by directly observable market inputs.

  The fair value of the rest of the financial instruments classified in Level 3, for which there are no directly observable market data, is determined using alternative techniques, including price requests submitted to the issuer or the use of market parameters corresponding to instruments with a risk profile that can be equated to that of the instrument being measured, adjusted to reflect the different intrinsic risks.

  For unquoted equity instruments, classified in Level 3, acquisition cost less any impairment loss determined based on available information is considered the best estimate of fair value.

The process for determining fair value ensures that its assets and liabilities are measured appropriately. A committee structure has been put in place on which the process for proposing and approving the arrangement of financial instruments on the market is based:

- The market inputs and other risk quantification and measurement parameters and methodologies, together with the conditioning factors for registering trades and their potential accounting, legal and tax impacts, are analysed by the Areas responsible prior to authorisation.
- An independent unit is responsible for issues related to the measurement of derivatives and fixed-income securities. It reports organisationally to the Risk Area, which discloses the decisions taken to the management area where the new product should be arranged.

Without reducing its freedom and independence when making decisions about risk evaluation and quantification, this analysis does entail a process of comparing, reconciling and, where possible, obtaining the consensus of the business areas.

The fair value of the financial instruments recognised in the balance sheet, excluding the insurance business, broken down by associated carrying amount and level is as follows:

FAIR VALUE OF FINANCIAL ASSETS
(Thousands of euros)

	31-12-2018					31-12-2017				
	CARRYING	FAIR VALUE				CARRYING	FAIR VALUE			
	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading (Note 11)	**9,810,096**	**9,810,096**	**1,119,384**	**8,681,351**	**9,361**	**10,596,684**	**10,596,684**	**2,432,785**	**8,149,738**	**14,161**
Derivatives	8,706,727	8,706,727	31,971	8,674,756		8,162,172	8,162,172	12,887	8,149,285	
Equity instruments	347,933	347,933	347,933			402,714	402,714	402,714		
Debt securities	755,436	755,436	739,480	6,595	9,361	2,031,798	2,031,798	2,017,184	453	14,161
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 12)	**703,761**	**703,761**	**223,092**		**480,669**					
Equity instruments	231,502	231,502	223,092		8,410					
Debt securities	144,988	144,988			144,988					
Loans and advances	327,271	327,271			327,271					
Customers	327,271	327,271			327,271					
Financial assets designated at fair value through profit or loss (Note 1)						**6,499,807**	**6,499,807**	**6,499,807**		
Equity instruments						4,299,161	4,299,161	4,299,161		
Debt securities						2,100,347	2,100,347	2,100,347		
Loans and advances						100,299	100,299	100,299		
Financial assets at fair value with changes in other comprehensive income (Note 13)	**21,888,237**	**21,888,237**	**20,870,938**	**144,818**	**872,481**					
Equity instruments	3,564,945	3,564,945	2,685,896	11,414	867,635					
Debt securities	18,323,292	18,323,292	18,185,042	133,404	4,846					
Available-for-sale financial assets (Note 1)						**69,554,707**	**69,554,707**	**65,568,912**	**3,450,150**	**535,645**
Equity instruments						2,882,849	2,882,849	2,427,283	6,338	449,228
Debt securities						66,671,858	66,671,858	63,141,629	3,443,812	86,417
Financial assets at amortised cost (Note 14)	**242,582,138**	**259,358,213**	**11,653,166**	**637,593**	**247,067,454**					
Debt securities	17,059,634	17,294,807	11,653,166	637,593	5,004,048					
Loans and advances	225,522,504	242,063,406			242,063,406					
Central banks	5,000	5,000			5,000					
Credit institutions	7,550,115	8,263,031			8,263,031					
Customers	217,967,389	233,795,375			233,795,375					
Loans and receivables (Note 1)						**233,651,534**	**241,075,236**		**256,983**	**240,818,253**
Debt securities						2,575,603	2,584,865		256,983	2,327,882
Loans and advances						231,075,931	238,490,371			238,490,371
Central banks						5,000	5,000			5,000
Credit institutions						7,374,035	7,956,572			7,956,572
Customers						223,696,896	230,528,799			230,528,799
Held-to-maturity investments (Note 1)						**11,084,829**	**11,206,942**	**9,529,634**	**1,677,308**	
Derivatives - Hedge accounting (Note 15)	**2,056,204**	**2,056,204**		**2,056,204**		**2,596,939**	**2,596,939**		**2,596,939**	

FAIR VALUE OF FINANCIAL LIABILITIES
(Thousands of euros)

	31-12-2018					31-12-2017				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities held for trading (Note 11)	**9,014,720**	**9,014,720**	**476,350**	**8,538,370**		**8,604,930**	**8,604,930**	**777,073**	**7,827,857**	
Derivatives	8,615,817	8,615,817	77,447	8,538,370		7,860,638	7,860,638	32,781	7,827,857	
Short positions	398,903	398,903	398,903			744,292	744,292	744,292		
Financial liabilities designated at fair value through profit or loss (Note 1)						**8,241,088**	**8,241,088**	**8,241,088**		
Deposits						8,240,972	8,240,972	8,240,972		
Other financial liabilities						116	116	116		
Financial liabilities measured at amortised cost (Note 22)	**282,459,670**	**283,016,969**	**26,940,607**		**256,076,362**	**280,897,381**	**282,190,657**	**28,496,513**		**253,694,144**
Deposits	247,640,182	247,458,083			247,458,083	246,804,137	246,568,051			246,568,051
Central banks	29,406,062	29,669,345			29,669,345	31,680,685	31,827,426			31,827,426
Credit institutions	8,034,212	7,992,642			7,992,642	11,515,365	11,425,823			11,425,823
Customers	210,199,908	209,796,096			209,796,096	203,608,087	203,314,802			203,314,802
Debt securities issued	29,243,307	29,981,924	26,940,607		3,041,317	29,918,503	31,447,865	28,496,513		2,951,352
Other financial liabilities	5,576,181	5,576,962			5,576,962	4,174,741	4,174,741			4,174,741
Derivatives - Hedge accounting (Note 15)	**793,409**	**793,409**		**793,409**		**793,132**	**793,132**		**793,132**	

The measurements obtained using internal models may differ if other techniques were applied or assumptions used regarding interest rates, credit risk spreads, market risk, exchange rate risk, or the related correlations and volatilities. Nevertheless, the Group's Directors consider the models and techniques applied appropriately reflect the fair values of financial assets and financial liabilities recognised in the balance sheet, and the gains and losses on these financial instruments.

The detail of the fair value compared to the carrying amount of financial assets under the insurance business (see Note 17) is as follows:

FAIR VALUE OF ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS (*)
(Thousands of euros)

	31-12-2018				
	CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS					
Financial assets held for trading	**945,693**	**945,693**	**943,751**		**1,942**
Equity instruments	129	129	129		
Debt securities	945,564	945,564	943,622		1,942
Financial assets designated at fair value through profit or loss	**7,990,023**	**7,990,023**	**7,990,023**		
Equity instruments	5,265,108	5,265,108	5,265,108		
Debt securities	2,343,324	2,343,324	2,343,324		
Loans and advances - Credit institutions	381,591	381,591	381,591		
Available-for-sale financial assets	**51,345,090**	**51,345,090**	**51,344,295**	**795**	
Equity instruments	453	453		453	
Debt securities	51,344,637	51,344,637	51,344,295	342	
Loans and receivables	**1,182,739**	**1,182,739**			**1,182,739**
Debt securities	654,690	654,690			654,690
Loans and advances - Credit institutions	528,049	528,049			528,049
FINANCIAL LIABILITIES					
Contracts designated at fair value through profit or loss	**9,052,749**	**9,052,749**	**9,052,749**		

(*) At 31 December 2017 they are included by financial asset category (IAS 39), see previous table.

The main valuation techniques, assumptions and inputs used in fair value estimation for levels 2 and 3 by type of financial instruments are as follows:

Assessment methodologies and inputs

Heading	Instrument type		Assessment techniques	Main assumptions
Financial assets and liabilities held for trading	Derivatives	Swaps	Present value method	• Interest rate curves • Correlations (equities) • Dividends (equities) • Probability of default for the calculation CVA and DVA
		Exchange rate options Models	Black-Scholes, Local Stochastic Volatility, Vanna-Volga	
		Interest rate options	Normal Black model	
		Index and equity options	Black-Scholes, Local Volatility models	
		Inflation rate options	Normal Black model	
		Credit	Present Value and Default Intensity method	
	Debt securities		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**Equity instruments**		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market
	Debt securities			
	Loans and receivables		Present value method	• Interest rate curves • Early cancellation ratios • Credit loss ratios (internal models)
Financial assets at fair value with changes in other comprehensive income	**Equity instruments**		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market • Net Asset Value • Carrying amount
	Debt securities			
Financial assets at amortised cost	**Debt securities**		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market • Net Asset Value • Carrying amount
	Loans and receivables		Present value method	• Interest rate curves • Early cancellation ratiosa • Credit loss ratios (internal models)
Derivatives - Hedge accounting	**Swaps**		Present value method	• Interest rate curves • Correlations (equities) • Dividends (equities) • Probability of default for the CVA and DVA calculation
	Interest rate options		Black model	
Financial liabilities at amortised cost	**Deposits**		Present value method	• Interest rate curves • Projections of deposits with no maturity (internal model) • Credit loss ratios (internal models)
	Debt securities issued		Present value method	• Interest rate curves • Credit loss ratios (internal models)

(1) Present value method (net present value): this model uses the cash flows of each instrument, which are established in the different contracts, and deducts them to calculate the present value.
(2) Market peers (similar asset prices): market peer instrument prices, reference indices or benchmarks are employed to calculate the performance as of the entry price or its current valuation, making subsequent adjustments to take into account the differences between the measured asset and the one taken as reference. It can also be assumed that the price of an instrument is equivalent to another one.

(3) Black & Scholes model: this model applies a log-normal distribution of the securities prices in such a way that, under a neutral risk, the return expected is the risk-free interest rate. Under this assumption, the price of vanilla options can be calculated analytically, in such a way that the volatility of the price process can be obtained by inverting the BS formula for a premium quoted on the market.
(4) Black model: Black-Scholes model extended to interest rates, futures prices, exchange rates, etc.
(5) Local volatility model: in this model volatility is determined in time according to the degree of moneyness, reproducing the volatility smiles observed in the market. The volatility smile of an option is the empirical relationship observed between its implied volatility and exercise price. These models are appropriate for options whose value depends on the underlying's historical evolution (path dependent), using Monte Carlo simulation for valuation purposes.
(6) Local stochastic volatility model in this model volatility follows a stochastic process in time according to the degree of moneyness, reproducing the volatility smiles observed in the market. These models are appropriate for long-term options whose value depends on the underlying's historical evolution (path dependent), using Monte Carlo simulation for valuation purposes.
(7) Vanna-volga model: this model is based on building the local replica portfolio whose hedging costs of second derivatives, vanna (premium derivative with respect to the volatility and the underlying) and volga (premium's second derivative with respect to the volatility), are added to the corresponding Black-Scholes prices in order to reproduce the volatility smiles.
(8) Early cancellation ratios: early cancellation ratios calibrated to internal historical data
(9) Credit loss ratios: ratios based on expected loss estimates using IFRS methodology for Stage 2 based on internal models.
(10) Projections of deposits with no maturity: this model is employed to project the maturity of demand deposit accounts based on historical data, considering the sensitivity of the demand deposit accounts' remuneration at market interest rates and the degree of permanence of account balances on the balance sheet.

Credit risk and funding cost valuation adjustment

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) are added to the valuation of Over The Counter (OTC) derivatives due to the risk associated to the counterparty's and own credit risk exposure, respectively. In addition, Funding Valuation Adjustment (FVA) is a valuation adjustment of derivatives of customer transactions that are not perfectly collateralised that includes the funding costs related to the liquidity necessary to perform the transaction.

The CVA is calculated bearing in mind the expected exposure with each counterparty in each future maturity. The CVA for an individual counterparty is equal to the sum of the CVA for all maturities. Adjustments are calculating by estimating exposure at default (EAD), the probability of default (PD) and loss given default (LGD) for all derivatives on any underlying at the level of the legal entity with which the CaixaBank Group has exposure. Similarly, DVA is calculated by multiplying the expected negative exposure given the probabilities of default by the Group's LGD.

The data necessary to calculate PD and LGD come from the credit markets (Credit Default Swaps). Counterparty data are applied where available. Where the information is not available, an exercise that considers, among other factors, the counterparty's sector and rating to assign the probability of default and the loss given default is carried out, calibrated directly to market or with market adjustment factors for the probability of default and the historical expected loss.

With FVA, the adjustment shares part of the CVA/DVA approaches, since it is also based on the future credit exposure of the derivatives, but in this case the exposures are not netted by counterparty, but rather at aggregate level in order to recognise the joint management of the liquidity. The data necessary to calculate funding cost are also based on prices taken from its issuance and credit derivatives markets.

The change in the value of the CVA/FVA and DVA/FVA adjustments are recognised in “Gains/(losses) on financial assets and liabilities held for trading, net” in the statement of profit or loss. The table below shows the changes to these adjustments:

CVA/FVA AND DVA/FVA CHANGES
(Millions of euros)

	2018		2017	
	CVA/FVA	DVA/FVA	CVA/FVA	DVA/FVA
OPENING BALANCE	**(98)**	**27**	**(223)**	**53**
Additions/changes in derivatives	(36)	4	107	(26)
Cancellation or maturity of derivatives	(2)	0	18	0
CLOSING BALANCE	**(136)**	**31**	**(98)**	**27**

Transfers between levels

The transfers between levels of the instruments recorded at fair value, excluding the insurance business, are specified below:

TRANSFERS BETWEEN LEVELS 31-12-2018

(Thousands of euros)

FROM:	LEVEL 1		LEVEL 2		LEVEL 3	
TO:	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 3	LEVEL 1	LEVEL 2
ASSETS	93,562	4,824	150,201			
Financial assets held for trading	**2,267**					
Debt securities	2,267					
Financial assets at fair value with changes in other comprehensive income	**91,295**	**4,824**				
Debt securities	91,295	4,824				
Financial assets at amortised cost			**150,201**			
Debt securities			150,201			
TOTAL	93,562	4,824	150,201			

Given the Group's risk profile regarding its portfolio of debt securities measured at fair value (see Note 3.3.3), the change in fair value attributable to credit risk is not expected to be significant.

Changes and transfers of financial instruments in Level 3

Changes in Level 3 balances of financial instruments recognised at fair value, excluding the insurance business, were as follows:

CHANGES IN LEVEL 3 OF FINANCIAL INSTRUMENTS AT FAIR VALUE (EXCLUDING INSURANCE GROUP)

(Thousands of euros)

	31-12-2018			31-12-2017	
		FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME		AVAILABLE-FOR-SALE FINANCIAL ASSETS	
	FA DESIGNATED FOR TRADING *- DEBT SECURITIES	DEBT SECURITIES	EQUITY INSTRUMENTS	DEBT SECURITIES	EQUITY INSTRUMENTS
OPENING BALANCE		86,417	449,228	53,216	570,452
First application of IFRS 9 (see Note 1)	147,658	(86,393)	51,673		
ADJUSTED OPENING BALANCE	147,658	24	500,901	5,326	570,452
Additions due to business combinations				**85,944**	**24,945**
Reclassifications to other levels		**4,824**			
Total gains/(losses)	**(4,021)**	**(2)**	**(122,223)**	**9,220**	**(140,819)**
To profit or loss	(3,074)		(21,495)	721	(138,602)
To equity valuation adjustments	(947)	(2)	(100,728)	8,499	(2,217)
Acquisitions	**6,982**			**1,469**	**3,263**
Settlements and other	**(5,631)**		**488,957**	**(15,542)**	**(8,613)**
CLOSING BALANCE	144,988	4,846	867,635	86,417	449,228
Total gains/(losses) in the period for instruments held at the end of the period	4,021	2	122,223	(9,220)	140,819

FA: Financial assets

(*) Compulsorily measured at fair value through profit or loss.

Changes in the balances of Level 3 of the insurance business were as follows:

CHANGES IN LEVEL 3 OF FINANCIAL INSTRUMENTS AT FAIR VALUE - 2018 - INSURANCE GROUP
(Thousands of euros)

	AVAILABLE-FOR-SALE FINANCIAL ASSETS
	DEBT SECURITIES
OPENING BALANCE	30,787
Total gains/(losses)	**(684)**
To profit or loss	(159)
To equity valuation adjustments	(525)
Acquisitions	**(30,103)**
CLOSING BALANCE	0
Total gains/(losses) in the period for instruments held at the end of the period	684

Sensitivity analysis

To determine whether there is a significant change in the value of financial instruments classified in Level 3 due to changes in one or more of the unobservable inputs to reflect reasonably possible alternative assumptions, the Group analysed the most significant instruments. This analysis indicated that the values obtained would not change significantly.

The following table summarises the impacts on the fair value of the financial instruments recognised at fair value and classified in Level 3 using potentially fair alternative assumptions:

IMPACTS ARISING FROM CHANGES IN THE ASSUMPTIONS USED TO MEASURE FINANCIAL INSTRUMENTS CATEGORISED IN LEVEL
(Thousands of euros)

	IMPACT ON PROFIT OR LOSS		IMPACT ON OTHER COMPREHENSIVE INCOME (**)	
	BEST-CASE SCENARIO	WORST-CASE SCENARIO	BEST-CASE SCENARIO	WORST-CASE SCENARIO
Financial assets at fair value with changes in other comprehensive income (*)			**(449,526)**	**448,773**
Debt securities	0	0	(449,526)	448,773
TOTAL			(449,526)	448,773

(*) Measured with market diffuser prices with a low quality score (<=5).
(**) The variation of the asset prices has been analysed in the last 3 years. The maximum change in this period is taken and applied to the nominal amount of each issuance to obtain the positive and negative change impacts.

40.2. Fair value of real estate assets

In the particular case of real estate assets, fair value corresponds to the market appraisal of the asset in its current condition by independent experts:

- Statistical appraisals are used for properties with a fair value carrying amount of less than EUR 300 thousand.
- Appraisals were requested in accordance with the criteria established by Ministerial Order ECO/805/2003 for foreclosure assets with a fair value amount of equal to or more than EUR 300 thousand:
  - Appraisals below 2 years old are used for investment properties.
  - Appraisals below 1 year old are used for inventories and non-current assets held for sale and disposal groups classified as held for sale.

The fair value of property is measured based on Level 2 in the fair value hierarchy.

The fair value of property according to their accounting classification is as follows:

FAIR VALUE OF FORECLOSED REAL ESTATE ASSETS
(Millions of euros)

	31-12-2018		31-12-2017	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Tangible assets - Investment properties	2,738	3,468	3,325	4,143
Other assets - Inventories	15	15	840	1,078
Non-current assets held for sale and disposal groups classified as held for sale	965	1,114	5,564	6,733
TOTAL	**3,718**	**4,597**	**9,729**	**11,954**

The Group has a corporate policy that guarantees the professional competence and independence and objectivity of external valuation agencies as provided for in legislation, under which these agencies must comply with neutrality and credibility requirements so that use of their estimates does not undermine the reliability of their valuations. This policy stipulates that all valuation agencies and appraisers used by the Group in Spain must be included in the Bank of Spain's Official Registry and that their valuations be performed in accordance with the methodology set out in Ministerial Order ECO/805/2003, of 27 March.

The main companies and agencies with which the Group worked in Spain for the year are listed below:

APPRAISERS OF REAL ESTATE ASSETS
(Percentage)

	TANGIBLE ASSETS - INVESTMENT PROPERTIES	OTHER ASSETS - INVENTORIES	NON-CURRENT ASSETS HELD FOR SALE
Krata, SA	38%	2%	3%
Tasaciones Inmobiliarias, SA	14%	38%	25%
Sociedad de Tasación, SA	17%	17%	23%
Gesvalt, SA	1%	6%	7%
JLL Valoraciones, SA	2%	2%	3%
Ibertasa, SA	2%	6%	6%
CBRE Valuation Advisory, SA	12%	5%	14%
Valtenic, SA	13%	7%	7%
Valoraciones y Tasaciones Hipotecarias, SA	1%	3%	3%
Tecnitasa, SA	0%	3%	2%
UVE Valoraciones, SA	0%	11%	4%
Other	0%	0%	3%
TOTAL	**100%**	**100%**	**100%**

41. Related party transactions

The "key management personnel" at CaixaBank are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all members of the Board of Directors and Senior Management of CaixaBank, S.A. Given their posts, each member of key management personnel is treated as a related party.

Also considered related parties are family members close to “key management personnel”, understood as being those family members who may influence or be influenced by that person in their dealings with the Group. These include: i) the spouse; ii) the parents, children or siblings and respective spouses; iii) the parents, children or siblings of the person’s spouse; and iv) any individuals under the person’s care or that of the spouse, as well as the people with a similar relationship to the aforementioned and any companies over which key personnel or their close family members exercise control, joint control or significant influence, or have, directly or indirectly, significant voting power.

According to the Regulations of the Board of Directors, transactions between Directors and their related parties must be authorised by the Board of Directors, subject to a report by the Audit and Control Committee, except if they meet the following three conditions: i) they are governed by standard form contracts applied on an across the-board basis to a large number of clients; ii) they go through at market prices, generally set by the person supplying the goods or services; and iii) that the amount of the transaction is no more than one per cent (1%) of the company's annual income. Notwithstanding the above, express authorisation by the Bank of Spain is required for the granting of loans, credits or guarantees to the "key management personnel".

The approval policy for loans to members of the Board of Directors who are employees of CaixaBank and Senior Management is governed by the provisions of the collective bargaining agreement for savings bank and financial savings institutions, as well as the internal employment regulations that implement this agreement. The detail of financing granted to "key management personnel and executives" is as follows:

OUTSTANDING FINANCING GRANTED TO KEY MANAGEMENT PERSONNEL AND EXECUTIVES
(Thousands of euros)

	31-12-2018	31-12-2017
Outstanding financing	**8,109**	**8,941**
Average maturity	21	22
Average interest rate (%)	0.29	0.38
Financing granted in the year	**8**	**15**
Average maturity	0	4
Average interest rate (%)	5.78	0% (cards)

All other loan and deposit transactions or financial services arranged by CaixaBank with "key management personnel", in addition to related party transactions, were approved under normal market conditions. Moreover, none of those transactions involved a significant amount of money. Likewise, there was no evidence of impairment to the value of the financial assets or to the guarantees or contingent commitments held with "key management personnel".

The most significant balances between CaixaBank and subsidiaries, joint ventures and associates, and with CaixaBank Directors, Senior Management and other related parties (relatives and companies with links to "key management personnel") and those with other related parties, as well as with the employee pension plan, are shown in the table below: Details are also provided of the amounts recognised in the statement of profit or loss from transactions carried out. All transactions between related parties form part of the ordinary course of business and are carried out under normal market conditions.

RELATED PARTY BALANCES AND OPERATIONS

(Thousands of euros)

	SIGNIFICANT SHAREHOLDER (1)		ASSOCIATES AND JOINT VENTURES		DIRECTORS AND SENIOR MANAGEMENT (2)		OTHER RELATED PARTIES (3)		EMPLOYEE PENSION PLAN	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017	31-12-2018	31-12-2017
ASSETS										
Loans and advances to credit institutions										
Loans and advances	32,398	209,768	603,125	477,106	7,114	8,933	10,998	11,173	0	0
Mortgage loans	*30,806*	*114,320*	*1,785*	*3,522*	*7,041*	*8,748*	*5,765*	*6,309*		
Other	*1,592*	*95,448*	*601,340*	*473,584*	*73*	*185*	*5,233*	*4,864*		
Of which: valuation adjustments		*(627)*	*(436)*	*(3,606)*	*(4)*	*(1)*	*(9)*	*(10)*		
Equity instruments									5,317	5,416
Debt securities		9,362		4,581						
TOTAL	**32,398**	**219,130**	**603,125**	**481,687**	**7,114**	**8,933**	**10,998**	**11,173**	**5,317**	**5,416**
LIABILITIES										
Deposits from credit institutions	8,951	16,555		29						
Customer deposits	330,452	782,482	431,029	1,802,183	38,787	23,873	96,717	18,694	36,336	56,696
Derivatives										
Debt securities issued										1,000
Off-balance sheet liabilities (4)					292,191	320,185	30,185	74,855		
TOTAL	**339,403**	**799,037**	**431,029**	**1,802,212**	**330,978**	**344,058**	**126,902**	**93,549**	**36,336**	**57,696**
PROFIT OR LOSS										
Interest income	1,805	3,401	2,538	717	23	41	187	202		
Interest expenses	(1)		(15)	(80)	(2)	(5)	(21)	(6)	(155)	(155)
Dividend income (5)										
Fee and commission income	245	471	210,894	192,542	(1)	(1)	8	3	401	397
Fee and commission expenses					(1)		(1)			
TOTAL	**2,049**	**3,872**	**213,417**	**193,179**	**19**	**35**	**173**	**199**	**246**	**242**
OTHER										
Contingent liabilities	1,592	9,382	25,127	107,220		10	237	92		
Contingent commitments			308,009	299,869	1,293	2,038	11,985	6,703		
Post-employment benefits					15,904	44,604				
TOTAL	**1,592**	**9,382**	**333,136**	**407,089**	**17,197**	**46,652**	**12,222**	**6,795**	**0**	**0**

(1) "Significant shareholder" refers to any shareholder that is the parent of or has joint control of or significant influence over the Group, the latter term as defined in IAS 28, irrespective of its economic rights. Along these lines they solely refer to balances and operations made with "la Caixa" Banking Foundation, CriteriaCaixa and its subsidiaries. At 31 December 2018 CriteriaCaixa's stake in CaixaBank is 40%.

(2) Directors and Senior Management of CaixaBank.

(3) Family members and entities related to members of the Board of Directors and Senior Management of CaixaBank.

(4) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

(5) Set on an accrual basis.

Transactions between Group companies form part of the normal course of business and are carried out at arm's length. The most significant transactions between Group companies in 2018, other than or further to those covered in the following notes to the financial statements, were as follows:

- The operation, signed in December 2017, to dispose of the Banco BPI merchant processing business (point of sale) to Comercia Global Payments was closed in August 2018, registering a profit of EUR 58 million under "Gains/(losses) on derecognition of non-financial assets, net" of the accompanying consolidated income statement.

Furthermore, at 31 December 2018 and 2017, CriteriaCaixa holds derivatives with CaixaBank to hedge the interest rates on bilateral loans for a nominal amount of EUR 1,100 million. The fair value of this derivative at 31 December 2018 and 2017 was EUR 13 million and EUR 11 million, respectively.

Additionally, as part of the CaixaBank tax group, CriteriaCaixa has contributed EUR 543 million to income tax payments (see consolidated Cash Flow Statement).

Description of the relationship between ”la Caixa” Banking Foundation and CaixaBank

The “Caixa” Banking Foundation, CriteriaCaixa and CaixaBank maintain an Internal Relations Protocol that regulates the mechanisms and criteria for relations between CaixaBank and the ”la Caixa” Banking Foundation and CriteriaCaixa. This protocol was signed by the CaixaBank Board of Directors on 1 February 2018, and by the Board of Trustees of “la Caixa” Banking Foundation and CriteriaCaixa Board of Directors on 25 January 2018.

42. Other disclosure requirements

42.1. Environment

There is no significant environmental risk due to the activity of the Group, and therefore, it is not necessary to include any specific breakdown on environmental information in the document (Order of the Ministry of Justice JUS/471/2017).

The Group is committed to carrying out its business, projects, products and services in the most environmentally-friendly way possible (see the corresponding section in the accompanying Management Report).

In 2018, the Group did not receive any major fines or sanctions in relation to compliance with environmental regulations.

42.2. Customer service

CaixaBank has a Customer Service Office charged with handling and resolving customer complaints and claims. This office has no connections with commercial services and performs its duties with independent judgment and according to the protection rules for financial services customers.

If complaints are not resolved satisfactorily or the regulatory period has elapsed without obtaining a reply, claimants can contact the Supervisor's Claim Services: Bank of Spain, CNMV and the Directorate-General of Insurance and Pension Funds. Reports issued by the Supervisors' Claims Services are non-binding and the entity against which a complaint has been lodged may decide whether any rectification is needed in accordance with the Supervisor's conclusions.

In addition, the Customer Service Office's functions include: executing the adopted resolutions; identifying legal and operational risks by analysing claims received and preparing and fostering improvement proposals to mitigate identified risks; ensuring the claims system and system for reporting on claims management to the Entity's governing bodies and to the supervisory authorities is fit for purpose. Similarly, Customer Service takes part in the process of approving new products through the Products Committee, anticipating possible problem areas based on the experience of claims.

A number of potential improvements to the policies, procedures and documents for marketing the products and services of CaixaBank and its Group have been identified from an in-depth analysis of claims and especially, the reports issued by the Supervisors' Claims Services in 2018. These led to the Customer Service Office drawing up 18 improvement proposals respectively.

The average resolution time for claims was more than halved in 2018, mainly through the need to adapt to the new regulatory terms laid down by the alternative conflict resolution regulation, and to those provided in the payment services regulation, which is due to enter into force in February 2019. The average resolution time in 2018 is 20 calendar days, compared to 49 calendar days in 2017.

The Customer Service Office is supported by the Customer Service team, who report directly to the Chief Business Officer. Their duties include managing telephone claims and complaints and those related to service quality and requests for information, as well as reputation-related matters from a corporate perspective. They are also responsible for offering support to branches so they can prevent and resolve any disputes with customers, and sharing with other departments and subsidiaries the main reasons for dissatisfaction to determine which processes to correct and help roll out improvements reducing the likelihood of possible customer claims:

COMPLAINTS RECEIVED

(Number of complaints)

	2018	2017
HANDLED BY THE CUSTOMER SERVICE, CUSTOMER SERVICE OFFICE AND CUSTOMER OMBUDSMAN	83,093	155,704
Customer Service (CS) and Customer Service Office (CSO)	83,093	154,366
Customer Ombudsman (CO) (*)	0	1,338
TELEPHONE CLAIMS AND COMPLAINTS	11,415	8,243
Customer Service	11,415	8,243
FILED WITH THE SUPERVISORS' CLAIMS SERVICES	2,151	3,407
Bank of Spain	1,900	3,331
Comisión Nacional del Mercado de Valores (Spanish securities market regulator)	81	70
Directorate-General of Insurance and Pension Plans	170	6

(*) In April 2017, CaixaBank's Customer Ombudsman ceased operations. Until then, this offered an alternative to the Customer Service Office.

The number of reports or resolutions issued by Customer Services and the Supervisors' Claims Services was as follows:

REPORTS ISSUED BY CUSTOMER SERVICES AND SUPERVISORS' COMPLAINTS SERVICES

	CS AND CSO		CUSTOMER'S OMBUDSMAN		BANK OF SPAIN		CNMV		DGS (Directorate General of Insurance)	
TYPE OF RESOLUTION	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Resolved in favour of the claimant	24,032	20,376		191	318	406	23	26	4	1
Resolved in favour of the entity	45,502	108,838		330	187	229	20	29	22	0
Acceptance				70	356	172	14	14	1	0
Other (rejected/unresolved)	9,919	21,060		658	531	105	0	2	0	0
TOTAL	79,453	150,274	0	1,249	1,392	912	57	71	27	1

42.3. Branches

The branches of the Group are specified below:

BRANCHES OF THE GROUP

(No. of branches)

	2018	2017
Spain	4,608	4,875
Abroad	502	529
TOTAL	5,110	5,404

43. Statements of cash flows

The main cash flow variations corresponding to the financial year are set out below by type:

- Operating activities: (EUR -4,877 million) The variation is mainly due to the increase of net investments in Spanish public debt during 2018 under the heading Financial assets at amortised cost, partially compensated by the flow generated by the adjusted profit/(loss) for the period.
- Investing activities: (EUR 5,300 million) The main reasons for this variation are the income received from the operation to sell 80% of the Group's real estate portfolio to Lone Star and the sale of the stake in Repsol partially compensated by the purchase of BPI shares, thus becoming the holder of 100% of the share capital of Banco BPI.
- Financing activities (EUR -1,415 million): The variation of the available liquidity and resources during the financial year mainly arises from the ordinary cash flows resulting from the issue and repayment of debt or equity-based instruments and the paid dividends.

Appendix 1 - CaixaBank investments in subsidiaries of the CaixaBank Group

(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
Aris Rosen, S.A.U. Services	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	60	(2,901)	1,101	1,432
Arquitrabe activos, S.L. Holding company	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	98,431	10,019	2,424	111,147
Banco BPI, S.A. Banking	R. Tenente Valadim 284 4100-476 Oporto Portugal	100.00	100.00	1,293,063	841,243	914,311	2,060,312
Banco Português de Investimento, SA Banking	Rua Tenente Valadim, 284 4100-476 Oporto Portugal	-	100.00	17,500	8,669	2,083	-
BPI (Suisse), S.A. (2) Asset management	1, etienne dumont 1204 Geneva Switzerland	-	100.00	3,000	4,539	3,322	-
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Management of collective investment institutions	Largo Jean Monnet, 1 - 5º 1269-067 Lisbon Portugal	-	100.00	2,500	13,453	6,296	-
BPI Madeira, SGPS, Unipessoal Financial stakes	Rua da Alfândega, 18 - 3º 9000-059 Funchal Portugal	-	100.00	150,000	1,425	18,768	-
BPI Private Equity – Sociedade de Capital de Risco, S.A. Venture capital	Rua Tenente Valadim, 284 4100-476 Oporto Portugal	-	100.00	28,895	(4,213)	1,100	-
BPI Vida e Pensões - Companhia de Seguros, SA Life insurance and pension fund management	Braamcamp, 11 1250-049 Lisbon, Portugal	-	100.00	76,000	47,896	8,880	-

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
BPI, Incorporated (3) Banking	92, Ferry Street 2nd floor - Front Newark 7105 New Jersey US	-	100.00	5	851	(6)	-
BuildingCenter, S.A.U. Holder of property assets	Paseo de Recoletos, 37, planta 6 28004 Madrid Spain	100.00	100.00	2,000,060	575,809	(451,717)	2,633,228
Caixa Capital Biomed S.C.R. SA (public limited company) Venture capital company	Avenida Diagonal - Torre II , 621 08028 Barcelona Spain	90.91	90.91	1,200	957	1,844	3,400
Caixa Capital Fondos Sociedad De Capital Riesgo S.A. Venture capital company	Paseo Castellana , 51 28046 Madrid Spain	100.00	100.00	1,200	20,577	1,747	23,934
Caixa Capital Micro SCR S.A. Venture capital company	Paseo Castellana , 51 28046 Madrid Spain	100.00	100.00	1,200	1,074	295	2,404
Caixa Capital Tic S.C.R. SA (public limited company) Venture capital company	Avenida Diagonal - Torre II , 621 08028 Barcelona Spain	80.65	80.65	1,209	7,854	(384)	7,448
Caixa Corp, S.A. Holding company	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	361	336	(6)	585
Caixa Emprendedor XXI, S.A.U. Promotion of business and entrepreneurial initiatives	Avenida Diagonal 621, Torre 1 08028 Barcelona Spain	100.00	100.00	1,007	24,066	715	24,954

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
Caixabank Asset Management Luxembourg, S.A. Management of collective investment institutions	60, Avenue J.F. Kennedy 1855 Luxembourg Luxembourg	0.00	100.00	150	2,409	905	-
CaixaBank Asset Management, SGIIC, S.A.U. Management of collective investment institutions	Paseo de la Castellana, 51 28046 Madrid Spain	100.00	100.00	86,310	33,983	72,932	111,351
CaixaBank Brasil Escritório de Representaçao Ltda. (1) Representative office	Avenida Pres. Juscelino Kubitschek, 1327 18º andar 04543-011 São Paulo Brazil	100.00	100.00	1,200	490	1,258	345
CaixaBank Business Intelligence, SAU Development of digital projects	Avenida Diagonal, 609-615, 6ª planta 08028 Barcelona Spain	100.00	100.00	100	1,365	313	1,200
CaixaBank Consumer Finance E.F.C., S.A. Consumer finance	Calle Caleruega 102 28033 Madrid Spain	100.00	100.00	135,156	169,399	25,033	361,216
CaixaBank Digital Business, S.A. Electronic channel management	Calle Provençals, 35 08019 Barcelona Spain	100.00	100.00	13,670	9,797	344	21,144
CaixaBank Electronic Money, E.D.E., S.L. Payment entity	Calle Caleruega 102, Planta 9 28033 Madrid Spain	0.00	90.00	550	3,725	1,653	-
CaixaBank Equipment Finance, S.A.U. Vehicle and equipment leasing	Calle Caleruega 102 28033 Madrid Spain	0.00	100.00	10,518	30,010	7,966	-
CaixaBank Facilities Management, S.A. Project management, maintenance, logistics and procurement	Calle Provençals, 39 (Torre Pujades) 08019 Barcelona, Spain	100.00	100.00	1,803	1,871	1,993	2,053

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
CaixaBank notas minoristas, S.A.U. Finance	Paseo de la castellana, 51 28046 Madrid Spain	100.00	100.00	60	992	421	9,112
CaixaBank Payments E.F.C. E.P., S.A. (4) Finance	Calle Caleruega 201, Planta 9 28033 Madrid Spain	100.00	100.00	261,803	(198,495)	315,674	261,980
Caixabank Titulizacion S.G.F.T., S.A. Securitisation fund management	Paseo de la Castellana, 51 28046 Madrid Spain	100.00	100.00	1,503	918	2,884	6,423
Cestainmob, S.L. Property management	Avenida Diagonal, 621-629 08028 Barcelona Spain	-	100.00	120	517	(3)	-
Coia Financiera Naval, S.L. Provision of financial services and intermediation in the shipbuilding sector	Calle José Ortega y Gasset 29 28006 Madrid Spain	76.00	76.00	3	(0)	7	2
Corporación Hipotecaria Mutual, E.F.C., S.A. Mortgage lending	Paseo de la castellana, 51 28046 Madrid Spain	100.00	100.00	3,005	82,153	1,183	80,666
El Abra Financiera Naval, S.L. Provision of financial services and intermediation in the shipbuilding sector	Calle José Ortega y Gasset 29 28006 Madrid Spain	76.00	76.00	3	(2)	8	2
Estugest, S.A. Administrative activities and services	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	661	1,742	15	2,381
GDS CUSA, S.A.U. Specialised back office administration services	Calle Provençals 39 08019 Barcelona Spain	100.00	100.00	1,803	16,070	3,474	9,579

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
Grupo Aluminios de Precisión, S.L.U. Aluminium smelting in sand moulds	Merindad de Cuesta Urria, 26 09001 Burgos Spain	100.00	100.00	7,500	19,394	114	3,360
Grupo Riberebro Integral, S.L. (*) Production and marketing of agricultural products	P.I. La llanada, Parcela 31397 26540 Alfaro Spain	-	60.00	6,940	6,943	(267)	-
HipoteCaixa 2, S.L. Mortgage loan management company	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	3	223,602	3,168	226,619
Hiscan Patrimonio, S.A. Holding company	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	46,867	178,787	55,320	283,203
Inter Caixa, S.A. Services	Avenida Diagonal, 621-629 08028 Barcelona Spain	99.99	100.00	60	(14)	(3)	47
Inversiones corporativas digitales, S.L. Holding company	Avenida Diagonal, 621-629 08028 Barcelona Spain	-	100.00	3	(3,065)	0	-
Inversiones Inmobiliarias Teguise Resort, S.L. Hotels and similar accommodation	Avenida del Jablillo, 1 Hotel Teguise Playa 35508 Teguise Spain	60.00	60.00	7,898	8,617	2,704	9,718
Inversiones Valencia Capital, S.A. Holding company	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	10,557	2,202	72	9,456
Líderes de empresa Siglo XXI, S.L. Private security for goods and people	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	378	479	160	753

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
Negocio de Finanzas e Inversiones II, S.L. Finance	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	6	443	(0)	449
Nuevo Micro Bank, S.A.U. Financing of micro-credits	Calle Aduana 18 28013 Madrid Spain	100.00	100.00	90,186	212,191	30,696	90,186
PromoCaixa, S.A. Product marketing	Gran Via Carles III, 105 1ª pl. 08028 Barcelona Spain	99.99	100.00	60	1,894	17,414	1,644
Puerto Triana, S.A.U. Real estate developer specialised in shopping centres	Calle Gonzalo Jimenez De Quesada, Num 2. 41092 Seville Spain	100.00	100.00	124,290	47,326	(15,709)	155,907
Sercapgu, S.L. Holding company	Avenida Diagonal, 621-629 08028 Barcelona Spain	100.00	100.00	4,230	(409)	99	632
Silc Immobles, S.A. Real-estate administration, management and operation	Paseo de la Castellana, 51 28046 Madrid Spain	-	100.00	40,070	106,819	127	0
Silk Aplicaciones, S.L.U. Provision of IT services	Calle Sabino Arana 54 08028 Barcelona Spain	100.00	100.00	15,003	100,452	1,134	176,211
Sociedad de gestión hotelera de Barcelona, S.L. Real-estate operations	Avenida Diagonal, 621-629 08028 Barcelona Spain	-	100.00	8,144	9,485	607	-
Telefónica Consumer Finance E.F.C., S.A. Consumer finance	Calle Caleruega 102 Planta 9 28033 Madrid Spain	-	50.00	5,000	31,032	4,959	-

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP

(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP Direct	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF DIRECT OWNERSHIP INTEREST (NET)
Unión de Crédito para la Financiación Mobiliaria e Inmobiliaria, E.F.C., S.A.U. Mortgage loans	Calle Goya, 77 28001 Madrid Spain	100.00	100.00	70,415	(17,069)	2,209	44,632
VidaCaixa Mediació, Sociedad de Agencia de Seguros Vinculada, S.A.U. Insurance agency	Paseo de Recoletos 37, 3ª 28004 Madrid Spain	-	100.00	60	4,612	310	-
VidaCaixa, S.A. de Seguros y Reaseguros Sociedad Unipersonal Direct life insurance, reinsurance and pension fund management	Paseo de Recoletos 37, 3ª 28004 Madrid Spain	100.00	100.00	1,347,462	2,691,606	597,227	2,251,712

(*) Companies classified as non-current assets held for sale
(1) All data except cost are in local currency: Brazilian real (thousand).
(2) All data except cost are in local currency: Swiss franc (thousands)
(3) All data except cost are in local currency: US dollar (thousands)
(4) This company's figure for reserves includes interim dividend.
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.
Data relating to paid up capital, reserves and profit/(loss) have been standardised in the consolidated CaixaBank financial statements in accordance with IFRS.

Appendix 2 - CaixaBank stakes in joint ventures of the CaixaBank Group

(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED IN THE YEAR ON TOTAL OWNERSHIP INTEREST
Cartera Perseidas, S.L. Holding company	Paseo Recoletos, 29 28004 Madrid Spain	40.54	40.54	216	13	-	359	(106)	(50)	(50)	0	-
Comercia Global Payments, Entidad de Pago, S.L. Payment entity	Calle Caleruega 102, Planta 9 28033 Madrid Spain	49.00	49.00	418,500	196,133	159,668	4,425	180,601	37,341	37,341	89,148	4,900
Cosec - Companhia de Seguros de Crédito, SA Credit insurance	Avenida República, 58 1069 Lisbon Portugal	-	50.00	115,247	68,739	21,248	7,500	33,505	5,504	5,504	-	3,974
Finandia E.F.C. SA (public limited company) Consumer finance	Calle Jacinto Benavente 2A 28232 Las Rozas Spain	-	50.00	9,776	1,540	386	7,000	1,611	(375)	(375)	-	-
Global Payments South America, Brasil – Serviços de Pagamentos, S.A. (1) Payment methods	Rua dos Pinheiros, 610 - Cj. 83 05422-001 Sao Paulo Brazil	50.00	50.00	781,272	782,898	55,431	144,564	(129,472)	(16,718)	(16,718)	1,715	-
Inversiones Alaris, S.L. (L) Securities Holding	Avenida Carlos III el noble 8 31002 Pamplona Spain	33.33	66.67	16,222	8,941	-	11,879	(4,017)	(581)	(581)	0	-
Knowledge Discovery and Predictions SA Innovative advanced modelling projects in the area of	Avenida Torre Blanca, 57 Edif. 08172 Sant Cugat del Vallés Spain	49.00	49.00	1,067	710	2,443	60	28	269	269	-	-
Vivienda Protegida y Suelo de Andalucía, S.A. Real estate development	Calle Exposición 14 41013 Mairena del Aljarafe Spain	-	50.00	5,605	6,978	1,074	60	(1,144)	(289)	(289)	-	-

(L) Companies in liquidation.
(1) All data except cost are in local currency: Brazilian real (thousand).
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.
Data relating to paid up capital, reserves and profit/(loss) have been standardised in the consolidated CaixaBank financial statements in accordance with IFRS.

Appendix 3 – Investments in associates of CaixaBank

(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS EARNED IN THE YEAR ON THE TOTAL HOLDING
Abaco Iniciativas Inmobiliarias, S.L. (L) Real estate development	Calle Lope de Vega 67 41701 Dos Hermanas Spain	-	40.00	57,888	79,537	-	13,222	(34,832)	(40)	(40)	-	-
Ape Software Components S.L. Computer programming activities	Avda.Alcalde Barnils, 72-P.2 08174 Sant Cugat Del Valles Spain	-	25.22	2,845	2,486	2,331	12	275	71	71	-	-
Arena Comunicación Audiovisual, S.L. Performing arts Cinema and video production	Calle San Blas, 2 Bajo exterior 31014 Pamplona Spain	-	50.00	1,035	85	289	6	1,011	(67)	(67)	-	-
Banco Comercial de investimento, S.A.R.L. (2) Banking	Avenida 25 de Setembro, 4 1293 Maputo Mozambique	-	35.67	156,184,100	139,468,292	24,880,643	10,000,000	2,856,777	4,026,006	4,026,006	-	-
BIP & Drive, S.A. Teletoll systems	Plaza Colón,2 - Torre 2, plt 19 28046 Madrid Spain	-	25.00	20,630	19,885	237,042	4,613	(4,289)	421	421	-	-
Brilliance-Bea Auto Finance Co., L.T.D. (3) Automotive sector financing	12/F, No.8, Lane 1267, Dongfang Road, Pudong New Area 200127 Shanghai China	-	22.50	5,956,124	4,319,433	391,833	1,600,000	36,691	19,133	19,133	-	-
Companhia de Seguros Allianz Portugal, SA Insurance	Rua Andrade Corvo, 32 1069-014 Lisbon Portugal	-	35.00	1,283,060	1,135,124	566,896	39,545	111,059	(2,669)	(2,669)	-	5,952

CAIXABANK INVESTMENT IN ASSOCIATES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS EARNED IN THE YEAR ON THE TOTAL HOLDING
Coral Homes, S.L.U. Real estate services	Avenida Burgos, 12 28036 Madrid Spain	-	20.00	5,465,142	117,450	1,827	270,774	5,065,571	11,347	11,347	-	-
Drembul, S.L. Real estate development	Calle Sagasta 4, bajo 26001 Logroño Spain	-	25.00	37,114	6,830	33,281	30	15,368	6,780	6,799	-	-
Ensanche Urbano, S.A. Real estate development	Calle Santo Domingo 5, bajo 12003 Castelló de la Plana Spain	-	49.30	38,394	68,619	135	9,225	(38,556)	(894)	(894)	-	-
Erste Group Bank AG (C) Banking	Am Belvedere, 1 1100 Viena Austria:	9.92	9.92	234,827,324	216,431,554	6,769,770	859,600	10,796,280	1,228,265	1,093,100	1,363,405	51,161
Girona, S.A. Holding company	Calle Barcelona 3, 4rt 2a 17002 Girona Spain	34.22	34.22	6,593	914	591	1,200	4,397	(158)	(158)	1,642	119
Global Payments – Caixa Acquisition Corporation S.A.R.L. Payment methods	6 Rue Gabriel Lippmann L-5365 Munsbach Luxembourg	49.00	49.00	30,243	32	-	13	30,231	(33)	(33)	14,831	-
Guadapelayo, S.L. (L) Real estate development	Calle Ramírez de Arellano, 17, 1ª planta 28043 Madrid Spain	-	40.00	312	4,893	-	1,981	(6,623)	62	62	-	-

CAIXABANK INVESTMENT IN ASSOCIATES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS EARNED IN THE YEAR ON THE TOTAL HOLDING
Inter-Risco – Sociedade de Capital de Risco, SA Venture capital	Avenida da Boavista, 1081 4100-113 Oporto Portugal	-	49.00	1,202	260	1,052	400	595	(53)	(53)	-	-
Ircio Inversiones, S.L. (L) Real estate development	Calle Vitoria 2 09200 Miranda de Ebro Spain	35.00	35.00	2,125	7,360	-	675	(5,908)	(2)	(2)	0	-
IT Now, S.A. Services for IT technology projects	Calle Numancia 164 08029 Barcelona Spain	49.00	49.00	121,600	115,930	242,832	3,382	1,800	488	488	1,663	-
Justinmind, S.L. Development of IT systems	Avenida Meridiana , 354 - P. 13 08027 Barcelona Spain	-	16.98	934	414	635	5	614	(99)	(99)	-	-
Nlife Therapeutics, S.L. Research and development in biotechnology	Avenida De La Innovacion (Pq. Tecnologico De Ci) , 1 18100 Armilla Spain	-	37.18	13,245	11,292	1,928	6,930	(3,974)	(1,003)	(1,003)	-	-
Numat Medtech, S.L. Other types of research and development in natural and technical sciences	Calle D'Emilia Sureda, 7121 - Parc Bit 07004 Palma Spain	-	19.56	443	67	-	6	457	(88)	(88)	-	-
Parque Científico y Tecnológico de Córdoba, S.L. Science park operation and management	Calle Astrónoma Cecilia Payne ID 8.1 Edif. Centauro 14014 Cordoba Spain	15.58	35.69	29,784	19,223	2,544	23,422	(17,157)	(509)	(509)	-	-

CAIXABANK INVESTMENT IN ASSOCIATES OF THE CAIXABANK GROUP
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS EARNED IN THE YEAR ON THE TOTAL HOLDING
Peñíscola Green, S.L. Real estate development	Plaza de Cardona Vives, 2B 12001 Castelló de la Plana Spain	-	33.33	12,864	3,886	-	12,000	(3,004)	(19)	(19)	-	-
Portic Barcelona, S.A. Other services related to information technology and telecommunications	Moll de Barcelona- WTC, Edif.Est, 2º planta 08039 Barcelona Spain	-	25.81	2,305	287	2,347	291	1,474	253	253	-	-
Redsys Servicios de Procesamiento, S.L. Payment methods	Calle Francisco Sancha, 12 28034 Madrid Spain	-	20.00	118,031	56,219	15,955	5,815	44,689	11,308	11,308	-	-
Sagetis Biotech, S.L. Research and development in biotechnology	Calle Via Augusta , 394 08017 Barcelona Spain	-	21.10	3,773	2,583	37	81	1,150	(41)	(41)	-	-
SegurCaixa Adeslas, S.A. de Seguros y Reaseguros Non-life insurance	Paseo de la Castellana, 259 C 28046 Madrid Spain	-	49.92	4,012,520	2,916,877	3,114,888	469,670	360,892	251,061	231,944	-	137,673
Servired, Sociedad Española de Medios de Pago, S.A. Payment methods	Calle Gustavo Fdez. Balbuena, 15 28002 Madrid Spain	-	22.01	34,355	6,852	12,976	16,372	7,766	3,364	3,364	-	700
Sistema de Tarjetas y Medios de Pago, S.A. Payment methods	Calle Gustavo Fdez. Balbuena, 15 28002 Madrid Spain	-	18.11	675,889	671,929	6,946	239	3,701	20	20	-	-

CAIXABANK INVESTMENT IN ASSOCIATES OF THE CAIXABANK GROUP (5 / 5)
(Thousands of euros)

COMPANY NAME AND LINE OF BUSINESS	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS EARNED IN THE YEAR ON THE TOTAL HOLDING
Sociedad de Procedimientos de Pago, S.L. Payment entity	Calle Francisco Sancha, 12 28034 Madrid Spain	-	22.92	3,129	1,002	€1,280	2,346	(286)	67	67	-	-
Societat Catalana per a la Mobilitat S.A. Development and implementation of the T-mobilitat project	Consell de Cent 419, 3o 2a 08009 Barcelona Spain	23.50	23.50	60,077	50,730	4,329	9,762	10	(425)	(425)	1,846	-
Telefonica Factoring do Brasil, Ltda. (1) *Factoring*	Rua De.Eliseu Guilherme, 69, 6º Andar 04004-030 São Paulo Brazil	20.00	20.00	247,725	200,230	71,718	5,000	1,000	41,495	41,495	2,029	2,365
Telefonica Factoring España, S.A. Factoring	Calle Zurbano 76, Planta 8 28010 Madrid Spain	20.00	20.00	52,773	38,934	4,339	5,109	1,740	6,990	6,990	2,525	1,311
Unicre - Institução Financeira de Crédito, S.A. Issue cards	Avenida António Augusto de Aguiar, 122 1050 Lisbon Portugal	-	21.01	347,331	240,048	164,760	10,000	77,048	20,234	20,234	-	3,320
Via 10, Sociedad Mixta de Viviendas de Alquiler, S.L. (L) Real estate development	Plaza de España, 8 09200 Miranda de Ebro Spain	-	49.00	1,597	-	-	2,360	(754)	(10)	(10)	-	-

(L) Companies in liquidation.
(C) Listed companies. Latest publicly-available data at the date of preparation of the notes to these financial statements.
(1) All data except cost are in local currency: Brazilian real
(2) All data except cost are in local currency: New Mozambique metical (thousands)
(3) All data except cost are in local currency: Renmimbi (thousands)
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.
Data relating to paid up capital, reserves and profit/(loss) have been standardised in the consolidated CaixaBank financial statements in accordance with IFRS.

Appendix 4 – Other tax details

Profit qualifying for the tax credits set forth in Article 42 of the restated text of the Corporation Tax Law approved by Royal Decree-Law 4/2004, of 5 March (Transitional provision twenty-four of Corporation Tax Law 27/2014).

TAX CREDIT FOR REINVESTMENT OF EXTRAORDINARY PROFIT
(Thousands of euros)

	CAIXABANK				CAIXABANK GROUP			
YEAR	PROFIT QUALIFYING	DEDUCTION BASE	TAX CREDIT (1)	YEAR OF REINVESTMENT	PROFIT QUALIFYING	DEDUCTION BASE	TAX CREDIT (1)	YEAR OF REINVESTMENT
2013	53,581	53,581	6,430	2013	67,518	67,518	8,102	2013
2014	281,738	281,738	33,809	2014	298,346	298,346	35,802	2014
2015					17,994	17,994	2,159	2015
2016					13,227	13,227	1,586	2016

(1) There are unused tax credits due to a shortage of taxable income in the consolidated income tax return.

Reinvestment is carried out in equity securities granting holdings in excess of 5%, and on property, plant and equipment, intangible assets and investment properties relating to the business activity.

Appendix 5 - Disclosure on the acquisition and disposal of ownership interests in subsidiaries in 2018

(Article 155 of the Corporate Enterprises Act and Article 125 of the restated text of Spanish Securities Market Law).

On 21 February 2018 a notice was issued by CaixaBank, S.A. in the CNMV (Spanish National Securities Market Commission) reporting that within the framework of the capital increase of Promotora de Informaciones, S.A. through preemptive subscription rights on 16 February 2018, CaixaBank had subscribed to 4,403,823 shares and it had sold 3,010,555 subscription rights. After these operations and taking into account the new share capital resulting from the capital increase, the threshold decreased by 3% and the stake in this company stood at 1.477%.

On 22 March 2018, CaixaBank, SA issued a statement of related party connections for the arrangement of an equity swap on 43,074,196 shares in Repsol, SA on the same day. Through this financial instrument, CaixaBank, SA has arranged a fair value hedge of the underlying shares at the agreed unit price.

On 9 April 2018 CaixaBank, S.A. issued a statement of related party connections as a result of the cancellation of the equity swap on 45,754,163 shares in Telefónica, S.A., which was cancelled on 6 April 2018 due to differences, after the statement was issued on 31 July 2017 that the equity swap has been entered into.

On 6 May 2018 CaixaBank issued an official statement, informing that it has agreed the purchase of shares from Allianz group companies, representing 8.425% of the share capital of Banco BPI, S.A. ("**Banco BPI**"). The total purchase price is EUR 177,979,336,50 giving a price per Banco BPI share of EUR 1.45. Following completion of the acquisition, CaixaBank will own a 92.935% stake in Banco BPI. In the coming weeks, CaixaBank also intends to ask the Chairman of the General Shareholders' Meeting of Banco BPI to announce and convene a general meeting to approve the delisting of Banco BPI shares in accordance with article 27.1.b) of the Portuguese Securities Code, and if it is approved, it intends to acquire all the remaining shares by sell-out at a price of EUR 1.45 per share.

On 20 July 2018, CaixaBank, SA issued a statement of related party connections for the free acquisition of shares in Telefónica, SA, as part of this company's bonus issue.

On 20 September 2018 CaixaBank, S.A. issued an official statement informing of the decision agreed upon that day at the meeting of its Board of Directors regarding the sale of its entire shareholding in Repsol, S.A..

On 28 September 2018 CaixaBank, S.A. filed a notice with the CNMV informing of exceeding the 5% threshold as a result of the disposal process of the shareholding in Repsol, previously announced on 20 September 2018.

Appendix 6 – Annual banking report

In accordance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, credit institutions are required to publish the following information on a consolidated basis for the last financial year ended, broken down by country where the credit institutions are established: Pursuant to the above, the information required is provided hereon:

A Name, nature and geographic location of activity

CaixaBank, with tax identification number (NIF) A08663619 and registered address at Pintor Sorolla, 2-4, was created through the transformation of Criteria CaixaCorp, SA which culminated on 30 June 2011 with the entry of CaixaBank in the Bank of Spain's Registry of Credit Institutions ("Registro de Entidades de Crédito") and its listing on the Spanish stock markets – as a credit institution – on 1 July 2011.

CaixaBank is also a public limited company (sociedad anónima) whose shares are admitted to trading on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the continuous market and have been included on the IBEX 35. It is subject to the oversight of the Spanish Securities Market Regulator (Comisión Nacional del Mercado de Valores or CNMV).

CaixaBank is also included in other international stock market indices, such as the Euro Stoxx Bank Price EUR, the MSCI Europe, the MSCI Pan-Euro, the FTSE4Good, a FTSE index that rates the investments of companies as sustainable on the basis of their corporate social responsibility practices, the FTSE Eurofirst 300, consisting of the 300 leading European companies by market capitalisation, and the Dow Jones Sustainability Index, which reflects, inter alia, the company's commitment to sustainability and corporate reputation in its business activities and investments. It is also listed on the Advanced Sustainable Performance Index (ASPI), which features the top 120 DD Euro Stoxx companies in terms of sustainable development performance.

Appendices 1, 2 and 3 of the CaixaBank Group's consolidated financial statements detail the subsidiaries, joint ventures and associates that make up the CaixaBank Group.

Appendix 5 discloses notices on the acquisition and disposal of ownership interests in 2018, in accordance with Article 155 of the Corporate Enterprises Act and Article 125 of the restated text of the Securities Market Act.

B Business volume

CaixaBank, SA is established in Spain, and has five foreign branches, specifically in Poland, Morocco, the UK, Frankfurt and Paris.

CaixaBank also has 18 representative offices which do not carry out banking activities but provide information on the Entity's services in the following 15 jurisdictions: Algeria, Brazil, China (3), Chile, Colombia, Egypt, United Arab Emirates, the United States of America, France, India, Italy, Turkey, Peru, Singapore, South Africa and Canada.

Banco BPI has 495 branches in Portugal.

Business volume by country on a consolidated basis is as follows:

GEOGRAPHIC INFORMATION: DISTRIBUTION OF ORDINARY INCOME FROM CUSTOMERS (*)
(Millions of euros)

	BANKING AND INSURANCE BUSINESS		NON-CORE REAL ESTATE ACTIVITY		INVESTMENTS		BPI		TOTAL CAIXABANK GROUP	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Spain	10,764	10,682	216	259	347	240	(24)	8	11,303	11,189
Portugal	60					2	837	726	897	728
Poland	15	15							15	15
Morocco	8	4							8	4
United Kingdom	6	4							6	4
Share of profit/(loss) of international associates and others accounted for using the equity method (**)					411	130			411	130
Other	1						9	42	10	42
TOTAL ORDINARY INCOME	**10,854**	**10,705**	**216**	**259**	**758**	**372**	**822**	**776**	**12,650**	**12,112**

(*) Correspond to the following headings of the CaixaBank Group's public statement of profit or loss calculated pursuant to Bank of Spain Circular 5/2014:
1. Interest income
2. Dividend income
3. Share of profit/(loss) of entities accounted for using the equity method
4. Fee and commission income
5. Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
6. Gains/(losses) on financial assets and liabilities held for trading, net
7. Gains/(losses) on assets not designated for trading compulsorily measured at fair value through profit or loss, net
8. Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net
9. Gains/(losses) from hedge accounting, net
10. Other operating income
11. Income from assets under insurance and reinsurance contracts

(**) Mainly corresponds to the share of profit/(loss) of international associates accounted for using the equity method, primarily Erste Group Bank (Austria), Banco Comercial e de Investimento (Mozambique), Banco de Fomento Angola and Banco BPI (Portugal), in the case of the latter until control was taken in February 2017.

C Full-time workforce by country

At 31 December 2018, the full-time workforce by country is as follows:

FULL-TIME WORKFORCE BY COUNTRY
(Thousands of euros)

	31-12-2018	31-12-2017
Spain	32,364	31,943
Portugal	4,934	4,871
Poland	18	17
Morocco	22	22
United Kingdom	14	12
Germany	10	8
France	7	13
Switzerland	22	28
Other countries - Representative offices	49	58
TOTAL FULL-TIME WORKFORCE	**37,440**	**36,972**

D Gross profit/(loss) before tax

Gross profit before tax on a consolidated basis in 2018 amounted to EUR 2,807 million (EUR 2.098 million in 2017), and includes ordinary income from the branches set out in b) above.

E Income tax

The net income tax expense recognised on consolidated profit in 2018 amounted to EUR 712 million (net rebate of EUR 378 million in 2017), as shown in the consolidated statement of profit or loss.

Payments of income tax in 2018 amounted to EUR 2 million: EUR 1,809 thousand in in Poland and EUR 111 thousand in Morocco.

Income taxes actually paid in the fiscal year in each jurisdiction include the final settlements derived from the payments on account and withholdings paid, which are reduced in turn in the income tax rebates in the current year. The result of the settlements deriving from tax assessments during that year is also included.

All ordinary income generated by the CaixaBank Group is taxable.

The amount of the corporation tax payments do not correspond to the amount of the income tax expense recorded in the consolidated statement of profit or loss. The main cause of this divergence lies in the different timing of recognition of the items that make up the accrual and cash criteria in relation to income tax.

F Grants and public aid received

In 2018, the Group received the following grants and public aid:

- Grant from the Ministry of Industry, Energy and Tourism, through the department of shipbuilding, for EUR 2.5 million in aid for shipbuilding.
- A grant from the State Foundation for Training in Employment (FEFE) for meeting certain conditions required in employee training courses, for an amount of EUR 4.4 million.

Group Management Report of CaixaBank Group

2018

CaixaBank in 2018

Leader in Iberian retail banking

15.7 million customers

€358,482 million in customer funds

€386,622 million in total assets

€224,693 million of customer loans

Market presence in Spain*

29.3% market penetration among individual customers in Spain

26.3% market penetration as main bank among individual customers in Spain

15.9% loans *(other resident sectors)*

15.0% deposits *(other resident sectors)*

17.0% investment funds

27.3% savings insurances

24.1% pension plans

16.5% consumer lending

(*) Market penetration: latest available data. Source: FRS Inmark. Other market data compiled by CaixaBank. Source: Bank of Spain, Social Security, INVERCO, ICEA, Card systems and payment methods. Lending and deposits correspond to the resident private sector.

Financial strength

Solid capital

11.5 % CET1 *fully loaded*

15.3 % total capital *fully loaded*

Strong liquidity

€79,530 million in total liquid assets

196 % liquidity coverage ratio (LCR), *average 12 months*

Strengthened credit quality

-1.3pp vs. 2017

4.7 % NPL ratio

+4pp vs. 2017

54 % NPL coverage ratio

€-5,138 million net foreclosed available-for-sale assets

Income-generating capacity and improving profitability

€1,985 MILLION
result attributed to the Group
+17.8% vs. 2017

9.3 %
ROTE
+0.9 pp vs. 2017

52.9 %
Efficiency ratio without extra costs
-1.4 pp vs. 2017

At the forefront of digitalisation

>57 % of
of CaixaBank individual customers are digital

283
new format branches (stores)

With a diverse team

46.5%
MEN

37,440
CAIXABANK GROUP EMPLOYEES

53.5%
WOMEN

Socially responsible banking

€773 million
in microcredits issued

9,561
new business launched with the support of microcredits

1st bank in the Ibex35 to completely eliminate its carbon footprint

Excellence

CaixaBank ranked the **World's Best Consumer Bank** by Global Finance

European Seal of Excellence **EFQM 500+**

A recognised value

Share Price
3.164
euros

Shareholder remuneration
0.15
euros per share

Milestones and significant events in 2018

JANUARY

Issuance of **EUR 1,375 million in mortgage bonds**

MARCH

CaixaBank places its second issuance of **convertible preferred stock** amounting to **EUR 1,250 million**

APRIL

For the fourth consecutive year, CaixaBank has been ranked the ***Best Bank in Spain*** by Global Finance

S&P Global Ratings upgrades CaixaBank's long-term rating from BBB to BBB+

Issuance of **EUR 1,000 million in Tier 2 subordinated debt.**

DBRS Ratings Limited upgrades CaixaBank's long-term rating from A (Low) to A

MAY

Acquisition of shares of Banco BPI representing 8.425% of the capital stock of companies of the Allianz Group

JUNE

Full early amortisation of the issue of Series I/2012 subordinated debentures with the face value of EUR 2,072 MM

By acquiring 51% of the capital stock of ServiHabitat Servicios Inmobiliarios, CaixaBank regains control of its real estate asset servicer

JULY

CaixaBank is recognised as the **'Best Digital Bank in Western Europe'** by *Euromoney*

BPI is chosen as the **'Best Bank in Portugal'** by Euromoney

AUGUST

Moody's Investors Service upgrades CaixaBank's long-term rating from Baa2 to Baa1

With the **opening of a representative office in Sydney**, CaixaBank is now present in all five continents

SEPTEMBER

CaixaBank is ranked the **'World's Best Bank for Private Banking'** by Global Finance

CaixaBank is selected as **a member of the Dow Jones Sustainability Index** for the seventh consecutive year

Full early amortisation of the issue of CaixaBank, S.A. Series 1/2013 subordinated debentures with a face value of EUR 750 million

Disinvestment agreement in Repsol through a sales programme

OCTOBER

Fitch Ratings Spain upgrades CaixaBank's long-term rating from BBB to BBB+

Fitch Ratings upgrades Banco BPI's long-term rating from BBB- to BBB

Moody's upgrades Banco BPI's long-term rating from Ba1 to Baa2, reaching the investment grade

Issuance of **EUR 1,000 million in non-preferred senior debt**

NOVEMBER

The United Nations recognises **VidaCaixa** as the only insurance company in Spain with the **highest sustainability rating (A+)** for its investment management

EBA Stress Test Results: CaixaBank would obtain a 9.11% CET1 capital ratio in an adverse scenario

CaixaBank opens its **first branch in Paris** and strengthens its international presence in Europe

Presentation of the 2019-2021 Strategic Plan

CaixaBank is recognised as '2018 Bank of the Year' in Spain by *The Banker* for its soundness and solvency

DECEMBER

CaixaBank becomes the **first Ibex35 bank to completely eliminate its carbon footprint**

CaixaBank transfers 80% of its real estate business to Lone Star valued at approximately EUR 7,000 million

CaixaBank renews its EFQM 500+ European Seal of Excellence certifying excellence in management quality and customer service

CaixaBank opens **its first representative office in Canada in Toronto**

Delisting of Banco BPI and implementation of the right to compulsory purchase to achieve 100% of the capital stock, following the approval of the Portuguese market supervisor

And in 2019....

CaixaBank places **EUR 1,000 million in non-preferred senior debt**

CaixaBank is included in the Bloomberg Gender-Equality Index for its commitment to promoting women

CaixaBank presents unions with a **restructuring plan to strengthen its efficiency and competitive position in the market**

CaixaBank joins the **United Nations Principles of Responsible Banking**

Letter from the Chairman

"We aspire to uphold our standing as the leading and innovative financial group, with the best customer service and a benchmark in socially responsible banking"

Jordi Gual Solé
Chairman

In 2018 we successfully completed the strategic plan that we launched four years ago and we have begun a new era with the presentation of a new plan for the 2019-2021 horizon. A future of challenges and opportunities lays ahead, which we will face with the satisfaction of work well done and with the assurance inherent in being prepared, as a bank, to continue creating value in a sustainable way, for the customers and the shareholders, the employees and society as a whole.

We have been able to strengthen our commercial leadership year after year throughout the newly completed plan. In Spain, 26.3% of people trust in CaixaBank as their main bank. This leadership, which also broadens to the digital field, with 32% penetration, is made possible thanks to our close retail banking model, which blends a wide range of innovative products and services with the best omnichannel service.

Besides the excellent commercial performance, the bank has closed 2018 meeting all the financial objectives of its strategic plan. Thus, the return has increased, reaching figures over 9%, covering the cost of the capital; the quality of the balance sheet has been improved; the weight of the non-strategic assets has been reduced; and a solid capital position has been upheld, with a capital adequacy ratio over 11%. The acquisition of BPI has also been completed during the past year: a step that wraps up a relationship that began more than two decades ago and which forms the basis of a unique opportunity to strengthen our presence in Portugal under an excellent bank.

We have achieved the foregoing being true to a long-standing banking model of over 110 years of history, based on solid corporate values in terms of quality, trust and social commitment. We are firmly committed to excellence in customer service, in turn, upholding a major commitment with the improvement of the communities of which we form a part. As reflected in CaixaBank's mission, our aim is none other than to contribute to our customers' financial well-being and to the progress of the whole of society.

Proof of our commitment to society is the collaboration with our main shareholder's social work, the "la Caixa" Banking Foundation, whose budget of over EUR 500 million is partly nourished through our dividends. But at CaixaBank we also undertake our own initiatives intended to foster financial education and inclusion, promoting housing aid programs, environmental sustainability and doing voluntary work, with more than 14,500 CaixaBank employees collaborating in social activities nationwide.

With the new strategic plan, we aspire to uphold our standing as the leading and innovative financial group, with the best customer service and a benchmark in socially responsible banking. To do so, we promote the most demanding standards in ethical and responsible business management, regulatory control and compliance, corporate governance and environmental policy. In this regard, we uphold our firm commitment to the United Nations Global Pact and, recently, we have adhered to this organisation's Principles for Responsible for Banking.

Thanks to CaixaBank's experience and its proven capacity to adapt, we look to the future confident that we will be able to address any new challenges. In this new environment, we will go on committing to a differential banking model, characterised by close ties with the customer, quality of service, social commitment and innovation, with the aim of consolidating long-term relationships with our customers and with society.

I hereby thank all our shareholders, customers and employees for placing their trust yet another year in CaixaBank, driving us to continue adding value and values, contributing to society's well-being and development with our distinctive way of banking.

Letter from the CEO

In 2018 CaixaBank has maintained its growth track and has consolidated its leading position in retail banking. We have ended the year with successful financial results, having very significantly reduced our non-performing assets, and exceeding the targets of our 2015-2018 strategic plan.

In a highly competitive environment, our excellent commercial performance allowed us to further strengthening our market shares in key products and services. In the Spanish market we have achieved market shares of 21.8% in medium and long-term savings, 27.3% in savings insurance, 21.6% in risk life insurance, 24.1% in pension plans and 15.9% in credit.

"CaixaBank begins its 2019-21 Strategic Plan in a strong position and loyal to its differential model of responsible banking"

Gonzalo Gortázar Rotaeche
CEO

Our business model continues to evolve towards providing maximum value to our customers. The high degree of specialization of our business units, the capillarity of our network and the strong advisory ability of our workforce are crucial factors of the success. Furthermore, technology and digitisation play an increasingly important role in facilitating the delivery of a high quality service. We invest intensively in digital and innovative channels and products, leveraging in our own and third party capabilities, with the sole purpose to remain as close as possible to our customers and be able to anticipate their new needs. We continue to hold the leading position in Spain with the largest digital client base.

The excellent commercial activity of 2018 has delivered improvement of the core income of the banking business (+4.2%). This increase in income, together with the higher contribution of BPI and the reduction of the cost of risk, establish the Group's attributable net profit at €1,985m (+17.8%). On the other hand, we continue to give financial strength top priority: we finished the year with exceptional liquidity levels above 79,500 million euros, having made issuances valued at more than 5,600 million euros in all debt formats and upholding high capital adequacy ratios. During 2018 the rating of CaixaBank has been upgraded by the four most relevant agencies.

Two transactions have stood out in 2018: the purchase of 100% of the Portuguese bank BPI was concluded so it has been fully integrated into the group, and the sell of 80% of the foreclosed assets portfolio and the real estate business, which has decisively contributed to reduce our non-performing assets and risk levels.

Thus, we bring to an end a year and a period with success, looking to the future focused on our core business and confident that we can overcome the challenges set out in the recently released 2019-2021 Strategic Plan: promoting digital transformation at the service of our customers and our employees, maintaining sustainable returns for our shareholders and remaining a benchmark in responsible banking.

Non-Financial Information Statement

Our identity

Our identity

CaixaBank (hereinafter, CaixaBank, the CaixaBank Group, or the Bank) is a financial group with a socially responsible, long-term universal banking model, based on quality, trust, and specialisation, which offers a value proposition of products and services adapted for each sector, adopting innovation as a strategic challenge and a distinguishing feature of its corporate culture, and whose leading position in retail banking in Spain and Portugal makes it a key player in supporting sustainable economic growth.

CaixaBank, S.A. is the parent company of a group of financial services whose shares are traded on the stock exchanges of Barcelona, Madrid, Valencia and Bilbao, as well as on the continuous market, forming part of the IBEX 35 since 2008. It is also listed on the Euro Stoxx Banks Price EUR, the MSCI Europe, and the MSCI Pan-Euro.

Our mission

"Helping to ensure the financial well-being of our customers while pursuing social progress"

CaixaBank offers its customers the best tools and expert advice to make decisions and develop habits that form the basis of **financial well-being** and enable them, for example, to appropriately plan to address recurring expenses, cover unforeseen events, maintain purchasing power during retirement or to make their dreams and projects come true. We do this with:

- specialised advice,
- personal finance simulation and monitoring tools,
- comfortable and secure payment methods,
- a broad range of saving, pension and insurance products,
- responsibly-granted loans,
- and, overseeing the security of our customers' personal information.

Besides contributing to our customers' financial well-being, our aim is to **support the progress of the whole of society**. We are a deeply-rooted retail bank in all areas in which we work and, for this reason, we feel a part of the progress of the communities where we engage our business. We contribute to the progress of society:

- effectively and prudently channelling savings and financing, and guaranteeing an efficient and secure payment system,
- through financial inclusion and education; environmental sustainability; support for diversity; with housing aid programs; and promoting corporate voluntary work,
- and, of course, through our collaboration with the Obra Social (social work) of the "la Caixa" Banking Foundation, whose budget is partly nourished through the dividends that CriteriaCaixa earns from its stake in CaixaBank. A major part of this budget is funnelled into identified local needs through the CaixaBank branch network in Spain and BPI in Portugal.

CaixaBank

OUR MISSION

To contribute to the financial well-being of our customers and the **advancement of society**

OUR VALUES

- Quality
- Social commitment
- Confidence

OUR CULTURE

- People, first
- Agility, our attitude
- Collaboration, our strength

OUR STRATEGIC VISION

Leading and innovative financial group with the best **customer service** and setting the benchmark for **socially responsible banking**

CUSTOMERS

- Setting the benchmark
- Relationship based on proximity and trust
- Excellence in service
- Value proposition for each segment
- Commitment to innovation

SHAREHOLDERS

- Long-term creation of value
- Offering attractive returns
- Close and transparent relationship

SOCIETY

- Maximising our contribution to the national economy
- Establishing stable relationships and trust with the environment
- Helping to solve the most urgent social challenges
- Transition to a low carbon economy

EMPLOYEES

- Ensuring their well-being
- Fostering their professional development
- Promoting diversity, equal opportunities, and reconciliation
- Fostering a meritocratic model

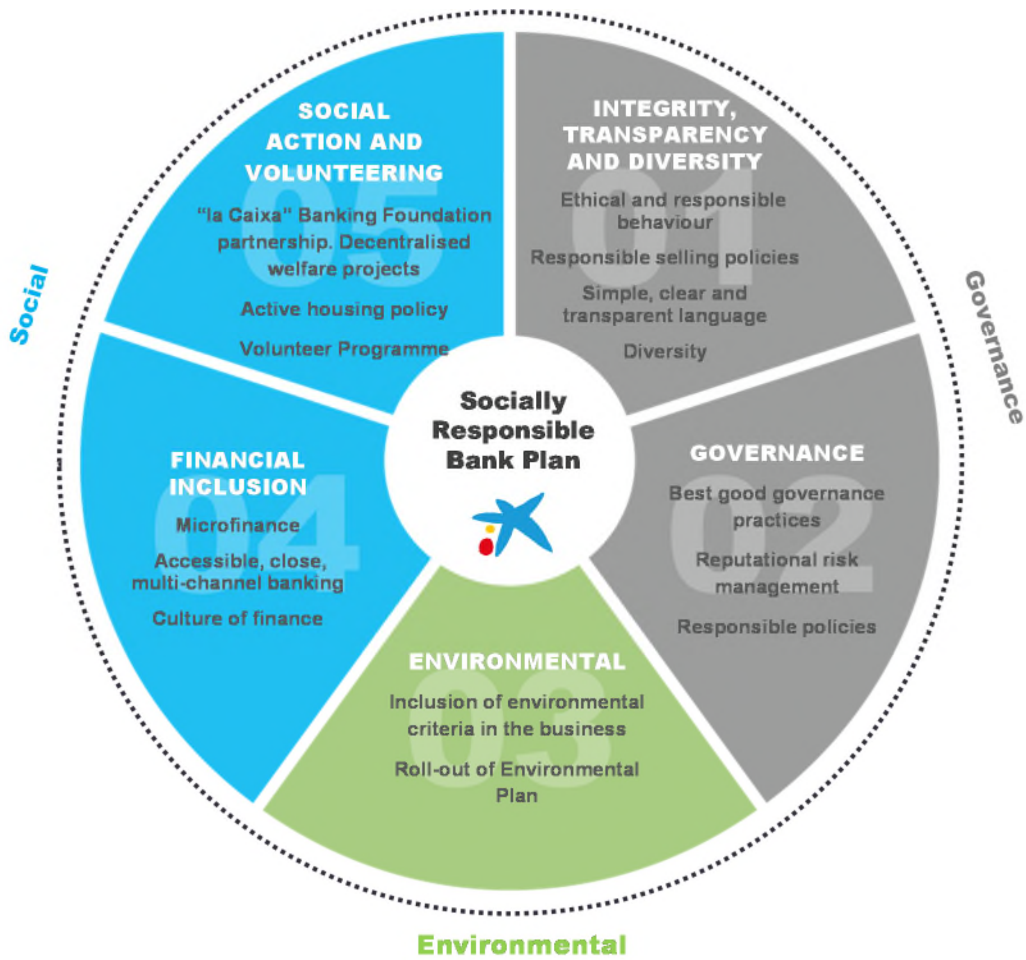
UNIVERSAL BANKING MODEL

A socially responsible banking model covering all financial and insurance needs

Responsible and ethical behaviour: policies, codes and internal standards

CaixaBank's **Corporate Social Responsibility Policy** has been approved by the Board of Directors and is monitored by top-level CaixaBank committees with the direct involvement of Senior Management, which establishes the foundations for responsible activity and economic efficiency with a commitment to the socio-economic development of people and the country. This commitment provides added value to the Company and its stakeholders, and encompasses the entire value chain of the organisation: economic and financial factors of the business, environmental responsibility, customer satisfaction, creation of value through shareholders, the needs and aspirations of employees, the relationship with suppliers and contributors, and the impact on the communities and environments in which it operates.

CaixaBank's Corporate Social Responsibility Policy, based on ESG (Environment, Society and Governance), has established five key strategic areas under the 2019-2021 Strategic Plan with the primary aim of being leaders in responsible management and social commitment.



The Corporate Social Responsibility Policy is aligned with the principles and practices of the various **national and international partnerships and initiatives** to which CaixaBank adheres:

Principal alliances and affiliations

Partnership with the "la Caixa" Banking Foundation, the first Social Action Project in Spain and one of the largest in the world

CaixaBank has held the Spanish presidency of the UN Global Compact since 2012

Public commitment to aligning policies to advance gender equality (2013)

VidaCaixa (2009) and CaixaBank Asset Management (2016) are signatories of the UN Principles for Responsible Investment

Promoting sustainable finance and the integration of environmental and social aspects in business (2018)

Organisation working to reduce emissions and to promote the sustainable use of water (2012)

Work group that creates guides to reinforce transparency on climate risks and opportunities (2017)

Commitment to ESG risk assessment in project financing over EUR 7 million (2007)

Founding partner promoting growth linked to a low-carbon economy (2016)

Defining the role of the financial sector to guarantee a sustainable future (2018)

Commitment to promoting and disseminating new knowledge about CSR (2005)

Principles that promote integrity in green and social bond markets (2015)

CaixaBank is included in the main sustainability indices *(index and date of first inclusion)*

DJSI World
DJSI Europe
(2012)

FTSE4 Good Global
FTSE4 Good Europe
FTSE4 Good IBEX
(2011)

Ethibel Excellence Investment Registers *(2013)*
Ethibel Sustainability Index Excellence Europe *(2013)*

MSCI Global Sustainability Indexes *(2015)*

STOXX Global ESG Leaders indices *(2013)*

Eurozone 120 Index
Europe 120 Index
(2013)

"Prime" company *(2013)*

CaixaBank collaborates consistently towards the **achievement of the UN Sustainable Development Goals (SDGs)**[1] set out in the 2030 Sustainable Development Agenda, aiming to end poverty, protect the planet, and ensure prosperity. The SDGs are interconnected and cannot be separated. As a result of its scale and social commitment, CaixaBank contributes to all the SDGs through its activity, social action and strategic alliances.

CaixaBank has established the following SDGs as priorities based on its especially active role: Goal 1 - No poverty; Goal 8 - Decent work and economic growth; and Goal 17 - Partnerships for the goals. In addition, there are four other goals that CaixaBank actively works towards: Goal 13 - Climate action; Goal 5 - Gender equality; Goal 12 - Responsible consumption and production; and Goal 9 - Industry, innovation and infrastructure. These actions have the following aims:

1 NO POVERTY

- Guarantee that all persons, particularly those that are most vulnerable, have the same rights to economic resources, basic services and financial services, including micro-financing.
- Foster people's resilience and reduce exposure and vulnerability to economic, social or environmental crises.

8 DECENT WORK AND ECONOMIC GROWTH

- Promote economic productivity (diversification, technological modernisation, innovation and added value).
- Promote entrepreneurship and innovation, and growth of micro-companies and SMEs by Access to financial services.

17 PARTNERSHIPS FOR THE GOALS

- Promote the constitution of effective alliances in public and public-private setting and civil society.
- Strengthen the world Alliance for Sustainable Development, through alliances that promote the Exchange of knowledge, skills, technology and financial resources to achieve the SDGs.

13 CLIMATE ACTION

- Include climate-change-related models in policies, strategies and national plans.
- Improve institutional awareness-raising and skills to mitigate climate change.

5 GENDER EQUALITY

- Oversee the full and effective participation of women and equal leadership opportunities at all levels, including improving and strengthening policies to promote equality and empowerment of women.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Adopt sustainable practices and include information on sustainability in reports.
- Achieve sustainable and efficient management of natural resources.
- Reduce waste generation.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Increase access of industrial SMEs and other companies to financial services, including Access to affordable loans.
- Foment technological innovation and skills, increasing research investment.

[1] Further information on how the CaixaBank Group contributes to the SDGs is detailed in Appendix: Materiality analysis and GRI content.

Respecting human rights is a key part of CaixaBank's corporate values and the minimum standard of action to conduct business legitimately. Therefore, CaixaBank implements a **Human Rights Policy** and **Code of Ethics and Action Principles**, which constitute the highest level of regulations in CaixaBank's internal hierarchy. These policies have been approved by the Board of Directors and are inspired by the principles of the UN International Bill of Human Rights and the Declaration of the International Labour Organization, as well as other ethical standards and codes of conduct. These documents can be accessed on the CaixaBank website (www.caixabank.com).

CaixaBank strives to understand the impact of its activity on human rights and is committed to preventing and mitigating any adverse impacts. Therefore, it implements periodic due diligence processes related to human rights (most recently in 2016) and reviews and updates its Human Rights Policy on a regular basis (last updated in 2018).

Human rights are protected through the following actions based on the stakeholder:

Our responsibility to the employees

CaixaBank considers its relationship with its employees as one of its main human rights responsibilities.

CaixaBank links its recruitment, management, promotion and development policies of people to respecting diversity, equal opportunities, meritocracy and non-discrimination based on gender, race, age, or other circumstances.

There are confidential channels for employees to process their queries about the interpretation or practical application and report breaches.

Our responsibility as a financial service provider

CaixaBank demands from its employees respect for people, their dignity and fundamental values. Similarly, it aims to work with customers that share its values respecting human rights.

Key aspects in this area: developing new financial products and services consistent to CaixaBank human rights goals, the integration of social and environmental risks in decision-making and the avoidance of financing or investment in companies and/or projects related to serious human rights breaches.

Our accountability with suppliers

CaixaBank requires its suppliers to respect human and labour rights, and encourages them to implement these rights in their value chain.

Therefore, service provision and product procurement contracts have been adapted to reinforce respect for human rights in the value chain, taking into account the nature and geographical origin, where applicable, of procured goods, and other aspects related to technical issues, solvency, security, health, and the environment.

If any risks are identified, an auditing process is initiated and, where necessary, corrective action plans are prepared. In 2018, a total of 7 audits were conducted.

Activities involving suppliers with a higher social risk potential include those associated with PromoCaixa suppliers located outside the European Union.

Suppliers located in Spain are required to comply with Spanish social and labour regulations.

Our responsibility to the community

CaixaBank is committed to supporting human rights in the communities where it operates, by complying with current legislation, collaborating with the government institutions and the courts of law, and respecting internationally recognised human rights wherever it conducts business.

In addition, CaixaBank promotes the dissemination of international human rights principles, human rights initiatives and programmes, and the UN Sustainable Development Goals.

CaixaBank Code of Business Conduct and Ethics

Compliance with laws, rules and regulations

- Everyone at CaixaBank must comply with prevailing laws, rules and regulations at all times.

Respect

- We respect people, their dignity and fundamental values. We respect the cultures of the territories and countries where CaixaBank operates, as well as the environment.

Integrity and Transparency

- By having integrity and being transparent, we generate trust, a fundamental value for CaixaBank.

Excellence and Professionalism

- We work rigorously and effectively. Excellence constitutes one of CaixaBank's fundamental values. For this reason, we place our customers' and shareholders' satisfaction at the centre of our professional activity.

Confidentiality

- We uphold the confidentiality of the information that our shareholders and customers entrust in us.

Social responsibility

- We are engaged with society and the environment and we take these objectives into account in our operations.

Drawing upon the **ethical values and principles** set forth in its Code of Ethics, CaixaBank has developed a **Code of Conduct** for specific matters. This Code of Conduct has been approved by the Board of Directors and includes the following policies:

- **Legal Compliance Policy**: This policy aims to prevent and deter the commission of criminal offences within the organisation, in accordance with the provisions of the Penal Code on the criminal liability of legal persons. It also helps to reinforce the organisation, prevention, management, and control model, which has been designed in line with the culture of compliance that underlies decision-making at all levels of CaixaBank.

- **Anti-Corruption Policy**: This policy aims to prevent the Company and its employees from engaging in activities that violate CaixaBank's regulations and basic working principles. It covers the following areas: accepting and giving gifts, interactions with political parties, sponsoring, travelling and entertainment expenses, donations and contributions to foundations and NGOs, and principles for dealing with at-risk suppliers, among others. Furthermore, it details the types of conduct, practices and activities that are prohibited, in order to avoid situations that could constitute extortion, bribery, facilitation payments or influence peddling.

Section 6 of the CaixaBank Anti-Corruption Policy strictly prohibits donations to political parties and associated foundations.

- **Defence Policy**: This policy regulates the conditions for maintaining business relations in the sector, as well as establishing restrictions and exclusion criteria.

- **Internal Code of Conduct in the Securities Market (ICC):** This code of conduct aims to ensure that the actions of CaixaBank and companies of the CaixaBank Group, as well as its administrative and management bodies, employees and agents, comply with the applicable standards of conduct set forth in Regulation 596/2014 of the European Parliament, on the Securities Market Law and its implementing provisions. The primary objective is to promote transparency in the markets and to protect the legitimate interests of investors at all times. All relevant persons must understand, comply with, and enforce this Regulation and the current legislation of the securities market related to their specific area of activity.

- **Telematic Code of Conduct:** The purpose of the telematic code is to ensure the proper use of CaixaBank's technical and IT resources. It also aims to raise awareness among employees of the proper why of using the communications network and the IT and communication security systems, both inside and outside CaixaBank facilities.

Furthermore, compliance with or adoption of these Codes of Conduct apply to the companies of the CaixaBank Group, according to the specific conduct types and risks of each company.

In addition to the aforementioned regulations, CaixaBank has a set of internal policies and standards covering a broad range of areas: (i) customer protection, (ii) markets and integrity (including the Internal Code of Conduct for the Euribor/Eonia contribution process), (iii) employee activities, (iv) data protection and information governance, (v) internal governance, (vi) anti-money laundering and counter-terrorist financing, and (vii) sanctions.

CaixaBank is **committed to transparency** and provides its customers with accurate, truthful, and comprehensible information about its operations, fees, and procedures to submit complaints and resolve issues. Furthermore, CaixaBank makes all the relevant financial and corporate information available to its shareholders.

CaixaBank follows the Markets in Financial Instruments Directive (MiFID), an EU directive governing the provision of investment services. This directive directly affects how the bank provides information, advises, sells financial products to customers and potential customers. Order ECC/2316/2015, on disclosure obligations and the classification of financial products is also applicable.

In order to maintain the trust of shareholders, customers, and the operating environment of CaixaBank, specific high-level committees have been created around the Board of Directors. The actions of these committees are key to ensuring that the internal processes help reinforce the honest, responsible and transparent activity of the Company. Under the management of these committees, authorisations are granted for the marketing of new products and services after analysing their characteristics, associated risks, suitability for the target public, and compliance with regulations on transparency and customer protection. In 2018, a total of 261 products/services were analysed, of which 11 were rejected for failing to meet the established principles.

CaixaBank implements procedures to ensure that all its internal codes and policies are applied properly; primarily, the Code of Ethics and the Anti-Corruption Policy. The application of the principles and codes of conduct is endorsed by different training programmes linked to the variable remuneration system and communication initiatives

- All CaixaBank employees' **variable remuneration is linked to the compulsory training on Codes of Conduct** and particularly sensitive areas related to reputational risk. The following regulatory courses have been launched in 2019, which are compulsory for all company employees: (i) Basic principles of selling products, (ii) Criminal liability risk prevention, (iii) Investment products and services (MiFID), (iv) Banking products and services, and (v) Data protection, all of which have been completed by over 95% of employees.
  - In 2018, 58,286 hours of training on criminal matters (regulatory and linked to the 2018 bonus) were taken by a total of 29,172 employees, with a 99.9% pass rate.
  - A total of 6,177 hours of training were taken by 26,258 employees on regulations for the business network related to the prevention of suspected operations of money laundering, with a 94.1% pass rate.
  - In addition, 64 specific training sessions on AML/CTF and international financial sanctions were taken by specific groups of employees (including new employees and managers, Private Banking, Business Centres, and Foreign Trade).
  - At BPI, 3,257 employees received training on AML/CTF. In the rest of Group, 2,802 employees received training on criminal matters and 174 employees received AML/CTF training.
  - As regards communication, CaixaBank has reinforced the publication of News and Newsletters related to AML/CTF and anti-corruption on the company intranet. Specifically, in 2018, there were 50 publications on AML/CTF, 1 publication on anti-corruption, and 2 publications regarding criminal matters.

- CaixaBank has created a series of confidential **enquiry and complaint channels** which can be used by all company employees to report any potential violations of the Code of Conduct or any financial or accounting irregularities. All interactions are confidential and guarantee the anonymity of the person who reports the incident. The person's identity will only be provided, with their prior consent, if it is strictly necessary for the investigation. A joint body will then reach a final decision on the matter based on the results of the completed investigation.

The Compliance department responds to any enquiries that are submitted (excluding enquiries related to the Telematic Code of Conduct which come under Security and Governance) and coordinates the investigation of complaints, which may require the involvement of other areas of the Company, and reports periodically to the Audit and Control Committee. In 2018, the Group responded to 129 enquiries and 23 complaints.

- If any employees of the CaixaBank Group engage in potentially fraudulent activities or corruption, during the provision of services, said conduct will be considered an extremely serious violation of compliance with the current collective agreement, and these employees shall incur the **applicable sanctions** as provided for in the aforementioned agreement.

Somos CaixaBank corporate culture programme

- Founded from a process of participatory reflection including professionals from the Bank and customers
- The corporate principles are strengthened
- Foundations are laid which define what we will be in the future

“people and their talent are what forms our essence”

This programme places people at the heart of development and well-being of professionals at the Bank, the service provided to the customer and commitment to society

3 PILLARS		BEHAVIOUR
People, utmost importance	→	COMMITTED, **CLOSE,** RESPONSIBLE,
Collaboration, our strength		**DEMANDING,** HONEST, **TRANSPARENT**
Agility, our attitude		COLLABORATIVE, **AGILE,** INNOVATIVE

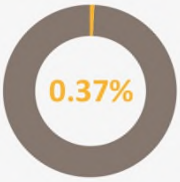
Contributing to society

CaixaBank works to promote economic activity and business productivity, and contributes to the creation of employment and financial inclusion. Therefore, its financial strength is a key component as it enables the company to maintain jobs, purchase products and services from providers, and pay its shareholders.

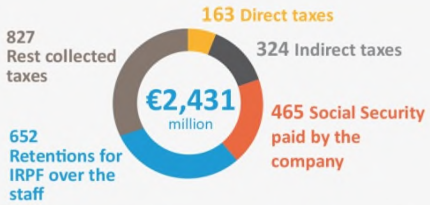
Economic contribution

€9,122 million in direct and indirect contribution to Spanish GDP

€743 million in direct and indirect contribution to Portuguese GDP



Taxes paid, collection of taxes from third parties and other contributions



The fiscal contribution is calculated using a cash basis approach instead of an accrual approach

€325 MILLION contribution to the Deposit Guarantee Fund and Single Resolution Fund

In 2018, the Group has received €6.9 million in grants and/or public aid, mainly associated with the financial structures to promote shipbuilding and in-service training.

Contribution to Job Creation

37,440 people work in the CaixaBank Group

45,890 jobs created through the multiplier effect of purchases from suppliers* and **6,009** generated by Banco BPI

*Source: CaixaBank Research, from the added value of the activity of CaixaBank, the Spanish GDP, the occupation in accordance with Domestic Accounting Standards, productivity figures per worker, and the input-output tables of the National Statistics Institute with fourth quarter data.

€2,476 MILLION in wages and salaries and other staff benefits*

* Excluding Social Security contributions, included in the tax contribution

MicroBank

The social bank fully owned by CaixaBank is one of the main microfinance institutions in Europe.

9,561 new businesses created with the support of microcredits

Financing granted[1]

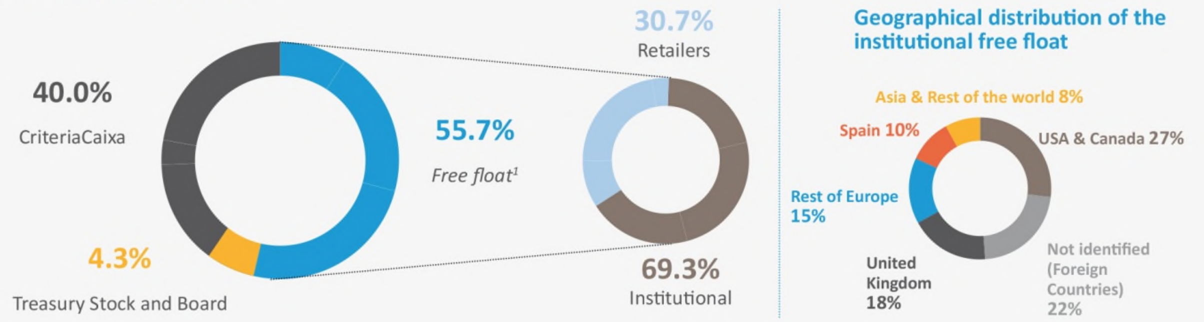
Self-employed workers	Companies	Microcredits	
78,975 New operations granted	**258,934** New operations granted	**18,040** granted in 2018	**€772.8** million in investment

1. Does not include data from Banco BPI.

Shareholder structure

At year-end 2018, CaixaBank had a capital stock of 5,981,438,031 shares, each with a face value of 1 euro, belonging to a single class and series, with identical ownership and financial rights, and entered in the corresponding register. The aforementioned capital stock is distributed as follows:

Shareholder structure



[1] Number of shares available to the public, calculated as the number of shares issued minus the number of shares held in the treasury stock, and by the directors and shareholders represented on the Board of Directors.

According to share tranches, the shareholder and capital stock distribution is as follows:

Share tranches	Shareholders [1]	Shares [1]	Share capital
From 1 to 499	261,913	54,315,478	0.9%
From 500 to 999	116,089	82,215,617	1.4%
From 1,000 to 4,999	169,475	359,973,253	6.0%
From 5,000 a 49,999	39,371	427,535,140	7.2%
From 50,000 to 100,000	653	43,800,159	0.7%
Over de 100,000 [2]	576	5,013,598,384	83.8%
Total	**588,077**	**5,981,438,031**	**100%**

[1] For those investors' shares which operate through a custody entity located outside of Spain, only the custody entity is considered to be the shareholder, and shall be that which is registered in the corresponding book-entry ledger.

[2] Includes Treasury Shares.

Dividend policy

In accordance with the current dividend policy, the remuneration for 2018 is paid through two half-yearly cash dividends, in order to distribute a cash amount equal to or higher than 50% of the consolidated net profit.

From 2015 to 2017, the pay-out has been >50% (average 55%), supported by a sustainable return and a solid equity position:

Shareholder remuneration last 12 months [1]	Market capitalisation	Number Of shareholders	Shares outstanding
0.15	[18,916]	[~588 thou.]	[5,978,625]
€/share	€m, net of own securities	shareholders	Thous. shares, net of own shares

[1] €0.08/share 2017 complementary cash dividend (paid 13.04.18); €0.07/share 2018 interim cash dividend (paid 05.11.18).

In accordance with the updated dividend policy approved by the Board of Directors on 31 January 2019, the remuneration of shareholders, as of 2019, will be a single cash dividend paid after the close of the financial year (around April). In line with the 2019-2021 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit, setting the maximum amount to be distributed charged to 2019 at 60% of the consolidated net profit.

CaixaBank's dividend policy fulfils the conditions set down by the European Central Bank (ECB) regarding the dividend distribution policies of credit institutions, without any restrictions.

Transparency and openness in the shareholder relationship

CaixaBank's Investor Relations department provides a continuous, transparent and diligent service to institutional investors, minority shareholders, and analysts. The following key events took place in 2018:

Annual General Meeting

Held **6 April in Valencia**, approving the management and results of 2017, and the proposals put forward by the Board of Directors

Investor Day

Held 27 November in London, to present the new **2019-2021 Strategic Plan**

Investors and analysts

Road-shows, conferences and meetings with equity and fixed income investors in the main financial circles: **+ 400 meetings**

Customised care to **30 analysts** who follow the CaixaBank share

Minority shareholders

Over 1,200 queries attended in a close and personalised way

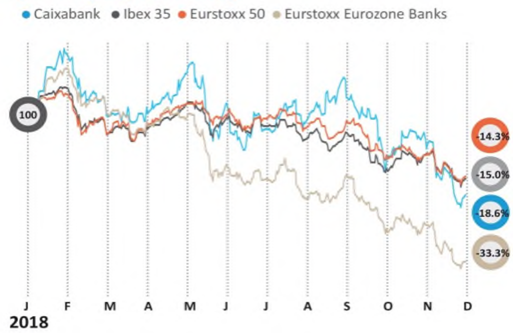
2 meetings of the Consultation Committee

Over 2,500 shareholders took part in the Aula programme and various regular events to spread information, culture and leisure. Upholding active communication with shareholders through online and offline channels

Stock performance in 2018

- The CaixaBank share closed 31 December 2018 at a Price of EUR 3.164 per share, dropping 18.6% in the year, due to the drop in the markets during the last quarter, in which it fell by 19.7%. Nonetheless, the annual change has been slightly better than the European banking selective SX7E, which fell by -33.3% and the Ibex Bancos, which was down -28.7% in the year.
- In 2018, the trading volume of the CaixaBank share in euros was 17.1% lower than last year. In turn, the number of securities traded also fell by 15.2% compared to 2017.

Performance of the main stock exchanges (January 18, Base: 100)



Corporate governance

Robust Corporate Governance enables companies to maintain an efficient and methodical decision-making process, which transmits clarity in the allocation of responsibilities, thereby avoiding potential conflicts of interest, ensuring the efficiency of risk management and internal control, and promoting transparency.

As part of our mission and vision, we implement good Corporate Governance practices in our activity. This enables us to be a well-governed and coordinated company that is recognised for its good practices.

Best Corporate Governance practices

CaixaBank's Corporate Government policy is based on the Company's corporate values, as well as national and international best governance practices, in particular, the recommendations of the Code of Good Governance for Listed Companies approved by the National Securities Market Commission ("Code of Good Governance").

CaixaBank complies with current regulations on good governance. It also complies voluntarily with 58 of the 64 recommendations of the Code of Good Governance (one of which does not apply). The following lists contains the recommendations partially or not complied with by CaixaBank:

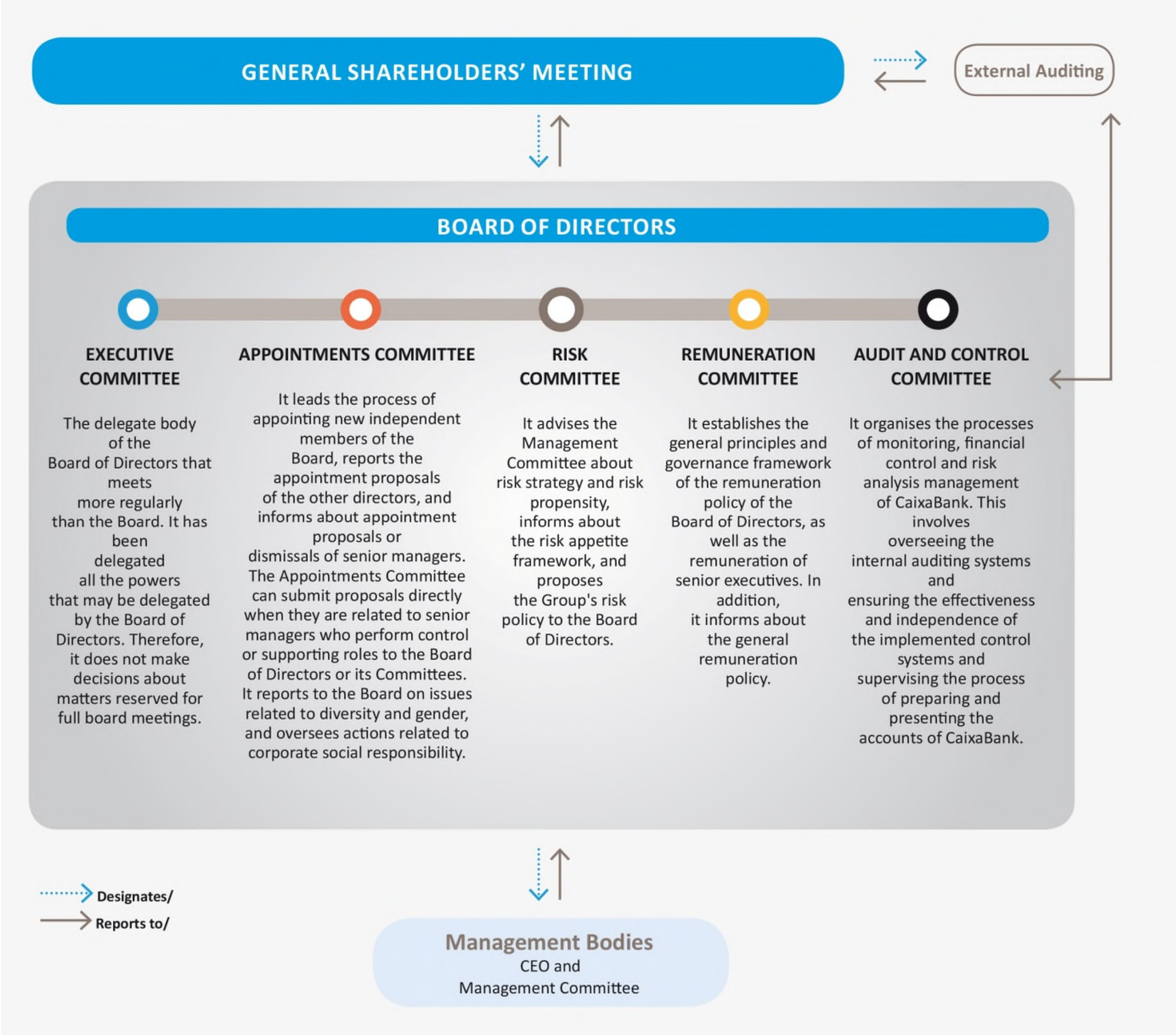
Best practices

- Independent Coordinating Director
- Non-executive Chairman
- Clear separation of functions

Recommendation number	Description	Compliance	Justification
5	The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation. When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.	Partially	The general meeting 2016 approved a delegation of powers allowing the board of directors to issue shares without pre-emptive subscription rights without the limitation of not exceeding 20% of capital.
10	When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should: a) Immediately circulate the supplementary items and new proposals. b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors. c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes. d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.	Partially	The voting rules for an alternative proposal submitted by an accredited shareholder are not the same as a proposal submitted by the board of directors.
13	The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.	No	The board of directors has a number of members over the recommended one due to its history, distinctive features and regulatory requirements.
27	Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.	Partially	Delegations of powers for the board of directors' votes, when they occur, do not include specific instructions due to it being considered best practice.
62	Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.	No	Shares awarded to the directors derived from their annual variable remuneration must be withheld for a period of 12 months with no further requirements thereafter.

Corporate Governance Structure

At CaixaBank, the management and control functions are distributed among the General Shareholders' Meeting, the Board of Directors, and its committees.



General Shareholders' Meeting

The General Shareholders' Meeting of CaixaBank is the ultimate representative and participatory body of the Company shareholders.

Accordingly, the Board of Directors is responsible for promoting the shareholders' participation in General Shareholders' Meetings and exercising their rights. The Board of Directors adopts all appropriate measures to enable the General Shareholders' Meeting to perform its duties effectively in accordance with the law and the Articles of Association.

Best practices

- Shareholders with equal rights: one share, one vote
- Protection of minority shareholders
- Fostering informed participation

The main agreements reached at the Meeting held on 6 April 2018 were: (i) the approval of the individual and consolidated annual financial statements, and the respective management reports for 2017, and the application of the 2017 financial results; (ii) the approval and appointment of Eduardo Javier Sanchiz Irazu and Mr Tomás Muniesa Arantegui as members of the Board of Directors; (iii) the modification of the Articles of Association ("Registered offices and corporate website"); (iv) the modification of the Director Remuneration Policy; and finally, (v) the approval of the maximum level of variable remuneration for employees whose professional activities have a significant impact on the Company's risk profile, and the issuance of shares to executive directors and senior managers as part of the Company's variable remuneration programme.

Board of Directors as of 1 January 2019

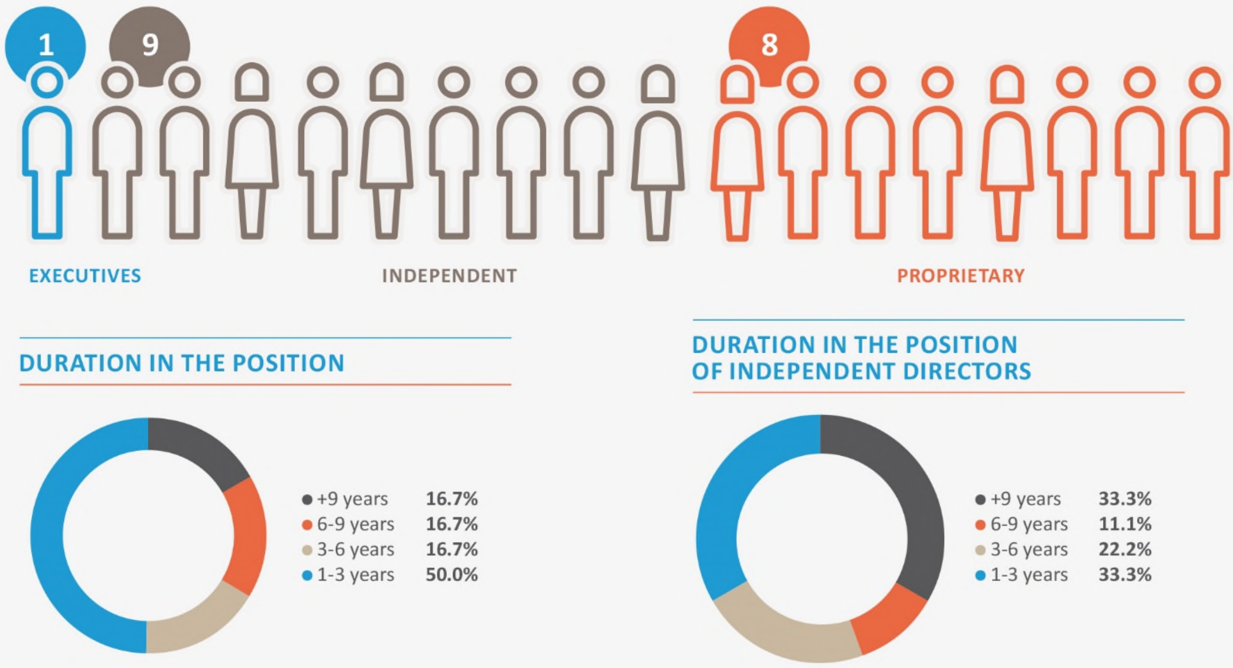
Mr Tomás Muniesa performed executive duties until 22 November 2018, upon which date he resigned from his position as managing director of Insurance and Asset Management, and as member of the Management Committee.

The Board is the most senior decision-making body, with the exclusion of matters reserved for the General Shareholders' Meeting. It ensures that the Group complies with current legislation, fulfils its obligations and contracts in good faith, respects the uses and good practices of the sectors and territories where it operates, and observes the additional social responsibility principles to which the Group voluntarily adheres.

The CEO also reports to the Board of Directors and is responsible for the daily management of the Group and ordinary decision-making under the authority of the Board and the Executive Committee.

The directors meet the requirements of integrity, experience and good governance in accordance with the applicable law at all times, as well as the recommendations for the composition of administrative bodies and director profiles issued by Spanish and European authorities and experts.

Profile of the members of the Board of Directors[1]



1. At year-end 2018.

In 2018, the Board of Directors met on 13 occasions to discuss, review and reach agreements on the following matters:

- CaixaBank's financial situation and results.
- The Company's Policies, modifying certain existing policies and approving new ones such as the Policy for the selection, diversity and suitability of directors, members of senior management, and other key function holders.
- Monitoring the regulatory amendments introduced by the IFRS 9 standard and the implementation of the adaptation process.
- The Company’s Strategic Plan.
- Matters related to corporate governance such as appointing directors and senior managers, and their remuneration.
- Budgetary, risk and solvency control.

In 2018, progress has been made in the application of good corporate governance practices together with the approval of the new Policy for the selection, diversity and suitability of directors, members of senior management, and other key function holders of CaixaBank and the CaixaBank Group, and, in particular, the obligation of the Appointments Committee to assess the collective suitability of the Board of Directors on an annual basis, related to gender diversity, training and professional experience, age, and geographical origin.

The Appointments Committee, with the support of the General Secretary and the Board of Directors, has created a competence matrix, which has been approved by the Board of Directors, to evaluate training and expertise, with a clear distinction between the Chairman, directors with executive roles, and the other non-executive directors.

Based on this analysis, it has been concluded that the CaixaBank Board of Directors currently has a satisfactory composition with an adequate balance of knowledge and expertise among its members, both in the financial sector and other relevant areas, to guarantee the proper governance of the credit institution, and the joint expertise to contribute sufficient complementary points of view (see section C.1.3 of the Annual Corporate Governance Report for the member profiles of the CaixaBank Board of Directors).

In addition, notably, the number of executive directors has decreased over the financial year. At present, the CEO is the only representative of this category. All the other board members are non-executive and, primarily, independent directors.

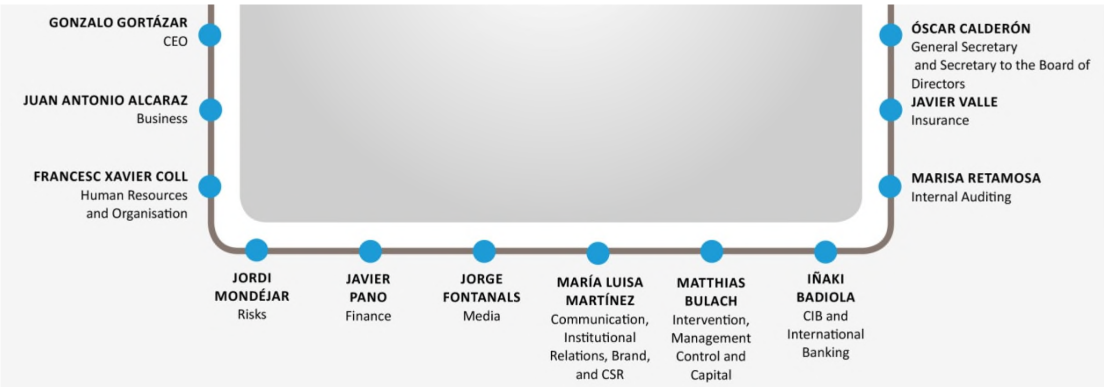
Similarly, the Articles of Association and the Board Regulations stipulate the maximum number of proprietary directors that can represent a single shareholder (without prejudice to the right of representation), which reinforces the role of independent directors, due to their high presence in different committees and the fact that proprietary directors that represent a single shareholder are prohibited from participating in decisions for proposing and appointing independent directors.

Finally, as regards the issue of diversity, the Company maintains its firm intention of reaching 30% female presence on the Board of Directors and, therefore, considers different possibilities for attain this goal. These options include appointing an independent director to substitute another independent director that is close to reaching the 12-year limit for occupying the position, or even reducing the size of the Board.

Senior Management

The CEO, the Management Committee, and the main committees of the Company are responsible for the daily management, implementation and development of the decisions made by the Corporate Governance Bodies. The main committees are as follows:

Management Committee as of 1 January 2019



CHIEF EXECUTIVE OFFICER

GONZALO GORTÁZAR ROTAECHE
- Corporate Development
- Innovation and Digital Transformation
- Compliance
- Defaults, Recoveries, and Foreclosed Assets
- Technical Secretary to the CEO

GENERAL MANAGERS

JUAN ANTONIO ALCARAZ GARCÍA
- Global Customer Experience (Retail, Enjoy, Protect, Commerce, Marketing & Experience)
- Private Banking and Premier Banking
- Corporate Banking
- Voice of the Customer & Quality Insights
- Customer Service and Reputational Risk
- Business Intelligence
- Digital Business
- Regional Departments
- Business Control
- Business Technical Secretary
- Technical Secretary to the Chairman's Office in Madrid
- Social Action

FRANCESC XAVIER COLL ESCURSELL
- People
- Labour Relations, Culture and Development
- Talent and Internal Communication
- Organisation and Productivity
- Legal and Labour Advice

JORDI MONDÉJAR LÓPEZ
- Corporate Risk Management Function & Planning
- Chief Lending Officer Retail & Service Line
- Chief Lending Officer Empresas
- Real Estate BuildingCenter
- Non-performing assets and Restructurings
- Environmental Risk Management

EXECUTIVE DIRECTORS

JAVIER PANO RIERA
- Markets
- ALM
- Balance Analysis and Monitoring
- Investor Relations

JORGE FONTANALS CURIEL
- IT Services
- Banking Services
- Information Security and Governance
- Process Efficiency and Digitalisation
- Security
- General Service Management

MARÍA LUISA MARTINEZ GISTAU
- External Communication
- Corporate Responsibility
- Media and Branding
- Sponsorships
- Institutional Relations
- Financial Management and Budgetary Control
- Institutional Representation of the Global Compact and Sustainability

MATTHIAS BULACH
- Intervention and Accounting
- Corporate Information and Control of Investee Companies
- Costs and Budgetary Management
- Solvency and Results
- Projection and Balance
- Internal Financial Control
- Investee Insurance Companies and Asset Management

IÑAKI BADIOLA GÓMEZ
- Corporate & Institutional Banking (CIB)
- International Network
- International Business Development
- IFIs and Correspondent Management

MARISA RETAMOSA FERNÁNDEZ
- Auditing Services
- Regional Auditing and Business
- Auditing Methods and Reporting

JAVIER VALLE T-FIGUERAS
- VidaCaixa

GENERAL SECRETARY AND SECRETARY TO THE BOARD OF DIRECTORS

ÓSCAR CALDERÓN DE OYA
- General Secretary
- Legal Advice
- Secretary of Governing Bodies
- Secretary of Investee Companies and Corporate Governance
- Corporate M&A

On 22 November 2018, the Governing Body approved the following changes in CaixaBank's Steering Committee: Mr Tomás Muniesa resigned from his executive role as managing director of Insurance and Asset Management and member of the Management Committee. He was replaced by Mr Javier Valle on 1 January, who took over as managing director of Insurance at CaixaBank. Furthermore, it was agreed, with effect from 1 January 2019, that Ms María Victoria Matía and Mr Joaquín Vilar, respectively, be replaced in the Steering Committee, by Mr Iñaki Badiola, as the new executive director of CIB and International Banking, and Ms Marisa Retamosa, as the new executive director of Internal Auditing.

The Management Committee meets on a weekly basis to reach agreements regarding the Strategic Plan, Annual Operating Plan, and other areas that affect organisational life at CaixaBank. It also approves structural changes, appointments, expense lines and business strategies.

Main Committees

Global Risk Committee

This committee is responsible for the overall management, control and monitoring of the risks included in the CaixaBank Group's Corporate Risk Catalogue, as well as the implications in managing capital adequacy and consumption.

To do so, it analyses the overall positioning of the Group's risks and sets out the policies that optimise the management, monitoring and control thereof in its strategic objectives.

A specific objective of the GRC is to adapt CaixaBank's risk strategy to the provisions of the Board of Directors in the RAF (Risk Appetite Framework), coordinate the measures to mitigate breaches of this framework and the reaction of its early alerts, and to report to the the CaixaBank Board (through the Risk Committee) on the CaixaBank Group's main lines of action and risk situation.

Assets and Liabilities Committee

It is responsible for managing, monitoring and controlling the structural liquidity risk, interest rate risk, and exchange rate risk of the CaixaBank balance sheet.

It oversees the optimisation and achieving a return on the CaixaBank Group's financial structure, including the net interest income and the extraordinary results in the Results of Financial Operations (ROF); determining the transfer fees for the various businesses (IGC/MIS); monitoring prices, terms and volumes of the activities that generate assets and liabilities; and managing wholesale financing.

All of this comes under the policies of the risk appetite framework and the risk limits approved by the Board of Directors.

As a result, it makes the appropriate decisions and can provide recommendations to the various areas of activity.

Regulation Committee

This is the decision-making body for all aspects related to financial regulations.

Its functions include promoting actions in representation of the Bank's interests, as well as the systematisation of regulatory actions, regularly assessing the initiatives implemented in this area.

Furthermore, this committee approves and reviews the Interest Representation Map to coordinate the participation of the Bank's directors in national and international groups and forums.

Corporate Responsibility and Reputation Committee

It is responsible for monitoring the corporate responsibility strategy and practices. It proposes and submits (for the approval of the corresponding governing bodies) the general policies for managing corporate responsibility and reputation.

Its mission is to help to make CaixaBank the best bank in terms of quality and reputation, strengthening its reputation as a paradigm of responsible banking and social commitment.

Another objective of the CRRC is to adapt CaixaBank's reputational risk strategy to the provisions set out by the Board of Directors in the risk appetite framework (RAF), And to coordinate the measures to mitigate breaches of the RAF and the reaction its early alerts.

Efficiency Committee

The purpose of this committee is to improve efficiency in organisation, and it is responsible for proposing the general annual expenditure and investment budgets and agreeing them with the Areas and Subsidiaries, which will be submitted to the Management Committee for subsequent rectification.

Information and Data Quality Committee

The function of this committee is to oversee the coherence, consistency and quality of information reported to the regulator and the Group's management, providing a transverse view thereof at all times.

Recovery Plans and Resolution Committee

It is responsible for preparing, approving, reviewing and updating the plans to minimise the impact of future financial crises for contributors.

Corporate Crime Management Committee

It is responsible for managing all observation or claims in terms of the prevention and response to criminal conduct, regardless of the channel through which it is carried out. Its main functions include: Prevention, Detection, Response, Reporting and Monitoring of the Model.

Permanent Credit Committee

This committee, by express delegation of the Board of Directors, collectively oversees penalising operations of loans, facilities, guarantees and investments in general inherent to the bank's corporate purpose, the approval level of which corresponds to such functions through internal legislation.

The current functions pursuant to notarial deed are as follows:

"Collectively approving operations of loans, facilities, guarantees and investments in general inherent to the bank's corporate purpose", according to responsibilities delegated by the Board.

Transparency Committee

This committee acts as the decision-making body for all aspects related to transparency in the design and marketing of financial instruments, banking products and savings and investment insurance products.

It oversees guaranteeing the transparency when marketing these products, by defining and approving policies in the areas of marketing, prevention of conflicts of interest, customer asset safeguarding, and best execution. Similarly, it validates the classification of the new financial instruments, banking products and savings and investment insurance products depending on their risk and complexity, pursuant to the provisions laid down in regulations including the MiFID framework, banking transparency and insurance.

Diversity Committee

Its mission is to create, foster, monitor and present actions in the corresponding areas to increase diversity, focused on the representation of women in management positions and avoiding the loss of talent, and in other areas of diversity that are priorities for the Bank, such as functional, generational and cultural diversity.

Environment and strategy

Environment and strategy

Economic context

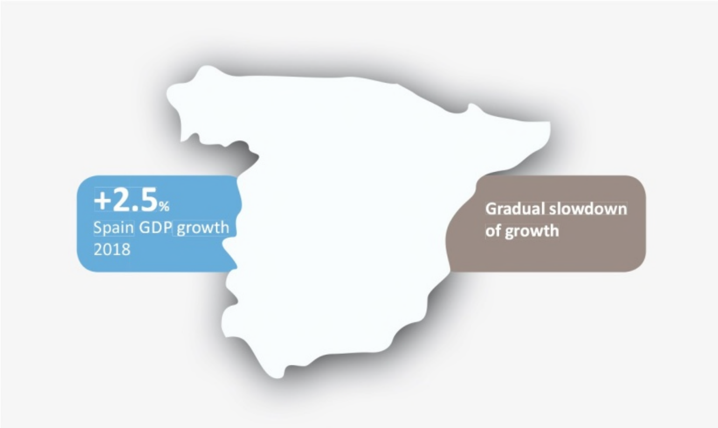
Global economic trends

- **Positive economic growth** at 3.7%, the same rate as in 2017 and above the historical average.
- **High level of synchronisation:** the growth of advanced and emerging economies remains at reasonably positive levels.
- **Current slowdown in China:** in 2018, 6.5% estimated growth, confirming the decreasing activity rate (6.9% in 2017).
- **The USA benefits from fiscal stimulus,** with an expected upturn in growth to 2.8% in 2018 (higher than the 2.2% in 2017).
- **Protectionist shift in international trade** with uncertainty about the extent and eventual impact of the trade tensions between the USA and China.
- **Reduced activity rate in the Eurozone:** estimated growth of 1.8% in 2018 (2.5% in 2017), primarily due to less dynamism in the foreign sector.
- **Increase political uncertainty in Europe:** frictions between Italy and the EU due to the budgetary path (putting upward pressure on the transalpine premium risk) and concerns about Brexit, despite the preliminary exit agreement.
- **Moderate pickup in inflation:** global inflation is expected to exceed 3.5% (3.2% in 2017), mainly due to the increase in oil prices.
- **Increasing volatility in markets amid the gradual tightening of global financial conditions:** the progress towards full monetary normalisation and the uncertainty surrounding global growth are key factors.
- **The USA Federal Reserve proceeds with monetary tightening:** four reference rate increases in 2018 (from 1.5% to 2.5%) and further raises forecasted in 2019.
- **The ECB moves forward with monetary normalisation:** stabilisation of the ECB balance sheet at the end of 2018 and preparation to increase rates well into 2019.
- **Increased sovereign interest rates:** the forecast of greater cyclical maturity and the advances towards monetary normalisation, both in USA and Europe, support the increase in sovereign yield.

2019 global outlook

- **Global growth somewhat lower than in the past:** moderate slowdown in 2019 in comparison with the rate of growth in 2018. However, it is still above the historic average. The risks are leaning towards lower growth.
- **USA slowdown:** as 2019 progresses, the economy will slow down somewhat as the effects of the fiscal expansion in 2018 gradually dissipate.
- **Lower rate of growth in the Eurozone:** the economy will experience an extended period of slightly lower growth than in previous years.
- **Monetary conditions still flexible in the Eurozone:** despite the expected increase in rates by the ECB at the end of 2019, the financial conditions will remain lax and contribute to the upturn in credit.

Spanish economy overview



- **The economy is entering a more mature phase of the cycle:** with reduced momentum in the supporting factors related to the current economic situation, the activity rate has decreased slightly (2.5% estimated growth in 2018 compared to 3.0% in 2017).
- **Spain continues to make positive progress:** despite the slowdown, growth remains above the majority of developed economies.
- **Domestic demand continues to provide steady support:** significant growth momentum in domestic demand, which benefits from the strength of the job market.
- **Slowdown in the foreign sector:** in 2018, the current account balance will be lower than in 2017 due to an increased energy bill, the slowdown in exports of non-tourism related services, and the normalisation of tourism flows after an exceptional 2017.
- **Continued improvement in public finances:** the budgetary path confirms the reduction in public deficit below 3% in 2018, which will enable Spain to leave the Excessive Deficit Procedure of the European Commission. However, the public debt remains at high levels, close to 100% of the GDP.
- **The credit market continued to recover in 2018:** strong recovery of the new output for households, both in terms of consumption and purchasing property, and in non-financial companies.

2019 outlook for Spain

- **Consolidation of the Spanish cycle in the mature phase:** the projected growth for 2019 is around 2%, which although lower than in previous years, is still dynamic and sustainable.
- **The credit recovery continues in Spain:** in 2019, the good level of new output will finally offset the outflows and the credit portfolio will start to grow again after 10 years of recession.

Portuguese economy overview

- **Positive rate of growth:** despite the slowdown, due to a certain decrease in investments and exports, the economy maintains a satisfactory rate of progress.
- **Employment growth, a mainstay of domestic demand:** the job market continues to show signs of being very robust, which drives private household consumption expenditure.
- **Good evolution of risk/country:** since 2017, the risk premium has decreased in a significant and sustained manner, reflecting the greater confidence of international investors following the deficit adjustment in recent years and Portugal's brighter economic outlook.

2019 outlook for Portugal

- **Slight decrease in growth in Portugal:** the activity rate is predicted to be somewhat slower than in 2018, due to the combination of a lower contribution in both the domestic and foreign demand.

Competitive and social context

The competitive environment in which the Company operates is characterised by:

- **An environment of low interest rates**. However, we expect interest rates to increase gradually as the European Central Bank withdraws monetary incentives.
- **Recovery of credit volumes,** especially for households.
- **Greater demand for long-term savings products**, such as savings insurance and pension plans, in response to the increased need for financial planning.
- **Digital innovation**, which transforms customer relations and offers new opportunities to be a faster, more efficient and flexible organisation. This new environment gives rise to new value propositions and new players seeking to disaggregate the value chain. Also, increased importance is placed on cybersecurity and data protection.
- **Increased competition of new players**: fintechs and agile Banks, as well as competition from global asset managers and bigtechs with disruptive potential in terms of competition or services. Possibility of impacts due to disaggregation and disintermediation of the value chain, impact on margins and cross-selling and competition with other more agile and flexible entities with very low cost structures; all of which can be aggravated according to the trend of regulatory demands to which it can be subjected.
- **Growing sensitivity through responsible business management** by customers and society, who increasingly value companies and entities with a social and environmental commitment. For the banking sector, it is also worth highlighting the areas of inclusion and financial education, and the importance of a culture of control and compliance within an environment of increased litigation.

In this context, the CaixaBank Group strives to offer the best experience through all its channels and services with high added value. We want to continue to be the leading bank in Spain, while also extending our business model with BPI in Portugal, where there is a clear growth potential.

Regulatory context

The active involvement of the industry in the development of regulatory and supervision standards is extremely important to help to shape a solid and robust regulatory framework, as well as to promote consistency, convergence and harmonisation in the area of regulation and the supervisory culture at a European and international level. In this regard, CaixaBank participates in the regulatory and legislative processes for issues that concern the national, European and global financial and banking sectors, with the active involvement of Senior Management in the monitoring of the regulatory proposals and defining the Company's strategy and stance related to these proposals.

CaixaBank shares its views on the regulatory processes with the public authorities by means of position papers and impact analysis documents, either at the request of these public authorities or on their own initiative. In general, CaixaBank shares its opinions through different associations after reaching a consensus within the industry. CaixaBank is member of a wide range of associations in the sector. However, in the field of banking, most of its activity is channelled through CECA (Spanish Confederation of Savings Banks) nationally, ESBG (the European Savings and Retail Banking Group) on a European level, and IIF (the Institute of International Finance) globally. Furthermore, Banco BPI is a member of the APB (Portuguese Banking Association), which in turn is a member of the EBF (European Banking Federation). In the area of insurance, CaixaBank is notable for its participation in Insurance Europe (The European insurance and reinsurance federation) and CFO Forum (The European Insurance CFO Forum).

In 2018, the major milestones of the regulatory agenda and their impact for the group were developed at the European level in the areas of prudential supervision and bank resolution, as part of the key pillars of the Banking Union, as well as in the regulation of aspects related to consumer and investor protection, and the challenges posed by digital transformation. On the national level, it is important to highlight the regulation of aspects related to consumer and investor protection, in particular, the processing of the regulatory law on real estate loan contracts.

Consumer protection and transparency

- Directive regulating real estate credit contracts (MCD),
- Directive on Basic Payment Accounts (PAD)
- Payment Services Directive (PSD2)
- General Data Protection Regulation
- Markets In Financial Instruments Directive / Regulation (MiFID2 / MiFIR)
- Benchmarks Regulations (BMR)
- International Accounting Standards (IFRS)
- Regulation on Privacy and Electronic Communications (ePrivacy)

Financial stability and strengthening of the financial sector

- Bank Recovery and Resolution Directive (BRRD)
- Capital Requirements Directive and Regualtiuon (CRD IV / CRR)
- Second progress report on the reduction of NPLs in Europe
- Sustainable Finance Action Plan
- European Covered Bonds
- Anti-money laundering directive
- Counter-terrorist financing (AMLD 4)
- Benchmarks Regulations (BMR)
- International Accounting Standards (IFRS)

Innovation and digitalisation

- FinTech Action Plan
- Spanish regulatory sandbox
- EBA guidelines on outsourcing to cloud services
- Initiatives on crowdfunding service providers
- Regulation on Privacy and Electronic Communications (ePrivacy)

Taxation

- Draft Bills of October 2018 on Financial Transaction Tax
- Tax on certain Digital Services
- Tax Fraud Prevention and control measures.

2019-2021 Strategic Plan

The CaixaBank Group has successfully achieved the objectives of the 2015-2018 Strategic Plan, including the following milestones:

- **reinforcing the commercial leadership in Spain** based on a banking model of customer proximity, with the best omnichannel services and specialised and innovative value propositions covering all sectors;
- **acquiring BPI**, the best bank in Portugal in 2018 according to Euromoney**;**
- **increasing profitability to exceed the cost of capital** thanks to the improvement in core income, the containment of operational costs, and the lower cost of risk;
- **improving the balance sheet quality** and **reducing non-strategic assets**, enabling the Group to place more focus on its core business in Spain and Portugal; and
- **the prudential deconsolidation of the CriteriaCaixa Group**, a process that has been significantly reinforced by the bank's corporate governance

Following the conclusion of the 2015-2018 Strategic Plan, the Group initiates the new 2019-2021 Strategic Plan with the aim to **be a leading and innovative financial group with the best customer service and a benchmark of socially responsible banking. Five strategic lines:**

Offering the best customer experience

The ambitious Plan will see the Group stepping up its digital transformation process to ensure better customer orientation and adapt to new customer behaviour. The aim is to offer the best experience across any channel, based on the knowledge that most modern consumers prefer omnichannel services. Therefore, the following leverage factors have been established:

- **Continued transformation of the distribution network** to offer greater value to customers: the Store urban office model is consolidated (increase to a minimum of 600 branches in 2021) and the AgroBank model is strengthened in rural areas (over 1,000 branches in towns with under 10,000 inhabitants). This reconfiguration will maintain customer proximity while also improving commercial efficiency, productivity and service.
- **Enhancing the remote and digital customer service model**: boosting the inTouch model and an opportunity to continue growing at imaginBank, and the high-added value services offered through our digital channels.
- **Continued expansion of our range of products and services**: we will continue to expand our ecosystem to cover all the financial and insurance needs of our customers, through new banking and non-banking products and services.
- **Segmentation and review of customer journeys**: optimisation of processes and usability to provide the best customer experience through any chosen channel.

Speeding up digital transformation to become more efficient and flexible

The current environment and new technologies offer new opportunities (such as blockchain, artificial intelligence, and the use of clouds) that will enable us to be a faster, more efficient and flexible bank. The main priorities in this area are:

- **Reducing time-to-market** for new product launches.
- **Improving the efficiency of** back-office **processes**.
- Harnessing the **potential** of **big data** for the whole organisation.
- Continuing to improve the **flexibility, scalability and efficiency of our infrastructures**, including increased cloud usage, architecture developments, expansion of agile methodologies, and continued investments in cybersecurity.

Championing an agile and collaborative culture that puts people first

The main goal of this strategic line is to strengthen our corporate culture and keep people at the heart of the organisation. The new plan will continue to **promote talent** (ensuring the development of their potential through meritocracy, diversity and empowerment), as well as defining and implementing the best **value proposition for employees** (improving the employee experience), and promoting the attributes of **agility and collaboration**. This will include the following initiatives, among others:

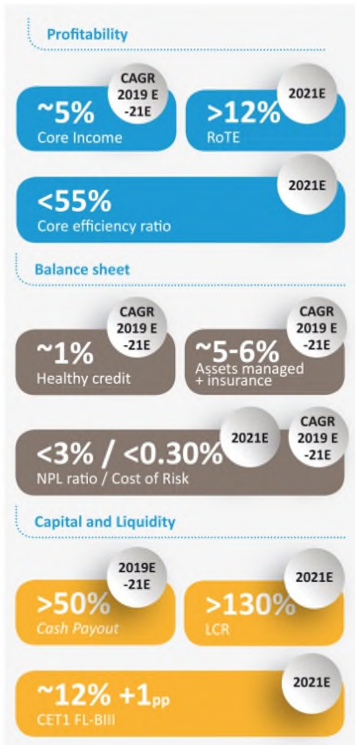
- Simplifying processes and structures to make them more agile, cross-cutting and closer to customers.
- Fostering horizontal collaboration and communication.
- Increasing teams using the agile work methodology.
- Rewarding and promoting innovation.

Generating an attractive return for shareholders while remaining financially sound.

The objective for the 2019-2021 Plan is to **sustain a high return** (even in an environment of stable rates) by maintaining a strong balance sheet. We expect to achieve a return on tangible equity (**ROTE**) **over 12%** in 2021, based on the following leverage factors:

- Improving core income, supported by the following drivers:
  - Long-term insurance and saving, businesses with a high potential for growth.
  - Consumer finance, offering customers efficient solutions.
  - Loans to companies, helping them to grow.
  - Payment methods: our leadership generates opportunities for growth through increased electronic trade.
  - BPI: opportunity to replicate the CaixaBank model in Portugal.
- High investment and transformational effort, which makes it possible to enhance the service provided and boost productivity.
- Reduction of problematic assets: significant reduction in bad loans, achieving a NPL ratio of under 3% in 2021.
- Consolidating financial stability: the CET1 fully-loaded capital ratio expected to be around 12% at the end of 2019 with an additional temporary buffer of 100 basis points over the following three years to absorb any potential regulatory impacts.

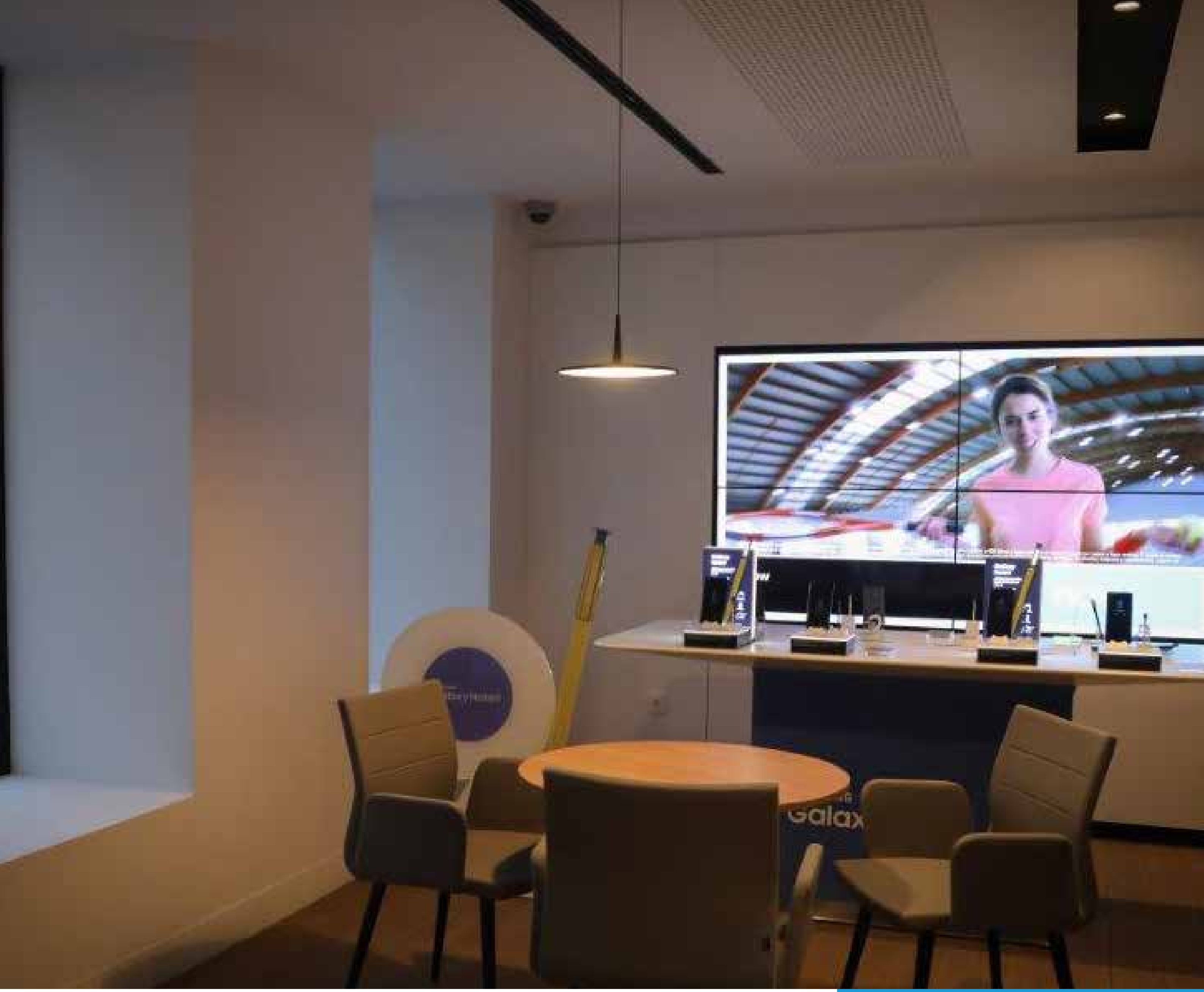
Due to the greater return, combined with the maintained financial stability, we will be able to sustain an attractive dividend policy for our shareholders (>50% cash payout for the entire period).



Setting the benchmark for responsible management and social commitment

CaixaBank strives to be an industry leader in socially responsible banking, by **reinforcing responsible business management** (with an emphasis on transparency with customers), **ensuring best practices in internal control and corporate governance**, and maintaining its **commitment to society**. The priorities of the Socially Responsible Banking Plan are as follows:

- To strengthen the culture of transparency with customers.
- To have a more diverse and skilled team.
- To maintain our commitment to financial inclusion.
- To promote the responsible and sustainable financing.
- To foster the financial culture



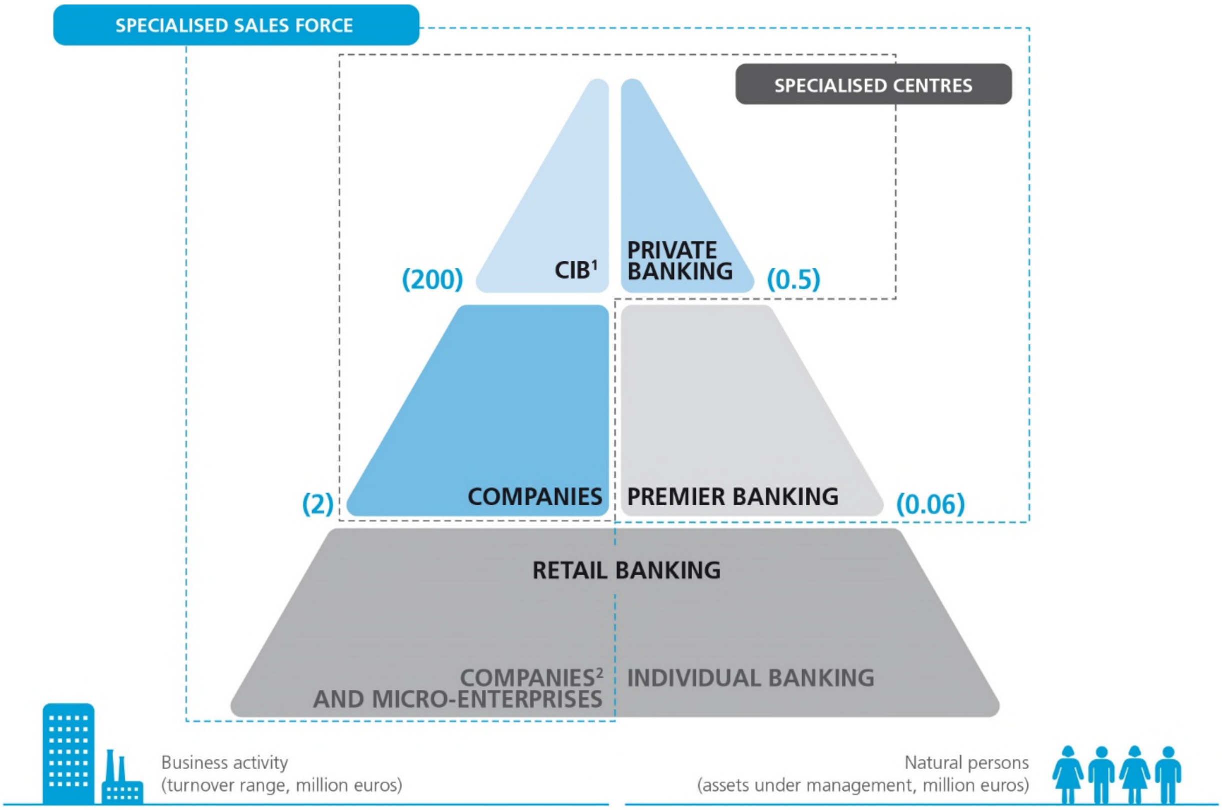
Business model

Business model

CaixaBank has a universal banking model. We have adopted the “financial supermarket”, which offers a wide range of products and services adapted to the customers' needs through a business platform that combines physical branches and the digital world. A business model that covers all financial and insurance needs.

With a view to fulfilling its goal to offer customers the best value proposal while also prioritising efficiency, CaixaBank prioritises strategic agreements with other leading companies from different sectors, sharing knowledge and creating synergies.

Segmentation, key to better serving our customers



1. Corporate and Institutional Banking.
2. Includes the self-employed, professionals, farmers and shops.

CaixaBank RETAIL BANKING

4,409 BRANCHES

20,798 EMPLOYEES OF WHICH **1,683** ARE BUSINESS MANAGERS

CaixaBankNow GROUPING ALL DIGITAL SERVICES IN THE SAME PLACE

CaixaBank Empresas

122 BUSINESS CENTRES

1,186 EMPLOYEES

139 SPECIALISED EMPLOYEES

CaixaBank Banca Premier

3,622 PORTFOLIO MANAGERS

2,001 SPECIALIST MANAGERS

PlanA FINANCIAL ADVICE METHOD

CaixaBank Banca Privada

47 CENTRES

562 SPECIALIST MANAGERS

100% MANAGERS ACCREDITED BY CNMV

CaixaBank Corporate & Institutional Banking

1 CORPORATE BANKING CENTRES

15 INSTITUTIONAL BANKING CENTRES

199 PROFESSIONALS IN SPECIALISED PRODUCT AREAS AND **148** IN SPECIALISED COMMERCIAL AREAS

CaixaBank International Banking

28 POINTS OF PRESENCE IN **5** CONTINENTS

AGREEMENTS WITH **1,500** CORRESPOND-ENT BANKS

174 EMPLOYEES

BPI

495 BRANCHES

4,888 EMPLOYEES

73 SPECIALISED PREMIER CENTRES / COMPANY CENTRES

Scale and coverage

Wide range of products

IT and digitalisation

Advice

TRUST

SOCIAL COMMITMENT

QUALITY

RETAIL BANKING

8.7 IN INDIVIDUAL CUSTOMER SATISFACTION INDEX *(1-10 scale)*

32.0% PENETRATION OF DIGITAL CUSTOMERS

26.8% DIRECT DEBIT PAYROLL MARKET SHARE

BUSINESS BANKING

€39,097 MILLION IN INVESTMENT

15.3% COMPANY CREDIT MARKET SHARE

48.0% OF SPANISH COMPANIES ARE CAIXABANK CUSTOMERS

PREMIER BANKING

€125,727 MILLION IN MANAGED FUNDS AND SECURITIES

1.67 MILLION CUSTOMERS

66% ADVICED CUSTOMERS

PRIVATE BANKING

€64,282 MILLION MANAGED FUNDS AND SECURITIES

95% ADVICED CUSTOMERS

>100.000 PRIVATE BANKING CUSTOMERS IN SPAIN

RECEIVED THE EUROMONEY AWARD FOR THE FOURTH CONSECUTIVE YEAR

CORPORATE & INSTITUTIONAL BANKING

€31,455 MILLION IN INVESTMENT

€30,620 MILLION IN MANAGED FUNDS

INTERNATIONAL BANKING

23.3% TRADE MARKET SHARE

PROMOTION OF EVENTS (**11** DIVERSITY TALKS, **6** CERCLE, **3** THE CIRCLE, **5** BUSINESS BREAKFAST)

BEST CONFIRMING BANK PARTNER FOR FINANCING IN EMERGING MARKETS BY THE IFC

BANCO BPI

1.9 MILLION CUSTOMERS

EUROMONEY AWARDS FOR EXCELLENCE 2018

BEST BANK IN PORTUGAL 2018

Retail Banking

[77,953] million euros in funds managed

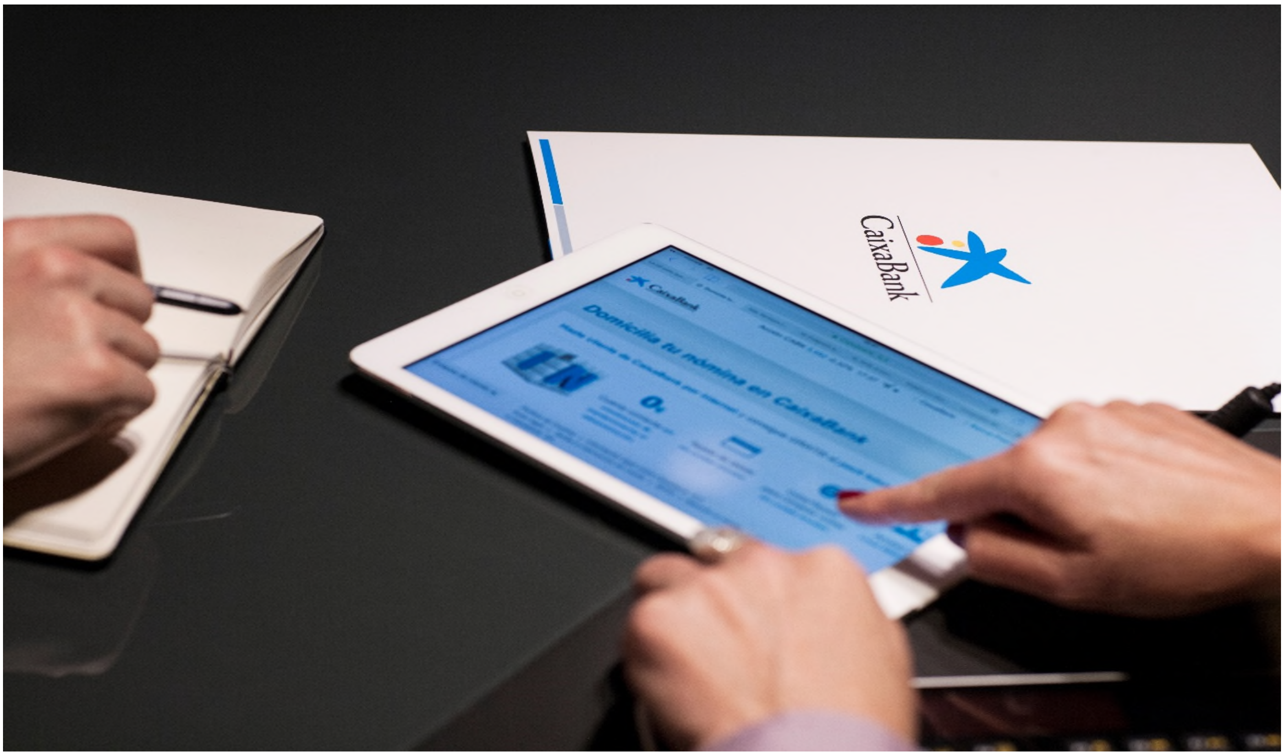
[98,496] million euros in investment

This value proposal is based on an innovative and unique omnichannel service channel offering a range of solutions adapted to the profiles and needs of our customers; all this while constantly striving to improve the customer experience.

The business activity in the area of Personal Banking has been focused on capturing salary payments. This is a key principle for enhancing our relationship with individual customers, mainly in the areas of financing, security and protection.

The CaixaBank Negocios service is aimed at freelance, professional and business customers. It includes all the day-to-day solutions related to security, protection and financing that they need, while maintaining the focus on innovation and differentiation.

The business activity of CaixaBank Negocios is focused on customer financing and marketing general and life insurance policies, with specialised customer management.



Main initiatives implemented in 2018

- **Capturing salary payments**: In 2018, a total of 773,140 new salary direct deposits were captured.
- Consolidation of the **Store model**, with the opening of new branches all over Spain.

Strategic challenges

- **To keep improving the customer experience.**
- **To consolidate the** customer omnichannel relationship.
- To enhance **customer relations**.

Business Banking

CaixaBank Empresas has consolidated its position as the favourite bank of Spanish companies. 48% of Spanish companies with turnover between 1 and 100 million euros are CaixaBank customers, according to market share surveys by FRS Inmark.

The CaixaBank Company Banking department implements a tried and tested business model and strives to continually improve its customer relations while also expanding its base of company customers. It adds a value proposal that offers innovative solutions and a specialised service providing expert advice via videoconference or by activating new communication channels between customers and financial managers, such as the Muro de Empresas and Go&Business.

[39,097] million euros in investment

14.1% leasing market share

28.0% POS terminal market share

Main initiatives implemented in 2018

- Consolidation of the business operations of companies by sector with new brands:
  - **Launch of CaixaBank Hotels&Tourism** to offer products and services through a group of specialists in the tourism sector.
  - **Consolidation of the Day One model.**
- Expansion of the current customer base, enhancing customer linkage, and promoting commercial systems with **more visits and contacts through digitalisation.**
- **Online specialists**: pioneers in providing advice on financing and services, foreign trade, and liquid assets.

Strategic challenges

- **Fostering** inter-segments collaboration.
- **Focusing on innovation and customer service.**
- **Ensuring the maximum degree of activation** of all commercial figures.
- Capturing customers **to continue to increase the market share.**

Premier Banking

The value proposal of Banking Premier is founded on the following three key pillars:

- a specific financial advice model
- professionals with certified training
- exclusive solutions for customers

This value proposal has enabled CaixaBank to reaffirm its leadership in the field of financial advice.

[125,727] million eruos in funds and securities managed

Main initiatives implemented in 2018

- **PlanA in CaixaBankNow**: Customers now manage their individual PlanA in Now and receive an investment proposal in line with their previously defined objectives within a maximum of 48 business hours.
- **PlanA Review**: This service makes it possible to monitor the objectives agreed upon with the customer in their PlanA. It aims to monitor any possible deviations from the agreed objectives and to adapt the portfolio to the designed objective.

Strategic challenges

- **Opening of new Premier branches.** New exclusive spaces to offer advice tailored to the needs of customers.
- To enhance the digital value proposal for pre-advised customers and advised customers with a digital profile.
- To continue making efforts to provide advice to virtually all our customers.

Private Banking

Private Banking has specialised teams and more than 500 certified professionals with an average of over 15 years of experience working in the branch network and offering the best service.

Private Banking has an extensive network of exclusive centres to guarantee that customers always receive a personal service. Different service models are offered to customers, from traditional financial advice to independent advice and broker services. In addition, the Social Value Project provides solutions in the fields of Philanthropy and Socially Responsible Investment (SRI).

[64,282] million euros in funds and securities managed

Banca Privada AENOR conform

Main initiatives implemented in 2018

- **TimeMap in CaixaBankNow**. Customers can create their TimeMap in Now and will receive an investment proposal in line with their previously defined objectives within a maximum of 48 business hours.
- **BrokerNow:** Implementation of a new service for active investors in the stock market, with the aim of expanding the range of stock market services.
- **TimeReview:** This service makes it possible to monitor the objectives agreed with the customer in their TimeMap. It aims to monitor any possible deviations from the agreed objectives and to adapt the portfolio to the designed objective.

Strategic challenges

- To continue to increase the number of advised customers.
- **Consolidation of new business models**, independent advice models, and order reception and transmission models.
- **Growth plan** with the opening of new centres and new hires.
- Opening of a new bank in Luxembourg.

Corporate & Institutional banking

[31.455] million euros investment

The Corporate & Institutional Banking (CIB) service integrates two business areas, Corporate Banking and Institutional Banking, as well as several product areas that provide services to customers, such as Capital Markets, Cash Management, Project Finance, Asset Finance, and M&A.

Corporate Banking's value proposition offers a tailor-made service to corporate clients, seeking to become their main bank. This involves crafting personalised value propositions and working with clients in export markets.

Institutional Banking serves public and private-sector institutions, through specialist management of financial services and solutions.

Main initiatives implemented in 2018

- Progress in the international business having signed significant corporate financing operations in France, Italy and the UK.
- Strong position in Asset Finance operations in transmission assets.
- Placed in the Global Top 10 for the number of green loan operations.
- Increased activity in the secondary market for bonds and loans.

Strategic challenges

- Internationalisation of the businesses and customers.
- Managing the CIB business to set the benchmark in socially responsible banking.
- Incorporating the BPI Investimento business into CaixaBank branches in Portugal.

International Banking[1]

International Banking Network
AENOR conform

The leadership demonstrated by CaixaBank in the business banking sector has led the Company to become the benchmark international business partner to accompany and support corporate clients in their internationalisation process. For that purpose, the 28 points of international presence offer support to customers of the branch network, CIB, and Corporate Banking operating abroad, as well as local blue chips (companies with recognised creditworthiness).

CaixaBank's international positioning is founded on three pillars:

- Spanish companies and corporations.
- The network of correspondent banks offering foreign trade and payment products.
- The relationship with the institutions in each country.

18
Representative Offices

Milan, Beijing, Shanghai, Dubai, New Delhi, Istanbul, Singapore, Cairo, Santiago de Chile, Bogotá, New York, Johannesburg, Sao Paulo, Hong Kong, Lima, Algiers, Sydney, Toronto

5
International branches (7 offices)

Warsaw
Morocco with three offices:
- Casablanca
- Tangier
- Agadir

London
Frankfurt
Paris

3
Spanish Desk

Lisbon

Mexico City

Vienna

Main initiatives implemented in 2018

- **Opening of the representative offices in Sydney and Toronto** and branch transformation of the representative office in Paris.
- Promoting internationalisation through a solid communication and continuing training and development strategy for International Talent with programmes such as *International Banking Expert* and the *Professional Growth Program*.
- Increasing business with banks through specialised products such as *clearing* euros and financing.

Strategic challenges

- **Consolidating the foreign network**, in particular, European branches, to increase business with Spanish subsidiaries abroad and local *blue chips*.
- Increasing the product portfolio of Transactional and International Banking to expand the service provided to the corporate and banking sectors.
- Boosting digitalisation and innovation.

The international strategy has a clear European focus with global coverage, a flexible model with high added value for customers around the world, acting as an extension of the Spanish network, and based on two additional approaches to improve the customer service: (i) establishing commercial contacts and (ii) offering local financial products and services. In addition, CaixaBank collaborates with multilateral institutions all over the world and is one of the main trading partners for foreign businesses and SMEs.

CaixaBank has a number of strategic alliances, formalised through business and commercial cooperation agreements, including Erste, BEA and Inbursa.

[1] From 1 January 2019, the management of this sector has been incorporated into Corporate & International Banking.

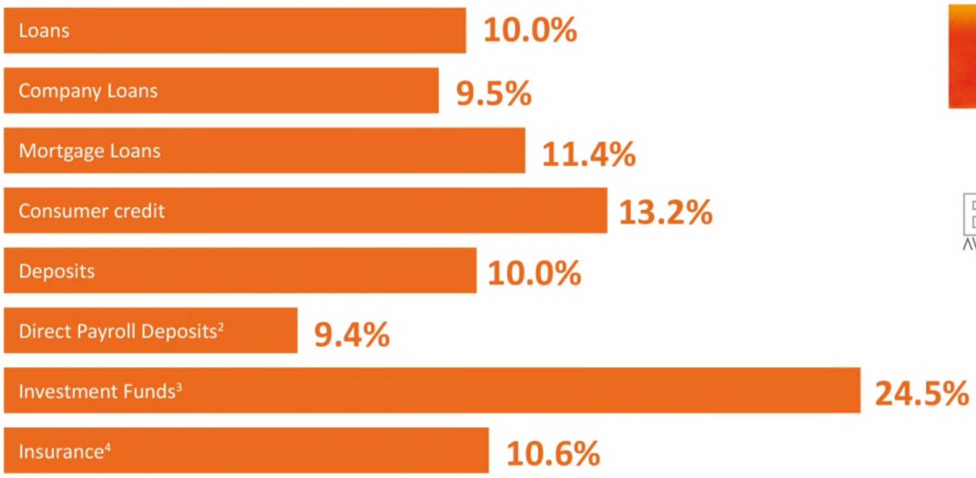
Banco BPI

BPI is a financial institution focused on commercial and retail banking operations in Portugal, where it is the fifth largest bank in terms of assets (EUR 31,078 million). BPI has a customer base of 1.9 million people and significant market shares in the various products and services that it offers.

BPI's business is organised around two main sectors: Retail and Merchant Banking and Corporate Banking. BPI offers a complete range of financial products and services, adapted to the specific needs of every sector, through a specialised, multi-channel and fully integrated distribution network.

BPI's product range is complemented with investment and savings solutions from CaixaBank's Asset and Insurance Management department. In addition, it includes its range of non-life and life risk insurance policies through a distribution agreement with Allianz Portugal, of which BPI holds 35% ownership.

Main market shares of Banco BPI[1]



BPI

EUROMONEY AWARDS FOR EXCELLENCE 2018

1. Market shares of Nov-18 2. In September 2018 3. In December 2018, includes PPRs 4. Includes PPRs
Source: In house, except Investment Funds, whose source is Associação Portuguesa de Fundos de Investimento Pensões e Património (APFIPP).

Main initiatives implemented in 2018

- Promoting consumer credit and companies that sell insurance and non-financial products.
- Launch of new products: account value, fostering greater connection with customers and promoting instant credit (launched in 2017).
- Launch of the cycle of meetings with companies, with 10 events to reinforce support and proximity to companies.
- Implementation of initiatives to consolidate the bank's position in the agricultural and tourism sectors.
- Advances in digital transformation, in particular, increased number of customers and digital sales, developments in mobile banking, and redesigning more relevant customer journeys.
- Launch of social action in Portugal, where we expect to set aside an annual budget of EUR 50 million to support social, scientific and cultural projects.

Strategic challenges

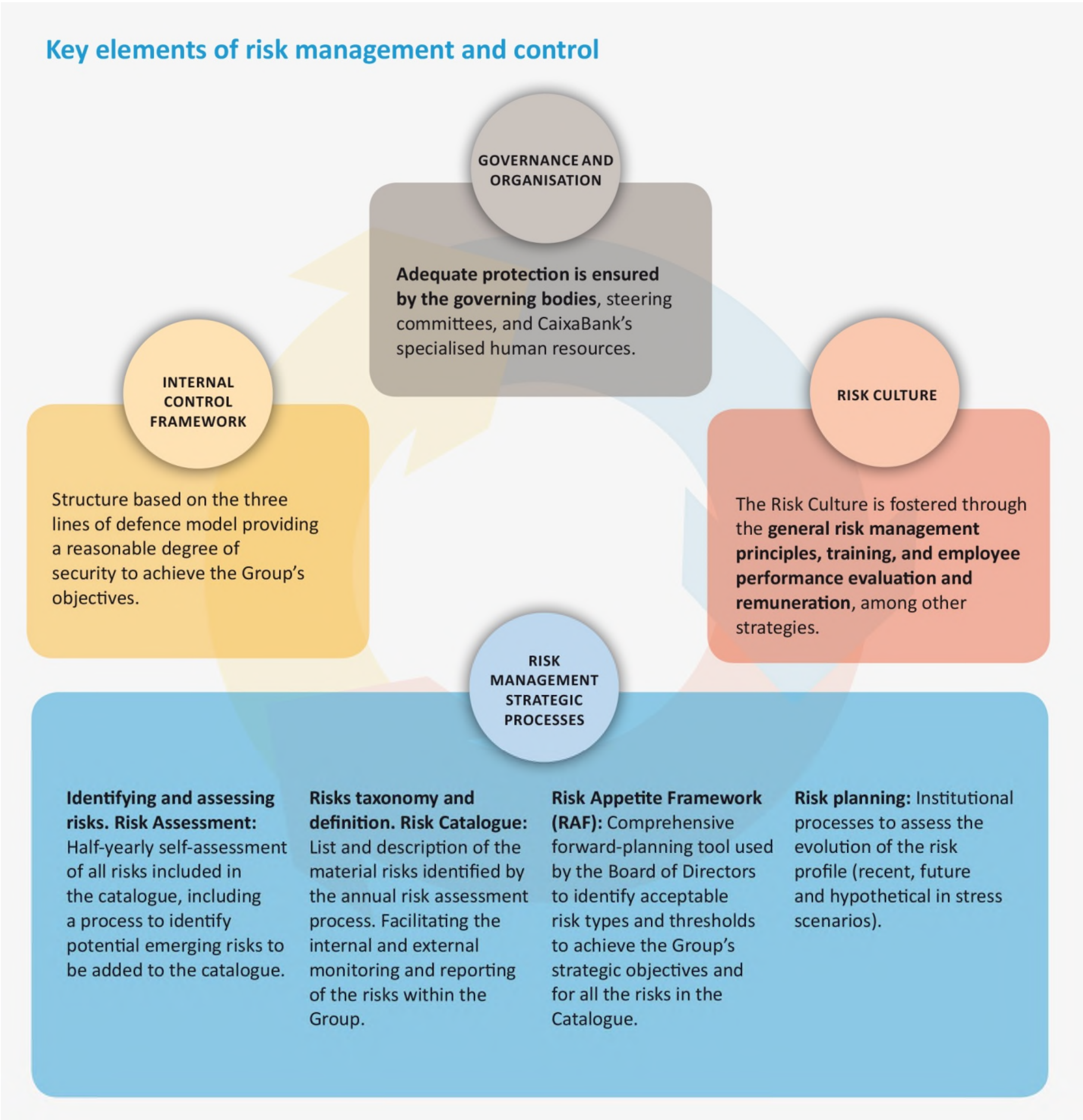
- Sustainable growth in profitability based on expanding commercial banking in Portugal.
- Boosting the customer experience transformation by accelerating BPI's digital transformation process.
- Developing human resources by improving training and development, fostering talent management, and promoting an agile culture to respond to the transformation of the financial sector.
- Improving operational and organisational efficiency. Simplifying, digitalising and centralising process management, focusing commercial teams exclusively on service and advice for financial products.
- Consolidating the bank's reputation based on two main principles: maintaining the high quality of customer service and BPI's leading position in the field of social commitment and responsible management.

Risk management

Risk management

CaixaBank maintains a medium-low risk profile, a comfortable level of capital adequacy and a high level of liquidity, in accordance with its strategic objectives and aligned with the Group's business model and the risk tolerance defined by the Board of Directors.

The implemented risk management systems are adequate for the profile and strategy of the Group and comprise the following elements:



Note 3 of the 2018 consolidated annual financial statements provides additional information on risk management and the Group's internal control model.

The following is a summary of the most relevant aspects of management and intervention for the different risks identified in the Corporate Risk Catalogue in 2018:

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2018
BUSINESS MODEL RISKS			
Business returns risk	Obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital.	The management of this risk is supported by the strategic financial planning process, which is continually monitored to assess the fulfilment of the strategy and budget. After quantifying the number of deviations and identifying their cause, conclusions are presented to the management and governing bodies to evaluate the benefits of making adjustments to ensure that the internal objectives are fulfilled.	In 2018, the return on tangible equity has exceeded the cost of capital. At the same time, action has been taken to lay the foundations for higher future returns based on the growth of core income, mainly by boosting the digitalisation process and disinvestment in non-strategic business (foreclosed and Repsol).
Eligible own funds / Capital adequacy	Risk resulting from constraints on the Group's ability to adapt its level of capital to regulatory requirements or changes in its risk profile.	The management approach focuses on maintaining a medium-low risk profile and a comfortable capital adequacy to cover any windfall losses. The objective of the new 2019-2021 Strategic Plan is to reach a CET1 level of approximately 12% of RWAs and to obtain one additional percentage point (temporary) to cover any potential regulatory impacts forecasted over the next few years (such as the completion of Basel 3 and other regulatory modifications) Furthermore, it proposes the distribution of cash dividends amounting to at least 50% of the earnings of the Group.	The regulatory CET1 ratio is 11.8%, thereby, fulfilling the minimum requirements and situating the MDA buffer (Maximum Distributable Amount) at EUR 5,433 million. In 2018, the Group actively issued Additional Tier 1 capital (EUR 1,250 million) and Tier 2 subordinated debt (EUR 1,000 million), and two subordinated debt issuances for the nominal amount of EUR 2,822 million were redeemed (EUR 2,312 million eligible). In addition, to comply with the future MREL requirements, an issuance of EUR 1,000 million of non-preferential senior debt has been made.
Funding and liquidity	Insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.	The management approach is based on a decentralised system (CaixaBank and BPI) with the segregation of functions aiming to maintain an efficient level of liquid assets; the active management of liquidity and the sustainability and stability of funding sources in both normal and stress scenarios.	With the evolution of the commercial gap, in addition to the issuances made (EUR 6,585 million) which exceed the maturities for the year (EUR 4,979 million), the total liquid assets have amounted to EUR 79,530 million and the average 12-month LCR (liquidity coverage ratio) at 196%. Institutional financing amounts to EUR 29,453 million and has performed very well in 2018 due to the success in accessing markets with different debt instruments.

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2018
RISKS SPECIFIC TO THE FINANCIAL ACTIVITY			
Credit	Risk of a decrease in the value of the Group's assets due to uncertainty about a counterparty's ability to meet its obligations.	This is the most significant risk for the Group's balance sheet. It is derived from its banking and insurance activity, cash flow operations, and its investee portfolio, encompassing the entire management cycle of the operations. The principles and policies that underpin the credit risk management are: ▪ A prudent approvals policy based on: (i) an appropriate relationship between income and the expenses borne by consumers; (ii) documentary proof of the information provided by the borrower and the borrower's solvency; (iii) Pre-contractual information and information protocols that are appropriate to the personal circumstances and characteristics of each customer and operation. ▪ An adequate independent assessment of collateral. A Group-wide policy of not granting foreign currency loans to individuals.	In 2018, we have significantly enhanced the effectiveness of the recovery process while also improving the credit quality metrics of our balance sheet. Notably, the non-performing loan (NPL) ratio dropped from 6% to 4.7% and the problematic asset (NPLs and net foreclosed available-for-sale assets) decreased 8,248 million euros, boosted by portfolio sales.
Impairment of assets	Reduction in the carrying amount of the shareholdings and non-financial assets (tangible, intangible, deferred tax assets (DTAs) and other assets) of the CaixaBank Group.	The management approach is based on monitoring the processes for evaluating asset impairment and write-down tests, in addition to compliance with the optimisation policies of shareholdings and real estate holdings in accordance with the strategic objectives.	
Market	Risk of decreased value of assets or increased value of liabilities held in the Group's investment portfolio, due to fluctuations in interest rates, credit spreads, external factors, or market prices related to the traded assets and liabilities.	The management process aims to maintain a low and stable risk, under the established tolerance limits.	
Structure of interest rates	Negative impact on the economic value of the balance sheet's items or on the financial margin due to changes in the temporary structure of interest rates and its impact on asset, liability and off balance sheet instruments of the Group not recorded in financial assets held for trading.	This risk is managed by optimising the net interest margin and keeping the economic value of the balance sheet within the limits established in the risk appetite. CaixaBank actively manages risk by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet by its deposits and lending transactions with customers.	In 2018, CaixaBank held its balance-sheet position to increases in interest rates. The reasons for this balance positioning are structural and management-related. From a structural point of view, exceptionally low interest rates have continued to drive the movement of deposits from fixed-term accounts to on-demand accounts. From a management point of view, the Bank has continued to adapt its balance sheet structure to the expected environment.
Actuarial	The risk of loss or adverse change in the value of liabilities undertaken through insurance or pension contracts with customers or employees resulting from a divergence between actuarial variables used for pricing and reserves, and their developments.	The management principles and policies aim for long-term stability of the main actuarial factor that affect the technical development of the marketed insurance, classified into homogenous risk groups. This is achieved through controlled management of the liabilities through reinsurance in order to mitigate the risk taken up to the tolerance limits.	▪ Development and improvement of monitoring of the risk appetite established by the Board of Directors of VidaCaixa through its risk management policies. ▪ Involvement in sector working groups.

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2018
OPERATIONAL AND REPUTATIONAL RISK			
Legal/Regulatory risk	Potential losses or decline in the CaixaBank Group's profitability due to legislative or regulatory changes, conflicts of law principles (of any area, including tax legislation), errors in the interpretation or application of existing legislation and regulations by the corresponding authorities, or during their transfer to or adverse judicial rulings or administrative or fiscal action.	The management approach is based on the constant monitoring and internal dissemination of the regulations, regulatory criteria, judicial and court rulings, as well as defending the interests of the CaixaBank Group, by actively responding to any enquiries issued by regulators, analysing and adapting regulations, identifying legal risks in the Company's activity, in particular, risks related to customer relations, implementing procedures, and defending the Group in legal proceedings.	2018 has seen increased regulations in Europe related to customer and investor protection, digital and technological aspects. We have also been monitoring different standards, many of which are yet to be incorporated into Spanish legislation. It is worth highlighting the incorporation of national standards from different European directives, such as: (i) the Regulatory Directive on Real Estate Credit Contracts (MCD), (ii) the Basic Payment Account Direct (PAD), (iii) the Payment Services Directive (PSD2), (iv) the General Data Protection Regulation (GDPR), (v) the Markets in Financial Instruments Directive (MiFID 2), and (vi) the Prevention of Money Laundering and Terrorist Financing Directive (AMLD 4). In the tax sphere, we have closely monitored the Draft Bills on Financial Transaction Tax and Digital Service Tax. In addition, we have implemented decisions adopted by the Supreme Court and carried out general projects to improve the formal and material transparency of the contractual with clients.
Conduct and Compliance	Application by CaixaBank of criteria for action contrary to the interests of its customers and stakeholders, or actions or omissions that are not aligned with the legal or regulatory framework, or with internal policies, regulations and procedures.	Conduct and compliance risk management is not just the responsibility of a single department, but of the entire CaixaBank Group. All employees must strive to ensure compliance with current legislation and to implement procedures to translate this legislation to their day-to-day work.	▪ Reinforcing a culture of compliance by redesigning compulsory training with bonuses (completed by >95% of employees), awareness sessions, internal communication, and the creation of incentives in specific fields. ▪ Alignment of the Group's Compliance supervision model, especially in BPI and the international network. ▪ Reinforcing the control environment to prevent money laundering and the risk of non-compliance. ▪ Other significant advances in the implementation and reporting of monitoring indicators on the limits of the Risk Appetite Framework (RAF) for monitored Compliance risks, as well as updating policies.
Technological	Losses due to the inadequacy or failure of hardware or software of the technical infrastructures, due to cyberattacks or other circumstances, which could compromise the availability, integrity, accessibility and security of the infrastructures and data.	The management approach involves monitoring the indicators linked to the governance of information technologies, information security, technological contingencies, and complying with the current best international standards on media governance.	Expanding this measure to new companies of the Group and starting the second line of defence project, aiming to create a technological risk control framework and a new advanced control and monitoring method.

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2018
OPERATIONAL AND REPUTATIONAL RISK			
Operating processes and external events	Losses or damages caused by operating errors in processes relating to the Group's activity, due to external events that are outside of the Group's control, or by third parties external to the Group, whether accidentally or intentionally. It includes errors in the management of suppliers, model risk and the custody of securities.	This risk management approach aims to facilitate improvement actions in processes and controls by monitoring different leverage factors and weak points, in order to reduce future operational losses and adapt them to the operational risk tolerance limit.	The main milestones in 2018 include the consolidation of the legal risk metric, creating a new model risk metric and a new metric for non-exceptional losses in the RAF, as well as specific reduction projects for the main recurring operational losses. In addition, we have updated the extreme operational loss scenarios and have started to collect data on operational loss events at VidaCaixa.
Reliability of financial information	Deficiencies in the accuracy, integrity and criteria of the process used to generate the data required to evaluate the financial and equity position of the CaixaBank Group.	The management approach involves monthly monitoring of the accounting close and quarterly monitoring of the adequate functioning of the Internal Control over Financial Reporting System (ICFRS), in addition to other metrics and policies related to financial information.	In 2018, several developments were made in different initiatives related to information governance and data quality, with a special focus on creating new controls over subsidiaries.
Reputational	The possibility that CaixaBank's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of real or purported actions or omissions carried out by the Group, its Senior Management or governance bodies, or due to the bankruptcy of related unconsolidated entities (step-in risk).	This management approach aims to keep CaixaBank's main reputation indicators below the tolerance limits and to monitor the implementation level of preventive measures.	In 2018, we have made several advances and improvements in the sub-indicators used in the quarterly calculation of the Global Reputation Index (GRI). In addition, we have started a project to review the expectations of stakeholders and weight adjustment procedures to calculate the overall indicator.

New organisation of the General Risks Division

With the aim of boosting profitable and controlled growth of the Business, the General Risks Directorate has been transformed to better align itself with the priorities of the new 2019-2021 Strategic Plan. This process has involved:

- Proactive and anticipatory approach
- Efficiency and agility.
- Reinforcing the control environment

The aim of the risk transformation plan is to make the organisation more agile and optimised, while boosting profitable and controlled business growth.

The function is organised into two main areas of specialised risk management coordinated by Chief Lending Officers (CLOs). The global risk management is reinforced by the Corporate Risk Management Function & Planning department, which is responsible for implementing the Group's risk strategy and company-wide risk monitoring. In addition to risk management, CaixaBank implements environmental management from the perspective of its credit risk.

Customer experience

Customer experience

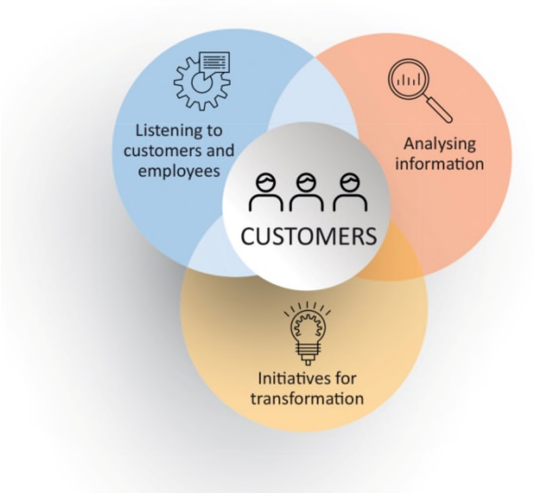
CaixaBank's main aim is to satisfy the needs of its customers and enhance customer interaction through a combination of innovation, technology and experience. **Offering the best customer experience** is on the top priorities of the new 2019-2021 Strategic Plan.

CaixaBank has achieved the main goals outlined in the strategic line of *Being the best bank in terms of quality* and reputation in the 2015-2018 Strategic Plan. To achieve this goal, CaixaBank has developed and transformed its quality measurement, analysis and management system with a focus on customer vision and experience. For Banco BPI, CSI of its branch network stands at 8.94 as of December 31, 2018, while NPS stands at 60.9%.

Customer Satisfaction Index (global CSI, in-house indicator)[1]		
2015		2018
8.63	→	8.85

Net promoter score, NPS (%, in-house indicator)[2]		
2015		2018
28.1%	→	34.4%

Customer-centric model



Customer-Centric Model

CaixaBank implements a ***Customer-Centric* approach** and **360-degree customer view**, placing the customer at the centre of interest and creating a more responsive customer-company relationship.

Listen to customers and employees, through:

- Customer surveys.
- Employee surveys.
- Face-to-face and online group sessions with customers and employees to collect qualitative assessments (e.g., focus groups, **employee idea box** to obtain suggestions, and **Innova**, a website for debate forums on specific subject matters).

[1] Synthetic index composed by the index of the 6 principal businesses: ISP (Particulars), ISBPE (Premier), ISPBR (Private), ISE (Businesses), ISI (Institutions), ISCorp (Corporate) and their contribution to gross margin.

[2] Difference between the percentage of customers who would recommend the entity compared to detractors (promoters answers 9 to 10, detractors answers 0 to 6).

Information analysis, to obtain:

- **Internal customer indicators** obtained through surveys and satisfaction and recommendation studies:
  - **Customer Satisfaction Index (CSI):** a gauge of customer satisfaction in the main business segments.
  - **Recommendation Index (NPS):** this index fosters the generation of customer promoters of the Company. Employees are made aware of the importance of offering a positive experience so that customers improve their perception of the service in all their interactions with CaixaBank.

Therefore, the Customer Voice is obtained through all the Group's channels (omnichannel service) to form a comprehensive vision of customer perception and expectations and, thereby, improve the quality of the service and customer experience. These studies are complemented by sector satisfaction benchmarks.

- **Internal indicators of employee satisfaction studies to employees** that make it possible to measure the degree of effort required to provide a service (CES) and the level of support received the Company's Corporate Services, as CaixaBank still believes that it is key to systematically improve the services provided by Central Services to the network.

The voice of customers and employees enables us to obtain a **holistic view**, both quantitative and qualitative, of their opinions regarding the service provided. This helps us to **identify opportunities for improvement** and to compare the measurement of KPIs with the opinions collected. In addition, measuring KPIs can lead to the creation of Service Level Agreements (SLAs). Therefore, over time, we can establish specific levels of compliance in the service to meet our customers' expectations.

Transformation initiatives, obtained through the comprehensive correlation of the analysis results, transmitted by:

01. Designing Customer Journeys for customers and employees for each of the main businesses of CaixaBank, making it possible to identify key moments in their interaction with the bank. By measuring these moments, we can identify leverage factors for improving products, services and/or processes.

02. Fostering the improvement of the customer experience in the commercial network, with a **Quality Manager** in each Regional Department. The Quality Manager will provide advice and support during visits to the branches with more room for improvement. This will lead to the launch of action plans tailored to the context and results of each branch.

03. Maintaining CaixaBank's position of leadership in management through a range of initiatives deployed universally to involve not only the bank, but the entire business group and its stakeholders. These included:

- **Renewal of the EFQM European Seal of Excellence in 2018**, improving on its previous result with a score of over 650 points, and the systematic deployment of improvement recommendations in the main fields of the overall management of the organisation.
- **Certification of its main business segments:** In 2018, CaixaBank was awarded, for the first time, the European Certification by AENOR for Private Banking, and renewed the certification for Premier Banking. CaixaBank is currently the only Spanish bank with six certified business divisions: Private Banking, Premier Banking, Personal Banking, Banking Businesses, International Banking and Corporate Banking.

Furthermore, our organisation has focused its attention on customers with the creation of the **Overall Customer Experience** division, a hub to promote direct private customer relations in all relevant areas of the company. By doing so, we are able to respond to the needs of our customers and the market to boost a digital transformation process that is adapted to omnichannel customers. This involves changing the way we construct value proposals for customers.

neX, a new means of organisation

neX, consists of implementing the **agile** methodology, which makes it possible to lead the transformation of the Bank from two levels: the branch network distribution model, with the stores, and the omnichannel relationship with the customer.

neX INSPIRETOGETHER

"From a divisional organisation to a unit focused on the customer"

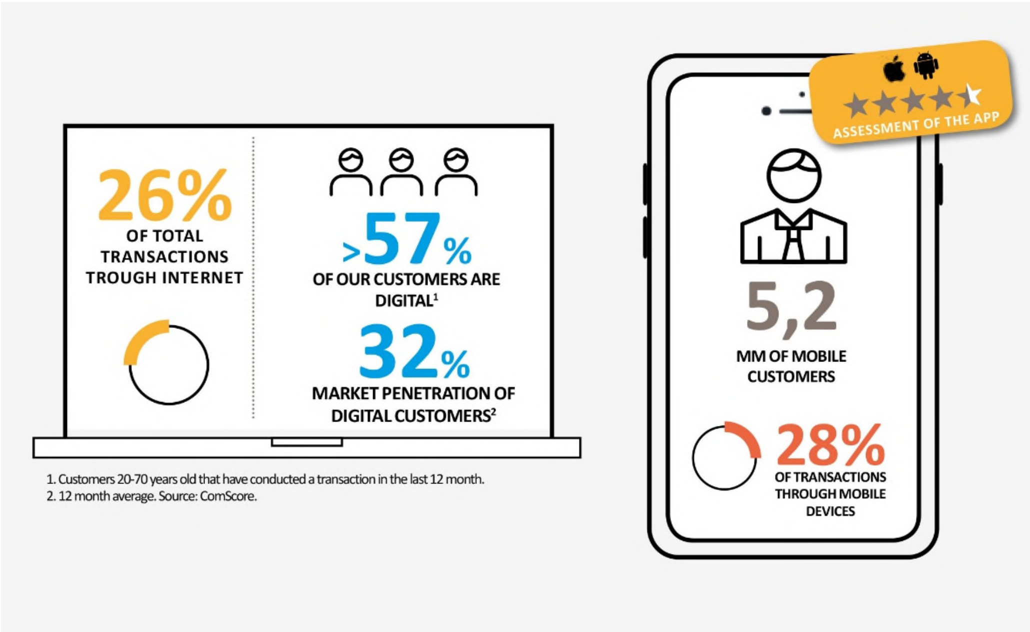
Reorganisation Retail Banking	Backup for customer focus	New ways of working

Omnichannel strategy

Customising our service, enhancing the user experience, the increased importance of financial advice, the increased interaction through mobile channels and other innovations, are all trends that are changing customer behaviour.

Over the last few years, there has been a strong growth in digital channels, especially the mobile channel. However, bank branches are still of great importance. As a result, **CaixaBank offers its customers an omnichannel service.**

The change in customer behaviour is noticeable in the fact that transactional operations (e.g., cheques, deposits, cash withdrawals, transfers, etc.) are moving to digital channels. Meanwhile, bank branches are focusing on enhancing their value-added services and dedicating more time to planning and business relations.



Although the number of digital clients has been steadily increasing, branches have continued to provide operations and advice in a stable manner while offering customers more added value. Customers continue to value the sense of proximity at their bank of choice (according to the 2018 FRS Inmark study for Spain). In this regard, CaixaBank continues to focus its efforts on maintaining the largest branch network in Spain.

As of 31 December 2018, CaixaBank has a network of 4,608 branches in Spain (5,103 branches in Spain and Portugal) and the most extensive ATM network in the sector, 9,425 in Spain and 1,369 in Portugal.

CaixaBank currently has 283 Store branches located around Spain and aims to expand this model over the next few years. One of the main aims of this new model of branch is to generate genuinely new and unique customer experiences.

Store: Transforming branches into advice centres

Traditional branches have been transformed into our new *Store* advice centres. They offer:

- More customer proximity
- **Enhanced service capacity and specialisation**

No cash desk	Extended opening hours	Specialised managers

- **Customer knowledge** with the support of technology: *transparency and personal attention*
- **More efficient organisations**: open spaces, new systems, common agenda, flexible and dynamic work methodologies
- **Greater proactivity and improved time management**: customer interactions are scheduled
- **Improved commercial efficiency and productivity**

Stores in 2021
> 600

Stores
24%
of the business volume in the retail network

Productivity
+20%
versus comparable (ordinary margin/employee)

The new **2019-2021 Strategic Plan** establishes a series of leverage factors to respond to changing customer behaviour and the strategic objective of improving customer experience and boosting growth:

1. **To continue to transform the distribution network to offer greater value to customers**
2. **To strengthen the remote digital customer service model**
3. **Segmentation and focus on *customer journeys***
4. **Agreements to expand the service offer and build an ecosystem that goes "beyond" banking**

01. To continue to transform the distribution network to offer greater value to customers

Over the last 10 years, our distribution network has been constantly evolving and adapting to the changing needs of society in order to improve the customer experience:

Concentration of retail centres

Over the next three years, CaixaBank plans to close more than 800 branches, mainly in urban areas, while maintaining stability in the rural network. This reduction is made possible by concentrating our branches and expanding the Store model in urban areas (pre-existing branches will be merged to form the new CaixaBank Stores).

Specialisation: creation of specialised centres

Our mission to provide the best customer experience has led to an increased level of specialisation and customisation, and, as a result, the creation of specialised businesses/centres where expert managers offer the specific and customised financial advice services that our customers deserve. For this reason, we have created segments and divisions with specific knowledge bases.

CaixaBank Banca Privada | CaixaBank Empresas | CaixaBank Banca Premier | CaixaBank Corporate & Institutional Banking

Store | AgroBank | HolaBank | dayone | CaixaNegocios | BusinessBank

AgroBank: Strengthening the model in rural areas to provide better service

AgroBank, launched in September 2014, notable for being a model:

- With **highly loyal customers**
- With **highly mobile and highly trained advisers**
- That **contributes to the development** and **diffusion of best practice of the sector**
- That **supports the sector** and has built a **community**

A sector that requires specialisation and high customer interaction

Rural branches
1,100
Branches of <5 staff in towns with < 10.000 inhabitants

Turnover
+32%
loans + funds (growth on 2014)

02. To strengthen the remote digital customer service model

CaixaBank strives to continually improve its specialised service in combination with a **greater product range** and the **best digital service**, to supplement the Company's distribution network, which, in recent years, has experience significant growth in digital channels (in particular, the mobile channel).

The digital channel is particularly strong for customer relations and is transforming into a channel for generating sales. **Since 2014, digital sales have multiplied by 4.5 and 20% of customers have applied for a service through CaixaBankNow.** Furthermore, the digital channel improves the simulation capabilities prior to contracting financial services or products. For example, 15% of customers who have taken out a mortgage carried out an online simulation in advance. CaixaBank has developed several digital customer interaction models.

inTouch

Remote service with a personal manager
This service has been created for our digital customers who do not have much time to visit a branch. It is based on a remote service model with the advantage of having a personal manager.

imagin bank

CaixaBank's "Mobile-only" service
With innovative features, such as our chatbot called Gina, this service is constantly evolving. It currently 1.2 million customers with an average age of 23 years.

Mis Finanzas

A more convenient way to manage your personal finances.
A smart tool to help customers manage their personal finances. Among other features, it lets you view all your accounts at CaixaBank and other banks.

CaixaBankNow

CaixaBank has launched ***Now***, an initiative designed to **group all the bank's digital services** into one concept. Covers a broad range of products to help families manage their personal finances easily and immediately.

An **app** that can be personalised, with artificial intelligence and signing transactions via mobile at a click, simpler, faster and more secure.

Digital customers[1]
6.0
Million

03. Segmentation and focus on customer journeys

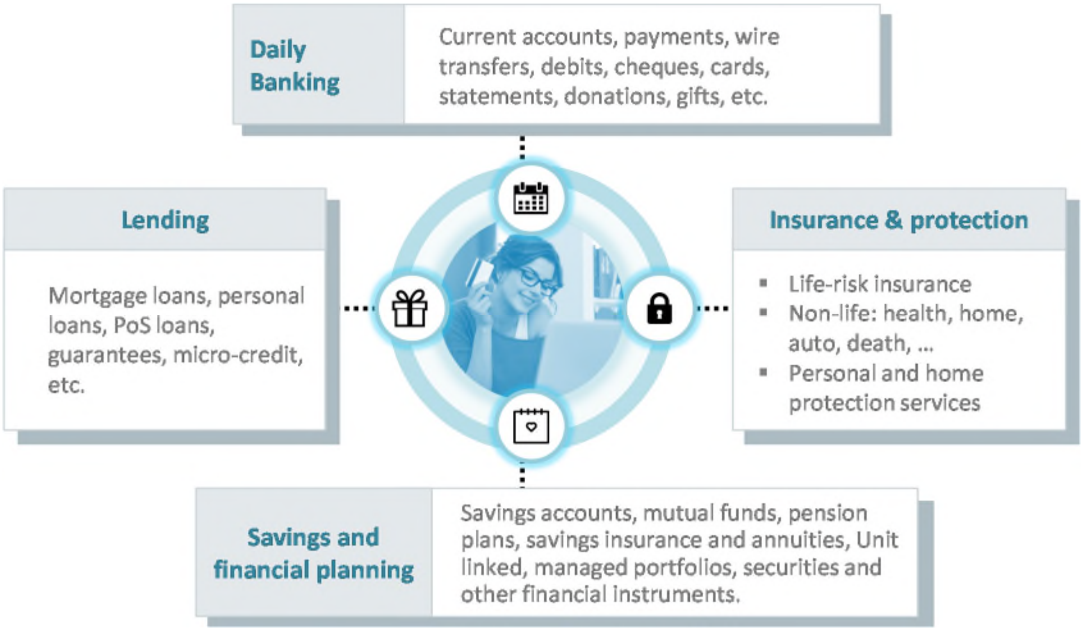
CaixaBank is transforming the customer experience to reach new standards aimed at the customer, based on the Customer Journey methodology, making it possible to identify key customer and employee moments. The ultimate aim is to significantly improve the customer's experience with CaixaBank. For this reason, we have redesigned our products, services and processes:

- Fully focused on customer needs;
- Guaranteeing the omnichannel service from the start;
- Implementing the best practices in every interaction;
- Measuring customer and employee feedback;
- Monitoring the process transparently.

[1] Active digital customers, last 12 months. Includes group of individuals between 20-74 years.

04. Agreements to expand the service offer and build an ecosystem that goes "beyond" banking

Today, CaixaBank is a financial supermarket with a competitive and extensive range of products and services that it has built up over the years to cover 100% of its customers' financial and insurance needs.



In recent years, CaixaBank has enriched the insurance banking ecosystem with the collaboration of global partners. Therefore, with some 14 million clients in Spain, more than 5 million direct interactions, and over 10 billion transactions each year, CaixaBank offers a strong and highly-innovative platform to **create value through alliances**.

Financing

Agreements with manufacturers to finance and distribute

Daily banking – Payments

Improving the value proposal with new services

Insurance and protection

Beyond traditional insurance products

Customer Service

CaixaBank implements a management model for customer complaints and requests. Its purpose is to reinforce customer trust, detect possible improvements in our products and services, and comply with the requirements of supervisors.

This management model features a **Customer Service Office** supported by the **Customer Service Team.**

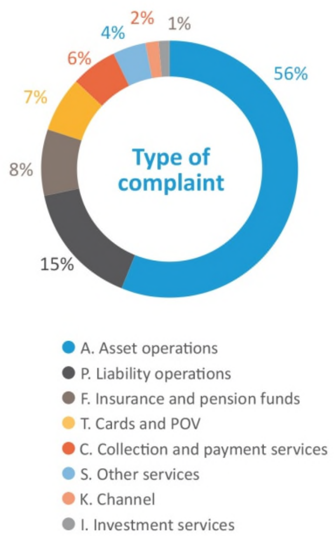
The Customer Service Office is responsible for handling and resolving customer complaints and claims. This office has no connection with our commercial services. It performs its duties based on its independent judgement, applying customer protection regulations, regulatory requirements and best banking practises.

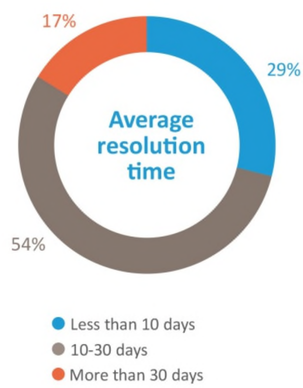
The Customer Service Team handles customer enquiries, requests, and complaints related to service quality and reputational matters from a corporate perspective. The Customer Support Service, which deployed throughout Spain in May 2018, also reports to the Customer Service Team. This service offers support to branches during critical situations when all the usual management mechanisms have been exhausted. It aims to improve customer satisfaction by preventing situations that could lead to a bad experience, thereby, taking care of the business and protecting the image of the company.

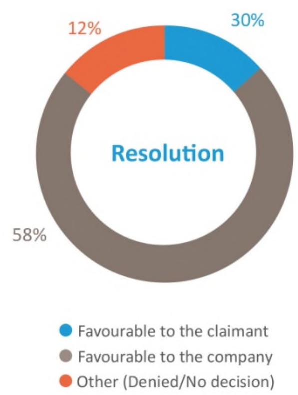
Furthermore, the new **Inbound Customer Contact Centre** model was launched in November 2018. This new model aims to group a large portion of the non-contact services available to customers under the same management, in order to enhance customer experience by offering a more efficient, effective and flexible service with 360-degree vision.

The details of all the complaints received, resolutions issued by the Customer Service Office and the Customer Service Team, and the reports issued by the Supervisory Claims Service, related to business operations in Spain, are presented in Note 42.2. “Customer services” of the attached consolidated annual financial statements.

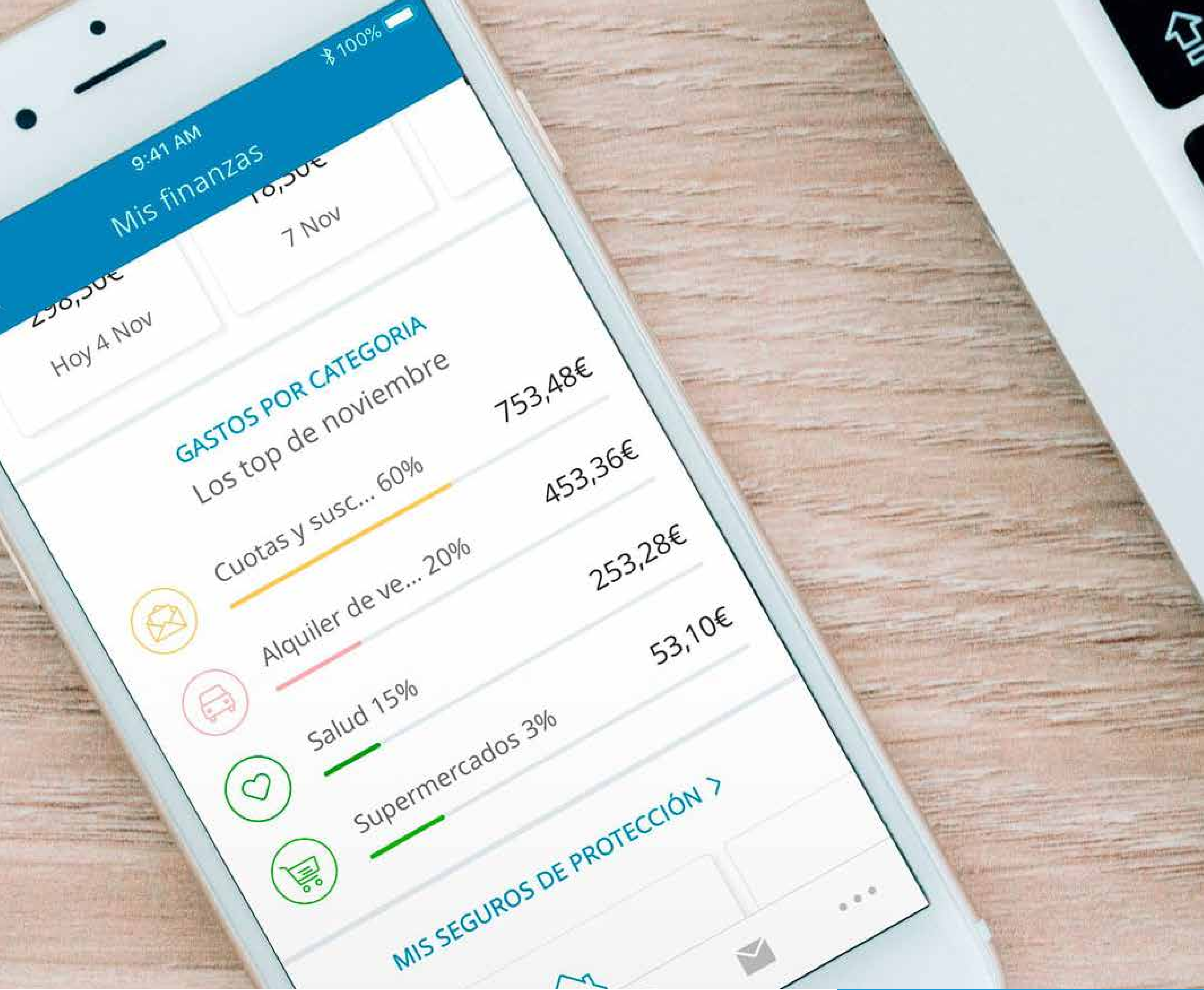
Complaints management







Furthermore, the CPI customer service teams have concluded a total of 17,527 claims in 2018, 13% of which in favour of the customer. The average response time is 6.3 days.


9:41 AM
100%
Mis finanzas
7 Nov
Hoy 4 Nov
GASTOS POR CATEGORIA
Los top de noviembre
Cuotas y susc... 60%
753,48€
Alquiler de ve... 20%
453,36€
Salud 15%
253,28€
Supermercados 3%
53,10€
MIS SEGUROS DE PROTECCIÓN

Innovation

Innovation

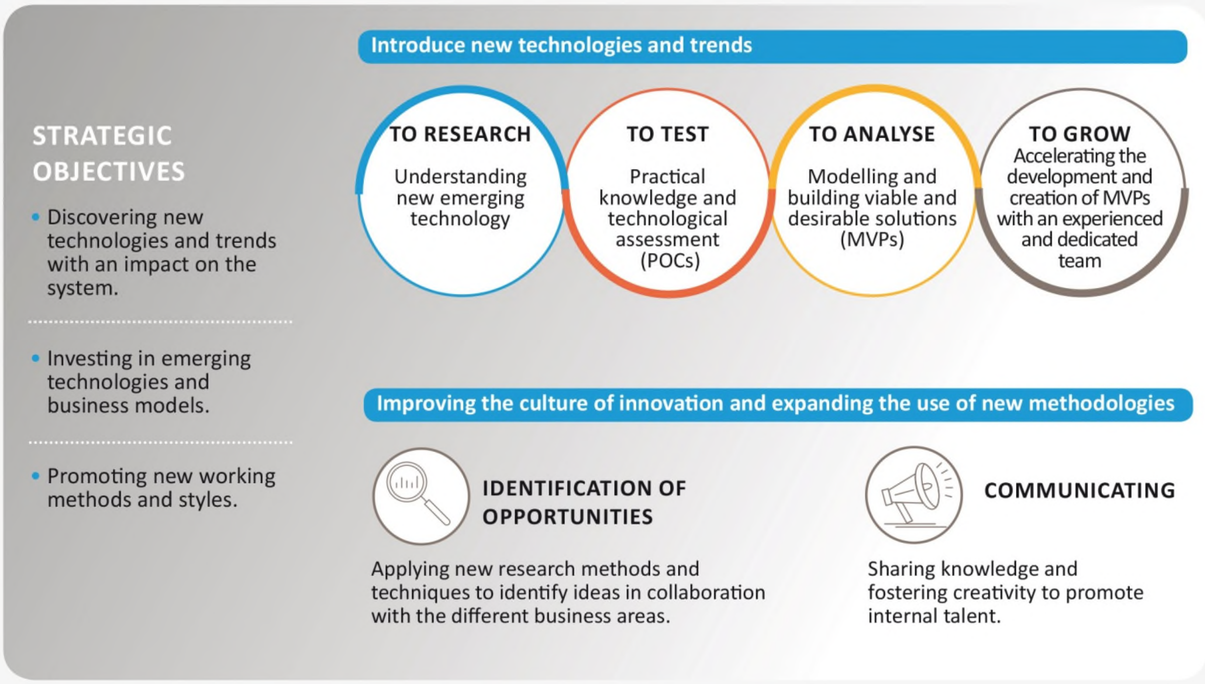
The changes resulting from new technologies and customer expectations require constant transformation and adaptation. Companies must leave their comfort zone and become more open, transparent, collaborative, and participatory. In this context, CaixaBank implements an innovation process aiming to equip the company with tools to successfully navigate the transformation and new environment.

CaixaBank's **technological innovation process is structured in 4 phases** and is supported by new work methods. The aim is the early identification of trends and technologies so that the team is adequately qualified and trained, and to look for cases of internal use to create business value.

This innovation model is endorsed by agreements with third parties which provide access to leading international research facilities.

The innovation team's mission is to support the Company's transformation by implementing new technologies and methods, as well as identifying opportunities together with the different divisions, with the ultimate aim of improving the user experience through customised and immersive experiences, thereby lowering costs by optimising back-office tasks and time-to-market.

CaixaBank's innovation model



Our commitment to innovation is reflected in the high investment in development and technology

€844 million in 2018

Ecosystem of innovation

To meet the objectives set and capture external knowledge, CaixaBank has created an innovation ecosystem:

01. Shared innovation and research centres

CaixaBank has created shared research and innovation centres through agreements with its technology providers to carry out joint innovation projects. CaixaBank collaborates with and invests in two joint innovation centres with the companies **IBM** and **Everis**, to develop concept tests with emerging technologies.

IBM - CaixaBank Digital Innovation Centre

CaixaBank and IBM work together to discover and test emerging technologies under the framework of the strategic alliance signed for the management of technological infrastructure.

The extensive work conducted in the Digital Innovation Centre in word processing and the capacity building to process natural language has led CaixaBank to become a leading company in using **Watson cognitive technology in Spanish.**

Developing artificial intelligence has enabled CaixaBank to launch its first **chatbots** for customers and an assistant for employees.

In addition, CaixaBank has initiated a collaboration with IBM research teams in the field of **quantum computing**, applied to the areas of security and financial loss calculation.

As regards work methods, we have introduced new skills to enhance the ability to prototype efficiently in order to accelerate innovation and iterate on prototypes more quickly. Among other things, this has facilitated the involvement of different business areas and end users in the innovation process.

In addition, due to the collaboration with IBM, CaixaBank has been a pioneer in providing its customers with **blockchain** solutions.

Finally, it is worth highlighting that, in recent years, CaixaBank and IBM have adopted the principles of **Design Thinking**, creating a specific framework adapted to their specific contexts to resolve customer issues with the speed and efficiency required in the digital transformation of companies, and guaranteeing the generation of ideas with the involvement of all parties.

In this regard, in 2018, for the first time in Spain, a co-creation session was held with millennial employees (under 30 years old) from IBM and CaixaBank. Over two days, the employees of both companies were faced with the challenge of thinking and coming up with new and innovative solutions within the framework of Design Thinking. The meeting was part of the Next Gen Lab initiative, created by IBM with the mission of generating a channel to debate, reflection and co-create product prototypes adapted to current technologies.

Everis – CaixaBank Innovation Centre

Together, CaixaBank and Everis have developed technologies that have been implemented in bank branches to improve the experience of customers and employees.

02. Wave Studio – Customer Centric

Wave Studio is an initiative launched in 2018 aiming to introduce project development methodologies, such as Design Thinking, prototyping, and the construction of minimum viable products (MVPs). These skills allow for more efficient business by constructing iterative solutions and verifying advances. They are incorporated from the initial stages of work to ensure that the end users and their needs are always present.

03. Universities and consulting firms

In 2018, we have worked with research teams from different universities, developing natural language and audio processing solutions to facilitate interactions with end users.

Furthermore, the Bank collaborates with consulting firms, such as McKinsey, BCG and Accenture, enabling it to maintain a more strategic vision of the most relevant trends and to analyse the impact and transformation capacity of new technologies on the financial system.

In the area of big data, in 2018, we have continued to drive the development of advanced modelling projects in conjunction with KDP (a joint venture set up between CaixaBank and AIA).

04. Collaboration with strategic partners

Start4big

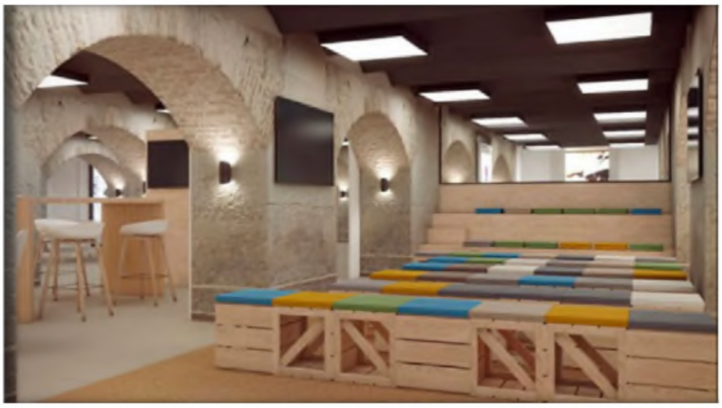
In 2018, CaixaBank in collaboration with Telefónica, Seat, Aigües de Barcelona, and Naturgy, launched Start4Big with the aim of boosting innovation and strengthening the national and international entrepreneurial sector, as well as offering high-value solutions to customers and society.

It is a digital, open and multi-sectorial initiative that looks for mature international start-ups to develop disruptive pilot projects to improve customer experience. This is the first time in Europe that five big companies from strategic sectors have joined forces to take innovation to the next level: a multi-sectorial collaborative model to develop technological solutions that have an impact on all the areas in which the companies operate.

Every six months, the programme will launch 4 challenges (3 multi-sectorial and 1 transversal) related to different areas, including robotics, cybersecurity, artificial intelligence, blockchain, and big data.

Start4big generates synergies between strategic sectors and key players in the innovative ecosystem. Therefore, from this initiative will emerge an advanced and experienced global innovation community never seen before in Spain, formed by entrepreneurs, innovators, experts, investors, key players in the ecosystem.

Payment Innovation Hub



CaixaBank, together with Global Payments, Samsung, Visa and Arval, has launched the first innovation centre in Spain specialising in trade and payment methods: the **Payment Innovation Hub** has adopted several research lines and aims to respond to new consumer trends and demands and how new technologies can be used for payment methods.

In the initial months, the centre has been focusing on four main projects:

- **Creating cashless spaces:** this involves digitising all the payments made in a certain area.
- **Invisible payments:** a trend with a high potential to streamline physical purchases as it removes the need for queues.
- **Fintech:** searching to create new services under the PSD2 directive and based on the ever closer interaction between technology companies and banks.
- **Connected cars:** analysing the new opportunities resulting from the expansion of connected cars, such as paying for fuel at petrol stations without leaving your car.

05. Day One' – Supporting Start-ups

To support global start-ups and scale-ups with activity in Spain aiming to accelerate their growth through specialised financial advice, in 2017, CaixaBank launched Day One, a new kind of financial service created exclusively for innovative companies with a high growth potential. The Company has physical spaces that serve as hubs for capturing talent and capital in Barcelona, Madrid and Valencia. It also has a client portfolio in Bilbao and Malaga.

The hubs serve as meeting points between founders of technology companies, partners helping them to grow their business, and investors interested in innovative companies with growth potential. The creation of Day One strengthens the Company's strategy to offer a specialised segment-specific banking model that is completely tailored to the needs of each customer profile.

As well as offering a specialised line of products and services for these companies, CaixaBank also makes its contact network available to Day One customers searching for funding from investors. In addition, Day One has designed a tailor-made training and networking initiatives programme for entrepreneurs.

06. Internal ambassadors

The figure of the internal ambassador has been created to encourage employees from different divisions of CaixaBank to help spread innovation in their areas of work and to propose potential situations where new technologies could be introduced. It is a way to disseminate internal knowledge in order to identify any current business needs that could be met through innovation.

IT infrastructure

CaixaBank is committed to offering services that generate added value to our customers, placing them in the **avant-garde of the technology** applied to the business, obtaining the maximum efficiency with high quality services.

CaixaBank reinforces its commitment to improving the **flexibility, scalability, and efficiency of its IT infrastructure**. This approach enables us to improve cost efficiency, potentially diversify outsourcing, reduce the time-to-market, increase the timing of versions, and become more resilient and skilled for expanding towards ecosystems.

CaixaBank processed a large amount of data in 2018

>73,000 millions of transactions processed

(+26% with regard to 2017)

Capability and quality of service

The constant improvement of the IT infrastructure is a pillar of the CaixaBank management. Within the framework of the strategic plan that has been completed in 2018, significant milestones have been reached:

- Renovation of centers of data processing (CPD). Currently, the CDP of Caixabank are able to exceed the 11,000 transactions for second.
- 67,107 changes (infrastructures, architecture and applications) implemented in 2018 (+9% with regard to 2017).
- 81.4% of the relevant incidences are solved in less than 4 hours (strategic objective of 80%).
- Increase of the perimeter of control to new fields (subsidiaries).
- Constant migration to cloud solutions and processing. The solutions managed in the internal cloud are 200. This has allowed the significant reduction of operating costs (more than 50%), as well as an increased agility in the development of applications.

Big Data

CaixaBank has a **single operational Datapool** with efficient governance processes, and with a substantial increase in use and knowledge. Proof of this is the high percentage of regulatory reports generated using Datapool (71%). In addition, in 2018, the storage of information in Datapool has increased in more than 50%. The main advances carried out due to use of Big Data are:

- New online systems of risk consumption models assessment.
- Improvements in the risk scoring models based on information of TPVs.
- Tourism Big Data: Town-level tourist activity behavior.
- Development of a new accounting architecture.

Implementation of new technologies

Artificial Intelligence

- Cognitive assistant Call Center with more than 3 million conversations and 75% of first level answers (IBMWatson).
- Virtual assistants for customers (Neo Web, Neo Broker Now, New App y Gina), with more than 500,000 conversations per month.
- Voice assistant for households (Google y Alexa-Amazon).
- Automatic classification of customer mails (with a success rate of 89%).

Robotics - BPO

- 35 robots in operation able to carry out 50 automatisms.

Digitalisation of internal processes

In recent years, CaixaBank has focused on the digitalisation of internal processes to boost efficiency, facilitate regulatory compliance, and achieve unique competences.

Digitalisation of processes — 100% digitized processes

Greater agility
Simplification of documentation
Traceability and corporate archive

Digital signatures — >72 MM

Increased effectiveness and commercial relations
Improved regulatory compliance

100% advisors with SmartPC

100% advisors with SmartPhone

Cyber security

CaixaBank protects the information of the company, customers and employees against all types of internal and external threats. It implements a comprehensive information security and cybersecurity approach, constantly adapting to the new challenges of the digital world.

It has an advanced **cyber security** model, **certified** under **ISO 27001** and established as **CERT official**, through a team of specialists that are trained and prepared 24 hours a day to prevent, detect and take action when faced with any cyber threat.

CaixaBank is a **cofounder of APWG.eu**, one of the main **international partnerships** related to cybersecurity. It represent Europe in the global awareness campaign StopThinkConnect.org.

INFOPROTECT
Entre todos protegemos la información

Since 2015, INFOPROTECT has integrated all the security awareness initiatives aimed at all employees to protect information and to foster a company-wide culture of global security.

- 33 face-to-face sessions **attended by 837 new employees.**
- **Distribution of the bimonthly** InfoProtect Security Newsletter **with security news and recommendations.**
- Monthly phishing simulation campaign**.** 12 phishing simulations **carried out with employees.**
- 4 face-to-face InfoProtect sessions **carried out.**
- 9 publications **on the CaixaBank** Intranet**.**
- **Promotion of Good Practices.**
- **Launch of the** InfoProtect Club**, a programme of ambassadors located throughout the national network.**

27,646 employees have taken cybersecurity courses

77 security control projects completed

EUR 19.9 million invested in information security

18,844 cyberattacks detected and blocked

96 DJSI points for information security

CaixaBank has continued to invest in innovation.

The key milestones in 2018 were...

CaixaBank joins the blockchain commercial financing platform which simplifies cross-border trade for companies and SMEs

CaixaBank successfully completes the **first instant cash transfer using the ECB's new TIPS platform.** CaixaBank was chosen by the Bank of Spain and the European Central Bank

CNMV, BME and financial institutions join forces to innovate with blockchain technology. **The Fast Track Listing (FTL) projects aims to simplify and reduce the time** needed to register issuances

First Bank in Spain available on Google Home and Amazon Alexa (artificial intelligence in customer service). A chatbot called Neo lets customers make enquiries, request help, and obtain recommendations about products and services.

New employee assistant based on artificial intelligence. An instant chat resolves the most frequently asked questions that arise in the day-to-day branch activity.

Pioneers in carrying out foreign trade transactions with end customers on a blockchain platform (in this case, Batavia)

Main challenges for 2019

- Reduce time-to-market for new product launches.
- Enhance the efficiency of back-office processes.
- Harness the potential offered by big data for the organisation
- Continue to improve the flexibility, scalability and efficiency of our infrastructure

External recognition and accolades

CaixaBank's Innovation Model has enabled the company to become a leader in IT infrastructures and develop award-winning projects:

Model Bank 2018 Consumer Payments for the app **CaixaBankPay**.
The app that offers "The most complete and interesting consumer payment offer"

ImaginCafé has been recognised at the 2018 Innovation Awards as:
May 2018 Innovation

Award in categories Innovative Touchpoints and Connected Experiences for:
CaixaBank Now app

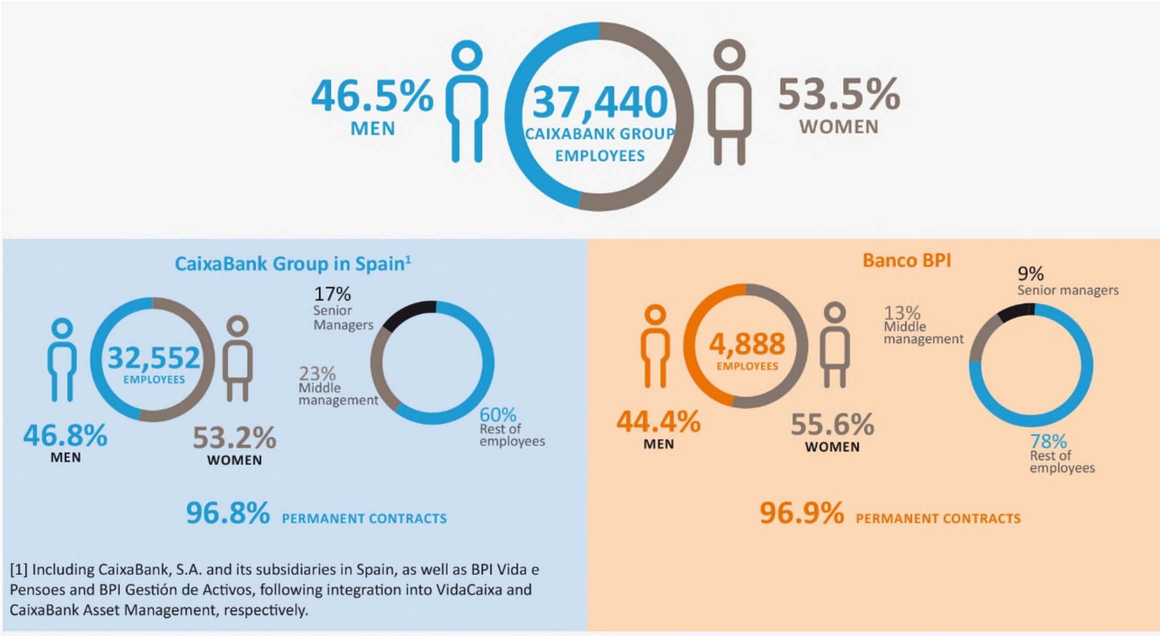
CaixaBank has also been named:
Country Winner at the World's Best Consumer Digital Banks in Western Europe 2018

CaixaBank has been recognised at "The Innovators" awards as:
The Most Innovative Financial Institution in Western Europe for 2018

Awards for apps:
CaixaBank Now and CaixaBank Pay

Our people

People management



CaixaBank has achieved the 4 goals outlined in the strategic line of **Having the most qualified and dynamic team** in the 2015-2018 Strategic Plan[1].

1. Development of the professional capabilities

A more qualified team
"With the responsibilities or professional capacities in order to be able to advise better to our clients and increase the quality of the service, emphasising that 13,772 employees are certified"

	2014	2015	2016	2017	2018
Certified professionals	n.d.	5,813	7,110	10,539	13,772
% Certified professionals (collective adviser)	63%	69%	71%	75%	88%
Hours of training by employee	48.2	49.0	49.1	59.2	71.8
Investment in training by employee (euros)	297	381	363	378	434
Employees formed (number/%)	28,943 / 100%	29,886 / 100%	29,766/100%	28,991/100%	28,400/100%
Average assay of the training (out of 10)	n.a.	8.0	8.0	8.3	8.3
% of online training	90%	90%	90%	91%	91%

2.Promote the management model based on the empowerment

A team with more empowerment
With greater management, involvement, and decision-making capabilities

	2014	2015	2016	2017	2018
Empowerment level (Commitment Study)	65%	65%	70%	69%	n.a.[2]
180º Assessment (out of 10)	6.7	8.1	8.2	8.1	8.0

3. Strengthen the culture of the meritocracy and the diversity

A more diverse team with equal opportunities
Culture of the meritocracy and assessments to promote the internal professional development and talent

	2014	2015	2016	2017	2018
% Women	51.4%	52.3%	52.6%	53.5%	53.8%
Women in management positions	34.6%	35.7%	37.0%	39.1%	39.9%
Employees with disabilities	190	201	191	194	223
Y Generation (Millenial) (1982-1992)	7.2%	9.7%	11.8%	13.3%	14.2%
Access to management positions for the first time (women)	34.6%	38.7%	51.1%	53.0%	54.4%
% Appointments / Applications in coverage of positions (men / women)	7.4% / 9.4%	7.7% / 8.1%	9.7% / 12.9%	14.6% / 19.9%	16.5% / 20.8%
% Woman's appointments / Total appointments in coverage of vacancies	47.9%	48.5%	51.6%	53.7%	54.7%
% Management positions covered internally	99.7%	99.5%	98.2%	99.6%	99.2%

4. Adapt the compensation and promotion plan

A more satisfied and comitted team
Overall satisfaction of 75% according to the Commitment Study
(carried out in 2018)

	2014	2015	2016	2017	2018
Overall satisfaction (Commitment Study)	70%	69%	73%	75%	n.a.[2]
Professional development satisfaction	66%	69%	72%	74%	n.a.[2]
Retention of the Talent	98.6%	89.5%	92.3%	92.0%	88.8%

[1] The monitoring data of the 2015-2018 Strategic Plan refer to CaixaBank, S.A.
[2] The 2018 Commitment Study will be conducted in February 2019.

Management principles

CaixaBank bases its people management policy on respect for diversity, equal opportunities and non-discrimination on any grounds, including gender, age or disability. Likewise, it believes it is essential to guarantee transparency in the selection and internal promotion of its employees. Therefore, CaixaBank has defined specific policies and principles to achieve this goal:

1. **Diversity, equal opportunities and work-life balance**
2. **Promoting professional development and merit-based criteria in selection and internal promotion processes**
3. **Training for a high-quality customer service and staff development**
4. **Performance-based pay directly related to delivery of individual and team targets**
5. **Occupational risk prevention (Security, health and well-being)**
6. **Internal communication as a key approach to transmitting corporate culture and values in conjunction with the business challenges and priorities.**

All these actions aim to increase employee satisfaction and to generate a positive working environment in which teams feel motivated and committed.

01. Diversity, equal opportunities and work-life balance

Wengage, CaixaBank's Diversity Programme, has a triple vision: **gender diversity, functional diversity and generational diversity**, demonstrating the Company's clear commitment to equality and reconciliation.

CaixaBank's **Diversity Manifesto** published in 2018 sets out specific diversity principles:

- **Including and fostering equal opportunities** in all the organisation's policies and processes and promoting a culture based on merit and respect for people.
- **Helping to break down established restrictive stereotypes and beliefs** beliefs that stand in the way of development and innovation.
- **Backing the creation of diverse, transversal and inclusive teams,** recognising people's individuality and difference and putting an end to any excluding or discriminatory behaviour.
- **Promoting actions and measures to foster awareness and social change** through training, networking, mentoring, debates, talks, awards and sponsorships.
- **Disseminating the value of diversity** among all the people, institutions, companies and bodies we work with.

Wengage Project, Initiatives 2018

Diversity Committe

Wengage GENDER DIVERSITY

1. Wengage Communication Project "Gender Diversity"
2. Management training
3. Equal Communication Guide
4. Agents of equality
5. DialogA
6. Sponsorship of prizes
7. Accessions
8. Awareness Campaign
9. Prevention protocol

Wengage FUNCTIONAL DIVERSITY

10. Wengage Communication Project "Functional Diversity"
11. Promoting hires
12. Donations and sponsorships

Wengage GENERATIONAL DIVERSITY

13. Participation in the Generation and Talent Observatory

Wengage "Gender diversity"

In 2018, the company has focused primarily on gender diversity through the Wengage "Gender diversity" programme. This initiative aims to meet the challenge of increasing the representation of women in managerial positions at CaixaBank, to reaffirm the Company's stance on diversity and to have an external impact to achieve a more diverse society by helping to break down gender stereotypes. The following main initiatives aim to promote gender diversity:

01. Communication Project

The project has been carried out in the 14 Regional Departments and Central Services. In 2018, the programme has been presented through after-work and networking events.

In addition, CaixaBank is currently working to promote the social benefits associated with important stages of life (maternity and paternity pack).

02. Management training

CaixaBank offers **management training** (held at IESE and ESADE universities) and for **women's mentoring programmes** at its Regional Departments and Headquarters, with some 400 participants.

> **Present in Top 30**
>
> CaixaBank among the TOP 30 Companies in Spain with best practice in Diversity & Gender

03. Equal communication guide

In 2018, CaixaBank's **Equal Communication Guide** was published and circulated throughout the entire workforce. This guide details the different communicative styles of each gender in order to facilitate their identification in teams and break down stereotypes. The author of the Guide is Estrella Montolío, Doctor and a Professor of Hispanic Linguistics at the University of Barcelona.

04. Equality Agents

In an aim to improve gender diversity within the company, CaixaBank has assigned an **equality agent** to each Regional Department. The equality agents are responsible for guaranteeing the implementation of the established equality policies and actions.

05. DialogA

The **DialogA** programme promotes **opportunities for debate and reflection**. This actions include:

- Talks at each Regional Department.
- Female Talent breakfasts held at the Regional Departments to share best practices and personal experiences.
- Inclusive reflection sessions with Aspen Institute and Diversity Talks at international meetings.
- Networking with international banks to launch joint projects (Erste Bank, Standard Bank, ANZ Bank).

INTRAMA award

In the Top Diversity Company category, which acknowledges the companies most innovative and committed to Diversity and Gender improvement processes in the organisation

06. Prize sponsorship

- **External:** FEDEPE sponsorship, Top 100 Women Leaders, and collaboration with the Prensa Ibérica group in the e-Woman awards recognising successful women in the field of digital and technological entrepreneurship.
- **Internal:** CaixaBank's 2018 IWEC – Female Entrepreneur Award to recognise professional excellence, the possible involvement in the Shanghai Annual Meeting, and the WONNOW awards, in which CaixaBank and Microsoft recognise outstanding women in technical university degrees with their potential incorporation into CaixaBank.

07. Accessions

CaixaBank is a partner of the EJE&CON (Spanish Executives and Board Members Association) association and sponsor of the Monitoring Survey of the Code of Good Practice for the Management of Talent and the Improvement of Competitiveness of Companies which is carried out in collaboration with Fundación máshumano and IESE Business School, whose aim is to regularly measure the degree of compliance of recommendations of the Code by member companies.

CaixaBank is a member of the UN empower women initiative and the UN Global Pact through which it assumes the public commitment of aligning its policies to advance gender equality.

CaixaBank has signed the Voluntary Agreement with the Women's Institute that promotes greater representation of women in management positions.

CaixaBank signed the diversity charter in 2011, which represents a voluntary commitment to Foster equal opportunities and the adoption of anti-discriminatory measures .

08. Awareness campaign

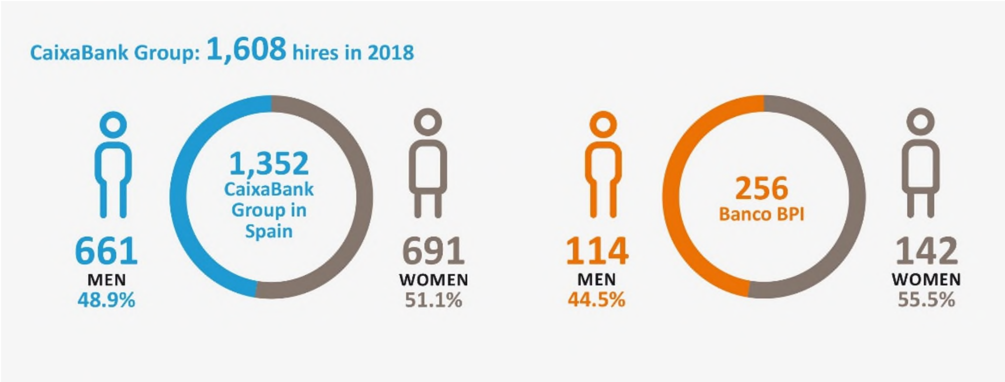
As part of its social commitment, CaixaBank has launched an awareness campaign through social media about the value of equality. The campaign is based around a video focusing on three areas (education, access to jobs, and co-responsibility). The video portrays everyday situations in which gender inequality still exists and which CaixaBank aims to improve. This campaign has been viewed by over 2 million people.

09. Prevention protocol

CaixaBank implements **a specific protocol to prevent workplace, sexual, and gender harassment** signed by the union representatives. For that purpose, CaixaBank has outsourced the management of enquiries and possible cases of harassment to experts in conflict resolution who assess and investigate any cases while guaranteeing maximum confidentiality.

Women in management positions[1]	Women in appointments (first time)[1]	Women – Access to highest management position[1]
39.9%	54.4%	42.2%

[1] Information about CaixaBank, S.A.



Wengage "Functional Diversity"

Our commitment to functional diversity is demonstrated through the Wengage "Functional Diversity" Programme which involves raising awareness, integration and support for employees with disabilities, based on respect for people and ensuring equal opportunities and no discrimination. Since 2014, some 200 people with disabilities have been working at CaixaBank. As of 2018, there are 243 employees with disabilities at the CaixaBank Group and 103 working at Banco BPI.

10. Communication Project

CaixaBank carries out internal communication campaigns promoting respect for people and diversity, as well as campaigns to raise awareness about the additional social benefits for this group.

11. Increased employment

In 2018, 15 people have been hired to cover positions in Central Services. In addition, CaixaBank operates a grant programme and promotes the hiring of providers through Special Employment Centres.

12. Donations and Sponsorships

CaixaBank collaborates through donations and sponsorships with different organisations involved in the area of functional diversity, such as the ONCE Foundation, Decentralised Social Action, the Incorpora Programme of the "la Caixa" Foundation, and sponsoring wheelchair basketball.

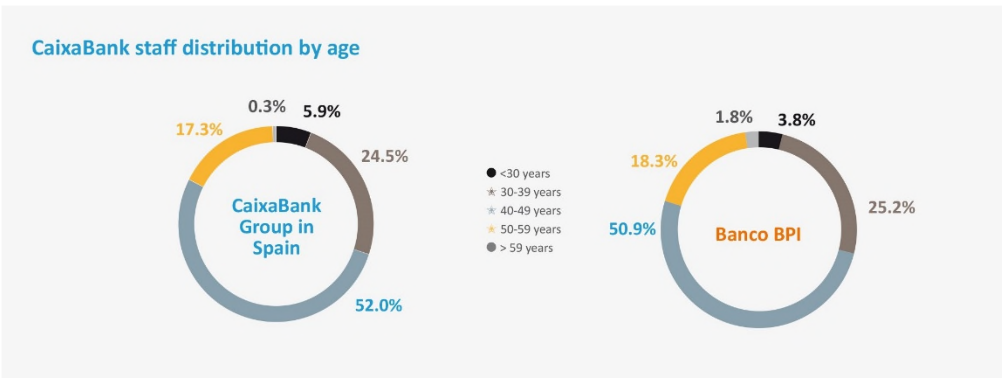
Wengage "Generational diversity"

Finally, to promote generational diversity, the Wengage "Generational diversity" programme is currently developing the initial diagnostic analysis of the demographic evolution and impact on structural indicators, such as social and work climate, absenteeism, productivity, commitment, as well as other key indicators.

To conduct the analysis, several focus groups have been created with senior CaixaBank employees using the collaborative dialogue method to address relevant issues and share knowledge and experience to design an Action Plan in 2019.

13. Involvement in the Generation and Talent Observatory

CaixaBank forms part of the Generation and Talent Observatory, whose main objective is to promote the management of generational diversity in organisations.



To guarantee equal opportunities, since 2011, CaixaBank, S.A. has implemented an **Equality Plan** to promote, raise awareness, and foster equality between men and women at the bank. This Plan incorporates policies to facilitate the reconciliation of work and family life which apply to its employees. Improvements have been made to several key conditions in the collective agreement: improved paid leave for marriage, maternity and paternity, illness or death of a family member, moving house, etc. (2,994 employees accessed paid leave in 2018), reduced working hours to look after children under the age of 12 years or children with disabilities (1,228 employees requested reduced working hours in 2018), leaves of absence to care for dependents, gender-based violence, family relocations, solidarity, personal reasons, and study purposes (593 employees requested leave of absences in 2018). Currently, a new Equality Plan is being developed with the workers' representation.

For many years now, CaixaBank has been committed to developing work/life disconnection policies for its employees. The internal employment agreements contain rationalisation measures of training and commercial activity for employees. The number of activities that can be conducted outside of normal working hours established in the Collective Agreement are limited. Priority is always given to the willingness and motivation of employees. Regarding the idea of the digital disconnect, CaixaBank plans to tackle this area in future negotiations with the workers' representation.

2018, CaixaBank renewed its **Family Responsible Company Certificate (efr)**, obtaining a B+ rating (proactive company). This certificate is awarded by the MásFamilia Foundation in recognition of companies that foster a balanced work and family life by implementing specific policies and measures.

efr empresa certificado en conciliación e igualdad 103 / 01-2010 / DNV

02. Professional and talent development based on meritocracy

For CaixaBank, it is a priority to reinforce the culture of meritocracy and diversity by fostering and developing critical professional skills among its employees.

In 2018, progress has been made with the strategic priority of reinforcing a meritocratic culture. For that purpose, 100% of CaixaBank employees undergo evaluations in order to obtain a global perspective: evaluation of performance and competence-based assessments, with a particular focus on 180-degree assessment of managers (evaluating teams and team leaders).

To evaluate skills, we have updated the profiles and assessment models for skills, placing the focus on conversation as a tool to help drive professional development and internal talent. Another objective of this approach is to identify those professionals with the most potential and their incorporation into specific professional development programmes.

CaixaBank continues to promote professional development programmes at the managerial and pre-managerial level. Highlights include:

- **"Rethink" Management Programme** aimed at validating leadership skills and fostering strategy and intra-institutional cooperation in the Company by reinforcing the Transformational Leadership mode.
- **"Progresses" Pre-managerial Programme** aimed at directors and assistant directors of the network and Central Service managers.

During 2018 around 1,400 participants have carried out managerial development actions.

Furthermore, we continue to implement a meritocratic approach to make internal appointments. For each process, a shortlist of three suitable candidates is created to fill the new position (at least one of the candidates must be a woman). As of 2018, 99.2% of managerial positions at CaixaBank, S.A. are the result of internal appointments.

With the aim of attracting and developing young talent, CaixaBank has conducted programmes involving some 675 people:

CaixaBank Experience	Similarly, in order to retain young talent, this programme has been designed to welcome, train and integrate new employees. This programme, which has been nominated in the 2018 Learning Awards in the best onboarding category, has significantly reduced the turnover rate of new employees.
Young Management Program	The second edition of this programme was carried out in 2018 and has enabled CaixaBank to boost its recruitment of high-potential talent. This programme aims to incorporate young professionals, and alumni from leading national and international education institutions, into different areas of Headquarters.

03. Boosting training activities

CaixaBank strives to have the most qualified professionals and, therefore, invests a lot of time and effort in training. Indeed, close to 2.53 million hours of training were conducted in 2018, focused on initiatives to provide its employees with continuous learning to develop new skills and the talent required to tackle future challenges.

CaixaBank has signed multiple agreements with universities and business schools to design customised training programmes and certify CaixaBank employees in different areas.

Furthermore, the Company encourages self-training by making numerous training resources available to employees through the **CaixaBank Campus.** This learning model is used to offer training to all CaixaBank employees. It is structured in four blocks: training schools, customised programmes, regulatory training, and the management development plan.

Fomenting self-training – CaixaBank Campus comprising five schools

- Sales School
- Financial School
- Risk School
- Leadership School
- Sustainable Performance School

In addition, CaixaBank understands the importance of complying with all the regulatory requirements. In 2018, 3,267 employees (directors, managers and specialists that offer financial advice to customers) have obtained certifications in financial advising, recognised by the National Securities Market Commission, in accordance with MiFID II regulations.

CaixaBank has gone one step further and made the financial advisor certificate available to all its employees. This action drives the promotion of employees and fosters quality in customer service and financial advising through a personal approach.

04. Pay policy

In 2017, CaixaBank's Board of Directors approved the latest revision of the **CaixaBank General Remuneration Policy**, which specifies and adapts to the main features of each element of remuneration. It can be accessed by all employees via the corporate intranet.

Remuneration at CaixaBank essentially features the following pay items:

- Fixed remuneration based on the employee's level of responsibility and career path. This accounts for a significant part of total remuneration and is governed by the collective bargaining agreement and the various internal labour agreements.
- A variable remuneration system in the form of bonuses and incentives are linked to the achievement of previously established objectives and set up to prevent possible conflicts of interest, and, where applicable, to include qualitative assessment principles in line with customer interests, codes of conduct, and prudent risk management.

Strategic line 5, "Having the most prepared and dynamic team", from the 2015-2018 Strategic Plan, included objectives such as "Adapting the remuneration framework" and "strengthen the culture of meritocracy". In this regard, and in line with the principles of the General Remuneration Policy, which places importance not only on the achievement of challenges but also how they are achieved, throughout this Plan variable remuneration has increased its weight over fixed remuneration, variable remuneration representing 7.7% of total remuneration in 2018 (CaixaBank, S.A.). Furthermore, we have revised all the bonus and incentive schemes and have incorporated the latest regulatory changes.

05. Security, health and corporate well-being

One of the fundamental pillars in people management at CaixaBank is the health and safety of its staff. CaixaBank goes one step further than the legislation and rather than talking about Occupation Risk Prevention, it focuses of **Corporate Health, Safety and Well-being**. The Management team is acutely aware of the importance of reinforcing initiatives and measures to facilitate proper working conditions. Management is committed to:

- Fostering a culture of prevention at all levels of the organisation.
- Ensuring compliance with the applicable law and other voluntary commitments to which it subscribes.
- Considering preventive aspects at the source.
- Implementing continuous improvement measures.
- Raising awareness and training staff.
- Implementing **an Occupational Risk Prevention system in accordance with the requirements of the standard OHSAS 18001.**

CaixaBank certified in OHSAS 18001

CaixaBank has specific committees to guarantee the health and safety of its staff:

Single Occupational Health and Safety Committee

This committee is responsible for establishing the aforementioned objectives and monitoring preventive actions, placing special emphasis not only on statutory audits, but also on other voluntary standards, such as the OHSAS 18001 certification (since 2005).

Occupational Risk Prevention Coordination Committee

This committee establishes the policies related to occupational risk prevention, to improve the control, management, and monitoring of the health and safety requirements. It also organises and conducts training. To perform this task, the committee analyses monitoring indicators with the aim of anticipating deviations and plan corrective measures.

Between 2015 and 2018, the Strategic Plan has helped to consolidate the operation and modernise the management system. It has also boosted processes related to occupation health and safety. The following initiatives were outlined for 2018:

01. Specific training

In 2018, the Managers of each Regional Department underwent occupation health and safety training, within the framework of CaixaBank's "corporate health, safety and well-being" initiative.

02. New training contents

New training contents have been incorporated for all staff related to ergonomics and the use of screens.

03. Prevention campaigns

Several prevention campaigns and recommendations have been developed and published on the company intranet, related to the following key areas: first aid, road safety, semi-circular lipoatrophy, and self-medication.

04. Psychosocial risk assessment

In response to the findings of the 2017 Psychosocial Risk Assessment Report, in 2018, Focus Groups have been created to explore areas for improvement. Also, several initiatives have been launch together with an Action Plan, which is currently being developed by a working group that involves the participation of the Workers' Legal Representation.

05. Healthy company project

The "Healthy Company" Project was launched in 2018 with the aim of promoting healthy environments and activities to improve the well-being of employees. The project creates spaces for functional exercise, muscle stretching and relaxation classes. We also run workshops on sports nutrition and training methods.

With the launch of this project and other initiatives, CaixaBank aims to obtain the official healthy company certification within the next few years.

Regarding the meetings held with social representatives on the subject of occupational health and safety, in 2018, the Health and Safety Committee conducted various sessions and, in particular, a work group was created to analyse psychosocial risk-related aspects.

Total no. of employees trained in occupational risk prevention	Manageable absenteeism index
29,915 (80% of workforce)	2.86% Source CaixaBank, S.A.

06. Communication

CaixaBank's internal communication focuses mainly on:

- Promoting and tackling the Strategic Plan challenges and business priorities.
- Transmitting our corporate values as a differentiating factor.
- Recognising and reinforcing good professional practices.
- Promoting the corporate culture and the pride of belonging.
- Facilitating two-way dialogue between employees and Management.

CaixaBank has various channels of communication between the workforce and the Bank, including:

01. “People” web page

The “People” web page is a homogenous, consolidated and cross-company tool. It receives some 2 million visits each month and, on average, two articles are published each day. This tool places importance on the professionals working at CaixaBank and the important milestones for their daily work, from a strategic, motivational and business approach.

In the last quarter of 2018, we started to develop ‘People’ to create a participatory tool to facilitate two-way internal communication.

02. CanalCaixa magazine

The CanalCaixa magazine is a monograph focusing on the professionals working in the company. Three editions were published in 2018: one focusing on diversity within the CaixaBank Group and two commemorative editions looking back at the last ten years of business specialization.

03. Internal events

CaixaBank organises several internal events such as the Management Convention and acts to recognise the Best Sales Teams. In 2018, a total of 15 internal events were held in different regions and attended by 16,560 employees (73% of the Retail network), 1,251 of whom received awards.

04. FlashDirectivo

The FlashDirectivo channel makes the CEO's main messages of the year available to all CaixaBank employees.

05. Enquiries and complaints channel

The enquiries and complaints channel is built into the Intranet (see the section on Our Identity - Responsible and ethical behaviour: policies, codes and internal standards).

Work climate

CaixaBank prioritises generating a positive working environment in which teams feel motivated and committed. To achieve this goal, we pay close attention to the ideas and opinions of our employees, and develop an action plan through active listening to meet their requirements. For this reason, we believe that periodically assessing the social and work climate, the experience of our teams, and the quality of the service provided, helps to generate this positive environment.

In the same line, we measure the commitment and satisfaction of our employees through Commitment and Service Quality Studies, as well as monitoring services such as MercoTalento, and our participation in the 1st Employee Experience Barometer created by the Instituto de Empresa in Spain.

2017 Commitment Study

CaixaBank has developed an ongoing improvement system for the commitment and satisfaction of its professionals. Using commitment studies that cover the perceptions, suggestions and needs, improvement initiatives that contribute to improving CaixaBank as a place to work are identified and prioritised. The study is performed every two years for all the workforce and for a sample in the years in between.

Employee Experience Barometer

In 2018, CaixaBank took part in Spain's first Employee Experience Barometer, given the importance that the Bank places upon creating a good employee experience. This study divides the employee lifecycle into 6 phases and 24 Touchpoints (most important moments) and measures the eNPS (Company recommendation) as well as the HR Effort (belief that the company makes an effort to improve the experience for its employees).

Commitment Study Results

Improvement of the evolution of the global results on the work climate at CaixaBank, in addition to commitment results above the finance sector in Spain and in line with high/performance companies.

The results show **significant advances in the six areas** in focus due to the previous Commitment Study:

- Active listening and participation
- Efficiency of working time
- Incentive scheme
- Development
- Customer trust and commitment
- Working conditions and barriers thereto.

Participation

71%
(2017)
64%
(2014)

Global commitment index

75%
(2017)
69%
(2014)

Employee Experience Barometer Results

The results obtained place CaixaBank above average for participants (51 companies from 13 different sectors).

eNPS[1]	HR Effort[2]
25	**7.0**

Notable **best experiences** for **employees**:

- Pride of belonging
- Relationships with colleagues and teamwork
- Participation in projects
- Support in difficult situations
- Remuneration and work conditions
- Customer satisfaction

[1] This is the employee recommendation index rating on a scale from 0 to 10 in response to the following question: Would you recommend your company as a place to work? The results are displayed on the following scale (Promoters respond 9-10, Detractors respond 0-6). The calculation: % of Promoters (respond 9 or 10) - % of Detractors (respond 0 to 6).

[2] Index of the company's effort to improve the experience of its employees. The following question is rated from 1 to 10: Do you think that you company makes an effort to improve your experience as an employee?

Freedom of association and representation

CaixaBank places fundamental importance on compliance with labour standards, the rights of employees and their representatives, and all matters related to consensual frameworks with union representatives. In addition, the Collective Agreement on Savings Banks and Financial Institutions applies to the entire workforce of CaixaBank, S.A. There are also additional agreements to develop and improve the conditions of the Collective Agreement. Generally speaking, the majority of our staff adhere to the work hours established in the collective agreement for financial and savings institutions. CaixaBank, S.A. forms part of the Joint Standing Committee on the Interpretation of the Agreement, which aims to develop labour standards that are applicable to all employees in the sector.

A total of 100% of the CaixaBank Group workforce is associated with a collective bargaining agreement.

CaixaBank, S.A. maintains and promotes total neutrality with the different union representations in the Company. The union representatives involved in the company committees are chosen every four years by means of an individual, free, direct, and confidential voting system. They are notified of any relevant changes that may arise within the Company. In November 2018, elections were held to select the representatives of 64 company committees and 11 staff representatives.

The corporate culture and the 2019-2021 Strategic Plan will form the foundations of the future people management policies and principles implemented over the next few years, including:

- Ensuring the development of talent potential through meritocracy, diversity, mainstreaming, and empowerment.
- Implementing and developing the best value proposition for employees (e.g., new environments and work spaces, new methodologies and applications, evaluation systems, recognition, etc.) to enhance their experience and engagement, while also reinforcing their well-being in a healthy and sustainable environment
- Fostering the attributes of agility and collaboration and adapting structures and processes to more agile and cross-cutting work models.
- Improving communication channels to encourage participation and collaboration

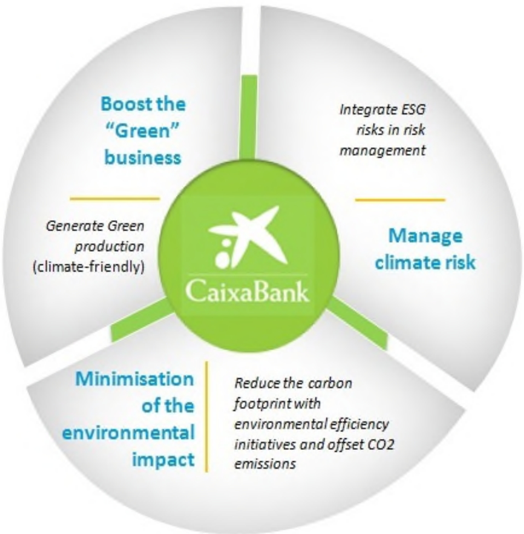
Therefore, we will harness the talent and skills of our staff, which, coupled with new trends (e.g., more agile and flexible methodologies, and digitalisation which offers improved mobility, family and work life reconciliation, and greater diversity-based social awareness), will strengthen our corporate culture and position as a desirable workplace.

Sustainability

Sustainability

Environmental sustainability

CaixaBank is committed to driving the transition to a low carbon and socially inclusive society. Therefore, in 2018, the company outlined an Environmental Strategy with three main action lines:



In addition to this strategy, our Corporate Social Responsibility Policy and the adherence to different international initiatives are fundamental to our unequivocal and transparent commitment, due to the nature of CaixaBank as a financial institution, to accelerate the transition to a more sustainable economy.

In 2018, we have further reinforced this commitment by subscribing to the United Nations Environment Programme Finance Initiative (UNEP FI) to address the challenges of sustainable development and public awareness. Also, in this line, CaixaBank has demonstrated its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), a working group of the Financial Stability Board, whose objective is to increase the relevance of climate-related risks and opportunities through reporting, with the ultimate aim of raising awareness and promoting reflection among everyone involved in the financial markets. Similarly, CaixaBank endorses the United Nations Principles for Responsible Banking, an initiative aiming to transform the financial industry as an engine for a sustainable future.

For the strategic development of the action plan resulting from this commitment, in addition to the Corporate Responsibility and Reputation Committee, in 2018, a Sustainable Finance Committee was created with members of Senior Management at CaixaBank.

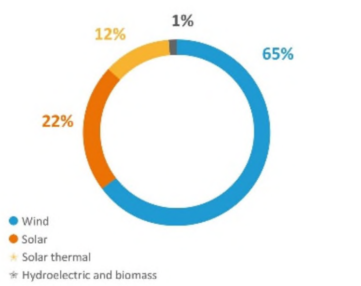
Promoting green business

CaixaBank is currently in the process of defining which areas present environment-related business opportunities. Currently, CaixaBank offers the following **green financial services:**

01. Green financing

Renewable energies: our commitment to combating climate change is translated into the financing of renewable energy projects, among other actions. In 2018, we set aside EUR 645 million to fund 12 projects (new production in 2017 stood at EUR 784 million), which has been translated into 5,216 MW of installed power. Since 2011, CaixaBank has funded renewable energy projects with a total installed power of over 23,700 MW.

Renewable energy portfolio exposure



Green loans: In 2019, in the green loans market, CaixaBank was 10th in the Global Bookrunner ranking and 14th in the Global Mandated Lead Arranger ranking, participating in 6 and 10 green loans for a volume of 593 and 855 million dollars, respectively[1]. All these loans have obtained the Green Certificate in accordance with the criteria of The Green Bond Principles (GBP) established by the International Capital Markets Association (ICMA).

CaixaBank's portfolio exposure to the field of energy makes up 37% of its project financing. Of these, 81% are renewable energy projects.

[1] Source: Global Syndicated Loans, League Tables FY 2018 (Bloomberg). Some of these operations are included in the renewable energy project financing table.

EcoFinancing: CaixaBank has specific financing lines for buying environmentally-friendly vehicles and household appliances, investing in energy efficient housing, promoting investments to make resources more efficient and reduce their environmental impact.

Since 2013, CaixaBank has implemented an EcoFinancing line to boost loans for agricultural projects related to energy efficiency and water use, organic farming, renewable energy, waste management, and the development of rural areas.

In 2018, the Company has granted a total of 451 loans for the amount of EUR 6.7 million (EUR 7.6 million in 2017).

Climate action lines: In 2018, CaixaBank signed an agreement with the European Investment Bank (EIB) consisting of a line of credit amounting to EUR 30 million to fund investments in SMEs, individuals, and the public sector to combat climate change (e.g., electric cars, modifications to facilities, and home improvements). In addition, CaixaBank acts as a broker for EIB funds related to renewable energy projects. Specifically, in 2018, EUR 35 million have been allocated to finance a wind farm project.

In 2018, BPI set aside EUR 161 million through the following green financing lines:

- European Investment Bank-Energy Efficiency: a line aimed at financing energy efficiency projects (EUR 50 million).
- 2020 Financial Instrument for Urban Rehabilitation: a line aimed at financing urban rehabilitation projects with the aim of improving the energy efficiency of buildings (EUR 400 million).
- Jessica: line focused on the rehabilitation of urban areas.

02. Green bonds

CaixaBank has been a signatory of the Green Bond Principles since 2015. Since then, the Company has participated in the placement of green bonds for projects with a positive climate impact.

In 2018, CaixaBank has participated as a Joint Bookrunner in the placement of 2 green bonds for investment in sustainable assets with a total volume of EUR 1,300 million. In 2017, the total volume reached EUR 2,050 million.

03. Green funds

MicroBank markets the MicroBank Ecological Fund with a volume of EUR 13.7 million managed under ESG criteria.

Managing ESG and climate risks

Some of the sectors in which CaixaBank operates could have a significant environmental impact. For this reason, in accordance with a rigorous and responsible decision-making process, CaixaBank believes it is essential to identify, assess and manage the environmental risk associated with its activity.

Environmental risk management (including ESG risks) constitutes one of the main lines of action of CaixaBank's Environmental Risk Management Strategy. In 2018, CaixaBank has developed an Environmental Risk Management Policy to regulate the financing of certain companies and projects that pose a potential ESG risk. The main objective of this policy is to determine a framework of global principles forming the foundations of all actions that are related or that have an identified impact on potential ESG risks. The sectors that have been taken into account in this Policy are energy, mining, infrastructures, and agriculture. The Policy is scheduled to be approved by the Bank's Governing Bodies in 2019.

CaixaBank has been a signatory of the Equator Principles since 2007. The Equator Principles define a management framework for the financial sector with the aim of determining, assessing and managing the environmental and social risks and impacts associated with financed projects. The Equator Principles require compliance with a set of formal requirements with project classification (Type A, B or C), legal clauses, environmental and social impact studies, among others.

Scope of management framework

- **Financing of projects and services on financial advice for projects** with minimum investment of €7m.
- **Corporate loans linked to investment projects** the global amount of which is at least €70m and the individual commitment of CaixaBank is at least €35m and the loan term is equal to or greater than 2 years.
- **Project-linked bonds** with an amount equal to or over €7m.
- **Bridging loans** with terms under 2 years that are going to be refinanced with a project finance or a corporate loan linked to a project, meeting the previously stated criteria in each case.
- CaixaBank voluntarily applies this procedure to syndicated operations, with a term equal to or over 3 years and when CaixaBank’s individual commitment is between €7m and €35m. Furthermore, the procedure applies to other operations to finance investment projects with a minimum term of 3 years and amounting to at least €5m when the holder is a medium-large, large or very large legal person.

Application by CaixaBank

- Projects entailing potentially significant and irreversible risks or impacts for which no viable action plan can be envisaged, or which conflict with corporate values, **are rejected**.
- In other instances, an independent expert is appointed to evaluate each borrower's social and environmental management plan and system. The projects are classified into categories A, B and C depending on the potential risks and impacts detected during the due diligence process, which involves teams from the sales and risk areas and external experts.
- Category A and certain Category B projects may have potentially significant adverse impacts. In these cases, an action plan must be drawn up to help prevent, minimise, mitigate and remedy the adverse social and environmental impacts.

The Company has financed a total of 9 projects with an overall investment of EUR 10,719 million in 2018, with EUR 696 million in shares. These evaluations have been carried out with an independent consultant.

	Financed operations (units)	Financed operations (€MM)[1]
A Category (projects with potential impact ESG significant and hardly mitigables)	1	99
B Category (projects with potential impact ESG limited and easily mitigables)	8	597
C Category (projects with potential impact ESG minimum or without adverse impacts)	0	0
TOTAL	**9**	**696**

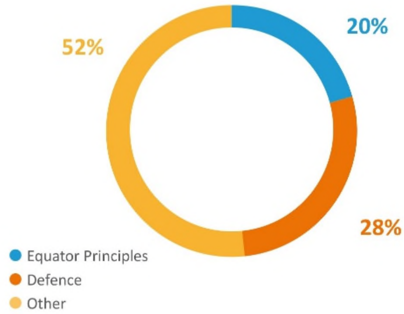
[1] The reflected amounts can vary because of the change of conditions in the loans granted in closed dates to the reporting.

Additionally, CaixaBank has a **Reputational Risk Service** responsible for dealing with enquiries related to the Equator Principles, with the possible violation of the Corporate Social Responsibility (CSR) policies related to defence, anti-corruption and human rights, and doubts related to the possible reputational risk of certain financial operations.

With the view to comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD), CaixaBank has identified its portfolio exposure to carbon-intensive sectors[1], representing 0.94% of its total assets. In addition, CaixaBank is currently working to identify its portfolio exposure to green sectors.

Lastly, CaixaBank's pension plan management company (VidaCaixa) and collective investment institution management company (CaixaBank Asset Management) adhere to the United Nations Principles for Responsible Investing (UNPRI) and manage their portfolio in accordance with these principles. In addition, both entities adhere to the Climate Action 100+ initiative led by UNPRI, to drive the clean energy transition and help achieve the goals of the 2015 Paris Agreement (COP21).

Reputational Risk Service
In 2018, some 234 enquiries were resolved, with the following breakdown:



VidaCaixa was given the maximum possible rating of A+ by UNPRI in 2018

Minimising its impact on the environment

CaixaBank has a set of **Environmental and Energy Management Principles** that highlight the company's commitment to promoting efficient and environmentally friendly technologies, integrating environmental and energy-related criteria in its range of products and services, and to supporting initiatives to fight climate change.

The **2016-2018 Environmental Management Plan** aimed to combat climate change while prioritising being **Carbon Neutral in 2018**. Therefore, as in previous years, CaixaBank has recorded the amount of greenhouse gases it has generated, in order to calculate its carbon footprint and establish mitigation measures, managed under the framework of continuous improvement guaranteed by our environmental and energy management system, which is certified by ISO 14001, EMAS Regulations, and ISO 50001.

In 2018, as a new development, CaixaBank has offset all its emission, in this case, by participating in a project recognised by Verified Carbon Standard (VCS), involving the installation of 30 wind turbines in a wind farm in India, in addition to a specific CO_2 absorption project through the reforestation of a burnt area in the mountain of Montserrat.

As a result, in 2018, CaixaBank has become the only Carbon-Neutral listed Spanish bank by completely offsetting the emissions produced directly and indirectly by its activity and calculated in its carbon footprint.

Continuing along these lines, the **2019-2021 Environmental Management Plan** prioritises maintaining CaixaBank’s status as a Carbon Neutral company, by reaffirming its commitment to obtaining 100% of its power consumption in 2019 from renewable sources, as well as complying with environmental certifications, and placing special emphasis on extending its environmental commitment throughout the value chain by promoting its Environmental Plan for Procurement and Contracts:

Environmental Management Plan 2019-2021	2018	2019	2020	2021
% reduction of Co2 emissions (with regard to 2015)	-10.0%	-11.5%	-13.0%	-14.5%
% energy saving (with regard to 2015)	-5.5%	-7.0%	-8.5%	-10.0%
Purcahses with environmental criteria over of total purchases with significant environmental impact	40.0%	50.0%	60.0%	70.0%

Each year, CaixaBank publishes a report, audited by an external and independent firm, detailing the main environmental actions carried out by the Company. This report, referred to as the Environmental Statement, along with the environmental and energy management principles can be accessed on the CaixaBank website.

[1] Data on CaixaBank Group's carbon-intensive equity, fixed income and credit exposure (including BPI). This includes exposure to fossil-fuel-based power generation sectors (coal, oil and gas) and utilities, based on the recommendations of the FSB Task Force on Climate-related Financial Disclosures. Some exposures may contain a mix of power generation that includes renewable energies. There are other carbon-intensive sectors, such as manufacturing or infrastructures, which are not included in this calculation, and are scheduled to be included in the future.

The **Environmental Plan for Procurement and Contracts** aims to identify the categories with the greatest potential environmental impact, for which it sets out environmental criteria which must include pre-contractual specifications. At present, we are revising and updating the ethical, social and environmental standards for our suppliers.

The areas of procurement and contracts with an environmental risk are managed through an integrated Quality and Environmental management system, certified by the standards ISO 9001 and ISO 14001.

In 2018, 36.17% of the CaixaBank Group's strategic suppliers (high-risk according to internal classification parameters) have a certified environmental management systems or the ISO 14001 certification.

CaixaBank defines local providers as those with their operational base in Spain (or Portugal for BPI). In 2018, 98.2% of the sales volume corresponds to local suppliers (86.3% in the case of BPI).

Social responsibility

CaixaBank has a social vocation and commitment that goes far beyond its financial activity. Indeed, as a priority, it strives to promote saving, financial inclusion, and active support policies to tackle social problems. Financial inclusion is a key factor in reducing extreme poverty and promoting shared prosperity. Therefore, it is imperative to make financial services available to everyone and to improve physical and technological accessibility to encourage the inclusion of people with physical or cognitive difficulties.

Financial inclusion model

	2017	2018
% Spanish towns > 5.000 inhabitans with CaixaBank presence	94%	94%
% Spanish towns > 10.000 inhabitants with CaixaBank presence	100%	100%
% accessible branches	85%	86%
% accessible ATMs	90%	96%

CaixaBank offers a quality service based on customer proximity, providing access to all its channels. Currently, 91% of Spanish citizens have a CaixaBank branch in their town or city. Also, we are the only bank with branches in 203 towns/cities in Spain. Furthermore, the Company strives to maintain and adapt its network of offices in towns and villages with under 10,000 inhabitants, in order to guarantee the sustainability of its financial inclusion model. Similarly, CaixaBank aims not to abandon settlements in which it is the only bank.

Leader in financial inclusion through microloans and finances with a social impact

	2017	2018
Number of new arranged operations (units)	147,389	116,789
Loans arranged (€MM)	893.7	772.8
New businesses initiated with the support of the microcredits	8,664	9,561
Jobs created through microcredits to entrepreneurs and businesses	29,029	25,820

MicroBank, the Group's social bank, is the only bank in Spain d edicated exclusively to granting microloans and has become a European benchmark. The purpose of MicroBank is to provide financial services to groups that, due to their level of income or lack of guarantees, may find it difficult to obtain financing. The difficulties that exist in the labour market, from precarious work conditions to obstacles preventing the integration of disadvantaged groups, require mechanisms such as microloans to enable people who find themselves in these situations to access financial products.

MicroBank is supported by a number of leading European institutions in the promotion of entrepreneurship and micro-enterprises, such as the European Investment Fund (EIF), the Council of Europe Development Bank (CEB), and the European Investment Bank (EIB).

In addition, CaixaBank has established the following credit lines in collaboration with Multilateral Institutions:

- **EIF:** credit line for innovative SMEs. In 2018, a credit line of up to EUR 250 million has been created to support female entrepreneurs.
- **CEB:** the Company has put forward EUR 9 million to finance the Research Centre at Sant Pau Hospital in Barcelona.
- **European Bank for Reconstruction and Development (EBRD)** credit line of EUR 20 million to finance SMEs in Morocco.
- **EIB:** CaixaBank continues to act as a broker for EIB funds to finance SMEs through the EBI credit lines. Currently, EUR 600 million are available for this line of financing.

Furthermore, CaixaBank has participated in programmes to support international trade in emerging countries, amounting to EUR 1 billion in 2018, to assist their development through several Multilateral Institutions.

Finally, CaixaBank has 99,553 active **social accounts** that guarantee financial inclusion to people in difficult economic situations, enabling them access the basic financial services of a demand deposit for free. In 2018, 24,110 accounts were opened.

Providing easier access to housing

CaixaBank has an active policy of aid for first home problems in collaboration with "la Caixa" Banking Foundation. The CaixaBank Group has more than 22,000 social housing units. These homes, with monthly rents starting at €60, are available throughout Spain for people with low income.

Over 6,000 of these housing units are managed, in collaboration with "la Caixa" Foundation, within the framework of two specific programmes:

	2017	2018
Clients with mortgages that have received aids	40,954	31,398
Dations in payment	1,201	1,889
Dations in payment of the year with associated rental contract	38%	29%
Calls deal with for te Mortgage Customer services	10,466	10,462
Contributed housing to the Social Fund of Housing of the government	3,812	3,069

- Centralised Solidarity Rent Programme for people who have experienced a reduction in income
- Centralised Solidarity Rent Programme for people who have experienced a mortgage foreclosure or a payment in kind.

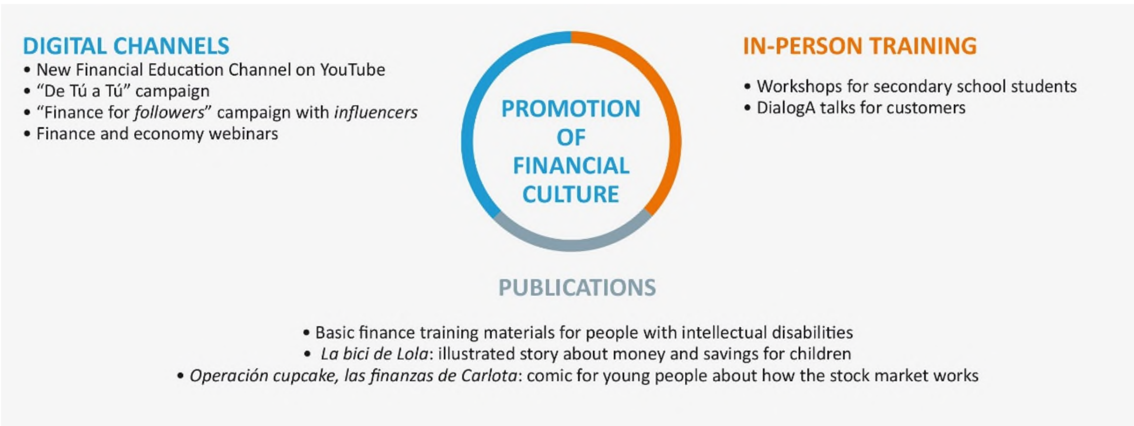
CaixaBank contributes 3,069 homes to the Government Social Housing Fund, exceeding the initial commitment of 2,629 units.

CaixaBank was the first bank in the Spanish market to create a specialised team offering mortgage repayment solutions to customers with payment difficulties. Also, in 2013, CaixaBank created the Mortgage Customer Service, a free telephone service for customers whose property is affected by a foreclosure suit.

The Company complies with the Spanish Code of Good Governance Practices for the viable debt restructuring with collateralised mortgage obligations for the primary residence.

Promoting the financial culture

In 2018, CaixaBank launched a **Financial Culture Plan** encompassing a wide range of projects and initiatives aimed at boosting the scope and reach of digital channels, with the creation of innovative contents and awareness campaigns related to finance and specific collective resources, such as people with intellectual disabilities and children. Furthermore, CaixaBank has consolidated other initiatives, such as the basic finance workshops offered by the "la Caixa" Volunteers Association (466 workshops in 2018), the courses and webinars on economy and finance as part of the "Shareholder Courses" programme (18 courses taken by over 1,300 shareholders in 2018). At the same time, we have continued to hold our CaixaBankFuturo Meetings, a series of talks about planning for retirement (322 sessions in 2018 with a total of 5,881 participants).



CaixaBank Research aims to create and disseminate information related to the economy and society both inside and outside the Company. In 2018, a total of 173,475 copies of the Monthly Reports distributed by post; 30% less than in 2017 to reduce the environmental impact of this action. Also, 2,076 articles were published on www.CaixaBankResearch.com, 1,602 newsletters were sent, and, as a new feature this year, we posted 10 videos of economists analysing economic and financial news. In addition, the @CABK_Research Twitter profile currently has 3,901 followers. The economists of CaixaBank Research gave 87 lectures in different forums. Finally, the lectures and conferences organised by the "la Caixa" Chair in Economy and Society were attended by some 2,190 people.

Social action and volunteering

CaixaBank's social commitment extends beyond financial operations to incorporate philanthropic and solidarity programmes that, in partnership with the "la Caixa" Banking Foundation, help to create opportunities for people and respond to the most pressing social challenges.

The "la Caixa" Banking Foundation is the leading foundation in Spain and one of the largest in the world. In 2018, the annual budget for its Social Programme amounted to EUR 520 million, financed indirectly through CaixaBank dividends. CaixaBank actively participates in the dissemination and implementation of its programmes through strategic alliances.

- EUR 43.6 million allocated to CaixaBank branches for local social projects.
- A crowdfunding project that has raised almost EUR 300,000 to fund 20 initiatives.
- More than 17,500 active participants in the past year in the "la Caixa" Volunteers Association. More than 14,500 volunteers are current CaixaBank Group employees.
- More than 32,000 jobs facilitated for vulnerable people through the Incorpora programme, working with more than 11,900 companies throughout Spain.
- More than 400,000 children vaccinated thanks to the "la Caixa" Banking Foundation's contribution to Gavi, the Vaccine Alliance.

Over 15,000 attendants in CaixaBank's Social Weeks, specifically, in 5,443 local volunteering activities with some 2,025 local social entities that support disadvantaged groups, in particular, people at risk or in situations of social exclusion. In addition, CaixaBank employees participated in Social Team Building actions, involving 11 teams of volunteers, 14 charities, and 42 activities completed.

COMMITMENT TO THE COMMUNITY

DECENTRALISED SOCIAL WORK

Budget of the "laCaixa" Social Project channelled through the CaixaBank branch network to cover local social needs

- €43.6 million budget
- 11,523 activities for local social projects
- 85% of the amount set aside for activities considered a priority
- 35% of the amount set aside for activities within the areas of healthcare, disabilities and addiction
- 34% of the amount set aside for activities intended for the struggle against poverty
- 9,464 charities

SOCIAL WEEKS

Local volunteering initiatives linked to beneficiaries of grants from Decentralized Social Work

- More than 15,000 participants in 2 social weeks
- 46% employees
- More than 5,400 activities conducted in 2,025 local social entities
- 28 activities in cities around the world
- 51,506 hours of volunteering
- 98% of employees would take part again

SOLIDARITY CROWFUNDING

Juntos Sumamos Más, a collective fundraising project (clients and non-clients) in collaboration "la Caixa" Social Project

- 20 projects funded
- €300,581 raised
- €194,192 contributed by "la Caixa" Social Project

#NingunNinoSinBigote

Milk collection campaign in collaboration with the food bank

- More than 1.4 million litres of milk
- Participation of the "la Caixa" Volunteers Association
- More than 30,000 families, translating to 120,000 children with access to milk for 3 months

THE TREE OF DREAMS

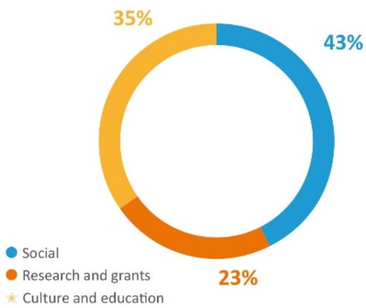
Customers and employees give children in vulnerable situations the gift from their Christmas list

- 21,260 children received a gift
- 1,098 participating branches

Following the incorporation of BPI into the CaixaBank Group, the collaboration with the "la Caixa" Banking Foundation has been extended to Portugal to promote the well-being of people, especially the most disadvantaged groups. Specifically, the "la Caixa" Banking Foundation and BPI have put EUR 15.16 million towards social, cultural, educational, and research initiatives. Key programmes:

- The Incorpora Programme aimed a labour integration for people at risk or in situations of exclusion, and the Support Programme for People with Advanced Diseases which provides support for terminally-ill patients and their families.
- Agreements have been reached with leading higher education institutions to promote education, research and scholarship programmes for students.
- We have renewed our support for the country's leading cultural institutions (Serralves, Casa de la Música, and Gulbenkian). Also, we have conducted the "El Bosque y Creatividad" travelling exhibitions, which are mobile spaces to foster ingenuity, skills and creativity in children.
- The launch of a new edition of the BPI Capacitar awards, aiming to improve the quality of life of people with disabilities, the BPI Mayores awards, which promote active and healthy ageing among people over the age of 65 years, and the BPI Solidario awards, aiming to improve the living conditions of people in situations of poverty and social exclusion.
- For another year, this Christmas, the initiative between customers and collaborators was relaunched to offer some 11,700 presents to children in 389 charitable institutions, selected by local branches.

15.16 million euros in aid



Indicators Law 11/2018, of 28 december

Act 11/2018, of 28 December	CaixaBank, S.A. / CaixaBank Group Spain[1] / Banco BPI	GRI indicator equivalence
Ethical conduct		
A description of the policies applied to the group, which will include due diligence procedures applied to identify, assess, prevent and mitigate significant risks and implications, and control and verification, including any measures adopted.	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Risk Management' Section on 'Sustainability'	412-1 / 102-31 / 102-35 / 102-36 / 102-37
The results of these policies, including key indicators that allow for progress to be monitored and assessed.	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Risk Management' Section on 'Sustainability'	201-1 / 102-31
Application of due diligence procedures regarding human rights	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	102-16 / 102-17 / 102-34 / 412-1 / 412-2 / 412-3
Prevention of human rights violation risks	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	102-16 / 412-1
Measures to mitigate, manage and rectify any potential abuse committed	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	412-1 / 102-34
Allegations of cases of human rights violations	No breaches of the Human Rights Policy have been detected among the Group's employees. When it comes to the suppliers, after the audits of 2018 in the subsidary Promocaixa, were applied corrective actions in 3 suppliers.	412-1 / 419-1
Promotion of and compliance with the provisions of fundamental Conventions of the International Labour Organisation related to respecting the freedom of association and the right to collective bargaining	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	102-41 / 102-34
The elimination of discrimination in employment and the workplace	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'	102-42 / 102-43
The elimination of forced or compulsory labour	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	412-1
The effective abolition of child labour	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	412-1
Inclusion of social, gender equality and environmental matters in the procurement policy	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Sustainability - Environmental sustainability'	103-1 / 102-9
In relationships with suppliers and subcontractors, consideration of their social and environmental responsibility	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Sustainability - Environmental sustainability'	103-1 / 102-9 / 204-1 / 308-1 / 414-1 / 414-2
Supervision system and audits	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	308-2
Results of audits	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	308-2
Measures adopted to prevent corruption and bribery	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	102-26 / 205-1 / 205-2 / 205-3 / 206-1
Measures to fight against money laundering	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Risk Management'	205-1
Contributions to foundations and non-profit entities	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	413-1
Business model and strategy		
Description of the business model - Main factors and trends that can affect evolution	Section on 'Environment and strategy' Section on 'Business model'	102-2 / 102-6 / 102-7 / 102-10 / 102-18 / 102-48 / 102-49 / 102-50 / 102-51 / 102-52 / 102-53 / 102-54 / 102-55 / 102-56
The main risks related to the group's activities. These include, inter alia, trade relations, products or services that can have negative effects in these areas.	Section on 'Environment and Strategy' Section on 'Risk management'	102-15 / 201-2
Description of the business model - Business environment	Section on 'Environment and strategy' Section on 'Business model'	102-2 / 102-6 / 102-14 / 102-43 / 102-44 / 102-44 / 203-1 / 203-2
Description of the business model - Organisation and structure	Section on 'Environment and Strategy' Section on 'Risk management'	102-1 / 102-2 / 102-3 / 102-4 / 102-5 / 102-6 / 102-18 / 102-19 / 102-20 / 102-22 / 102-23 / 102-24 / 102-26 / 102-27 / 102-28 / 102-32 / 102-33 / 103-34 / 102-35 / 102-36 / 102-37 / 102-45
Description of the business model - Markets in which you operate	Section on 'Environment and strategy' Section on 'Business model'	102-2 / 102-6
Description of the business model - Objectives and strategies	Section on 'Environment and Strategy' Section on 'Risk management'	102-2 / 102-6

1. Including CaixaBank, S.A. and its subsidiaries in Spain, as well as BPI Vida e Pensoes and BPI Gestion de Activos, following integration into VidaCaixa and CaixaBank Asset Management, respectively.

Act 11/2018, of 28 December	CaixaBank, S.A.	CaixaBank Group Spain[1]	Banco BPI	GRI indicator equivalence
Risk management				
How the group manages these risks, explaining the procedures used to detect and assess them.	Section on 'Risk management'			102-15
Information on impacts detected, offering an overview, particularly on their main short, mid and long-term risks.	Section on 'Risk management'			102-15 / 102-29 / 102-30 / 102-47
Customer service				
Measures for consumer health and safety	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'			417-1 / 417-2 / 417-3 / 418-1
Complaint systems	Section on 'Customer experience - Customer Service'			103-1
Number of complaints received and their resolution	Section on 'Customer experience - Customer Service'			103-1
Other information				
In the report, mention the national, European or international framework used for each topic.	Section on 'Other Information - Regulatory Framework'			
Amount of profit obtained, country-by-country		Table 1.1		201-1
Amount of profit tax paid	Payments of income tax in 2018 amounted to EUR 2 million: EUR 1,809 thousand in in Poland and EUR 111 thousand in Morocco.			201-1
Amount of public subsidies received	Section on 'Our Identity - Contributions to society'			201-4
Our People				
Total workforce	See Table 7.1	See Table 7.1	See Table 7.1	102-8
Total number of employees distributed by gender	See Table 7.1	See Table 7.1	See Table 7.1	102-8
Total number of employees distributed by age	See Table 7.2	See Table 7.2	See Table 7.2	102-8
Total number of employees distributed by geographical origin	See Table 7.3	See Table 7.3	See Table 7.3	102-8
Total number of employees distributed by job classification	See Table 7.4	See Table 7.4	See Table 7.4	102-8
Total number of employees distributed by contract type	See Table 7.5	See Table 7.5	See Table 7.5	102-8
Annual average of indefinite term contracts	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.5			102-8
Annual average of temporary contracts	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.5			102-8
Annual average of part-time contracts	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.5			102-8
Total number of employees by contract type and gender	See Table 7.6	See Table 7.6	See Table 7.6	102-8
Annual average of indefinite term contracts by gender	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.6			102-8
Annual average of temporary contracts by gender	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.6			102-8
Annual average of part-time contracts by gender	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.6			102-8
Total number of employees by contract type and age	See Table 7.7	See Table 7.7	See Table 7.7	102-8
Annual average of indefinite term contracts by age	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.7			102-8
Annual average of temporary contracts by age	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.7			102-8
Annual average of part-time contracts by age	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.7			102-8
Total number of employees by contract type and job classification	See Table 7.8	See Table 7.8	See Table 7.8	102-8
Annual average of indefinite term contracts by job classification	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.8			102-8
Annual average of temporary contracts by job classification	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.8			102-8
Annual average of part-time contracts by job classification	The activities of the Group do not have a cyclical or seasonal relevant character. This is not significantly different from the indications in Table 7.8			102-8
Total number of employees dismissed distributed by gender	See Table 7.9	See Table 7.9	See Table 7.9	401-1
Total number of employees dismissed distributed by age	See Table 7.10	See Table 7.10	See Table 7.10	401-1
Total number of employees dismissed by job classification	See Table 7.11	See Table 7.11	See Table 7.11	401-1

1. Including CaixaBank, S.A. and its subsidiaries in Spain, as well as BPI Vida e Pensoes and BPI Gestion de Activos, following integration into VidaCaixa and CaixaBank Asset Management, respectively.

Act 11/2018, of 28 December	CaixaBank, S.A.	CaixaBank Group Spain[1]	Banco BPI	GRI indicator equivalence
Our People				
Average remuneration	See Table 7.12/7.13/7.14	See Table 7.12/7.13/7.14	See Table 7.12/7.13/7.14	405-2 / 102-38 / 102-39
Evolution of average remuneration	See Table 7.12/7.13/7.14	See Table 7.12/7.13/7.14	See Table 7.12/7.13/7.14	405-2 / 102-38 / 102-39
Average remuneration by gender	See Table 7.12	See Table 7.12	See Table 7.12	405-2 / 102-38 / 102-39
Evolution of average remuneration by gender	See Table 7.12	See Table 7.12	See Table 7.12	405-2 / 102-38 / 102-39
Average remuneration by age	See Table 7.13	See Table 7.13	See Table 7.13	405-2 / 102-38 / 102-39
Evolution of average remuneration by age	See Table 7.13	See Table 7.13	See Table 7.13	405-2 / 102-38 / 102-39
Average remuneration by job classification	See Table 7.14	See Table 7.14	See Table 7.14	405-2 / 102-38 / 102-39
Evolution of average remuneration by job classification	See Table 7.14	See Table 7.14	See Table 7.14	405-2 / 102-38 / 102-39
Salary gap	0.55%	1.02%	5.17%	405-2 / 102-38 / 102-39
Average remuneration of directors	See Table 7.15			405-2 / 102-38 / 102-39
Average remuneration of directors by gender	See Table 7.15	See Table 7.15	See Table 7.15	405-2 / 102-38 / 102-39
Implementation of policies to disconnect from work	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'			103-1
Number of employees with disabilities	223	244	90	405-1
Organisation of working hours	Section on 'Our People - Work environment - Freedom of association and representation'			103-1
Absenteeism hours (manageable)	2,237,804	2,391,905	280,196	103-1
Measures for work-life balance	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'			103-1
Measures for promoting work-life balance for both parents	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'			103-2 / 401-3
Occupational health and safety conditions	Section on 'Our People - Management principles - Corporate health, safety and wellbeing'			403-1
Number of accidents in the workplace	See Table 7.16	See Table 7.16	See Table 7.16	403-2
Frequency of accidents in the workplace (accident rate)	1.42%	1.36%	5.43%	403-2
Seriousness of accidents in the workplace	See Table 7.16	See Table 7.16	See Table 7.16	403-2
Type of occupational illnesses	CaixaBank's activities do not constitute the development of any professional illnesses among its employees classified as serious. As a result, the issue has not been identified as material.			403-3
Occupational illnesses by gender	CaixaBank's activities do not constitute the development of any professional illnesses among its employees classified as serious. As a result, the issue has not been identified as material.			403-4
Organisation of social dialogue	Section on 'Our People - Work environment - Freedom of association and representation'			102-41
Procedures for informing, consulting and negotiating with staff	Section on 'Our People - Management principles - Communication' Section 'Our People - Work Environment - Freedom of association and representation'			102-41
Percentage of employees covered by a collective bargaining agreement by country	Section on 'Our People - Work Environment - Freedom of association and representation'			102-41
Overview of collective bargaining agreements, particularly in the field of occupational health and safety.	Section on 'Our People - Management principles - Corporate health, safety and wellbeing'			102-41
Policies implemented in the field of training	Section on 'Our People - Management principles - Promoting training activities'			404-2
Total hours of training	See Table 7.17	See Table 7.17	See Table 7.17	404-1 / 404-2 / 404-3
Total hours of training by job category	See Table 7.17	See Table 7.17	See Table 7.17	404-1 / 404-2 / 404-3
Universal access for people with disabilities	Section on 'Sustainability - Responsibility with society'			103-1
Measures to promote equal treatment and equal opportunities between men and women	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'			103-1 / 201-3 / 401-2
Measures adopted to promote employment	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'			103-1 / 402-1

1. Including CaixaBank, S.A. and its subsidiaries in Spain, as well as BPI Vida e Pensoes and BPI Gestion de Activos, following integration into VidaCaixa and CaixaBank Asset Management, respectively.

Act 11/2018, of 28 December	CaixaBank, S.A. / CaixaBank Group Spain[1] / Banco BPI	GRI indicator equivalence
Our People		
Protocols against sexual harassment by gender	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'	103-1
Protocols for integration and universal accessibility for people with disabilities	Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'	103-1
Policies against all kinds of discrimination	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'	103-1
Policies on diversity management	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards' Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'	103-1
Sustainability		
Detailed information on the current and foreseeable effects of the company's environmental activities.	Section on 'Sustainability - Environmental Sustainability'	103-1 / 307-1
Detailed information on the current and foreseeable effects of the company's health and safety activities.	Section on 'Our People - Management principles - Corporate health, safety and wellbeing'	103-1
Detailed information on the current and foreseeable effects of the company's activities surrounding environmental assessment or certification procedures.	Section on 'Sustainability - Environmental Sustainability'	103-1
Detailed information on the current and foreseeable effects of the company's activities surrounding resources dedicated to preventing environmental risks.	N/A. The issue has not been identified as present according to the study conducted.	103-1
Detailed information on the current and foreseeable effects of the company's activities in application of the principle of precaution.	Section on 'Our Identity - Responsible and ethical behaviour: Policies, code and internal standards'	102-11 / 103-1
Detailed information on the current and foreseeable effects of the company's activities regarding the quantity of provisions and guarantees for environmental risks.	Given the Group's activities, there is no significant risk of an environmental nature. CaixaBank did not receive any relevant fines or sanctions related to compliance with environmental regulations in 2018	103-1
Actions to fight against food waste	N/A. The issue has not been identified as present according to the study conducted.	No material
The measures adopted to adapt to the consequences of climate change	Section on 'Risk Management' Section on 'Sustainability - Environmental Sustainability'	201-2
Measures to preserve or restore biodiversity	N/A. The issue has not been identified as present according to the study conducted.	No material
Impacts caused by activities or operations in protected areas.	N/A. The issue has not been identified as present according to the study conducted.	No material
Measures to prevent, reduce or rectify carbon emissions that severely affect the environment.	Section on 'Sustainability - Environmental Sustainability'	201-2
The reduction goals voluntarily established in the mid and long term to reduce greenhouse gas emissions and the measures implemented for this purpose.	Section on 'Sustainability - Environmental Sustainability'	No material
The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it provides.	Section on 'Sustainability - Environmental Sustainability'	No material
Measures to prevent, reduce or rectify noise pollution	N/A. The issue has not been identified as present according to the study conducted.	No material
Measures to prevent, reduce or rectify light pollution	N/A. The issue has not been identified as present according to the study conducted.	No material
Prevention, recycling and reuse measures, and other forms of recovering and eliminating waste	N/A. The issue has not been identified as present according to the study conducted.	No material
Consumption of raw materials and measures adopted to improve the efficiency of their use	N/A. The issue has not been identified as present according to the study conducted.	No material
Measures to improve energy efficiency and the use of renewable energies.	Section on 'Sustainability - Environmental Sustainability'	No material
Direct and indirect energy consumption	N/A. The issue has not been identified as present according to the study conducted.	No material
Water consumption	N/A. The issue has not been identified as present according to the study conducted.	No material
Water supply in accordance with local limitations	N/A. The issue has not been identified as present according to the study conducted.	No material
Impact of the company's activity on employment and local development	Section on 'Our Identity - Contributions to society' Section on 'Sustainability - Responsibility with society'	413-1 / 413-2
Impact of the company on local populations and in the surrounding area	Section on 'Our Identity - Contributions to society' Section on 'Sustainability - Responsibility with society'	413-1 / 413-2
Relationships with agents in local communities	Section on 'Sustainability - Responsibility with society'	102-21 / 413-1
Types of dialogue with local communities	Section on 'Sustainability - Responsibility with society'	413-1 / 102-40
Association and sponsorship actions	Section on 'Our Identity - Responsible and ethical behaviour: policies, codes and internal standards' Section on 'Our People - Management principles - Diversity, equal opportunities and work-life balance'	102-12 / 102-13 / 415-1

1. Including CaixaBank, S.A. and its subsidiaries in Spain, as well as BPI Vida e Pensoes and BPI Gestion de Activos, following integration into VidaCaixa and CaixaBank Asset Management, respectively.

Attached tables Indicators Law 11/2018 of 28 December

Contribution to society

Table 1.1 - Amount of profit before taxes obtained, country-by-country

2018	CaixaBank Group Spain	Banco BPI
Spain	2,159	-5
Portugal	45	395
Other	214	-
Total	2,418	390

Our People

Table 7.1 - Total number of employees distributed by gender

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Male	13,593	15,237	2,171
Female	15,848	17,315	2,717
Total	29,441	32,552	4,888

Table 7.2 - Total number of employees distributed by age

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
<30 years	1,720	1,910	184
30-39 years	7,133	8,004	1,234
40-49 years	15,521	16,883	2,487
50-59 years	4,996	5,644	894
>59 years	71	111	89
Total	29,441	32,552	4,888

Table 7.3 - Total number of employees distributed by geographical breakdown

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Spain	29,320	32,357	-
Portugal	-	72	4,866
South America	12	12	-
North America	5	5	-
Asia	17	17	-
Oceania	1	1	-
Rest of Europe	56	58	22
Africa	30	30	-
Total	29,441	32,552	4,888

Our People

Table 7.4 - Total number of employees distributed by job category

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Directors	5,399	5,577	450
Middle management	6,522	7,319	649
Rest of employees	17,520	19,656	3,789
Total	29,441	32,552	4,888

Table 7.5 - Total number of employees distributed by contract type

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Full-time, fixed or indefinite-term contract	28,498	31,560	4,738
Part-time, fixed or indefinite-term contract	32	50	18
Temporary contract	911	942	132
Total	29,441	32,552	4,888
Interns	22	41	-

Table 7.6 - Total number of employees by contract type and gender

CaixaBank

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
Male	13,162	16	415
Female	15,336	16	496
Total	28,498	32	911

CaixaBank Group Spain

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
Male	14,785	21	431
Female	16,775	29	511
Total	31,560	50	942

Banco BPI

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
Male	2,119	2	50
Female	2,619	16	82
Total	4,738	18	132

Our People

Table 7.7 - Total number of employees distributed by contract type and age

CaixaBank

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
<30 years	956	4	760
30-39 years	6,972	13	148
40-49 years	15,506	12	3
50-59 years	4,995	1	-
>59 years	69	2	-
Total	28,498	32	911

CaixaBank Group Spain

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
<30 years	1,128	4	778
30-39 years	7,830	18	156
40-49 years	16,855	23	5
50-59 years	5,638	3	3
>59 years	109	2	-
Total	31,560	50	942

Banco BPI

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
<30 years	73	-	111
30-39 years	1,215	-	19
40-49 years	2,477	8	2
50-59 years	886	8	-
>59 years	87	2	-
Total	4,738	18	132

Our People

Table 7.8 - Total number of employees distributed by contract type and job category

CaixaBank

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
Directors	5,393	6	-
Middle management	6,518	1	3
Other employees	16,587	25	908
Total	28,498	32	911

CaixaBank Group Spain

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
Directors	5,571	6	-
Middle management	7,311	3	5
Other employees	18,678	41	937
Total	31,560	50	942

Banco BPI

2018	Full-time, fixed or indefinite-term contract	Part-time, fixed or indefinite-term contract	Temporary contract
Directors	449	-	1
Middle management	649	-	-
Other employees	3,640	18	131
Total	4,738	18	132

Table 7.9 - Total number of employees dismissed distributed by gender

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Male	50	60	15
Female	23	36	8
Total	73	96	23

Table 7.10 - Total number of employees dismissed distributed by age

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
<30 years	4	4	-
30-39 years	21	31	7
40-49 years	33	42	5
50-59 years	15	17	7
>59 years	-	2	4
Total	73	96	23

Our People

Table 7.11 - Total number of employees dismissed by job category

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Directors	9	12	5
Middle management	13	18	3
Rest of employees	51	66	15
Total	73	96	23

Table 7.12 - Average remuneration by gender

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Male	69,126	68,558	40,556
Female	56,313	55,528	29,355
Total	62,237	61,615	34,330

2017	CaixaBank	CaixaBank Group Spain	Banco BPI
Male	67,089	66,853	40,958
Female	54,065	53,536	29,370
Total	60,123	59,785	34,517

Table 7.13 - Average remuneration by age

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
<30 years	23,256	23,971	16,217
30-39 years	48,967	48,610	24,110
40-49 years	65,861	65,252	34,563
50-59 years	81,406	77,592	47,378
>59 years	153,515	116,531	63,050
Total	62,237	61,615	34,330

2017	CaixaBank	CaixaBank Group Spain	Banco BPI
<30 years	20,400	20,938	16,442
30-39 years	47,820	47,419	22,820
40-49 years	64,780	63,985	34,048
50-59 years	80,062	76,037	47,377
>59 years	168,277	125,523	58,373
Total	60,123	59,785	34,517

Our People

Table 7.14 - Average remuneration by job category

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Directors	92,868	95,260	85,533
Middle management	70,094	70,033	41,374
Rest of employees	49,918	49,554	26,654
Total	62,237	61,615	34,330

2017	CaixaBank	CaixaBank Group Spain	Banco BPI
Directors	89,018	90,624	85,654
Middle management	67,380	67,532	41,153
Rest of employees	47,937	47,772	26,582
Total	60,123	59,785	34,517

Table 7.15 - Average pay of the directors by gender

2018	CaixaBank Group
Male[1]	549,154
Female	153,600
Total	439,278

1. Includes the remuneration derived from charges different than the ones specific to representation in the Board of Directors (Chairman and executives charges).

Table 7.16 - Accidents at work

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Total number of accidents[1]	341	380	71
of which: resulting in death	-	-	-

1. The activities of CaixaBank do not involve serious accidentality to its employees.

Table 7.17 - Total number of hours of training by employee category

2018	CaixaBank	CaixaBank Group Spain	Banco BPI
Directors	391,607	395,673	1,991
Middle management	476,439	508,286	57,723
Rest of employees	1,247,136	1,361,940	216,036
Total	2,115,182	2,265,899	275,750

Financial Information Statement

Financial reporting and results

Financial reporting and results

The information in this section is presented according to management criteria and expands upon the information contained in the notes to the 2018 Consolidated Financial Statements.

Complying with the strategic financial objectives of the 2015-2018 Plan

We met our financial targets

	Objective	2018
RoTE	9-11%	9.3%
Efficiency ratio	~55%	52.9%
CABK core income	~4% CAGR 2017-18	6%
Recurrent operating expenses CABK	Stable vs. 2014	~0%
Cost of risk	<40 pbs	4 pbs
CET1 FL	11-12%	11.5%
Total Capital FL	>14.5%	15.2%
Capital assigned to investees	>10.0%	>3%
Cash payout ratio	≥50%	55% average 2015-18

\+

Decreased stakes in non-strategic assets

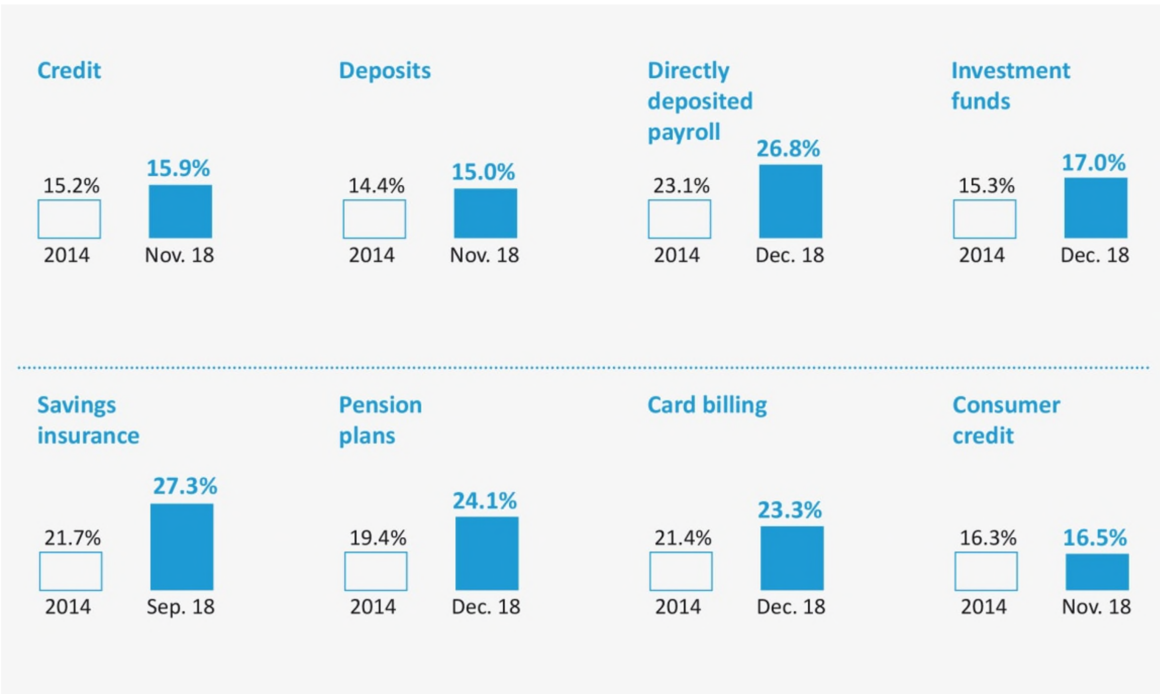
- Boursorama (2015)
- BEA e Inbursa (2016)
- Repsol (2018)
- Reduction of damaged assets €22 billion (-65%)

\+

BPI takeover

- Full integration of BPI in our insurance banking activity
- Opportunity to apply CaixaBank's business model in Portugal

Contrasted growth path and market share improvement in Spain



Business segmentation

This section presents the financial information of the results and activities of CaixaBank's different business segments with the following configuration:

Banking and insurance business: This section includes the results of the banking, insurance and asset management activities carried out by the Group in Spain. It also incorporates the liquidity management and the Assets and Liabilities Committee (ALCO), and income from the financing of the other businesses and corporate activities. In addition, it includes the businesses acquired by CaixaBank from BPI over the last few quarters (i.e., insurance, asset management, and cards).

Non-core real estate activity: This includes the net results of the cost of non-core real estate asset financing in Spain, which comprise:

- Non-core developer lending.
- 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 holdings.

Equity investments: Primarily, the business includes the net income from dividends and/or the equity method of the costs of financing of the interests, as well as the gains and loss for the assets and liabilities in Erste Group Bank, Repsol, Telefónica, BFA, BCI, and Viacer. Similarly, it includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain or consolidated through BPI as part of its drive to diversify across sectors.

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. Furthermore, the stakes in Repsol, following the sales agreement, and in BFA, after reassessing the significant influence at year-end 2018, are classified as financial assets at fair value with changes in other comprehensive income.

BPI: This includes the results since taking over BPI in February 2017. At this time, the assets and liabilities were consolidated using the global integration method (according to the adjustments made resulting from the business combination).The income statement includes the reversion of the adjustments resulting from the application of fair value to the assets and liabilities in the business combination. Furthermore, it excludes the financial statement and equity capital associated with BPI's assets assigned to the aforementioned equity business (essentially, BFA, BCI and Viacer).

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

The allocation of capital to non-core real estate businesses and interests is in line with the corporate objective of maintaining a Common Equity Tier 1 (CET1) "fully-loaded" ratio of between 11% and 12%, taking into account both the 11% weighting applied to risk-weighted assets and any applicable deductions. The allocation of capital to BPI is at sub-consolidated level, i.e., taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to the investment 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.

In 2018, the Group maintained the same business segment structure. However, certain modifications have been made to the process criteria: (i) allocation of BFA, BCI and Viacer (previously included in BPI's business segment) to the holdings business, and (ii) analytical income is no longer allocated to the banking and insurance business, but rather to the non-core real estate business, associated with the asset marketing process.

Results

For the purpose of the lines of the income statement, it is worth reiterating that BPI was integrated by global consolidation on 1 February 2017 following a takeover. Previously, BPI was a company consolidated by the equity method:

millions of euros	2017	2018 (breakdown by business)				
	Group	Group	Banking and insurance	Non-core property	Investments	BPI
Net interest income	**4.746**	**4.907**	**4.682**	**(23)**	**(149)**	**397**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	653	972	217	3	746	6
Net fee and commission income	2.499	2.583	2.310	(7)	-	280
Gains/losses on financial assets and liabilities and others	282	278	225	(6)	11	48
Income and expense under insurance and reinsurance contracts	472	551	551	-	-	-
Other operating income and expense	(430)	(524)	(351)	(147)	-	(26)
Gross income	**8.222**	**8.767**	**7.634**	**(180)**	**608**	**705**
Recurring administrative expenses, depreciation and	(4.467)	(4.634)	(4.063)	(118)	(4)	(449)
Extraordinary expenses	(110)	(24)	-	-	-	(24)
Pre-impairment income	**3.645**	**4.109**	**3.571**	**(298)**	**604**	**232**
Allowances for insolvency risk	(799)	(97)	(264)	65	-	102
Other charges to provisions	(912)	(470)	(234)	(240)	-	4
Gains/(losses) on disposal of assets and others	164	(735)	(62)	(117)	(607)	51
Profit/(loss) before tax	**2.098**	**2.807**	**3.011**	**(590)**	**(3)**	**389**
Income tax expense	(378)	(712)	(810)	115	90	(107)
Profit/(loss) after tax	**1.720**	**2.095**	**2.201**	**(475)**	**87**	**282**
Profit/(loss) attributable to minority interests and others	36	110	2	55	33	20
Profit/(loss) attributable to the Group	**1.684**	**1985**	**2.199**	**(530)**	**54**	**262**
Cost-to-Income Ratio	*55,7%*	*53,1%*				
Cost-to-income ratio excluding extraordinary expenses	*54,3%*	*52,9%*				
ROE	*6,9%*	*7,7%*				
ROTE	*8,4%*	*9,3%*				
ROA	*0,5%*	*0,5%*				
RORWA	*1,1%*	*1,3%*				

The **attributable net profit for 2018 stands at EUR 1,985 million (+17.8% from 2017).**

Gross income stands at EUR 8,767 million (+6.6% from 2017), boosted by the growth in core income, and reaching EUR 8,217 million in 2018 (+4.2%) and higher investee income.

Recurring administrative expenses, depreciation and amortisation expenses (+3.7%) are growing at a slower rate than core income.

The evolution of impairment losses on financial assets (-87.9%) is influenced by the normalisation of the quality indicators of the assets, and the one-off releasing of provisions due to the improved recoverability of debt, amounting to approximately EUR 275 million.

Other charges to provisions (-48.4%) in 2018 include the impact of the 51% repurchase transaction of Servihabitat[1] (in 2017, there were additional negative impacts associated with pre-retirement and the write-off of provisions at SAREB).

Gains/(losses) on disposal of assets and other includes the extraordinary results in both financial years, in particular, accounting for the negative impact of the sale of Repsol and the accounting reclassification of BFA in 2018, and the positive result of the business combination generated in the acquisition of BPI.

[1] The 51% Servihabitat repurchase transaction has generated a loss of EUR -204 million in the 2018 income statement (EUR -152 million recorded in "Other provisions" and EUR -52 million in "Gains/(losses) on disposal of assets and other").

Net interest income

The **Group's net interest income for 2018** stands at EUR 4,907 million (+3.4% from 2017).

In the environment of continued low interest rates, this growth is due to:

- Increase in loan profitability (+7 basis points) due to the generation of higher rates and the mix with more profitable segments that compensate for the negative repricing in the mortgage portfolio. Doubtful loans and recoveries also contribute to the rise in credit rate.
- Management of retail financing which causes a 1 basis point drop in the cost of the demand deposits.
- The savings in the costs of institutional funding due to a lower price and the higher volume of the fixed income portfolio overcome the impact of the decrease in fixed-rate returns and the increase in the surplus liquidity costs remunerated at negative interest rates.

millions of euros	2017		2018		Chg. in yield/cost	
	Average balance	Int. rate %	Average balance	Int. rate %	By: interest rate	By: volume
Financial Institutions	15,900	1.15%	21,241	0.83%	(51.3)	44.3
Loans and advances (a)	209,185	2.20%	208,470	2.27%	140.2	(16.2)
Fixed income securities portfolio	29,700	1.24%	34,723	1.05%	(55.2)	53.2
Other assets with returns (*)	49,984	3.55%	54,174	3.03%	(260.5)	126.5
Other assets	68,136	-	65,193	-	- -	(6.0)
Total average assets (b)	**372,905**	**1.87%**	**383,801**	**1.81%**	**(226.8)**	**201.8**
Financial Institutions	47,488	0.40%	43,601	0.45%	(22.8)	17.8
Retail customer funds (c)	188,068	0.04%	199,220	0.04%	8.8	2.2
Wholesale marketable debt securities & other	27,057	1.11%	26,822	0.98%	36.8	2.2
Subordinated liabilities	5,575	2.61%	6,346	1.73%	49.3	(13.3)
Other funds with cost (*)	59,158	2.48%	63,366	2.14%	201.0	(90.0)
Other funds	45,559	-	44,446	-	- -	(6.0)
Total average funds (d)	**372,905**	**0.60%**	**383,801**	**0.53%**	**273.2**	**(87.2)**
Customer spread (a-c)		**2.16%**		**2.23%**		
Balance sheet spread (b-d)		**1.27%**		**1.28%**		

(*) These include the Group's life savings insurance activity.

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 income **has risen to EUR 2,583 million,** +3.4% from the previous year:

- **Banking services, securities and other fees** ascend to EUR 1,488 million and include income from securities transactions, transactions fees, and charges related to risk, deposit management, payment methods, and investment banking.

The evolution compared with the 2017 financial year (2.2%) has been influenced by higher commissions paid through distribution agreements linked to consumer financing, and also by lower commissions in investment banking.

- **Commissions from mutual funds, managed accounts and SICAVs** stand at EUR 552 million (+12.6%) due to the increase in managed assets during the first nine months of the financial year. However, the volatility of the markets has negatively affected the evolution of assets in the fourth quarter, during which time commissions fell by 2.8%.
- **2.0% increase in pension plan management fees** amounting to EUR 217 million through a wide range of products.
- Due to heightened commercial activity, **fees on insurance sales** have risen to EUR 326 million (+19.0%).

millions of euros	2017	2018
Banking services, securities and other fees	1,521	1,488
Mutual funds, managed accounts and SICAVs	491	552
Pension plans	213	217
Sale of insurance products	274	326
Net fee and commission income	**2,499**	**2,583**

Income from equity investments

The income from equity investments stands at EUR 972 million. This heading shows earnings from entities accounted for using the equity method, as well as dividend income.

The share of profit/(loss) of entities accounted for using the equity method (+57.0%) stands out year after year for the good evolution of its business, and, in particular, for the greater contribution related to BFA, marked by extraordinary impact in both financial years:

- In January 2017, prior to the takeover of BPI by CaixaBank, the recognition of the attributable profit/(loss) derived from BPI selling 2% of its stake in BFA (EUR -97 million), primarily caused by the valuation adjustments due to the conversion differences in the statement of profit and loss of BPI, previously recognised in its assets.
- Recognition of EUR -68 million in the fourth quarter of 2017 (which included extraordinary impacts of EUR -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, the recognition of EUR 155 million corresponding to the one-off impacts on results derived from the devaluation of the Angolan currency, among other elements.
- BFA's net attributable income in 2018 after deducting the effects of the accounting reclassification, taxes and minority shareholders, stands at EUR 51 million.

The dividend income in the second quarter of both financial years stands at EUR 104 million corresponding to Telefónica S.A. In the fourth quarter of 2018, a dividend of EUR 23 million was recognised for the remaining investment in Repsol.

millions of euros	2017	2018
Dividend income	127	146
Share of profit/(loss) of entities accounted for using the equity method	526	826
Income from equity investments	**653**	**972**

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

The gains/(losses) on financial assets and liabilities and others stand at EUR 278 million (-1.7%) and include, among others, the appearance of hidden reserves of financial assets available for sale.

Income and expense under insurance and reinsurance contracts.

Sustained growth of income derived from the life risk insurance activity reaching EUR 551 million (+16.7% in the year).

Other operating income and expense

The year-to-year evolution of "**Other operating income and expense**" is affected by minor real estate expenses and the recognition, in the 2017 financial year, of income resulting from individual contracts for EUR 115 million.

At year-end 2018, the classification “Other operating income and expense” stood at EUR -524 million and included, among others, income and charges of non-real estate subsidiaries, rental income and management expenses for foreclosed properties, as well as taxes and contributions.

After the acquisition of Servihabitat and until the formalisation of the sale of the real estate firm, the portfolio management and administration costs have been reclassified in the consolidated statement, expressed as the net income and expenses in the discontinued activities line.

millions of euros	2017	2018
Contribution to the Single Resolution Fund / Deposit Guarantee Fund	(304)	(325)
Other real estate operating income and expense (including Spanish Property Tax	(200)	(147)
Other	74	(52)
Other operating income and expenses	**(430)**	**(524)**

Administrative expenses, depreciation and amortisation

The recurring administrative expenses, depreciation and amortisation stand at EUR 4,634 million (+3.7%). Growth in expenditure at a slower pace than the total income (gross income +6.6%) and core income (+4.2%).

The general expenses increase year by year, mainly due to the transformation of the distribution model (store branches, InTouch), greater expenditure on technology, and new regulatory requirements.

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

The extraordinary charges are associated with the integration of BPI (EUR 24 million in 2018 and EUR 110 million in 2017).

millions of euros	2017	2018
Gross income	**8,222**	**8,767**
Personnel expenses	(2,875)	(2,937)
General expenses	(1,165)	(1,292)
Depreciation and amortisation	(427)	(405)
Recurring administrative expenses, depreciation and amortisation	**(4,467)**	**(4,634)**
Extraordinary expenses	(110)	(24)

Allowances for insolvency risk and other charges to provisions

Smaller **loan loss provisions** (-87.9%) in the normalisation process of the asset quality indicators and unique aspects, such as the reversal of provisions of approximately EUR 275 million, associated with the updating of the recoverable value of the exposure of a significant borrower.

The cost of risk (12 months) falls to 0.04% (0.16% without taking into account the aforementioned reversion).

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

The second quarter of 2018 includes the recognition of EUR 152 million resulting from the difference between the repurchase price from TPG for 51% of the service and the fair value assigned to this holding. In the fourth quarter, recognition of EUR -53 million associated with early retirement and, among others, impairments as a result of the revision of the recoverable value of certain assets.

2017 included, among other, the recognition of EUR -455 million associated with early retirements and EUR -154 million for the write-down of the exposure in Sareb.

millions of euros	2017	2018
Allowances for insolvency risk	(799)	(97)
Other charges to provisions	(912)	(470)
Allowances for insolvency risk and other charges to provisions	**(1,711)**	**(567)**

Gains/(losses) on disposal of assets and others

Gains/(losses) on disposal of assets and others includes, essentially, the results of individual operations resulting from the sales of assets and write-downs. The change here was a result of:

- Real estate results affected in 2018 by the sale of the real estate business. Impact of EUR -60 million resulting from the formalisation of this sale (including expenses, taxes and other costs) and EUR -52 million due to the impairment of 49% of shares previously held in Servihabitat to adjust its book value to the new fair value.
- In the "Other" category, there is an impact of EUR -154 million resulting from the change in accounting classification of the equity holding in BFA.
- Recognition of the negative result derived from the sales agreement of the equity holding in Repsol (EUR -453 million), as well as the profit from the sale of the acquirer business (POS) of BPI to Comercia Global Payments (EUR +58 million).

It is important to highlight the result derived from the business combination with BPI in the first quarter of 2017 (EUR +256 million) and impaired asset write-downs in the fourth quarter.

millions of euros	2017	2018
Real estate results	6	(117)
Others	158	(618)
Gains/(losses) on disposal of assets and others	**164**	**(735)**

Unique aspects of 2018

- EUR 60 million profit for the sale of the holding in Viacer as part of disinvestment → Note 12 of the consolidated annual financial statements.
- Appearance of hidden reserves in the fixed-income portfolio amounting to EUR 127 million, including the result linked to the cancellation of the associated coverage → Note 13 of the consolidated annual financial statements.
- Result derived from the cancellation of coverage for subordinated debentures amounting to EUR 110 million → Note 15 of the consolidated annual financial statements.
- Agreement of sale of the acquirer business of BPI to Comercia with a margin of EUR +58 million. → Note 41 of the consolidated annual financial statements.
- Agreement of sale of holdings in Repsol with gross margin of EUR -453 million→ Note 16 of the consolidated annual financial statements.
- Repurchase agreement for 51% of Servihabitat Servicios Inmobiliarios with an impact of EUR -204 million → Note 1 of the consolidated annual financial statements.
- Agreement of sale to Lone Star of 80% of Coral Homes, a company that has been provided with real estate assets, and the stake in Servihabitat Property Services, with a net total impact of EUR -48 million in expenses and taxes → Note 1 of the consolidated annual financial statements.
- Early retirement agreement with an impact of EUR -67 million → Note 23 of the consolidated annual financial statements.
- Loss of significant influence over BFA and reclassification of the stage into a financial instrument with an impact of EUR -154 million→ Note 16 of the consolidated annual financial statements.
- **In addition, albeit with no impact on the income statement, in 2018, the following operations with an impact on assets of the company were recognised:**
- 1st application of IFRS 9 with a recognised net impact of EUR -561 million paid out of reserves → Note 1 of the consolidated annual financial statements.
- Reduction of the minority interests as a result of the acquisition of the uncontrolled stake in BPI in order to obtain 100% by means of the agreement with Allianz and exercising the right of compulsory purchase. → Note 24 of the consolidated annual financial statements.

Business performance

The **total assets of the Group stand at EUR 386,622 million** as of 31 December 2018 (+1.0% as compared to the opening balance sheet after the implementation of IFRS 9 on 1 January 2018).

millions of euros	01-01-18	31-12-18 (breakdown by business)				
	Group	Group	Banking and insurance	Non-core property	Investments	BPI
Total assets	382,638	386,622	345,122	5,737	4,685	31,078
Total liabilities	358,511	362,564	325,497	5,057	3,653	28,357
Shareholders' equity	23,665	24,836	20,437	680	1,032	2,687
Assigned capital	100%	100%	82%	3%	4%	11%

Loans and advances to customers

The **gross loan to customers** stands at **EUR 224,693 million**, +0.3% in the year with a 1.8% growth in the **healthy loan portfolio.**

millions of euros	31-12-17	31-12-18 (breakdown by business)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	128,490	127,046	114,403	12,643
Home purchases	94,187	91,642	80,472	11,170
Other	34,303	35,404	33,931	1,473
Loans to business	83,463	85,785	75,793	8,972
Public sector	11,998	11,862	10,201	1,661
Loans and advances to customers, gross	223,951	224,693	200,397	23,276
(Provisions for insolvency risk)	(6,832)	(5,728)	(4,629)	(814)
Loans and advances to customers (net)	**217,119**	**218,965**	**195,768**	**22,462**
Contingent liabilities	13,983	14,588	12,719	1,636

Highlight changes by segment include:

- **Loans for home purchases** (-2.7% in the year) continues to be marked by the deleveraging of households. However, indicators for 2018 showed positive growth in new loans.
- **Loans to individuals – Other** has increased by 3.2% during the year, boosted mainly by consumer credit in Spain (+18.7% in the year).
- Financing to **the productive sector ex-real estate developers** increased by +3.4% during the year.
- **Lending to real estate developers** fell by 3.8% during the year, accounting for 3.0% of total lending at 31 December 2018.
- The exposure to the **public sector** has slightly decreased during the year, although its evolution has been affected by extraordinary transactions.

Customer funds

Customer funds stand at EUR 358,482 million, with a +2.6% growth in the year, affected by the negative evolution of the markets, especially in the third quarter.

millions of euros	31-12-17	31-12-18 (breakdown by business)		
	Group	Group	of which: banking and insurance	of which: BPI
Customer funds	196,611	204,980	182,862	22,0
Demand deposits	158,772	174,256	160,851	13,3
Term deposits	35,793	30,724	22,011	8,70
Subordinated liabilities (retail)	2,046	-	-	-
Insurance contract liabilities	49,965	52,383	52,383	-
Reverse repurchase agreement and other	968	2,060	2,044	16
On-balance sheet funds	**247,544**	**259,423**	**237,289**	**22,052**
Mutual funds, managed accounts and SICAVs	66,882	64,542	59,455	5,08 3
Pension plans	29,669	29,409	29,408	-
Assets under management	**96,551**	**93,951**	**88,863**	**5,08**
Other accounts	**5,363**	**5,108**	**3,156**	**1,95**
Total customer funds	**349,458**	**358,482**	**329,308**	**29,087**

The funds in the balance sheet stand at EUR 259,423 million (+4.8% in 2018):

9.8% growth in **demand deposits** to EUR 174,256 million.

Term deposits stand at EUR 30,724 million (-14.2% in the year), in an environment of rock-bottom interest rates on renewal of maturities.

Increase in **liabilities under insurance contracts** [1](+4.8% in the year) after the intense trading activity.

The **assets under management stand at EUR 93,951 million**. Their evolution (-2.7% in the year) is affected mainly by market value fluctuations, especially during the fourth quarter. Excluding the effect of market trends, the assets under management have increased 2.4% during the year.

- The assets managed in **mutual funds, managed accounts and SICAVs** stand at EUR 64,542 million (-3.5% in 2018).
- **Pension plans** stand at EUR 29,409 million (-0.9% in the year).

[1] This does not include the impact of the change in value of associated financial assets, with the exception of unit-linked assets.

Asset quality

Non-performing loans have gone down to EUR 11,195 million following the active management of non-performing loans, including the sale of portfolios, in addition to the standardisation of the asset's quality indicators. **EUR 3,110 million reduction in the year.** The **non-performing loan ratio fell to 4.7%** (6.0% in December 2017):

(%)	31-12-17	31-12-18 (breakdown by business)			
	Group	Group	of which: banking and insurance	of which: Non-core real estate	of which: BPI
Loans to individuals	5.2%	4.7%			
Home purchases	4.2%	3.8%			
Other	7.9%	7.2%			
Loans to businesses	8.3%	5.4%			
Corporate and SMEs	7.1%	4.7%			
Real estate developers	21.7%	13.7%			
Public sector	1.4%	0.4%			
NPL ratio (loans + contingent liabilities)	**6.0%**	**4.7%**	**4.4%**	**66.0%**	**4.2%**
NPL coverage ratio	**50%**	**54%**	**51%**	**41%**	**87%**

On 31 December, provisions for insolvency risk stood at EUR 6,014 million. Its evolution in comparison with the previous year-end reflects the entry into force of the IFRS 9 on 1 January 2018, which produced an increase of EUR 791 million for credit loss allowances. Furthermore, its evolution is influenced by the recoverable value adjustments to the loan exposures, the cancellation of the debt derived from the purchase and foreclosure of real estate, and the derecognition and write-off of assets.

Foreclosed real estate assets

After the formalisation of the sales transaction of the real-estate business during the fourth quarter and the intense commercial activity this year:

- The portfolio of net **foreclosed assets available for sale** [1] **decreased to** EUR 740 million **(EUR -5,138 million in 2018) with a coverage ratio** with write-downs of 39%**.**
- The **rental property** portfolio stands at EUR 2,479 million (net) of provisions, EUR -551 million in the year, which includes the sale of a portfolio of real-estate leasing assets during the second quarter for EUR 226 million.

The **total sales[2] of real-estate in 2018 stands at EUR 2,060 million**, +28% as compared with the same period in 2017 (+14% not including the aforementioned sale of rental assets).

[1] This does not include foreclose rights for auctioned properties (EUR 213 million and EUR 275 million (net) on 31 December and 31 December 2017, respectively)
[2] At selling price. This excludes the transfer of real estate to Lone Star at the closing of the real estate transaction.

Liquidity and financing structure

€ million and %	31-12-17	31-12-18
Total liquid assets	72,775	79,530
Of which: available balance in ECB policy	19,165	22,437
Of which: HQLA	53,610	57,093
Institutional Financing	28,691	29,453
Loan to deposits	108%	105%
Liquidity coverage ratio	185%	196%

The **total liquid assets stands at EUR 79,530 million** on 31 December 2018, with a growth of EUR 6,755 million over the year.

The average **Liquidity Coverage Ratio** of the Group (LCR) on 31 December 2018 stands at **196%**, well above the minimum required level of 100% starting from 1 January 2018.

Solid retail financing structure with a **loan-to-deposits ratio of 105%**.

The **drawn balance** of the ECB policy on 31 December 2018 stands at **EUR 28,183 million** corresponding to the TLTRO II financing (EUR -637 million in the year related to the maturity of TLTRO I funding of BPI).

Institutional financing of EUR 29,453 million with **CaixaBank's successful access** to the markets during 2018 by issuing different debt instruments:

millions of euros	Amount	Maturity	Cost	Demand	Issuer
Mortgage covered bonds	1,000	10 years	1.116% (mid-swap +0.22%)	1,350	CaixaBank
Mortgage covered bonds	125	14 years	1.747% (mid-swap +0.31%)	Private	CaixaBank
Mortgage covered bonds	50	14 years	1.744% (mid-swap +0.31%)	Private	CaixaBank
Mortgage covered bonds	75	14 years	1.754% (mid-swap +0.30%)	Private	CaixaBank
Mortgage covered bonds	375	14 years	1.559% (mid-swap +0.32%)	Private	CaixaBank
Mortgage covered bonds	160	15 years	1.64% (midswap+0.35%)	400	CaixaBank
Senior debt	1,000	5 years 3 months	0.836% (mid-swap +0.48%)	2,200	CaixaBank
Additional Tier 1	1,250	Perpetual	5.345%	3,500	CaixaBank
Tier 2 subordinated debt	1,000	12 years	2.323% (mid-swap +1.68)	2,299	CaixaBank
Mortgage covered bonds	250	7 years	6-month Euribor +0.30%	Private	BPI
Mortgage covered bonds	300	4 years	6-month Euribor +0.30%	Private	BPI
Senior debt non preferred	1,000	5 years	1.83% (mid-swap +1.45)	2,250	CaixaBank

The public sector and mortgage covered bond issuance capacity of CaixaBank, S.A. reaches EUR 2,288 million at the end of December 2018.

Since year-end 2018, CaixaBank has issued EUR 1,000 euros in 5-year senior non-preferred debt with an annual return of 2.47%, equivalent to mid-swap +225 basis points. The issuance has had a demand of almost EUR 2,200 million.

Capital management

€ million and %	31-12-17	31-12-18
Common Equity Tier 1 (CET1), fully loaded	11.7%	11.5%
Tier 1, fully loaded	12.3%	13.0%
Total capital, fully loaded	15.7%	15.3%
Risk-weighted assets (RWAs) fully-loaded	148,626	145,942
Leverage ratio, fully loaded	5.3%	5.5%

The **Common Equity Tier 1 capital (CET1) "fully loaded" ratio stood at 11.5% on 31 December 2018**. Excluding the -15 basis points, the impact of the first application of the IFRS 9 accounting standard and -14 basis points for extraordinary transactions during the year (i.e. the purchase of minority shares in BPI and the sale of 80% of the real estate business), the evolution has involved +54 basis points through the organic generation of capital and -43 basis points, primarily, due to the volatility of markets and other impacts, including the adjustment of requirements due to the credit risk of the doubtful mortgage portfolio during the third quarter, resulting from the TRIM process (Targeted Review of Internal Models) of the European Central Bank:

The **Tier 1 fully-loaded** ratio reaches **13.0%**. Since the first quarter of 2018, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the equity regulations, previously totally or partially covered with CET1.

The fully-loaded total capital stands at 15.3%. This ratio includes the issuance of 1,000 million Tier 2 instruments in April 2018, the amortisation of an issuance of Tier 2 instruments for EUR 2,072 million in May (of which EUR 1,574 million are eligible) and the amortisation of another issuance of Tier 2 instruments for EUR 750 million in November (of which EUR 738 million are eligible).

The fully-loaded leverage ratio reaches 5.5%.

Regarding the subordinated instruments to comply with the future MREL requirements, in October, EUR 1,000 million were issued as senior non-preferred debt. The APR ratio for subordinated instruments including, mainly, Total Capital and Senior non-preferred debt is 16.9% fully loaded[1].

According to the criteria in force in 2018 for phased-in implementation, regulatory capital and leverage were: **11.8% CET1, 13.3% Tier 1, 15.6% total capital and 5.6% leverage ratio.**

Similarly, **CaixaBank is subject to minimum capital requirements** on an individual basis. The regulatory CET1 ratio under this scope is 13.3%, with risk-weighted assets (RWAs) totalling EUR 132,684 million.

Likewise, BPI also complies 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 September 2018.

The decisions of the European Central Bank (ECB) and the national supervisor required the Group to maintain, at 31 December 2018, regulatory CET1, Tier1 and Total Capital ratios of 8.063%, 9.563% and 11.563%, respectively (including the progressive application of systemic conservation measures), which would increase to 8.75%, 10.25% and 12.25% when fully loaded. For 2019, these regulatory requirements converge with fully loaded.

The Group's current level of capital adequacy confirms that the applicable requirements would not lead to any automatic restrictions of the provision of the capital adequacy regulations regarding the distribution of dividends, variable remuneration, and the interests of holders of Additional Tier 1 capital securities (there is a margin of 372 basis points, equating to EUR 5,433 million, until the Group's regulatory MDA[1] trigger).

[1] Proforma with the issuance of EUR 1,000 million in senior non-preferred debt in January 2019, the ratio would rise to 17.8%.
[2] The relevant MDA buffer is either the non-consolidated or the consolidated, whichever is lower.

Other information

Acquisition and disposal of shares held in treasury

Operations involving the purchase and sale of treasury shares by the Company or its controlled companies, will conform to the provisions of the regulations in force and in the agreements of the general shareholders' meeting in this regard.

Information on the acquisition and disposal of shares held in treasury during the period is included in Note 25 "Equity" to the Financial Statements.

Events after the reporting period

From 1 January of 2018 to date of issue of the accompanying Financial Statements, no other events have occurred that have not been previously mentioned in the notes to the accompanying Financial Statements, that significantly affect the results of the Group or the situation of equity of the same at their issue date.

Framework for the preparation of the consolidated management report

The 2018 consolidated management report of the CaixaBank Group is a response to the obligation to draft a non-financial information statement in accordance with Act 11/2018, of 28 December, including the necessary information to understand the performance, results and situation of the CaixaBank Group, and the impact of its activity related to environmental and social matters, and also related to personnel, human rights, and the fight against corruption and bribery. CaixaBank integrates its financial and non-financial information within this framework in line with the recommendations of the "Conceptual Framework for the preparation of Integrated Reports" of the International Integrated Reporting Council (IIRC), the CNMV's "Management Report Preparation Guide for Listed Companies", and the European Commission's non-binding Directives regarding the presentation of non-financial information.

The forward-looking information contained in the different sections of this document reflects the plans, predictions or estimates of the management of the Group on the date of publication. This information is based on assumptions that are deemed to be reasonable. However, the information presented herein should not be interpreted as a guarantee of CaixaBank's future performance. Indeed, any plans, predictions and estimates are subject to numerous risks and uncertainties and, therefore, CaixaBank's future performance may not necessarily coincide with its initial projections.

This report should be read together with the 2018 Consolidated Financial Statements, which have been subjected to independent auditing.

Framework to prepare the financial information

The profit and loss account, the consolidated balance sheet, and the various breakdowns of the information contained in this financial report are presented in accordance with management criteria, in addition to having been drafted in line with the International Financial Information Standards of the United Nations through EU Regulations. Circular 4/2017 of the Bank of Spain and its successive modifications have been taken into account when preparing the presented information.

This information has been prepared from the accounting records by CaixaBank, S.A. and its Subsidiary Corporations, and includes specific adjustments and reclassifications in order to homogenise the principles and criteria followed by the companies integrated with the companies of CaixaBank. For this reason, and specifically in the case of BPI, the information contained in this document does not coincide with certain aspects presented in BPI's publication of financial information. 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.

Framework for preparing non-financial information

The non-financial information corresponding to the sustainability indicators are presented in line with Global Reporting Initiative (GRI) Guidelines, based on the "exhaustive" option. Appendix "Index of GRI Contents" contains a list of the indicators that are included throughout the report, in other public reports, or mentioned in Appendix "GRI Indicators". The sustainability figures and indicators have been calculated in accordance with the corporate standards which establish the criteria and common methodology to be applied in the areas of labour, environment, human rights, and social matters. Each area is described specifically in each of its sections. This information has been completed following the basic principles of inclusivity, materiality and response capacity, and is verified by the ISAE 3000 standard.

Furthermore, the Ten Principles of the UN Global Compact have also been considered to prepare this information.

Glossary

Non-financial information

This glossary contains definitions of the indicators and other terms related to the non-financial information presented in the consolidated management report:

First-time access to managerial positions (women) (%): *Percentage of women who have accessed a managerial position for the first time.*

Energy consumption savings (%): *Percentage change in energy consumption bills from one year to another.*

Contribution to Gross Domestic Product (%): *CaixaBank's total contribution (direct and indirect) to the GDP is measured by dividing the Gross Value Added (GVA) by the GDP. The GVA of CaixaBank Group's businesses in Spain and Portugal is calculated as the gross income (excluding gains/(losses) on financial assets and liabilities and others) minus general expenses. The GVA for the businesses (excluding shareholdings) is multiplied by the fiscal multiplier to include indirect contributions. Source: CaixaBank Research.*

Wage gap (%): Quotient of the coefficient that estimates the impact of gender on salary (determined through a model of multiple linear regression of salary, calculated as the sum of the fixed and variable remuneration, on gender and other relevant factors – age, longevity, longevity in their duty, professional duty and level –, by country – Spain and Portugal – and by companies that make up 97% of the workforce) and average salary of the company. The sample excludes duties (homogenous groups) of fewer than 50 observations (people) in CaixaBank, S.A. due to the fact that there are insufficient samples to infer statistically solid conclusions, although this aspect has not been passed on to the subsidiaries due to the model's loss of predictive power.

Carbon Neutral: *This is based on calculating the carbon footprint (total emissions resulting from CaixaBank's activity) and implementing technological improvements to reduce CaixaBank's footprint and purchase carbon offset credits to support clean energy projects in developing countries.*

Digital customers (%): *Private customers, aged 20 and 74 years, who have been active in the last 12 months, divided by the total number of customers.*

Contracts with environmental criteria over the total number of contracts with a significant environmental impact (%): *The percentage of contracts with established environmental criteria is calculated based on the volume of contracts with an environmental impact.*

Market share in credit to companies (%): *Data produced by CaixaBank based on official data (Bank of Spain). Lending to non financial resident companies.*

Market share in BPI credit (%): *Total credit (including securitised credit). Source: Bank of Portugal - Monetary and Financial Statistics*

Market share in credit to BPI companies (%): *Total credit to non-financial resident companies. Including securitised credit (not including non-resident companies). Source: Bank of Portugal/Statistical Bulletin*

Market share in BPI consumer credit (%): *Non-accumulated contracts during the year according to instruction no. 14/2013 of the Bank of Portugal. Source: Bank of Portugal/Bank Customer Website.*

Market share in BPI mortgage loans (%): *Total resident mortgage loans*

Market share in BPI deposits (%): *Demand deposits and term deposits. Data prepared in house based on official data (Bank of Portugal - Monetary and Financial Statistics).*

Market share in BPI investment funds (%): *APFIPP (Portuguese Association of Investment Funds, Pension Funds and Asset Management) - Mutual Funds.*

Market share in leasing (%): *Data produced by CaixaBank based on official data (Bank of Spain).*

Market share in salary direct deposits (%): *Quotient between the number of customers with salary direct deposits and customers covered by Social Security (not including self-employed workers and domestic employees), multiplied by a correction factor of 95%.*

Market share in BPI salary direct deposits (%): *Number of salary direct deposits corrected by a correction factor of 95% due to unavailable information on the Portuguese market. It is considered that 95% of salaried employees receive their salary by direct deposit. Source: APFIPP (Portuguese Association of Investment Funds, Pension Funds and Asset Management*

Market share in BPI insurance (%): *APS (Portuguese Association of Insurers).*

Market share in POS (%): *Data produced by CaixaBank based on official data (Bank of Spain, Cards and payment systems).*

Penetration of private customers in Spain (%): *Percentage of the market dominated by CaixaBank in terms of customers. The universe comprises bank account holders over the age of 18 years living in towns of more than 2,000 inhabitants. Source: FRS Inmark*.

Digital market penetration (%): *12-month average of digital customers divided by the total number of customers. Source: ComScore.*

Market share in trade (%): *remittances, documentary credits, and guarantees. Source: Swift – Traffic Watch.*

Appointments / Applications to fill positions (Men / Women) (%): *Percentage of appointments over the total number of applications to fill positions by gender.*

Female appointments / Total appointments to fill vacancies (%): *Percentages of women appointed over the total number of appointments during the year to fill positions.*

Reduced carbon emissions (%): *Percentage change in carbon footprint between two different financial years.*

Trained employees (%): *Quotient between the total number of staff that have carried out training at year-end and the total number of staff at year-end.*

Spanish companies that are CaixaBank customers (%): *Percentage of Spanish companies that are CaixaBank customers and turn over between 1 and 100 million euros. Source: FRS Inmark.*

eNPS: *The Net Promoter Score employee satisfaction 10-point scale in response to the following question: Would you recommend your company as a place to work? The results are displayed on the following scale (Promoters respond 9-10, Detractors respond 0-6). The calculation: % of Promoters (respond 9 or 10) - % of Detractors (respond 0 to 6).*

Free Float (%): *The number of shares available for the public, calculated as the number of issued shares minus the shares held in the treasury, advisers, and shareholders represented on the Board of Directors.*
The Annual Corporate Governance Report specifies a different free float calculation to that used for management purposes, calculated according to the current regulations for the report.

Generation Y (Millenials) (%): *Percentage of employees born between 1982 and 1992.*

Hours of training per employee: *Quotient between the total hours of training taken by CaixaBank employees at the start and end of the financial year.*

HR Effort: *Index of the company's effort to improve the experience of its employees. The following question is rated from 1 to 10: Do you think your company makes an effort to improve your experience as an employee?*

General absenteeism index: *The number of days missed divided by the total number of days for an average annual workforce.*

Accident rate: *The number of accidents resulting in sick leave divided by the total hours worked, multiplied by 10 to the power of 6. The rate does not include accidents which happen on an employee's way to or from work, as they are outside of work hours. In addition, it includes all real hours of work and excludes any permitted forms of absence, holidays, and sick leave.*

Customer satisfaction index (CSI): *Synthetic index composed of the indices of the 6 main businesses: ISP (Retail), ISBPE (Premier), ISPBR (Private), ISE (Companies), ISI (Institutions), ISCorp (Corporate), and their contribution to the ordinary income.*

Individual customer satisfaction index: *Index made up of individual customers' ratings of 7 items (10-point scale).*

Investment in development and technology: *Total amount invested in development and technology including capitalisable and non-capitalisable elements.*

Investment in employee training (%): *Quotient between the investment made in training and staff at year-end.*

Women in managerial positions (%): *Percentage of women in assistant management positions of A or B branches (or above) over the total number of employees in managerial positions.*

Businesses created with the support of microcredits: *The start of business is considered when the application for the microloan is made between 6 months before and 2 years after the start of the activity.*

Net Promoter Score (NPS) Private Customers: *The percentage of promoters minus the percentage of detractors (Promoters respond 9-10, Detractors respond 0-6).*

Level of empowerment: *Total positive responses ("completely agree" and "somewhat agree") regarding the area of empowerment*.

Number of digital customers: *Number of digital customers between the age of 20 and 74 years who have been active in the last 12 months.*

Number of work-related accidents: *Total number of accidents with and without sick leave.*

Number of supplier audits: *Voluntary audits of suppliers of goods to PromoCaixa in compliance with human rights.*

Number of digital customers: *Private customers, aged 20 and 74 years, who have been active in the last 12 months, divided by the total number of customers.*

Number of microcredits issued: *Loans up to EUR 25,000 (some facilities can reach EUR 50,000) set aside for people that may have difficulties accessing the traditional loan system and with specific purposes are considered.*

Number of dismissals: *Total number of permanent staff contract terminations due to "Dismissals" in the financial year*.

Number of employees with disabilities: *Employees working at the Company with a recognised degree of disability equal to or greater than 33%.*

Number of training hours: *Total number of hours of training of active employees at year-end*.

Number of new hires by sex: *Total number of hires in the financial year*

Number of certified professionals: *Number of employees who have passed the Financial Advice Information Course. Other related courses officially recognised by the National Securities Market Commission (CNMV) are also included in this calculation.*

Number of jobs created due to the contribution of microcredits: *Based on a survey conducted by STIGA on entrepreneurs that have applied to MicroBank for a microloan to open or consolidate a business during 2018.*

Number of job positions generated through the multiplier effect of purchases from suppliers: *Indicator estimated based on the VAB of CaixaBank, the Spanish and Portuguese GDP, the % of employment and productivity per worker according to National Accounting, and based on the input/output tables of the National Statistics Institutes of both countries with 4th-quarter data. Source: CaixaBank Research*.

Total number of employees: *Active staff at year-end.*

Accessible branches (%): *A branch is deemed to be accessible when its features enable all types of people, regardless of their abilities, to enter, move around, navigate, identify, understand and make use of the available services and facilities, and to communicate with staff. In addition, the branch must comply with current regulations.*

Recycled paper: *Percentage of recycled paper purchased compared to the total amount of paper purchased during the year.*

Professionals certified in key skills/segments (%): *Quotient between the certified number of employees and the total of employees that form part of the core business group: Retail Banking, Premier Banking, Private Banking, and Corporate Banking*

Critical suppliers: *Critical or strategic suppliers are high-risk suppliers according to the parameters defined in the supplier portal based on the service they provide*

Average remuneration of board members: *Average remuneration of the board of directors, including variable remuneration, allowances, severance, long-term savings provisions, and other income.*

Average remuneration: *Annualised average total remuneration (fixed plus variable)*

Talent retention (%): *Percentage of staff still working at the company two years after being hired. This does not include internship employment contract terminations.*

Professional Development Satisfaction (%): *Percentage of total positive responses ("completely agree" and "somewhat agree") regarding the area of professional development in the Commitment Study.*

Commitment Study Overall Satisfaction (%): *Percentage of total positive responses ("completely agree" and "somewhat agree") in the Commitment Study.*

Salaries, Wages and other employee benefits: *2018 account balance excluding Social Security contributions (included in tax contribution).*

Assessment of training (s/10): *Average rating of the training in terms of Satisfaction and Applicability. Calculation based on a 10-point scale.*

Assessment in 180º evaluation: *Score of the group of "People" in the 180º evaluations.*

Financial information

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:

Profitability and Efficiency

a) **Customer spread:** this is the 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).

b) **Balance sheet spread:** this is the 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).

c) **ROE:** 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.

d) **ROTE:** 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).

e) **ROA:** Quotient between 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.

f) **RORWA:** Quotient between the 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.

g) **Cost-to-income ratio:** operating expenses (administrative expenses, depreciation and amortisation) divided by gross income for the last 12 months.

Risk management

a) **Cost of risk (CoR):** quotient between the total allowances for insolvency risk (12 months) divided by average lending, gross, plus contingent liabilities, using management criteria**.**

b) **Non-performing loan ratio** quotient between the non-performing loans and advances to customers and contingent liabilities, using management criteria, and the total gross loans to customers and contingent liabilities, using management criteria.

c) **Coverage ratio:** quotient between the 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.

d) **Real estate available for sale coverage ratio:** quotient between the gross debt cancelled at the foreclosure or surrender of the real estate asset minus the present net book value of the real estate asset; and the gross debt cancelled at the foreclosure or surrender of the real estate asset.

e) **Real estate available for sale coverage ratio with accounting provisions:** quotient between accounting coverage: the accounting provisions for foreclosed real estate assets, and the gross book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

Liquidity

a) **Total liquid assets:** 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).

b) ***Loan to deposits*****:** 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.

Other relevant indicators

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.*

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

Average number of shares outstanding: *Average shares issued less the average number of treasury shares.*

Adjustment of the structure of the public income statement to the management format

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

- Fee for commission income.
- Fee for 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.
- 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 insurance contracts

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 liquidity[2]	**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 classifed 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**

Appendix: Materiality Analysis & GRI Content

2018 CONSOLIDATED MANAGEMENT REPORT OF THE CAIXABANK GROUP

APPENDIX: MATERIALITY ANALYSIS & GRI CONTENT

1. CRITERIA AND SCOPE OF THE REPORT

Criteria and principles used to prepare the report

The content of this indicator index is part of the 2018 CaixaBank Group Consolidated Management Report.

This report will also be included in CaixaBank's Progress Report in accordance with the Memorandum of Understanding between GRI and the UN Global Pact, which details the connections between the indicators and the 10 Principles of the Global Compact.

This report has been prepared in line with the following principles to guarantee the transparency, reliability and exhaustiveness of the information:

- the Global Reporting Initiative (GRI), specifically the *GRI Standards*, under the exhaustive option, in accordance with the criteria and principles set out in this guide, and, in particular, the involvement of stakeholders, sustainability, materiality, and exhaustiveness. The GRI principles have also been adopted to ensure the quality of the report: balance, comparability, accuracy, timeliness, clarity and reliability.
- International Integrated Reporting Council (IIRC) framework for Integrated Reports in the following key areas: strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability.
- Principles established in the AA1000 Accountability Principles Standard (AA1000APS) 2008 on **inclusivity**, in accordance with the indicators GRI 102-42 and GRI 102-43, **relevance**, according to the Materiality Analysis included in this report; and **response**, including codes, policies and performance indicators detailed in this report.
- Commitment to the Ten Principles of the UN Global Compact and Sustainable Development Goals (SDGs), as part of the 2030 Agenda.

Scope and coverage

This report contains performance data for CaixaBank and its subsidiary companies, which together form the CaixaBank Group.

Based on the nature of the information, certain subsidiary companies have been excluded from the scope of this report. This exclusion applies primarily to the companies incorporated into the CaixaBank Group during the merger with Banca Cívica, and other companies of the BPI Subgroup. However, the performance data coverage exceeds 97%. This report clearly states to which entities the different GRI indicators refer.

In addition, the presented economic and financial information has been obtained from the Consolidated Annual Accounts of the CaixaBank Group for the 2018 financial year.

Definition of content

This report covers the material topics for CaixaBank and its stakeholders according to the Materiality Analysis detailed in this Appendix.

* The 2018 Consolidated Annual Accounts and Management Report were formulated by the Board of Directors on 21 February of 2019. These documents can be accessed on the CaixaBank website and the website of the National Securities Market Commission (www.cnmv.es).

2. MATERIALITY ANALYSIS

CaixaBank uses materiality analysis to identify relevant topics. This process has identified specific priority topics for the company and its stakeholders. The company publicly reports and is accountable for these topics in particular. Relevant topics include social, environmental and economic issues that present a high probability of generating a significant impact on the business and also on stakeholder's opinions and decisions.

As a new feature, in addition to reviewing the relevant topics and their priority, the 2018 Materiality Analysis includes the evolution of the importance of topics as compared to 2017.

Materiality Analysis Methodology

1. Initial identification of relevant topics

Documentary analysis to align the material topics with the business and the needs of stakeholders, to obtain a preliminary list of relevant topics

15 relevant topics and 69 subtopics identified, assessed and prioritised

Analysed information sources

Strategy and priorities for CaixaBank

CaixaBank's Strategy, Action Lines, and Objectives
CSR Master Plan: CaixaBank Socially Responsible Banking
Corporate Risk Catalogue
2018 Materiality Analysis and 2017 Socio-Economic Impact Report
CaixaBank website
Customer, employee and shareholder enquiries

Requirements of sustainability agents
Reference indices, ratings and rankings (DJSI, FTSE4Good, CDP, Merco, Reptrak)

Sustainable Development Goals – SDGs
Analysis of the key issues related to the SDGs most impacted by CaixaBank

Good reporting practices

Good practices of three financial institutions on the national and international level
Priority issues for the Financial Sector according to the Sustainability Accounting Standards Board (SASB)

Social challenges and trends in the financial sector
Studies and publications of global trends and social requirements based on CANVAS RADAR

Monitoring media and social networks
2018 assessment of communication; Media presence of the material topics for CaixaBank (BuzzSumo tool)

Semantic review of the list of relevant topics through CaixaBank's strategy and responsible business approach
Classification and integration of the topics according to CaixaBank's corporate values

2. Assessment and prioritisation of topics

Specific internal and external enquiries to assess the relevant topics

Assessment and prioritisation variables

Relevance for CaixaBank's business | **Relevance for stakeholders**

501 questionnaires taken by CaixaBank Employees

9 in-depth interviews with financial, CSR, and media experts

894 opinions of private customers about the CSR of CaixaBank

1.709 surveys for shareholders and customers of CaixaBank

13 questionnaires taken by different areas of CaixaBank responsible for interactions with stakeholders

3. Materiality matrix

Creation of the materiality matrix for the business and stakeholders

Relevant topic matrix

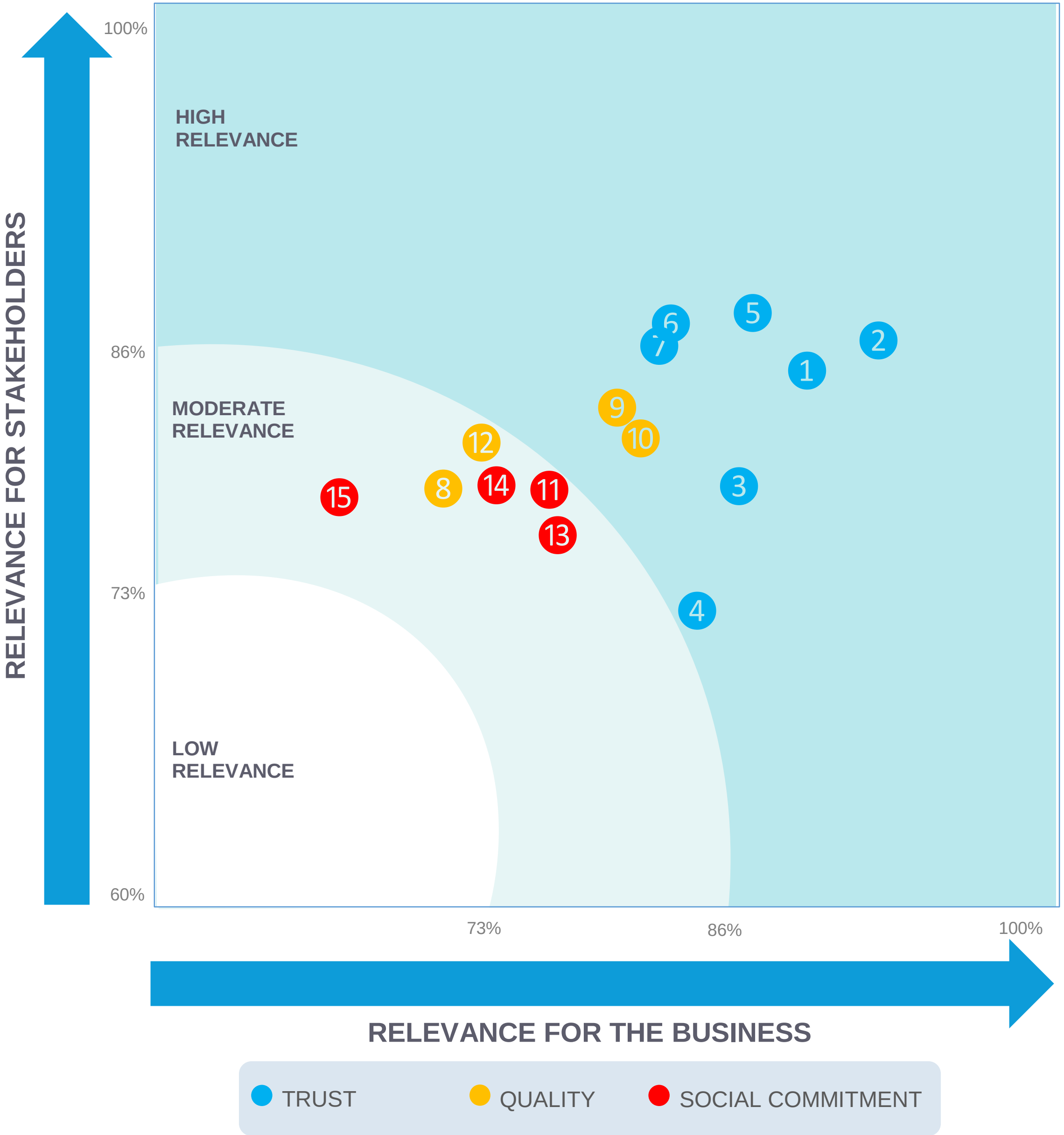
Relevant topics score over **68%** on both assessment axes

Analysis of the evolution of the relevant topics identified in the 2017 materiality analysis

4. Relationship with the CSR Plan, GRI Standards, and SDGs

Connection of the material topics with the Sustainable Development Goals (SDGs), the core aspects of the CSR Management Plan, and the GRI Standards presented in the 2018 Consolidated Management Report

Materiality matrix for CaixaBank



Evolution of the relevant topics identified in 2017

1	Profitability, solvency and stability	▼
2	Corporate governance	▲
3	Risk management and compliance	▼
4	Environmental and social criteria in business	▲
5	Ethical and responsible culture	=
6	Transparency and responsible marketing	▲
7	Security and data protection	=
8	Solutions tailored to customer needs	▼
9	Proximity, accessibility and digitalisation	▲
10	Attracting and developing talent	=
11	Diversity, equality and work-life balance	▲
12	Open innovation and technology	▼
13	Financial inclusion	▲
14	Boosting economic and business activity	▼
15	Social and volunteering commitment	=

▲▼= **Evolution of topics**: This demonstrates whether the positions of the relevant topics have risen, fallen or remained stable in the list of relevant topics, as compared to 2017.

Material topics, stakeholders, and CSR of CaixaBank

	Evolution of material topics	Material topic	Strategic Plan Lines	CSR Master Plan core components
Trust	▼	**Profitability, solvency and stability**	Recurring profitability Active capital management	
Trust	▲	**Corporate governance**	Customer focus	Governance
Trust	▼	**Risk management and compliance**	Customer focus Recurring profitability	Governance Integrity, transparency and diversity
Trust	▲	**Environmental and social criteria in business**	Customer focus	Environmental issues
Trust	=	**Ethical and responsible culture**	Customer focus Recurring profitability	Integrity, transparency and diversity Governance
Trust	▲	**Transparency and responsible marketing**	Customer focus Skilled and dynamic team	Integrity, transparency and diversity
Trust	=	**Security and data protection**	Customer focus Digitalisation leadership	Integrity, transparency and diversity
Quality	▼	**Solutions tailored to customer needs**	Customer focus Skilled and dynamic team	Integrity, transparency and diversity Financial inclusion
Quality	▲	**Proximity, accessibility and digitalisation**	Customer focus Digitalisation leadership Skilled and dynamic team	Financial inclusion
Quality	=	**Attracting and developing talent**	Skilled and dynamic team	Integrity, transparency and diversity
Quality	▼	**Open innovation and technology**	Digitalisation leadership Skilled and dynamic team	
Social commitment	▲	**Diversity, equality and work-life balance**	Skilled and dynamic team	Integrity, transparency and diversity
Social commitment	▲	**Financial inclusion**	Customer focus	Financial inclusion
Social commitment	▼	**Boosting economic and business activity**	Customer focus Recurring profitability	Financial inclusion
Social commitment	=	**Social and volunteering commitment**	Customer focus	Social action and volunteering

▲▼= **Evolution of topics**: This demonstrates whether the positions of the relevant topics have risen, fallen or remained stable in the list of relevant topics, as compared to 2017.

Relative significance: same materiality criteria used in the preparation of financial statements.

		Material topic	GRI Standards	Chapters of: the Consolidated Management Report of the CaixaBank Group (hereinafter, "CMR"), Consolidated Financial Statements (hereinafter, "CFS") and Annual Corporate Governance Report (hereinafter, "ACGR") for 2018
Corporate values	Trust	Profitability, solvency and stability	GRI 103: Management approach GRI 201: Economic performance GRI 203: Indirect economic impacts GRI 204: Procurement practices	Consolidated balance sheets (CFS 2018)
		Corporate governance	GRI 103: Management approach	Our identity – Corporate Governance (CMR 2018) ACGR (2018)
		Risk management and compliance	GRI 103: Management approach GRI 415: Public policy GRI 419: Socio-economic compliance	Risk management (CMR 2018) Risk management (CFS 2018)
		Environmental and social criteria in business	GRI 103: Management approach GRI 307: Environmental compliance GRI 308: Supplier environmental assessment GRI 412: Human rights assessment GRI 414: Supplier social assessment	Our identity – Responsible and ethical behaviour: policies, codes and internal standards (CMR 2018) Sustainability (CMR 2018)
		Ethical and responsible culture	GRI 103: Management approach GRI 205: Anti-corruption GRI 201: Unfair competition	Our identity – Responsible and ethical behaviour: policies, codes and internal standards (CMR 2018)
		Transparency and responsible marketing	GRI 103: Management approach GRI 417: Marketing and labelling	Our identity – Responsible and ethical behaviour: policies, codes and internal standards (CMR 2018)
		Security and data protection	GRI 103: Management approach GRI 418: Customer privacy	Our identity – Responsible and ethical behaviour: policies, codes and internal standards (CMR 2018)
	Quality	Solutions tailored to customer needs	GRI 103: Management approach	Customer experience (CMR 2018)
		Proximity, accessibility and digitalisation	GRI 103: Management approach	Customer experience (CMR 2018) Sustainability – Social responsibility (CMR 2018) Innovation (CMR 2018)
		Attracting and developing talent	GRI 103: Management approach GRI 401: Employment GRI 402: Employee-company relations GRI 403: Occupational health and safety GRI 404: Training and teaching	Our People (CMR 2018)
		Open innovation and technology	GRI 103: Management approach	Innovation (CMR 2018)
	Social commitment	Diversity, equality and work-life balance	GRI 103: Management approach GRI 405: Diversity and equal opportunity	Our People – Diversity, equal opportunities and work-life balance (CMR 2018)
		Financial inclusion	GRI 103: Management approach	Sustainability – Social responsibility (CMR 2018)
		Boosting economic and business activity	GRI 103: Management approach	Our identity – Contribution to society (CMR 2018)
		Social and volunteering commitment	GRI 103: Management approach GRI 413: Local communities	Sustainability – Social responsibility (CMR 2018)

Material topics and subtopics

TRUST QUALITY SOCIAL COMMITMENT

CaixaBank groups the relevant topics into subtopics for practical purposes.

Profitability, solvency and stability

- Economic and financial results
- High and stable dividend
- Capital optimisation
- Financial stability and solidity

Corporate governance

- Governance structure
- Ethical and responsible leadership culture
- Composition of committees
- Professional credibility of Senior Management
- Remuneration of Executives and Board Members
- Clear information, transparency, and proximity to shareholders

Risk management and compliance

- Active risk management
- Regulatory compliance
- Culture of internal control and compliance
- Behavioural risk awareness
- Political risk
- Stable and trustworthy relationships
- Business diversification
- External standards to inform the risk management system

Environmental and social criteria in business

- Developing the environmental plan and managing social and environmental impacts
- Socially responsible investment
- Incorporation of environmental criteria in products and services
- Responsible purchases
- ESG* risk-specific management

Ethical and responsible culture

- Respecting human rights and the consumer
- Adaptation and development of responsible policies
- Responsible selling policies
- Alliances and adherence to different sustainability initiatives
- Secure, reliable and high-quality financial products

Transparency and responsible marketing

- Simple, clear and transparent language
- Transparent and responsible advertising activity in accordance with standards
- Stakeholder dialogue and engagement

Security and data protection

- Customer privacy and cybersecurity
- Appropriate use of technology
- Data protection

Solutions tailored to customer needs

- Personalised customer service model
- Financial and non-financial solutions
- Extensive network of qualified and specialised experts
- Simple, useful, innovative and unique solutions
- Mobility solutions
- Diversification, innovation and differential value proposition

Proximity, accessibility and digitalisation

- Quality of customer experience and satisfaction
- Extensive omnichannel distribution network
- Usability of products and services
- Highly flexible business network
- Digitalisation of the customer experience

Attracting and developing talent

- High level of training and commitment
- Training in critical professional team skills
- Merit-based culture: competency assessment
- Well-being of employees: social benefits, employment security and healthy habits

Open innovation and technology

- Investing in technology and innovation leadership skills
- Internal drives towards innovation and process improvement
- Promoting collective intelligence and co-creation models
- Collaboration with new entrants to the market

Diversity, equality and work-life balance

- Culture of diversity and integration
- Promoting equal opportunities and conditions
- Empowerment of women and equality
- Reconciliation of work and family life for all employees

Financial inclusion

- Promoting MicroBank microfinances
- Responsible financial culture and promoting long-term saving
- Solutions for customers with financial difficulties
- Products and services for people with different abilities
- Affordable products and services for more people

Boosting economic and business activity

- Fostering entrepreneurship and social innovation
- Support for SMEs and self-employed professionals
- Creation of employment and self-employment
- Contribution to the economy and public finances

Social and volunteering commitment

- Active collaboration through the Social Project of the "la Caixa" Banking Foundation
- Corporate volunteering
- Helping to solve the most urgent social challenges
- Active housing benefit policy
- Community investment in specific areas aligned with the strategy

3. 2018 CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

SDG PRIORITIES	KEY INITIATIVES	RELATED MATERIAL TOPICS
	• Microloans issued - MicroBank • “la Caixa” Social Project • Proximity and accessibility of local ATMs and branches • Corporate Volunteering Programme; finance workshops • Financial education • Charity crowdfunding • Social Initiatives Weeks at CaixaBank:	• Environmental and social criteria in business • Solutions tailored to customer needs • Proximity, accessibility and digitalisation • Financial inclusion • Social and volunteering commitment
	• Microloans granted to entrepreneurs and self-employed workers • Jobs created from microcredits granted to entrepreneurs and businesses • CaixaBank Group investments in development and technology • Jobs generated indirectly through procurement contracts with suppliers • Jobs opportunities generated through the Incorpora Programme under the "la Caixa" Social Project	• Profitability, solvency and stability • Solutions tailored to customer needs • Open innovation and technology • Attracting and developing talent • Financial inclusion • Boosting economic and business activity • Social and volunteering commitment
	• Strategic alliance with the "la Caixa" Social Project • Spanish Network Chair of the UN Global Compact and Seat on the Board of the Spanish Green Growth Group • Board Member of the Spanish Green Growth Group • Adherence to the UNEP FI global partnership and the Principles for Responsible Banking • Collaboration with social entities through MicroBank, the ”la Caixa” Volunteer Association, among others	• Financial inclusion • Social and volunteering commitment

<table>
<tr><th>KEY SDGs</th><th>KEY INITIATIVES</th><th>RELATED MATERIAL TOPICS</th></tr>
<tr><td>
</td><td>• Equality plan and Wengage programme
• Promotion of female managers
• Adherence to the UN Women's Empowerment Principles
• Credit line for female entrepreneurs through the European Investment Fund
• Awards and sponsorships to provide visibility to women</td><td>• Corporate governance
• Attracting and developing talent
• Diversity, equality and work-life balance
• Financial inclusion
• Social and volunteering commitment</td></tr>
<tr><td>
</td><td>• Microloans granted to entrepreneurs and self-employed workers
• Investing in development, technology and information security
• Investing in digitalisation and innovation</td><td>• Solutions tailored to customer needs
• Open innovation and technology</td></tr>
<tr><td>
</td><td>• 2016-2018 Environmental Plan
• Inclusion in the CDP (Carbon Disclosure Project)
• 100% carbon offset
• Reduced generation of paper and cardboard
• Eco-financing lines</td><td>• Environmental and social criteria in business
• Solutions tailored to customer needs</td></tr>
<tr><td>
</td><td>• Signatories of the Equator Principles
• Board Members of the Spanish Green Growth Group
• Eco-financing lines and financing for renewable energies
• Renewable energy consumption
• 100% carbon offset</td><td>• Environmental and social criteria in business
• Social and volunteering commitment</td></tr>
</table>

COMPLEMENTARY SDGs	KEY INITIATIVES	RELATED MATERIAL TOPICS
3 SALUD Y BIENESTAR	• Collaboration with Gavi The Vaccine Alliance through the "la Caixa" Banking foundation to vaccinate children in developing countries	• Social and volunteering commitment
4 EDUCACIÓN DE CALIDAD	• Basic finance training for vulnerable groups (adults and young people) through MicroBank and "la Caixa" Volunteers • The Aula shareholder training programme. • DialogA and CaixaFuture financial education initiatives • CaixaBank Research and Chairs	• Social and volunteering commitment
7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE	• Financing renewable energies • Adherence to the global Renewable Energy 100 initiative • Reduced energy consumption	• Environmental and social criteria in business
10 REDUCCIÓN DE LAS DESIGUALDADES	• Granting microcredits - MicroBank • Strategic alliance with the "la Caixa" Social Project • Social housing Financial education workshops in collaboration with volunteers from "la Caixa", MicroBank and social entities	• Environmental and social criteria in business • Solutions tailored to customer needs • Proximity, accessibility and digitalisation • Financial inclusion • Social and volunteering commitment
16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS	• Anti-corruption Policy • Human Rights Policy • Tax Risk Control and Management Policy • Adherence to Autocontrol (Association for Advertising Self-Regulation) and good advertising practices	• Corporate governance • Risk management and compliance • Ethical and responsible culture • Transparency and responsible marketing • Environmental and social criteria in business

4. GRI CONTENT INDEX

Option for conformity with the GRI Standards: Exhaustive option

Based on the results of the 2018 materiality analysis, some indicators have been considered as non-material or non-relevant for CaixaBank.

GENERAL CONTENT

GRI Standard	Content	Section / Omission
GRI 101: Foundations		
General Content		
Organisational profile		
GRI 102: General Content	102-1 Name of the organisation	Note 1.1 CFS 2018
	102-2 Activities, brands, products and services	"Business model" section CMR 2018
	102-3 Location of headquarters	Note 1.1 CFS 2018
	102-4 Location of transactions	"Business model" section CMR 2018
	102-5 Ownership and legal form	Note 1.1 CFS 2018 Section "Our identity - Shareholder structure – Shareholder base structure chart" CMR 2018
	102-6 Markets served	"Business model" section CMR 2018
	102-7 Scale of the organisation	"CaixaBank in 2018" section CMR 2018 Consolidated balance sheet CFS 2018
	102-8 Information on employees and other workers	"Our People – Introduction" section CMR 2018 "Indicators Law 11/2018, of 28 December – Our People'" CMR 2018
	102-9 Supply chain	CaixaBank is an integrated banking and insurance group. The value chain comprises the goods and services that enable professionals to carry out their work. Its suppliers include companies that provide spaces, office equipment, advertising, IT equipment, technology and telecommunication services, security services, and other services. The Group bases its actions on the values of quality, trust and social commitment. Accordingly, when acquiring products and services, the Group strives to work with suppliers that guarantee high quality and safety standards in accordance with responsible social and environmental conditions. The payments made to CaixaBank's suppliers are detailed in Note 33 of the 2018 Financial Statements (hereinafter, "FS"). The payments made to suppliers of the CaixaBank Group, except for those corresponding to the businesses of BPI, are specified in Note 35 of CFS 2018. The payments made by BPI stand at EUR 376 million with an average payment period of 30 days. Further information: Suppliers portal

GRI Standard	Content	Section / Omission
	102-10 Significant changes in the organisation and its supply chain	"Milestones and Significant Events in 2018" section of CMR 2018
	102-11 Precautionary principle or approach	"Our identity - Responsible and ethical behaviour: policies, codes and internal standards - Main alliances and adherence" CMR 2018, with reference to the adherence to the CDP – Climate Change (www.cdp.net). "Sustainability – Environmental sustainability" section CMR 2018 CaixaBank's Corporate social responsibility policy.
	102-12 External initiatives	"Our identity - Responsible and ethical behaviour: policies, codes and internal standards - Main alliances and adherence" section CMR 2018 "Our People – Management principles – Diversity, equal opportunities and work-life balance – Adherence table" CMR 2018 Plus: Corporate Responsibility Initiatives and Adherence Subsection on the CaixaBank corporate website.
	102-13 Membership of associations	"Environment and strategy – Regulatory context" section CMR 2018
Strategy		
GRI 102: General Content	102-14 Statement from senior decision-makers	"Letter from the Chairman" and "Letter from the CEO" sections CMR 2018
	102-15 Key impacts, risks and opportunities	"Environment and strategy – Economic context" section CMR 2018 "Environment and strategy – Competitive and social context" section CMR 2018 "Environment and strategy – Regulatory context" section CMR 2018 "Risk management" section CMR 2018 Appendix: Materiality analysis CMR 2018
Ethics and integrity		
GRI 102: General Content	102-16 Values, principles, standards and codes of conduct	"Our identity - Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	102-17 Advice and ethical concerns mechanisms	"Our identity - Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
Governance		
	102-18 Governance structure	"Corporate Governance – Corporate governance structure" CMR 2018

GRI Standard	Content	Section / Omission
GRI 102: General Content	102-19 Delegating authority	See Article 4.2 of the Board Regulations requiring CaixaBank, in connection with stakeholders, to comply with current legislation, act in good faith in their implicit and explicit obligations and contracts, respect the usage and good practices of the sectors and territories where they operate, and observe any additional social responsibility principles that the Company decides to adopt voluntarily. In addition, in accordance with the above-referenced article, amongst other duties the Board may not delegate, the Board is solely entrusted with approving the corporate social responsibility policy. In addition, Article 15 specifies that the Appointments Committee is responsible for overseeing the Company's activity related to matters of corporate social responsibility and for submitting any relevant proposals related to this area to the Board of Directors. The Company also has a Risks Committee which is responsible for reputational risk management, among other duties. "Corporate Governance – Corporate Governance Structure" section CMR 2018 "Corporate Governance – Senior Management" section CMR 2018 Note 3.2 CFS 2018. Section C.1.9 ACGR 2018.
	102-20 Executive-level responsibility for economic, environmental, and social topics	"Corporate Governance – Senior Management – Main Committees Chart" CMR 2018
	102-21 Consulting stakeholders on economic, environmental, and social topics	According to articles 34, 35 and 36 of the Regulations of the Board of Directors, the Board will arbitrate the suitable channels to receive any proposals formulated by shareholders related to the management of CaixaBank. "Our identity – Shareholder structure - Transparency and openness in the shareholder relations" CMR 2018 Appendix: Materiality analysis CMR 2018.
	102-22 Composition of the highest governing body	"Corporate Governance – Corporate Governance Structure" section CMR 2018 Sections C.1.2, C.1.3, C.1.10, C.1.11 and C.1.12 ACGR 2018.
	102-23 Chair of the highest governing body	At CaixaBank, the Chairman and CEO have different yet complementary roles. There is a clear division of responsibilities between each position. The Chairman is the senior representative of the Company and leader of the Board of Directors. Meanwhile, the CEO is the top executive responsible for implementing the Group's strategy in accordance with the mandate established by the governing bodies. Similarly, the Coordinating Board Member, appointed from among the Independent Directors, is responsible for handling, coordinating and expressing the concerns of the other independent board members, as well as directing the periodic assessment of the Chairman, chairing the Board of Directors in the absence of the Chairman and Vice-Chairman, in addition to other assigned duties. "Corporate Governance – Corporate Governance Structure" section CMR 2018 Sections C.1.2 and C.1.3 ACGR 2018.

GRI Standard	Content	Section / Omission
	102-24 Nominating and selecting the highest governance body	The Appointments Committee analyses and proposes the profiles of candidates to appoint as members of the Board of Directors, while also complying with the suitability requirements for credit institutions. Therefore, at all times, the selection process is based on the principle of diversity of knowledge, gender and expertise needed for the members to perform their duties. In addition, the process complies with the principle of non-discrimination and equal treatment. In September 2018, the Board of Directors approved a policy for the selection, diversity, and assessment of the suitability of directors, senior managers, and other key function holders of the CaixaBank Group. This policy includes the main aspects and commitments of CaixaBank and the CaixaBank Group related to the selection and appointment of directors. The procedure for selecting directors established in the Policy shall be complemented, as applicable, by the provisions of the Protocol on Procedures for Selecting and Assessing the Suitability of Posts, or any equivalent internal regulations prevailing at the time. The agreements adopted within the framework of the Policy shall respect, at all times, the current legislation, the corporate governance system and standards, and good governance recommendations and principles. "Corporate Governance" section CMR 2018 Section C.1.16 ACGR 2018.
	102-25 Conflicts of interest	Note 9.3 CFS 2018
	102-26 Role of the highest governing body in selecting purpose, values, and strategy	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Corporate Governance – Corporate Governance Structure" section CMR 2018
	102-27 Collective knowledge of the highest governing body	In 2018, the training programme for directors consisted of 10 sessions, each lasting approximately 2 hours, given by CaixaBank senior managers on subjects related to their specific areas of responsibility. The sessions were aimed primarily at new executives. The training sessions were given by the Chief Risk Officer, the Managing Director of Insurance and Asset Management, the Executive Director of Financial Accounting, Control and Capital, the Executive Director of Finance, the Assistant General Manager of Compliance, the Corporate Director of Compliance, and the Managing Director of CaixaBank Payments.
	102-28 Assessing the performance of the highest governing body	Sections C.1.17 and C.1.18 ACGR 2018
	102-29 Identifying and managing economic, environmental, and social impacts	The Board Committees perform a supervisory role related to economic, environmental and social issues. This includes supervision of risks and opportunities, as well as compliance with international agreements, codes of conduct and guiding principles. To perform their duties, the Committees are supported by external independent advisers- They also have access to the information provided by the Company in meetings held with management. "Corporate Governance – Corporate governance structure" CMR 2018. CaixaBank's corporate social responsibility policy. Sections C y E ACGR 2018.

GRI Standard	Content	Section / Omission
	102-30 Effectiveness of risk management processes	"Risk Management – Key Elements of Risk Management" CMR 2018
	102-31 Review of economic, environmental, and social topics	Note 3.2 CFS 2018. "Corporate Governance – Corporate Governance Structure" CMR 2018 "Corporate Governance – Senior Management" section CMR 2018 CaixaBank's corporate social responsibility policy.
	102-32 Highest governing body's role in sustainability reporting	The Executive Director of Financial Accounting, Control and Capital is responsible for preparing and coordinating the 2018 CMR, which includes the non-financial information statement. This report is subsequently reviewed by the Management Committee, the Appointments Committee, the Audit and Control Committee, and the Board of Directors of CaixaBank. The latter is responsible for formulating the Non-Financial Information Statement which contains the sustainability information deemed to be significant in accordance with the law and the Materiality Analysis.
	102-33 Communicating critical concerns	"Corporate Governance – Corporate Governance Structure" CMR 2018 "Corporate Governance – Senior Management" section CMR 2018 Section E ACGR 2018. The Management Committee is entrusted with informing the Board of Directors about the annual operating plan, including any critical aspects considered to be relevant and appropriate.
	102-34 Nature and total number of critical concerns	There are no critical concerns in the 2018 financial year. Sections C.1.5 and C.1.17 ACGR 2018.
	102-35 Remuneration policies	Note 9.1 and 9.2 CFS 2018 Section A.1 of the 2018 Annual Remuneration Report.
	102-36 Process for determining remuneration	Section A.1 of the 2018 Annual Remuneration Report. Section B of the 2018 Annual Remuneration Report.
	102-37 Stakeholders' involvement in remuneration	Sections A.4 and B.4 of the 2018 Annual Remuneration Report. The 2018 director remuneration report will be subject to an advisory vote by the Annual General Meeting. Further information: Section on the Annual General Meeting on the corporate website. Appendix: Materiality analysis CMR 2018
	102-38 Annual total compensation ratio	Note 9.1 CFS 2018 "Indicators Law 11/2018, of 28 December – Our People – Tables 7.12 / 7.13 / 7.14 / 7.15" section CMR 2018
	102-39 Percentage increase in annual total compensation ratio	Note 9.1 CFS 2018 "Indicators Law 11/2018, of 28 December – Our People – Tables 7.12 / 7.13 / 7.14 / 7.15" section CMR 2018
Stakeholder engagement		

GRI Standard	Content	Section / Omission
GRI 102: General Content	102-40 List of stakeholders	CaixaBank's corporate social responsibility policy (Section 4.3)
	102-41 Collective bargaining agreements	"Our People – Management principles – Diversity, equal opportunities and work-life balance" CMR 2018 "Our People – Management principles – Security, health and corporate well-being" CMR 2018 "Our People – Freedom of association and representation" CMR 2018
	102-42 Identifying and selecting stakeholders	Stakeholders are identified and selected through a process of analysis and internal reflection carried out by the management team. The Corporate Responsibility department continually reviews identified stakeholders, as well as the related active listening, dialogue and monitoring processes, to understand and meet their expectations and needs. CaixaBank's corporate social responsibility policy (Section 4.3)
	102-43 Approach to stakeholder engagement	"Customer experience – Customer centric model" section CMR 2018 "Customer experience – Customer services" section CMR 2018 "Our identity – Shareholder structure - Transparency and openness in the shareholder relations" CMR 2018 "Our People – Work environment" CMR 2018 "Sustainability – Environmental sustainability – Managing ESG and climate risks" section CMR 2018 Appendix: Materiality analysis CMR 2018
	102-44 Key topics and concerns raised	Appendix: Materiality analysis CMR 2018 - Material topics, stakeholders, and CSR of CaixaBank Section
Practices for creating reports		
GRI 102: General Content	102-45 Entities included in the consolidated financial statements	Note 2.1 and Appendices 1, 2 and 3 CFS 2018
	102-46 Defining report content and topic boundaries	Appendix: Materiality Analysis CMR 2018 (Material topics, stakeholders and CSR of CaixaBank) In addition, the requirements of Law 11/2018 have been taken into account to define the contents of the report.
	102-47 List of material topics	Appendix: Materiality Analysis CMR 2018 (Material topics, stakeholders and CSR of CaixaBank)
	102-48 Restatements of information	The information of previous years has not been reformulated.
	102-49 Changes in reporting	In 2018, there have been no significant changes related to the periods subject to previous reports in the list of material topics, except for the inclusion of the aspects resulting from the application of Law 11/2018.
	102-50 Reporting period	2018
	102-51 Date of most recent report	The 2017 Integrated Corporate Report prepared in accordance with the GRI standards framework was published in March 2018. Furthermore, the 2017 Consolidated Management Report, prepared in accordance with the Principles of the UN Global Compact, was published in February 2018.
	102-52 Reporting cycle	Annual.

GRI Standard	Content	Section / Omission
	102-53 Point of contact for questions about the report	The usual service channels for customers, shareholders, corporate investors, and media, are available on the corporate website.
	102-54 Claims of reporting in accordance with the GRI Standards	“Other information - Regulatory framework” section CMR 2018
	102-55 GRI content index	Appendix: Materiality analysis CMR 2018
	102-56 External assurance	Independent review report

MATERIAL TOPICS

GRI Standard	Content	Section / Omission
Material issue: Profitability, solvency and stability		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	“Risk management” CMR 2018. “Financial reporting and results” CMR 2018
	103-2 The management approach and its components	“Risk management” CMR 2018. “Financial reporting and results” CMR 2018
	103-3 Evaluation of the management approach	“Financial reporting and results” CMR 2018
GRI 201: Economic performance		
GRI 201: Economic performance	201-1 Direct economic value generated and distributed	“Our identity – Contribution to Society” section CMR 2018 “Indicators Law 11/2018, of 28 December – Contribution to society – Tables 1.1” section CMR 2018
	201-2 Financial implications and other risks and opportunities due to climate change	CaixaBank is currently in the process of defining which sectors present environment-related business opportunities.
	201-3 Obligations of the defined benefit plan and other retirement plans	“Financial reporting and results – Results – Unique aspects of 2018” section of CMR 2018 Note 23.1 CFS 2018.
	201-4 Financial assistance received from the government	“Our identity – Contribution to Society” section CMR 2018
GRI 203: Indirect economic impacts		
GRI 203: Indirect economic impacts	203-1: Infrastructure investments and services supported	“Sustainability – Social responsibility” section CMR 2018
	203-2 Significant indirect economic impacts	“Sustainability – Social responsibility” section CMR 2018
GRI 204: Procurement practices		

GRI Standard	Content	Section / Omission
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	The payments made to CaixaBank's suppliers are detailed in Note 33 of FS 2018 The payments made to suppliers of the CaixaBank Group, except for those corresponding to the businesses of BPI, are specified in Note 35 of CFS 2018. The payments made by BPI stand at EUR 376 million with an average payment period of 30 days. "Sustainability – Environmental sustainability – Minimising its impact on the environment" section CMR 2018
Material issue: Corporate governance		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Corporate Governance" section CMR 2018
	103-2 The management approach and its components	"Corporate Governance" section CMR 2018
	103-3 Evaluation of the management approach	"Corporate Governance" section CMR 2018
Material issue: Risk management and compliance		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Risk management" section CMR 2018
	103-2 The management approach and its components	"Risk management" section CMR 2018
	103-3 Evaluation of the management approach	"Risk management" section CMR 2018 Note 3 CFS 2018.
GRI 415: Public policy		
GRI 415, Public policy	415-1 Political contributions	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 includes qualitative information on political contributions.
GRI 419: Socio-economic compliance		
GRI 419, Socioeconomic compliance	419-1 Non-compliance with social and economic laws and regulations	On 13 February 2018, a sanction was imposed (albeit not final), as published in the Spanish Official State Gazette (BOE) on 28 March 2018 (https://www.boe.es/boe/dias/2018/03/28/pdfs/BOE-A-2018-4383.pdf). At present, an appeal has been filed under contentious-administrative jurisdiction and the total amount of the sanction has been paid. Further information: Note 23 CFS 2018
Material issue: Environmental and social criteria in business		
	103-1 Explanation of the material topic and its boundary	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Sustainability – Environmental sustainability" section CMR 2018

GRI Standard	Content	Section / Omission
GRI 103: Management approach	103-2 The management approach and its components	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Sustainability – Environmental sustainability" section CMR 2018
	103-3 Evaluation of the management approach	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Sustainability – Environmental sustainability" section CMR 2018
GRI 307: Environmental compliance		
GRI 307, Environmental compliance	307-1 Non-compliance with environmental laws and regulations	Note 42.1 CFS 2018. CaixaBank did not receive any relevant fines or sanctions related to compliance with environmental regulations in 2018
GRI 308: Supplier environmental assessment		
GRI 308, Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	"Sustainability – Environmental sustainability – Minimising its impact on the environment" section CMR 2018
	308-2 Negative environmental impacts in the supply chain and actions taken	"Sustainability – Environmental sustainability – Minimising its impact on the environment" section CMR 2018
GRI 412: Human rights assessment		
GRI 412, Human rights assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Indicators Law 11/2018, of 28 December – Complaints of cases of human rights violations" section CMR 2018
	412-2 Employee training on human rights policies or procedures	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No significant investment agreements including human rights clauses existed because it is felt there are no risks that make them necessary. In 2016, a human rights risk due diligence process was initiated. CaixaBank's Human Rights Policy affirms its commitment to this area in accordance with the United Nations Guiding Principles on Business and Human Rights
GRI 414: Supplier social assessment		
GRI 414, Supplier social assessment	414-1 New suppliers that were screened using social criteria	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Sustainability – Environmental sustainability – Minimising its impact on the environment" section CMR 2018
	414-2 Negative social impacts in the supply chain and actions taken	New suppliers must be registered in the Supplier portal: there, they must enter their credentials and certifications. The qualification system is unified, and takes into account technical and solvency aspects as well as safety, health and environmental issues. "Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Sustainability – Environmental sustainability – Minimising its impact on the environment" section CMR 2018

GRI Standard	Content	Section / Omission
		Material issue: Ethical and responsible culture
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	103-2 The management approach and its components	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	103-3 Evaluation of the management approach	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
GRI 205: Anti-corruption		
GRI 205: Anti-corruption	205-1 Operations assessed for corruption-related risks	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards – Anti-corruption policy" section CMR 2018 In 2018, CaixaBank has continued to develop the action plan, involving the review and updating of the applicable policies, standards and procedures, including its Code of Ethics and Anti-Corruption Policy.
	205-2 Communication and training on anti-corruption policies and procedures	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	205-3 Confirmed incidents of corruption and actions taken	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
GRI 206: Unfair competition		
GRI 206: Unfair competition	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	On 14 February 2018 a sanction was imposed (albeit not final) and published on the website of the competition authority. At present, an appeal has been filed under contentious-administrative jurisdiction and the total amount of the sanction has been paid. Apart from the aforementioned case, in 2018, there were no other significant legal proceedings.
		Material issue: Transparency and responsible marketing
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018 "Customer experience – Customer services" section CMR 2018
	103-2 The management approach and its components	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	103-3 Evaluation of the management approach	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
GRI 417: Marketing and labelling		
GRI 417, Marketing and labelling	417-1 Requirements for product and service information and labelling	"Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	417-2 Incidents of non-compliance concerning product and service information and labelling	In 2018, no significant sanctions were imposed due to non-compliance with laws or voluntary codes related to product and service advertising or information.

GRI Standard	Content	Section / Omission
	417-3 Incidents of non-compliance concerning marketing communications	In 2018, there have been no cases of non-compliance leading to the imposing of significant final sanctions, other than the aspects detailed in standard 419-1.
Material issue: Security and data protection		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	Note 3.8 CFS 2018 “Our identity – Responsible and ethical behaviour: policies, codes and internal standards” CMR 2018 “Risk management” section CMR 2018 “Innovation – Sustained investment in cybersecurity” section CMR 2018
	103-2 The management approach and its components	Note 3.8 CFS 2018 “Our identity – Responsible and ethical behaviour: policies, codes and internal standards” CMR 2018 “Risk management” section CMR 2018 “Innovation – Sustained investment in cybersecurity” section CMR 2018
	103-3 Evaluation of the management approach	Note 3.8 CFS 2018 “Our identity – Responsible and ethical behaviour: policies, codes and internal standards” CMR 2018 “Risk management” section CMR 2018 “Innovation – Sustained investment in cybersecurity” section CMR 2018
CaixaBank Cyber Security Indicators	Training employees in matters of information security and cybersecurity	“Innovation – Sustained investment in cybersecurity” section CMR 2018
GRI 418: Customer privacy		
GRI 418, Customer privacy	418-1 Substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2018, no significant cases have been closed related to customer privacy and no significant sanctions have been received.
Material issue: Solutions tailored to customer needs		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	“Customer experience – Customer centric model” section CMR 2018 “Business model” section CMR 2018
	103-2 The management approach and its components	“Customer Experience – Customer centric model” section CMR 2018
	103-3 Evaluation of the management approach	“Business model” section CMR 2018
Material issue: Proximity, accessibility and digitalisation		

GRI Standard	Content	Section / Omission
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Customer Experience – Omnichannel strategy" section CMR 2018 "Sustainability – Responsibility to society" section CMR 2018 "Innovation – Ecosystem of innovation + IT infrastructure" section CMR 2018
	103-2 The management approach and its components	"Customer Experience – Omnichannel strategy" section CMR 2018 "Sustainability – Responsibility to society" section CMR 2018 "Innovation – Ecosystem of innovation + IT infrastructure" section CMR 2018
	103-3 Evaluation of the management approach	"Customer Experience – Omnichannel strategy" section CMR 2018 "Sustainability – Responsibility to society" section CMR 2018 "Innovation – Ecosystem of innovation + IT infrastructure" section CMR 2018
CaixaBank Customer Satisfaction Indicators	Customer overall satisfaction index	"Customer Experience – Introduction" section CMR 2018
	NPS recommendation index	"Customer Experience – Introduction" section CMR 2018
CaixaBank Accessibility Indicators	Number of barrier-free branches	In 2018, barriers have been removed from 165 CaixaBank branches.
	Percentage of accessible branches and ATMs	"Sustainability – Responsibility to society" section CMR 2018
Material issue: Open innovation and technology		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Innovation" section CMR 2018 "Risk management" section CMR 2018 "Environment and strategy – Competitive and social context" section CMR 2018
	103-2 The management approach and its components	"Innovation" section CMR 2018 "Risk management" section CMR 2018 "Environment and strategy – Competitive and social context" section CMR 2018
	103-3 Evaluation of the management approach	"Innovation" section CMR 2018 "Risk management" section CMR 2018 "Environment and strategy – Competitive and social context" section CMR 2018
CaixaBank Innovation and Technology Indicators	Total investment made in development and technology	"Innovation" section CMR 2018
Material issue: Attracting and developing talent		

GRI Standard	Content	Section / Omission
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Our People – Management principles – Diversity, equal opportunities and work-life balance" CMR 2018 "Our People – Management principles – Pay policy" CMR 2018 "Our People – Management principles – Professional and talent development based on meritocracy" CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Absenteeism hours" section CMR 2018
	103-2 The management approach and its components	"Our People – Management principles – Pay policy" CMR 2018 "Our People – Management principles – Professional and talent development based on meritocracy" CMR 2018
	103-3 Evaluation of the management approach	"Our People – Management principles – Pay policy" CMR 2018 "Our People – Management principles – Professional and talent development based on meritocracy" CMR 2018
GRI 401: Employment		
GRI 401: Employment	401-1 New employee hires and employee turnover	"Our People – Management principles – Diversity, equal opportunities and work-life balance – 2018 hires table" CMR 2018 "Our People – Management principles – Professional and talent development based on meritocracy" CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Tables 7.9 / 7.10 / 7.11" section CMR 2018
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Generally speaking, there are no differences in the social benefits received by employees based on the type of contract. However, some contracts contain specific requirements that must be met by employees in order to access the social benefits.
	401-3 Parental leave	"Our People - Management principles – Diversity, equal opportunities and work-life balance)" CMR 2018
GRI 402: Employee-company relations		
GRI 402: Employee-company relations	402-1 Minimum notice periods regarding operational changes	In 2018, CaixaBank has complied with the deadlines established in current labour law for different circumstances.
GRI 403: Occupational health and safety		
GRI 403: Occupational health and safety	403-1 Representation of employees in formal health and safety employee-company committees	"Our People – Management principles – Security, health and corporate well-being" CMR 2018
	403-2 Types of accidents and frequency rates of accidents, occupational illnesses, days lost, absenteeism and number of deaths due to work-related accidents or occupational illnesses	"Indicators Law 11/2018, of 28 December – Our People – Accident rate" CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Table 7.16" CMR 2018
	403-3 Workers with high incidence rate or high risk of illnesses related with their activity	As a result of the Group's activities, there is not a high risk or incidence of serious illnesses for workers.
	403-4 Health and safety issues addressed in official agreements with trade unions	"Our People - Management principles – Security, health and corporate well-being" section CMR 2018 "Our People - Work environment – Freedom of association and representation" section CMR 2018

GRI Standard	Content	Section / Omission
GRI 404: Training and teaching		
GRI 404: Training and teaching	404-1 Average number of hours of training per year per employee	"Our People – Introduction – Development of the professional capabilities table" CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Tables 7.17" section CMR 2018
	404-2 Programs for upgrading employee skills and transition assistance programs	"Our People – Management principles – Boosting training activities" section CMR 2018 "Our People – Management principles – Professional and talent development based on meritocracy" section CMR 2018
	404-3 Percentage of employees receiving regular performance and career development reviews	"Our People – Management principles – Professional and talent development based on meritocracy" section CMR 2018
Material issue: Diversity, equality and work-life balance		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Our People – Management principles – Diversity, equal opportunities and work-life balance" CMR 2018 "Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	103-2 The management approach and its components	"Our People – Management principles – Diversity, equal opportunities and work-life balance" CMR 2018 "Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
	103-3 Evaluation of the management approach	"Our People – Management principles – Diversity, equal opportunities and work-life balance" CMR 2018 "Our identity – Responsible and ethical behaviour: policies, codes and internal standards" CMR 2018
GRI 405: Diversity and equal opportunity		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	"Corporate governance – Corporate governance structure" section IGC 2018 "Our People – Management principles – Diversity, equal opportunities and work-life balance" CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Number of employees with disabilities" section CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Tables 7.1 / 7.2 / 7.3 / 7.4 / 7.5 / 7.6 / 7.7 / 7.8" section CMR 2018
	405-2 Ratio of basic salary and remuneration of women to men	"Indicators Law 11/2018, of 28 December – Our People – Salary gap" section CMR 2018 "Indicators Law 11/2018, of 28 December – Our People – Tables 7.12 / 7.13 / 7.14 / 7.15" section CMR 2018
Material issue: Financial inclusion		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Sustainability – Responsibility to society" section CMR 2018
	103-2 The management approach and its components	"Sustainability – Responsibility to society" section CMR 2018
	103-3 Evaluation of the management approach	"Sustainability – Responsibility to society" section CMR 2018
CaixaBank Financial	Financing volume granted through microcredits	"Sustainability – Responsibility to society" section CMR 2018 "Our identity – Contribution to society" section CMR 2018

GRI Standard	Content	Section / Omission
Inclusion Indicators	Jobs created through microcredits	"Sustainability – Responsibility to society" section CMR 2018 "Our identity – Contribution to society" section CMR 2018
Material issue: Boosting economic and business activity		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Our identity – Contribution to society" section CMR 2018
	103-2 The management approach and its components	"Our identity – Contribution to society" section CMR 2018
	103-3 Evaluation of the management approach	"Our identity – Contribution to society" section CMR 2018
CaixaBank Boosting economic activity indicators	No. of participants in the Entrepreneur XXI Awards	In 2018, a total of 962 people participated in the Entrepreneur XXI Awards.
	Volume of financing for small, medium and large companies	"Our identity – Contribution to society" section CMR 2018
	Volume of financing granted to self-employed persons	"Our identity – Contribution to society" section CMR 2018
Material issue: Social and volunteering commitment		
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Sustainability – Responsibility to society" section CMR 2018
	103-2 The management approach and its components	"Sustainability – Responsibility to society" section CMR 2018
	103-3 Evaluation of the management approach	"Sustainability – Responsibility to society" section CMR 2018
GRI 413: Local communities		
GRI 413, Local communities	413-1 Operations with local community engagement, impact assessments, and development programs	"Sustainability – Responsibility to society" section CMR 2018
	413-2 Operations with significant actual and potential negative impacts on local communities	"Sustainability – Responsibility to society" section CMR 2018

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

To the shareholders CaixaBank, S.A.,

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Non-Financial Information Statement ("NFIS") for the year ended 31 December 2018 of CaixaBank, S.A. and subsidiaries ("CaixaBank" or "the Group") which forms part of CaixaBank's Consolidated Directors' Report ("CDR").

The content of the NFIS includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table included in the section "Indicators law 11/2018, of 28 December" in the accompanying NFIS.

Likewise, we have carried out a moderate assurance engagement of the application of the principles of inclusivity, materiality and responsiveness, as described in the information included in the section "Criteria and principles used to prepare the report" of the "Appendix: Materiality Analysis & GRI Content" of the accompanying 2018 CDR in accordance with the provisions of the 2008 Accountability Principles Standard AA1000 (AA1000APS) issued by AccountAbility.

Responsibility of the Directors

The preparation of the NFIS included in CaixaBank's CDR and the content thereof are the responsibility of the Board of Directors of CaixaBank, S.A. The NFIS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in accordance with the Comprehensive Option, in line with the details provided for each matter in the table included in the section "Indicators law 11/2018, of 28 December" of said NFIS and in the table titled "GRI Content Index" included in CDR's Annex.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure NFIS is free from material misstatement, due to fraud or error.

The directors of CaixaBank, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained, and for the application of AA10000APS (2008) principles

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España"). We have also carried out our moderate assurance engagement (type 2) in accordance with the 2008 AA1000 Assurance Standard (AA1000AS) issued by AccountAbility.

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several CaixaBank's units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with CaixaBank personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the NFIS based on the materiality analysis carried by CaixaBank and described in the "Materiality analysis" section of the "Appendix: Materiality Analysis & GRI Content" of the 2018 CDR, and considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NFIS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2018.
- Analysis of the documentation and actions related to the application of the inclusivity, materiality and responsiveness principles of the AA1000APS (2008).
- Verification, through sample testing, of the information relating to the content of the NFIS for 2018 and its adequate compilation using data supplied by CaixaBank's information sources.
- Obtainment of a management representation letter from the Directors and Management.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that:

- CaixaBank's NFIS for the year ended 31 December 2018 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the GRI Standards in accordance with the Comprehensive Option, in line with the details provided for each matter in the table included in the section "Indicators law 11/2018, of 28 December" of said NFIS and in the table titled "GRI Content Index" included in CDR's Annex.
- the information included in the section "Criteria and principles used to prepare the report" of the "Appendix: Materiality Analysis & GRI Content" of the 2018 CDR, regarding the application of the principles of inclusivity, materiality and responsiveness, has not been prepared, in all of their significant matters, in accordance with the provisions of the AA1000APS (2008).

Recommendations

Regarding the observations and recommendations for improvements that have come to our attention during our assurance engagement, set out below is a summary of the main recommendations regarding improvements to the application of the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, which do not alter our limited or moderate assurance conclusions given in this report.

Inclusivity and Materiality

CaixaBank maintains an active dialogue with its stakeholders through different communication channels, which allow the Group to identify the relevant aspects for each one of them. In addition, CaixaBank updated its materiality analysis in 2018, in which the relevant aspects for the Group are determined, analyzing the link between material matters and the lines of its Strategic Plan, its Corporate Social Responsibility Plan and the United Nations' Sustainable Development Goals, and complementing the analysis with the requirements of Law 11/2018. It is recommended to continue deepening the internal and external dialogue and the materiality analysis, encouraging the consideration of the stakeholders expectations in all the geographies in which the Group operates and the alignment of the actions to be carried out within CaixaBank's new Strategic Plan 2019-2021.

Responsiveness

CaixaBank, through its Corporate Social Responsibility Plan, promotes various lines of action and specific mesaures that provide the Group with the management framework for a socially responsible banking. It is recommended to continue promoting the internal communication of the follow-up of the Plan, encouraging the involvement and coordination of all areas and geographies. On the other hand, it is also suggested to make public the main commitments defined, reporting periodically on the degree of achievement, in accordance with the stakeholders expectation of accountability. Finally, it is recommended to continue with the progress in the internal control of non-financial information.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ignacio Marull

22 February, 2019

AA1000
Licensed Assurance Provider
000-42

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

Financial year-end:	31/12/2018
Tax code:	A-08663619

Corporate name:

CAIXABANK, S.A.

Registered office:

CL. PINTOR SOROLLA N.2-4
(VALENCIA)

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital.

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
14/12/2016	5,981,438,031.00	5,981,438,031	5,981,438,031

Indicate whether different types of shares exist with different associated rights.

[ ] Yes
[√] No

At the close of the financial year, the share capital of CaixaBank was 5,981,438,031 euros, represented by 5,981,438,031 shares each with a face value of 1 euro, belonging to a single class and series, with identical political and economic rights, and represented through book entries. The company responsible for carrying its accounting records is the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR). The shares into which CAIXABANK's share capital is divided are listed for trading on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through the Automated Trading System (Continuous Market).
On 1 June 2017, CaixaBank reported the approval of the issuance of preferential shares eventually convertible into new issue shares (Additional Tier 1), excluding the right of first refusal, for the amount of 1,000 million euros, the terms of which were established on the same day.
On 13 March 2018, CaixaBank communicated the issuance of preferential shares, eventually convertible into new issue shares of CaixaBank (AT1) with the exclusion of pre-emptive rights for an amount of 1.25 billion euros.

The preference shares are perpetual, although they may be redeemed under specific circumstances at the option of CaixaBank and, in all cases, are convertible into ordinary newly-issued shares of the entity if CaixaBank or the CaixaBank Group has a Common Equity Tier 1 ratio (CET1), of less than 5.125%, calculated in accordance with European Regulation 575/2013, of 26 June, of the European Parliament and Council, on prudential requirements of credit institutions and investment firms.
The conversion price of the preferential shares will be the highest figure between (i) the average of the daily volume-weighted average share prices of CaixaBank corresponding to the five trading days prior to the day on which the announcement of the corresponding conversion scenario is made, (ii) €2,803 (Floor Price), with respect to the preferential shares issued in June 2017, and €2,583 (Floor Price), with respect to those issued in March 2018, and (iii) the face value of a CaixaBank share at the time of the conversion (as of today, the face value of the share is one euro (€1)).

A.2 Details of direct and indirect owners of significant holdings at the end of the financial year, excluding directors:

Name or corporate name of the significant shareholder	% voting rights attributed to shares		% voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
INVESCO LIMITED	0.00	1.99	0.00	0.00	1.99
BLACKROCK, INC	0.00	2.91	0.00	0.17	3.08
LA CAIXA BANKING FOUNDATION	0.00	40.00	0.00	0.00	40.00

Details of indirect holding:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	1.91	0.00	1.91
INVESCO LIMITED	INVESCO ADVISER, INC	0.03	0.00	0.03
INVESCO LIMITED	INVESCO MANAGEMENT, S.A.	0.04	0.00	0.04
BLACKROCK, INC	OTHER CONTROLLED ENTITIES BELONGING TO THE BLACKROCK GROUP, INC	2.91	0.17	3.08
LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, SAU	40.00	0.00	0.00

Indicate the most significant movements in the shareholder structure during the year:

Most significant movements
Shareholder Date Description of the transaction Transaction BLACKROCK, INC 09/11/2018 The holding has fallen below 3% of the share capital INVESCO LIMITED 21/11/2018 The holding has fallen below 2% of the share capital INVESCO LIMITED 07/11/2018 The holding has exceeded 2% of the share capital INVESCO LIMITED 29/10/2018 The holding has fallen below 2% of the share capital INVESCO LIMITED 25/10/2018 The holding has exceeded 2% of the share capital INVESCO LIMITED 06/09/2018 The holding has fallen below 2% of the share capital INVESCO LIMITED 05/06/2018 The holding has exceeded 2% of the share capital

With regard to the ownership situation of the “La Caixa” Banking Foundation in CaixaBank, it must be noted that at the close of the 2018 financial year, Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona ('la Caixa') directly holds 3,493 shares and through CriteriaCaixa (a company 100% controlled by the Banking Foundation), 2,392,575,212 CaixaBank shares.

With respect to the situation of the stake of BlackRock, INC, it should be noted that its total holding at the close of the financial year was 3.088%, corresponding to the result of adding 2.915% of indirect voting rights through shares to the 0.173% of indirect voting rights through financial instruments. And with respect to Invesco Limited, at the close of the financial year, their stake was 1.994% of indirect voting rights through shares.

In relation to movements of the most significant share structure movements during 2018, as well as the notifications of Invesco Limited which appear in section A.2 of this Report, it should be noted that BlackRock, INC has made additional communications that were presented voluntarily, and which do not result in threshold crossings, which is why they are not included in section A.2, however, they can be consulted on the CNMV website.

A.3. In the following tables, list the members of the Board of Directors (hereinafter, “directors”) with voting rights on company shares:

Name or corporate name of the director	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
ANTONIO SÁINZ DE VICUÑA Y BARROSO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IGNACIO GARRALDA RUIZ DE VELASCO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ALAIN MINC	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JOSÉ SERNA MASIÁ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KORO USARRAGA UNSAIN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EDUARDO JAVIER SANCHIZ IRAZU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA VERÓNICA FISAS VERGÉS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JUAN ROSELL LASTORTRAS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOMÁS MUNIESA ARANTEGUI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ALEJANDRO GARCÍA-BRAGADO DALMAU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JORDI GUAL SOLÉ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FRANCESC XAVIER VIVES TORRENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA AMPARO MORALEDA MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Name or corporate name of the director	% of voting rights attributed to shares		% of voting rights through financial instruments		total % of voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
GONZALO GORTÁZAR ROTAECHE	0.01	0.00	0.00	0.00	0.01	0.00	0.00
CAJA CANARIAS FOUNDATION	0.64	0.00	0.00	0.00	0.64	0.00	0.00
JOHN S. REED	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA TERESA BASSONS BONCOMPTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JAVIER IBARZ ALEGRÍA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

% of total voting rights held by the Board of Directors	0.65

Details of indirect holding:

Name or corporate name of the director	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	total % of voting rights	% of voting rights that can be transmitted through financial instruments
JOSÉ SERNA MASIÁ	MARÍA SOLEDAD GARCÍA CONDE ANGOSO	0.00	0.00	0.00	0.00
JUAN ROSELL LASTORTRAS	CIVISLAR, S.A.	0.00	0.00	0.00	0.00
JUAN ROSELL LASTORTRAS	CONGOST PLASTICS, S.A.	0.00	0.00	0.00	0.00

A.4 Where applicable, indicate any family, commercial, contractual or business relationships between owners of significant shareholdings, insofar that they are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those detailed in section A.6:

Related-party name or corporate name	Type of relationship	Brief description
No data		

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party name or corporate name	Type of relationship	Brief description
LA CAIXA BANKING FOUNDATION	Commercial	There are commercial and contractual relationships which derive from ordinary trading or exchange activities, the regulating principles of which are between "La Caixa" Banking Foundation, Criteria and CaixaBank. In accordance with the provisions of the Financial Participation Management Protocol, the Banking Foundation, as the parent 'La Caixa' Group, Criteria, as a direct shareholder, and CaixaBank, as a listed company, entered into a new Internal Relations Protocol on 22 February 2018, whose primary objectives are, inter alia, to manage related operations, the right of first refusal on El Monte de Piedad, collaboration in CSR, and the proper flow of information that allows the 'La Caixa' Banking Foundation, Criteria and CaixaBank to draw up their financial statements and meet periodical information and supervision obligations with regulatory and redress bodies.
LA CAIXA BANKING FOUNDATION	Contractual	There are commercial and contractual relationships which derive from ordinary trading or exchange activities, the regulating principles of which are contained in the Internal Relations Protocol between "La Caixa" Banking Foundation, Criteria and CaixaBank. In accordance with the provisions of the Financial Participation Management

Related-party name or corporate name	Type of relationship	Brief description
		Protocol, the Banking Foundation, as the parent company of the 'La Caixa' Group, Criteria, as a direct shareholder, and CaixaBank, as a listed company, entered into a new Internal Relations Protocol on 22 February 2018, whose primary objectives are, inter alia, to manage related operations, the right of first refusal on El Monte de Piedad, collaboration in CSR, and the proper flow of information that allows the 'La Caixa' Banking Foundation, Criteria and CaixaBank to draw up their financial statements and meet periodical information and supervision obligations with regulatory and redress bodies.

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of corporate directors.

Explain, as applicable, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or corporate name of the related director or representative	Name or corporate name of the significant related shareholder	Corporate name of the company of the group of the significant shareholder	Description of relationship/post
ALEJANDRO GARCÍA-BRAGADO DALMAU	LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, SAU	Deputy chairman I of the Board of Directors of Criteria Caixa, S.A.U. Member of the Board of Directors of Saba Infraestructuras, S.A.
IGNACIO GARRALDA RUIZ DE VELASCO	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA (Fixed Premium Insurance Company)	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA (Fixed Premium Insurance Company)	Chairman and Managing Director of Mutua Madrileña Automovilista, Fixed Premium Insurance Company.
NATALIA AZNÁREZ GÓMEZ	CAJA NAVARRA BANKING FOUNDATION	CAJA CANARIAS FOUNDATION	Director of the Caja Canarias Foundation.

Name or corporate name of the related director or representative	Name or corporate name of the significant related shareholder	Corporate name of the company of the group of the significant shareholder	Description of relationship/post
	CAJA CANARIAS FOUNDATION AND CAJA DE BURGOS FOUNDATION		
CAJA CANARIAS FOUNDATION	CAJA NAVARRA BANKING FOUNDATION, CAJA CANARIAS FOUNDATION AND CAJA DE BURGOS FOUNDATION	CAJA NAVARRA BANKING FOUNDATION, CAJA CANARIAS FOUNDATION AND CAJA DE BURGOS FOUNDATION	N.A.

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

[√] Yes
[ ] No

Shareholders bound by agreement	% of share capital	Brief description of agreement	Expiration date of the agreement, if there is one
CAJA DE BURGOS FOUNDATION, BANKING FOUNDATION, CAJA NAVARRA BANKING FOUNDATION, CAJA CANARIAS FOUNDATION, LA CAIXA FOUNDATION	40.63	Following the merger by absorption of Banca Cívica by CaixaBank, the shareholders: The 'La Caixa' Banking Foundation, and Caja Navarra (now the Caja Navarra Banking Foundation), Cajasol (now the Cajasol Foundation), Caja Canarias (now the Caja Canarias Foundation) and Caja de Burgos (now Caja de Burgos, Banking Foundation) (hereinafter, 'the Foundations'), entered into the Shareholders' Agreement on 1 August 2012, whose objective is to regulate the relationships of 'the Foundations' and the 'La Caixa' Banking Foundation, as shareholders of CaixaBank, and their reciprocal cooperative relationships, as well as with CaixaBank, with a view to strengthen their respective activities around the latter and support the 'La Caixa' Banking Foundation.	1 August 2020 See the Note in Section H.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Where applicable, briefly describe them:

[ ] Yes
[√] No

The company is not aware of the existence of any concerted actions among its shareholders.

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

On 29 October 2018, a communication was made through a Material Fact, stating that all parties had signed the amendments of the Integration Agreement between CaixaBank and Banca Cívica, S.A., and the CaixaBank Shareholders Agreement. The main purpose of the amendment is to clarify its content in relation to certain commitments undertaken by the 'La Caixa' Banking Foundation to comply with the conditions approved in March 2016 by the ECB Supervisory Board for the prudential deconsolidation of Criteria in CaixaBank. Compliance with such conditions represented a reduction in the holding of the Banking Foundation, and the subsequent loss of control in CaixaBank.

Furthermore, n 4 October 2018, via the modification agreement entered into by 'the Foundations' and the 'La Caixa' Banking Foundation, the Agreement was modified, after the Cajasol Foundation declared its will to nullify the Integration Agreement between CaixaBank, S.A. and Banca Cívica S.A., once six years have passed since it was signed.

Modifications were also made to Recital III, Clause 1 'Purpose of the Shareholders' Agreement' to remove the mention 'to support the 'La Caixa' Banking Foundation, Clause 3 'Territorial Advisory Boards'. Clause 5 'Right of First Refusal' has been removed, such that its wording is no longer applicable. Furthermore, the third paragraph of clause six 'Term of the Shareholders' Agreement' is no longer applicable.
The validity of the commitments regarding the combined Social Work of the Foundations and the 'La Caixa' Banking Foundation has been maintained, with the same content and scope as before, with the exception of the commitments between Cajasol and the 'La Caixa' Banking foundation, whereby, in this case, only the commitments made on the date of said document remain in force, up to the end date thereof.

The advisory nature of the Territorial Advisory Boards for Canary Islands, Navarre and Castile-Leon shall continue in force.

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Spanish Securities Market Act. If so, identify them:

[ ] Yes
[√] No

A.9 Complete the following tables on the company's treasury stock. At

year end:

Number of shares held directly	Number of shares held indirectly(*)	& of total share capital
2,608,240	204,314	0.04

(*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
CAIXABANK ASSET MANAGEMENT, SGIIC, S.A.U	6,905
VIDACAIXA, S.A. DE SEGUROS Y REASEGUROS	26,880
MICROBANK	2,971
BPI	167,558
Total	204,314

A.10 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock:

At the Annual General Meeting of 28 April 2016, it was agreed to authorise the Board of Directors so that, in accordance with the provisions of Articles 146 and 509 of the Corporate Enterprises Act, it could proceed with the derivative acquisition of treasury shares, directly and indirectly, through its subsidiaries, under the following terms:

- The acquisition may be made in the form of a sale, swap, dation in payment or any other legally admissible form, on one or more occasions, providing the combined nominal amount of the acquired shares and those already held by the Company does not exceed 10% of the subscribed capital. When the acquisition is for consideration, the price or equivalent value shall be the price of the Company share on the Continuous Market at the close of the day prior to the acquisition, +/-15%.

This authorisation is valid for five years from the adoption of the resolution at the Company's Annual General Meeting.
In addition, and for the purposes of article 146.1, section a, paragraph 2 of the Corporate Enterprises Act, a resolution is made to expressly authorise the acquisition of shares in the Company by any of the subsidiaries, in the same terms as set out herein.

The shares acquired by virtue of this authorisation may be subsequently disposed of or redeemed, or else extended to employees and directors of the Company or its group as part of the remuneration systems set out in Article 146, section a, paragraph 3 of the Corporate Enterprises Act.

The Board of Directors is empowered to delegate this authorisation to any person or persons it so deems appropriate.
All of the above with the remaining limits and requirements of the Corporate Enterprises Act and other applicable legislation. The unused portion of the previous authorisation granted at the Annual General Meeting held on 19 April 2012 was thereby revoked.

On 28 January 2016, the Board of Directors agreed to set the criteria for intervention in securities held in treasury on the basis of a new alerts system in accordance with the authorisation contemplated in article 46 of the Internal Rules of Conduct to define the discretion in managing the securities held in treasury shares by the ring-fenced area.

A.11 Estimated floating capital:

	%
Estimated floating capital	54.21

A.12 State whether there are any restrictions (articles of association, legislative or of any other nature) placed on the transferability of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and any regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[ ] Yes
[√] No

A.13 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

[ ] Yes
[√] No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

A.14 State if the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Articles of Association. Describe how it differs from the system of minimum quorums established in the LSC:

[ ] Yes
[√] No

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework set forth in the LSC.

[ ] Yes
[√] No

B.3 Indicate the rules governing amendments to the company's Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and, if applicable, the rules for protecting shareholders' rights when changing the Articles of Association.

CaixaBank's Articles of Association establish the same limits and conditions as those set forth in the Corporate Enterprises Act. The provisions of the Corporate Enterprises Act shall be applied to protect shareholders' rights when changing the Articles of Association.

In addition, as a credit institution, and in accordance with the terms of Article 10 of Royal Decree 84/2015, of 13 February, amendments to CaixaBank's Articles of Association are governed by the authorisation and registration procedure set forth therein. Notwithstanding the above, it should be mentioned that certain changes (including the change of registered office in Spain, the increase in share capital or the textual incorporation of legal or regulatory provisions that are imperative or prohibitive, or to comply with judicial or administrative resolutions) are not subject to the authorisation procedure, although they must always be reported to the Bank of Spain to be recorded in the Registry of Credit Institutions.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

	Datos de asistencia				
Date of general meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic mean	Other	
06/04/2017	42.54	24.43	0.03	1.25	68.25
Of which, free float	1.89	17.12	0.03	1.25	20.29
06/04/2018	41.48	23.27	0.03	0.23	65.01
Of which, free float	3.78	19.57	0.03	0.23	23.61

The information on floating capital is approximate, given that significant foreign shareholders hold their stakes through nominees.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

[ ] Yes
[√] No

B.6 State whether the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[√] Yes
[ ] No

Number of shares required to attend the General Meetings	1,000
Number of shares required for distance voting	1

All shareholders that hold a minimum of one thousand (1,000) shares, individually or in a group with other shareholders, can attend the General Meeting in person.

In order to attend the General Meeting, it will be necessary for shareholders to have registered ownership of their shares in the relevant book-entry ledger at least five (5) days in advance of the date on which the General Meeting is to be held. There are exceptions for specific cases where any law applicable to the Company establishes a regime that is incompatible. Shareholders entitled to attend in accordance with the above will be provided with the appropriate attendance card, which may only be replaced by a certificate of legitimacy to prove that the requirements for attendance have been met.

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

[ ] Yes
[√] No

B.8 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website:

The information on CaixaBank's corporate governance is available on the company website (www.caixabank.com) in the section on 'Information for Shareholders and Investors', subsection 'Corporate governance and remuneration policy', accessible at the following URL:
https://www.caixabank.com/informacionparaaccionistaseinversores/gobiernocorporativo_es.html
Specific information on Annual General Meetings can be found in the "Annual General Meeting" subsection of the "Corporate Governance and Remuneration Policy" section of the website:
https://www.caixabank.com/informacionparaaccionistaseinversores/gobiernocorporativo/juntageneralaccionistas_es.html
Also, when a General Meeting is announced, a banner appears on the CaixaBank homepage with a direct link to all the pertinent information. We would also note that there is a section at the bottom of the CaixaBank homepage entitled "Direct Links" where users can access all the information on the General Meetings through the "Annual General Meeting" link.

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of Directors	22
Minimum number of Directors	12
Number of directors set by the general meeting	18

The General Meeting of 28 April 2016 adopted the agreement to establish the number of Board members as 18.

C.1.2 Complete the following table with board members' details.

Name or corporate name of the director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
KORO USARRAGA UNSAIN		Independent	DIRECTOR	30/06/2016	06/04/2017	AGM RESOLUTION
JOSÉ SERNA MASIÁ		Proprietary	DIRECTOR	30/06/2016	06/04/2017	AGM RESOLUTION
EDUARDO JAVIER SANCHIZ IRAZU		Independent	DIRECTOR	21/09/2017	06/04/2018	AGM RESOLUTION
ANTONIO SÁINZ DE VICUÑA Y BARROSO		Independent	DIRECTOR	01/03/2014	24/04/2014	AGM RESOLUTION
JUAN ROSELL LASTORTRAS		Independent	DIRECTOR	09/06/2007	24/04/2014	AGM RESOLUTION
JOHN S. REED		Independent	DIRECTOR	11/03/2011	04/19/2012	AGM RESOLUTION

Name or corporate name of the director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
						RESOLUTION
MARÍA AMPARO MORALEDA MARTÍNEZ		Independent	DIRECTOR	24/04/2014	24/04/2014	AGM RESOLUTION
ALAIN MINC		Independent	DIRECTOR	09/06/2007	24/04/2014	AGM RESOLUTION
IGNACIO GARRALDA RUIZ DE VELASCO		Proprietary	DIRECTOR	06/04/2017	06/04/2017	AGM RESOLUTION
ALEJANDRO GARCÍA-BRAGADO DALMAU		Proprietary	DIRECTOR	01/01/2017	06/04/2017	AGM RESOLUTION
MARÍA VERÓNICA FISAS VERGÉS		Independent	DIRECTOR	25/02/2016	04/28/2016	AGM RESOLUTION
MARÍA TERESA BASSONS BONCOMPTE		Proprietary	DIRECTOR	06/26/2012	06/26/2012	AGM RESOLUTION
CAJA CANARIAS FOUNDATION	NATALIA AZNÁREZ GÓMEZ	Proprietary	DIRECTOR	23/02/2017	06/04/2017	AGM RESOLUTION
GONZALO GORTÁZAR ROTAECHE		Executive	CHIEF EXECUTIVE	30/06/2014	23/04/2015	AGM RESOLUTION
TOMÁS MUNIESA ARANTEGUI		Proprietary	DEPUTY CHAIRMAN	01/01/2018	06/04/2018	AGM RESOLUTION
JORDI GUAL SOLÉ		Proprietary	CHAIRMAN	30/06/2016	06/04/2017	AGM RESOLUTION

Name or corporate name of the director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
FRANCESC XAVIER VIVES TORRENTS		Independent	INDEPENDENT COORDINATING DIRECTOR	06/05/2008	23/04/2015	AGM RESOLUTION
JAVIER IBARZ ALEGRÍA		Proprietary	DIRECTOR	06/26/2012	06/26/2012	AGM RESOLUTION

Total number of Directors	18

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name or corporate name of the director	Director category at the time of termination	Date of last appointment	Withdrawal date	Fees committees of which s/he was a member	State whether the withdrawal took place before the end of the mandate
No data		//	//		

C.1.3 Complete the following tables on board members and their respective categories.

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position held in the company in society	Profile
GONZALO GORTÁZAR ROTAECHE	CEO	Born in Madrid in 1965, he has been the CEO of CaixaBank since June 2014. Mr. Gortázar Rotaeche holds a degree in Law and Business from Universidad Pontificia de Comillas (ICADE) and an MBA with distinction from the INSEAD Business School. He is currently Chairman of VidaCaixa and Director of Banco BPI. He was the Chief Financial Officer of CaixaBank until his appointment of CEO in June 2014. He was formerly the Director-General Manager of Criteria CaixaCorp from 2009 to June 2011. From 1993 to 2009, he worked at Morgan Stanley in London and Madrid, where he held various positions in the investment banking division, heading up the European Financial Institutions Group until mid 2009 when he joined Criteria. Previously, he held various corporate banking and investment banking positions at Bank of America. He was the first Deputy Chairman of Repsol and

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position held in the company in society	Profile
		Director of the Ibursa Financial Group, Erste Bank, SegurCaixa Adeslas, Abertis, Port Aventura and Saba.

Total number of executive Directors	1
% of the Board	5.56

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the	Name or corporate name of the significant shareholder represented or	Profile
JORDI GUAL SOLÉ	LA CAIXA BANKING	Jordi Gual Solé, born in Lleida in 1957, has served as Chairman of CaixaBank since 2016. He holds a PhD in Economics (1987) from the University of California at Berkeley and is a professor of Economics at the IESE Business School and a Research Fellow at the Centre for Economic Policy Research (CEPR) in London. He currently sits on the Board of Directors of Telefónica and on the Supervisory Board at Erste Group Bank. HE is also a member of the Market Monitoring Group of the Institute of International Finance (IIF), Chairman of FEDEA, Vice-chairman of the Círculo de Economía and the Cotec Foundation for Innovation, and a member of the Trusts of the CEDE Foundation, the CIC Cultural Institute and the Real Instituto Elcano. Prior to his appointment as Chairman of CaixaBank, he was the Chief Economist and Head of Strategic Planning and Research for CaixaBank and Director General of Planning and Strategic Development for CriteriaCaixa. He joined the "la Caixa" group in 2005. He has been a member of the Board of Directors of Repsol and served as an Economics Advisor for the European Commission's Directorate-General for Economic and Financial Affairs in Brussels and as a Visiting Professor at the University of California at Berkeley, the Université Libre de Bruxelles and the Barcelona Graduate School of Economics. Jordi Gual's work on banking, European integration, regulation and competition policy has been widely published. In 1999 he was awarded the research prize from the European Investment Bank and in 1979 the special award as part of his degree in economic and business sciences. He was also a Fullbright Scholar.
TOMÁS MUNIESA ARANTEGUI	LA CAIXA BANKING	Tomás Muniesa, born in Barcelona in 1952; he has been the Vice-chairman of CaixaBank since April 2018. He holds a degree in Business Studies and a Master of Business Administration from the ESADE Business School. He joined 'La Caixa' in 1976, and was appointed Assistant Managing Director in 1992.

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	
		In 2011, he was appointed Managing Director of CaixaBank's Insurance and Asset Management Group, where he remained until November 2018. He was the Executive Vice-chairman and CEO of VidaCaixa from 1997 to November 2018. He currently holds the positions of Vice-chairman of CaixaBank, VidaCaixa and SegurCaixa Adeslas. He is also a member of the Trust of the ESADE Foundation and Director of Allianz Portugal. Prior to this, he was Chairman of MEFF (Sociedad Rectora de Productos Derivados), Vice-chairman of BME (Bolsas y Mercados Españoles), 2nd Vice-chairman of UNESPA, Director and Chairman of the Audit Committee of the Insurance Compensation Consortium, Director of Vithas Sanidad SL and Alternate Director of the Inbursa Financial Group in Mexico.
CAJA CANARIAS FOUNDATION	SIGNATORY FOUNDATIONS OF THE SHAREHOLDERS' AGREEMENT	Natalia Aznárez Gómez, born in Santa Cruz de Tenerife in 1964, has represented Fundación CajaCanarias on CaixaBank's Board of Directors since February 2017. She holds a degree in Business and Commercial Management from Universidad de Málaga and Diploma in Business (specialising in accounting and finance) from Universidad de La Laguna. She has taught accounting and finances at Universidad de La Laguna. She began her career by collaborating with the General Management of REA METAL WINDOWS, to launch the distribution of their products in Spain. In 1990, she joined the CajaCanarias marketing department. In 1993, Ms Aznárez Gómez assumed leadership of the CajaCanarias individual customers segment, participating in the development of financial products and campaigns, the development and implementation of a CRM tool, and the personal banking and private banking service. Following, she became Director of the Marketing Area. In 2008, she was appointed as Deputy Director of CajaCanarias, in charge of human resource management for the entity and, in 2010, she was appointed as Vice General Director of CajaCanarias. After Banca Cívica acquired all the assets and liabilities of CajaCanarias, Ms Aznárez Gómez became General Manager at CajaCanarias as the financial institution indirectly carrying out the financial activity. Following the entity's transformation into a banking foundation, she served as General Manager until 30 June 2016. She has actively served on several committees in the savings bank sector, including the executive committee of the Savings Bank Association for Labour Relations (Asociación de Cajas de Ahorros Para Relaciones Laborales, ACARL), the Euro6000 Marketing Committee, and the marketing committee and the human resources committee of the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, CECA). She has also held several positions at foundations. She is currently chair of the CajaCanarias employee pension plan control committee, vice-chair of the Cristino de Vera Foundation, secretary of the

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		CajaCanarias Business Learning and Development Foundation, and director of the CajaCanarias Foundation.
ALEJANDRO GARCÍA-BRAGADO DALMAU	LA CAIXA BANKING FOUNDATION	Born in Girona in 1949, he has sat on CaixaBank's Board of Directors since January 2017. He graduated in law from the University of Barcelona. After becoming a State Attorney in 1974 he first worked in Castellón de la Plana before moving to Barcelona in late 1975. In 1984 he requested an extended leave of absence to become the Barcelona Stock Exchange’s legal advisor and in 1989, once the stock exchange became a company, was appointed Secretary to the Board of Directors while continuing to practice law. In 1994 he left the Barcelona Stock Exchange to concentrate on the legal profession and to provide legal advice to "la Caixa". In 1995 he was appointed Deputy Secretary to the Board of Directors and then Secretary in 2003. He was appointed Deputy Director in 2004 and then Executive Director in 2005. He served as Deputy Chairman and Deputy Secretary to the Board of Trustees of Fundación Bancaria Caixa d’Estalvis i Pensions de Barcelona ”la Caixa” from June 2014 through to December 2016. At CaixaBank, he was Secretary (non-director) of the Board of Directors from May 2009 to December 2016, and General Secretary from July 2011 through to May 2014. He was also Secretary to the Board of Directors of La Maquinista Terrestre y Marítima, SA; Intelhorce; Hilaturas Gossipyum; Abertis Infraestructuras, SA; Inmobiliaria Colonial, SA; and Sociedad General de Aguas de Barcelona, SA. He served on the Board of Gas Natural SDG, S.A. from September 2016 up to May 2018. He has been First Vice Chairman at CriteriaCaixa since June 2014 and has sat on the Board of Directors of Saba Infraestructuras since June 2018.
IGNACIO GARRALDA RUIZ DE VELASCO	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA (Fixed Premium Insurance Company)	Ignacio Garralda Ruiz de Velasco, born in Madrid in 1951, has been a director at CaixaBank since 2017. He holds a degree in law from Universidad Complutense in Madrid. He has been a notary public on leave of absence since 1989. He began his professional career as Notary for Commercial Matters, from 1976 to 1982, the year in which he became a Licensed Stock Broker of the Ilustre Colegio de Agentes de Cambio y Bolsa de Madrid until 1989. He was a founding member of AB Asesores Bursátiles, S.A, where he was Vice-Chairman until 2001, Vice-Chairman of Morgan Stanley Dean Witter, SV, S.A. from 1999 to 2001 and Chairman of Bancoval, S.A. from 1994 to 1996. Between 1991 and 2009 he was on the Board of the Governing Body of the Madrid Stock Exchange. He is currently Chairman and CEO of Mutua Madrileña Automovilista. He has been a member

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		of the Board of Directors since 2002 and member of the Executive Committee since 2004, currently serving as its Chairman, as well as on the Investment Committee. He is the First Deputy Chairman of Bolsas y Mercados Españoles (BME) and sits on the Board of Administración de Endesa, S.A., also chairing the company's Audit Committee since 2016. He is also Chairman of Fundación Mutua Madrileña and sits on the Board of Trustees of Fundación Princesa de Asturias, of Museo Reina Sofía, of Pro Real Academia Española and of the Drug Addiction Help Foundation.
JOSÉ SERNA MASIÁ	LA CAIXA BANKING FOUNDATION	José Serna Masiá (Albacete, 1942) has been a member of CaixaBank's Board of Directors since July 2016. He graduated in Law at the Complutense University of Madrid in 1964, and began his career in legal counselling with Butano, S.A. (1969/70). In 1971 he became a State Attorney, providing services at the State Attorney's Office for Salamanca and at the Ministries for Education and Science and Finance. He then joined the Adversary Proceedings Department of the State at the Audiencia Territorial de Madrid (now the Tribunal Superior de Justicia - High Court of Justice), before taking leave of absence in 1983. From 1983 to 1987 he was legal counsel to the Madrid Stock Exchange. In 1987, he became a stockbroker at Barcelona Stock Exchange and was appointed secretary of its Governing Body. He took part in the stock market reform of 1988 as Chairman of the company that developed the new Barcelona Stock Exchange and also as a member of the Advisory Committee to the recently created Comisión Nacional del Mercado de Valores, the Spanish securities market regulator. In 1989, he was elected Chairman of the Barcelona Stock Exchange, a role that he held for two consecutive terms until 1993. From 1991 to 1992, he was Chairman of the Spanish Sociedad de Bolsas (Stock Exchange Company), which groups the four Spanish stock exchanges together, and Deputy Chairman of the Spanish Financial Futures Market, in Barcelona. He was also Deputy Chairman of Fundación Barcelona Centro Financiero and of Sociedad de Valores y Bolsa Interdealers, S.A. In 1994, he became a stockbroker and member of the Association of Chartered Trade Brokers of Barcelona. He was on the Board of Directors of ENDESA from 2000 to 2007. He was also a member of the Control and Auditing Committee, chairing it from 2006 to 2007. He was also a director of the companies ENDESA Diversificación and ENDESA Europa. He worked as a notary in Barcelona from 2000 through to 2013.
JAVIER IBARZ ALEGRÍA	LA CAIXA BANKING FOUNDATION	Javier Ibarz Alegría, born in Barcelona in 1953, has been a member of the Board of Directors of CaixaBank since 2012. He has been managing director and a member of the Board of Directors of the

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		de Ahorros y Pensiones de Barcelona ('la Caixa') until June 2014, and trustee of the 'laCaixa' Foundation until October 2014. Since 2014 he has been a member of the Board of Directors of VidaCaixa. He graduated in industrial engineering from the Terrassa Technical School of Industrial Engineers, University Master's in Industrial Engineering. And he completed the Senior Program in Business and Senior Management at the IAD. Since 2013 he has been accredited as a qualified technician in preparing self-protection plans. In 2002, he obtained the title of Environmental System Manager from the European Organization for Quality and he has taken multiple postgraduate courses in construction, structures, industrial facilities, urbanisation and infrastructure. He has taken various courses on director training. He has worked widely as an industrial engineer since 1982. From 1993 until late 2013 he enjoyed great success as Head of Products and R&D+i, and of the Operations Area and then as managing director at a leading international solar protection company. Since 2003, he has been the Managing Director and founding member of the company specialised in engineering and industrial consulting, regarding infrastructures and development, environmental management and packaging, EIGMA, S.L. Since 1994, he has been the Director responsible for Safety and Installations and the Emergency Plan of the Teatre Fortuny de Reus. He has published various articles and given conferences on the influence of solar protection and energy savings, on solar protection systems and on the environment and environmental management.
MARÍA TERESA BASSONS BONCOMPTE	LA CAIXA BANKING FOUNDATION	Maria Teresa Bassons Boncompte (Cervelló 1957) has served on the Board of Directors of CaixaBank since June 2012. Member of the Advisory Committee of Caixa Capital Risc up to June 2018. She holds a B.A. in Pharmacy Studies from the University of Barcelona (1980); majoring in hospital pharmacy. She holds a pharmacy license. Ms Bassons has been a member of the Barcelona Chamber of Commerce's Executive Committee since 2002, and the Chair of its Enterprise Commission for the Health Sector. She serves on the Board of Directors of Bassline, S.L. She is also a Director at TERBAS XXI, S.L. Member of the Board of Directors of Laboratorios Ordesa since January 2018. She is a member of the Oncolliga Scientific Committee. She served on the Board of Directors of Criteria CaixaHolding from July 2011 to May 2012, as managing director of Caixa d'Estalvis i Pensions de Barcelona "la Caixa" from April 2005 to June 2014, member of the Board of Directors of 'la Caixa' from April 2009 to June 2014, a trustee of the Fundación

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		of the Caixa d'Estalvis i Pensions de Barcelona "la Caixa" Banking Foundation from June 2014 to June 2016. She also Barcelona Board of Pharmacists (1997-2004) and as Secretary-General to the Board of Catalonia Pharmacists She was a member of the Advisory Committee on Smoking of the Catalonia Health Department (1997- Bioethics Advisory Committee (2005-2008). She was Director of the 1995 and 1997 INFARMA international medical & pharmaceutical trade fairs at Fira de Barcelona, Farmacéutica" and "l'Informatiu del COFB" journals for 12 The General Board of the Spanish Pharmacists Associations awarded her the Professional Merit award in Royal Academy of Pharmacy of Catalonia.

Total number of proprietary Directors	8
% of the Board	44.44

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
MARÍA VERÓNICA FISAS VERGÉS	Verónica Fisas, born in Barcelona in 1964, has been a member of the CaixaBank Board of Directors since February 2016. She holds a degree in Law and a Master in Business Administration. She joined Natura Bissé very early in her career, thus acquiring extensive knowledge of the company and of all its departments. She has been the Executive Officer of the Board of Directors of Natura Bissé and General Director of the Natura Bissé Group since 2007. Since 2008 she is also a Patron of the Fundación Ricardo Fisas Natura Bissé. In 2001, as the CEO of the United States subsidiary of Natura Bissé, she was responsible for the expansion and consolidation of the business, and obtained outstanding results in product distribution and brand positioning. In 2009 she joined the Board of Directors of Stanpa, Asociación Nacional de Perfumería y Cosmética. In 2012 she was named Vice Chair of Stanpa and Chair of the Association's Committee of Professional Aesthetics. She received the Work-Life Balance Award at the 2nd Edition of the National Awards for Women in Management in 2009, and the IWEC Award (International Women's Entrepreneurial Challenge) for her professional career, in 2014. In November 2017, 'Emprendedores' magazine named Verónica Fisas as 'executive of the year'. She received the Work-Life Balance Award at the 2nd Edition of the National Awards for Women in Management in 2009, and the IWEC Award (International Women's Entrepreneurial Challenge) for her professional career, in 2014.

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the	Profile
MARÍA AMPARO MORALEDA MARTÍNEZ	María Amparo Moraleda (Madrid, 1964) has been a member of CaixaBank's Board of Directors since 2014. She graduated in Industrial Engineering from the ICAI and holds an MBA from the IESE Business School. She is an independent director at several companies: Solvay, S.A. (from 2013), Airbus Group, S.E. (since 2015) Vodafone Group (since 2017). She is also a member of the Supervisory Board of the Spanish High Council for Scientific Research (since 2011) and a member of the advisory boards of SAP Ibérica (since 2017) and of Spencer Stuart (since 2017). Between 2012 and 2017, she was a member of the board of directors of Faurecia, S.A. and member of the Advisory Board of KPMG España (since 2012). Between January 2009 and February 2012 she was Chief Operating Officer of Iberdrola SA's International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. She was Executive Chairman of IBM Spain and Portugal between July 2001 and January 2009, responsible for Greece, Israel and Turkey from July 2005 to January 2009. Between June 2000 and 2001 she was assistant executive to the President of IBM Corporation. From 1998 to 2000 she was General Manager at INSA (a subsidiary of IBM Global Services). From 1995 to 1997 she was Head of HR for EMEA at IBM Global Services and from 1988 to 1995 she held various offices and management positions at IBM España. She is also a member of various boards and trusts of different institutions and bodies, including the Academy of Social Sciences and the Environment of Andalusia, the Board of Trustees of the MD Anderson Cancer Center in Madrid and the International Advisory Board of Instituto de Empresa. In December 2015 she was named full academic member of Real Academia de Ciencias Económicas y Financieras. In 2005 she was inducted into the Women in Technology International (WITI) organisation's Hall of Fame, which recognises, honours, and promotes the outstanding contributions women make to the scientific and technological communities that improve and evolve society. Her numerous accolades include: the Values Leadership Award (FIGEVA Foundation – 2008), the Javier Benjumea Prize (Engineering Association of the ICAI – 2003) and the Award for Excellence (Spanish Federation of Female Directors, Executives, Professionals and Entrepreneurs – Fedepe – 2002).
JOHN S. REED	John Reed (Chicago, 1939) has been a member of CaixaBank's Board of Directors since 2011. He was raised in Argentina and Brazil, and completed his university studies in the United States. In 1961, he earned a degree in Philosophy and Arts and Sciences from Washington and Jefferson College and the Massachusetts Institute of Technology under a double degree programme. He was a lieutenant in the US Army Corps of Engineers from 1962 to 1964 and again enrolled at MIT to study a Master in Science. John Reed worked in Citibank/Citicorp and Citigroup for 35 years, the last 16 of which as Chairman, retiring in April 2000. From September 2003 to April 2005, he began working again as Chairman of the New York Stock Exchange, and was Chairman of the MIT Corporation from 2010 to 2014. He was appointed Chairman of the Board of American Cash Exchange in February 2016. He is the Chairman of the Boston Athanaeum and a trustee of the NBER. He is a Fellow of the American Academy of Arts and Sciences and of the American Philosophical Society.
JUAN ROSELL LASTORTAS	Born in Barcelona in 1957, Juan Rosell Lastortras has been a member of the CaixaBank Board of Directors since 2007. He holds a degree in Industrial Engineering from Barcelona Polytechnic University. He studied Political Science at Universidad Complutense in Madrid. He is currently Chairman of Congost Plastic. During his professional career, he has served as

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
	Managing Director of Juguetes Congost and has been Chairman of Enher (1996-1999), Fecsa-Enher (1999-2002) and Corporación Unliand (2005-2006). He has also been a board member of Gas Natural, S.D.G, S.A., Agbar, Endesa, Endesa Italia S.p.A., Siemens España and Applus Servicios Tecnológicos. Up to November 2018 he was the Chairman of the Spanish Confederation of Business Organizations (CEOE). He is also a member of the Mont Pelerin Society, and Vice Chairman of Business Europe. Mr. Rosell has received numerous decorations including the Gold Medal of Merit of the International Trade Fair of Barcelona; the Silver Medal of the Barcelona Chamber of Industry, Commerce and Navigation; he was named a Commander of the Order Merit of the Italian Republic and given the Keys to the City of Barcelona and the Tiepolo Prize.
ANTONIO SÁINZ DE VICUÑA Y BARROSO	Antonio Sainz de Vicuña y Barroso (Barcelona, 1948) has been a member of CaixaBank's Board of Directors since 2014. He earned his degree in Law and Economic and Commercial Science from Universidad Complutense in Madrid (1971), and then studied a postgraduate course with a final dissertation on European and International Law. He also holds a Diploma in International Law from Pembroke College, Cambridge University. He was awarded a grant from the Juan March Foundation. In 1974, he became a State Attorney acting as a legal advisor to the Ministries of Finance, Economy and Foreign Affairs between 1974 and 1989. From September 1989 to November 1994 he was the Chief International Legal Counsel of Banco Español de Crédito in Madrid. Between November 1994 and June 1998, he was General Counsel at the European Monetary Institute (EMI) in Frankfurt, the body entrusted with the preparatory work for the launch of the euro. He then worked at the European Central Bank from June 1998 to November 2013, where he was General Counsel and Director of Legal Services, before retiring at 65 in November 2013. He is also a founder member of and sat on the first Board of Directors of Asociación Española para el Estudio del Derecho Europeo (Spanish Association for the Study of European Law) (1982-1986); Founding member and director of the Civil and Commercial Arbitration Court (1989-1994); founder member and member of the Supervisory Board of the Institute for Law and Finance, Wolfgang Goethe Universität, Frankfurt (2000-2013); Founding member and member of the Advisory Council of PRIME Finance (2011-2013), a member the Advisory Board of the European Capital Markets Institute (2000-2013) and a member of the Committee on International Monetary Law (MOCOMILA) (2000-2018). He has also published a monography on "State Contracts in International Law" Ministry of Foreign Affairs, 1986) and some 30 legal articles in specialist publications. He was awarded the Order of Isabella the Catholic (1987) for his services in helping Spain join the European Community, and also the Order of Civil Merit (2014) for services provided in the adoption of the Euro and creation of the ECB.
EDUARDO JAVIER SANCHIZ IRAZU	Eduardo Javier Sanchiz Irazu was born in Vitoria in 1956. He has been a member of the CaixaBank Board of Directors since 2017. He holds a degree in economics from the University of Deusto, San Sebastián campus, and a Master's Degree in Business Administration from the Instituto Empresa in Madrid. He was CEO of Almirall from July 2011 until 30 September 2017. During this period, the company underwent a significant strategic transformation with the aim of becoming a global leader in skin treatment. Previously, after joining Almirall in May 2004, he was Executive Director of Corporate Development and Finance and Chief Financial

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
	Officer. In both positions, Eduardo led the company's international expansion through a number of alliances with other companies, and through licensing of external products, in addition to five acquisitions of companies and product portfolios. He also coordinated the IPO process in 2007. He has been a member of the Almirall Board of Directors since January 2005 and a member of the Dermatology Committee since its creation in 2015. Prior to joining Almirall, he worked for 22 years (17 outside Spain) at Eli Lilly & Co, an American pharmaceutical company, in finance, marketing, sales and general management positions. He was able to live in six different countries and some of his significant positions include General Manager in Belgium, General Manager in Mexico and, in his last position in the company, Executive Officer for the business area that encompasses countries in the centre, north, east and south of Europe. He was a member of the American Chamber of Commerce in Mexico and of the Association of Pharmaceutical Industries in a number of countries in Europe and Latin America. He is currently a member of the Strategic Committee of Laboratory Pierre Fabre.
KORO USARRAGA UNSAIN	Koro Usarraga Unsain was born in San Sebastian in 1957, and has been a member of the CaixaBank Board of Directors since 2016. She has a degree in Business Administration and a Masters in Business Management from ESADE, took the PADE (Senior Management Programme) at IESE and is a qualified chartered accountant. She was an independent Director of NH Hotel Group from 2015 to October 2017. She worked at Arthur Andersen for 20 years and in 1993 was appointed partner of the audit division. In 2001 she assumed responsibility for the General Corporate Management of Occidental Hotels & Resorts, a group with significant international presence and specialising in the holiday sector. She was responsible for the finance, administration and management control departments, as well as IT and human resources. She was General Manager of Renta Corporación, a real estate group specialising in the purchase, refurbishment and sale of properties. She has been shareholder and administrator of the company 2005 KP Inversiones, S.L. since 2005, which is dedicated to investing in companies and management consultancy.
ALAIN MINC	Alain Minc (Paris, 1949) has been a member of CaixaBank's Board of Directors since 2007. He is Chairman and CEO of his own consultancy firm, AM Conseil, and is a graduate from the École des Mines de Paris and the École Nationale d'Administration (ENA) in Paris. In 1991, he founded his own consultancy firm, AM Conseil. He has been Chairman of the Supervisory Board of French newspaper Le Monde, Deputy Chairman of Compagnie Industriali Riunite International and General Manager of Cerus (Compagnies Européennes Réunies). He was also finance inspector and CFO at French industrial group Saint-Gobain. He is currently Chairman of Sanef. He has been named Commandeur de la Légion d' Honneur and Commander of the British Empire and was awarded Gran Cruz de la Orden del Mérito Civil. He has written more than 30 books since 1978, many of them best-sellers, including: Rapport sur l´informatisation de la société; La Machine égalitaire; Les vengeances des Nations; Le Nouveau Moyen-âge; Rapport sur la France de l'an 2000; www.capitalisme.fr; Epître à nos nouveaux maîtres (2003); Les Prophètes du bonheur: historie personnelle de la pensée économique (2004); Ce monde qui vient (2004); Le Crépuscule des petits dieux (2006); Une sorte de Diable, les vies de John M. Keynes (diciembre 2006); Une histoire de France (2008); Dix jours qui ébranleront le monde (2009); Une historie politique des intellectuels (2011); Un petit coin de paradis, L'Âme des Nations (2012); L' Homme aux deux visage (2013), Vive l'Allemagne (2013), Le

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
	mal français n' est plus ce qu'il était (2014), Un Français de tant de souches (2015), Mirabeau criait si fort que Versailles eut peur 2017, Une humble cavalcade dans le monde de demain 2018.
FRANCESC XAVIER VIVES TORRENTS	Xavier Vives Torrents was born in Barcelona in 1955. He has been a member of the CaixaBank Board of Directors since 2008 and the Lead Director from 2017. He is a Professor of Economics and Finance at the IESE Business School. He also holds a PhD in Economics from the University of California, Berkeley. He was Professor of European Studies at INSEAD from 2001-2005; Director of the Institute of Economic Analysis at the Consejo Superior de Investigaciones Científicas between 1991-2001; and a Visiting Lecturer at the universities of California (Berkeley), Harvard, New York (King Juan Carlos I Chair 1999-2000), and Pennsylvania, as well as the Universitat Autònoma de Barcelona and the Universitat Pompeu Fabra. He has also advised the World Bank, the Inter-American Development Bank, the New York Federal Reserve, the European Commission (where he was Special Advisor to the EU Vice President and Competition Commissioner, Joaquín Almunia). He is also a member of CARE (Advisory Council for Economic Recovery and Growth) of the Government of Catalonia and has advised many international companies. Mr Vives also served as Chairman of the Spanish Economic Association in 2008; and Deputy Chairman of the Spanish Energy Economics Association in 2006-2009 and was a Duisenberg Fellow at the European Central Bank in 2015. He currently sits on the Board of Fundación Aula; he is a member of the European Academy of Sciences and Arts; Research Fellow of the CESifo and the Center for Economic Policy Research; Fellow of the European Economic Association since 2004 and the Econometric Society since 1992, and Chairman of EARIE (European Association for Research in Industrial Economics) from September 2016 to August 2018. He has published numerous articles in international journals and directed the publication of various books. He received the King Juan Carlos I National Award for Research into Social Sciences in 1988; the "Societat Catalana d'Economia" (Catalan Economics Society) award in 1996; the Narcís Monturiol Medal from the Government of Catalonia in 2002; and the "Premi Catalunya d'Economia" (Catalonia Economics Award), 2005; The IEF Award for academic excellence for his professional career in 2012; beneficiary of the European Research Council Advanced Grant, 2009-2013 and 2018-2023, and the Rey Jaime I Economics Award, 2013.

Total number of independent Directors	9
% of the Board	50.00

List any independent Directors who receive from the company or group any amount or payment other than standard Director remuneration or who maintain or have maintained during the last year a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

If applicable, include a statement from the Board detailing the reasons why the said Director may carry out their duties as an independent Director.

Name or corporate name of Director	Description of the relationship	Reasons
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:			
Name or corporate name of the director	Motives	Company, executive or shareholder with whom the relationship is maintained	Profile
No data			

Total number of other external Directors	N.A.
% of the Board	N.A.

List any changes in the category of each Director which have occurred during the year.

Name or corporate name of the director	Date of change	Previous category	Current category
TOMÁS MUNIESA ARANTEGUI	22/11/2018	Executive	Proprietary

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of women Directors				% of total Directors of each category			
	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	1	3	25.00	28.57	16.67	33.33
Independent directors	3	3	3	1	33.33	33.33	37.50	16.66

	Number of women Directors				% of total Directors of each category			
	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015
Other external					0.00	0.00	0.00	0.00
Total	5	5	4	4	27.78	27.78	25.00	23.53

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

CaixaBank has a Selection, diversity and suitability assessment policy in place for Directors and members of Senior Management, and other key positions in CaixaBank and its group (hereinafter, the 'Policy'), which was approved by the Board of Directors on 20 September 2018, replacing the previous Director Selection Policy approved in November 2015.
The aim of this Policy, among others, is to establish suitable diversity in the composition of the Board of Directors, thus ensuring a wide range of knowledge, qualities, perspectives and experiences in the heart of the Board, helping to foster diverse and independent opinions and a solid and mature decision-making process.
Ensuring proper diversity in the composition of the Board, particularly in terms of gender and, where relevant, training and professional experience, age and geographical origin, and respecting the principle of non-discrimination and equal treatment, all constitute a fundamental element of the selection and suitability assessment procedures for CaixaBank directors.

In particular, the following considerations are made:
• In the director selection and re-election procedures, the suitability assessment will consider the objective of favouring diversity of gender, knowledge, training and professional experience, age and geographical origin in the composition of the Board.
• At all times, the Board of Directors and the Appointments Committee will ensure that there is an appropriate balance of knowledge and experience, also facilitating the selection of candidates of the less represented gender, and avoiding any kind of discrimination in this respect.
• In the annual assessment of the composition of abilities of the Board of Directors, the diversity aspects discussed previously will be taken into account and, in particular, the percentage of Board members of the less represented gender, with a view to ensure that, by 2020, the number of female directors represents at least 30% of total members of the Board of Directors. For these purposes, the Appointments Committee must document the degree of fulfilment of the objective, as well as that of those that, where relevant, have been considered relevant, and indicate, in the case of a breach, the reasons, resolution measures and schedule of actions.
• Furthermore, the Appointments Committee, with the assistance of the General Secretary and that of the Board, and taking into account the necessary and existing balance of knowledge, experience, capacity and diversity on the Board of Directors, elaborates and continually updates a matrix of competences, approved by the Board of Directors.

Furthermore, adequate diversity in the composition of the has been taken into account throughout the entire process of selection and suitability assessment at CaixaBank, considering, in particular, diversity of gender, training, professional experience, age, and geographic origin.
With respect to 2018, after a report from the Appointments Committee, the Board deems the structure, size and composition suitable, particularly with respect to gender diversity and diversity in training and professional experience, age and geographical origin, in accordance with the verification of compliance with the selection policy, and also taking into account the individual suitability

re-assessment of each director carried out by the Appointments Committee, which leads to the conclusion that the overall composition of the Board of Directors is suitable.
In particular, it should be noted that there is an intent to reduce its size so that it meets the diversity objectives established in the Policy, particularly with regard to gender diversity and the objective to have a portion of female directors of 30% or more across the members of the Board by 2020.

C.1.6 Describe the measures, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors, and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between women and men:

Explanation of measures

The percentage of women on the CaixaBank Board of Directors, despite being unequal and improvable, has increased over the last years, and is in the highest range of female presence in Boards of Directors of IBEX 35 companies.
Women candidates are not discriminated against in the selection process of Directors. Furthermore, article 15 of the Regulations of the Board of Directors establishes one of the Appointment Committee's roles as informing the Board on matters of gender diversity, ensuring that member selection procedures favour diversity of experiences and knowledge, and facilitate the selection of women directors, whilst establishing an objective of representation of the least represented gender on the Board of Directors, and providing guidance on how to reach this objective, all the while ensuring compliance with the diversity policy applied for the Board of Directors, as detailed in the Annual Corporate Governance Report.
Adequate diversity in the composition of the Board is taken into account throughout the entire process of selection and suitability assessment at CaixaBank, considering, in particular, gender diversity.
When analysing and suggesting candidate profiles for posts on the Board of Directors, the Appointments Committee takes gender diversity into account.
The CaixaBank Board of Directors currently has 5 non-executive female directors, two of which are proprietary (Ms Bassons and Ms Aznárez, as the representative of the CajaCanarias Foundation) and 3 of which are independent directors (Ms Moraleda, Ms Fisas and Ms Usarraga).
Thus, the current percentage of the less represented gender is 27.8%, which is very close to the 30% objective established for 2020.
In this regard, it should be noted that 2018 maintained the same percentage as 2017, which represented a slight increase compared with the two previous years.
See section C.1.7 on the conclusions of the Appointments Committee on the measures to reach the objective to have a 30% presence of women on the Board of Directors by 2020.

When, despite the measures taken, there are few or no women Directors, explain the reasons.

Explanation of the reasons

Despite not being equal, the number of female directors in the Company is not considered to be scarce.

At year end 2018, women comprised 27.8% of all directors, 33.3% of the independent Directors and 25% of proprietary Directors.

Women comprise 25% of the Executive committee, and 33.3% of the Appointments committee and Remunerations Committee, whereby the chairmanship of the latter is held by a female director.

The Risk Committee has 2 female directors, representing 40%. Women comprise 25% of the Auditing and Control Committee.

That is to say, women are represented on all the Committees of the Company.

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors. Particularly whether the policy pursues the goal of having at least 30% of total Board places occupied by women Directors before the year 2020.

In the verification of compliance with the director selection policy, the Appointments Committee has concluded that the structure, size and composition are suitable, particularly with respect to gender diversity and diversity in training and professional experience, age and geographical origin, in accordance with the verification of compliance with the selection policy, and also taking into account the individual suitability re-assessment of each director carried out by the Appointments Committee, which leads to the conclusion that the overall composition of the Board of Directors is suitable. With respect to the objective to reach a percentage of female directors equal to or higher than 30% in the Board of Directors by 2020, in its meeting of 31 January 2018, the Appointments Committee agreed to follow two guidelines to achieve this objective.
On the one hand, it highlighted the ability to reach 29.41% of female directors if at least one of the company's shareholders, when proposing the appointment of a proprietary director, selects a woman. On the other, reference was made to the possibility of reducing the size of the board, whilst always maintaining the minimum number of five female directors, which would allow for this objective of having a female presence of at least 30% on the Board of Directors to be met.
Subsequently, the Appointments Committee studied the possibility, at the next general meeting, to not propose the re-appointment of some of the current independent directors in CaixaBank who will have held their positions for twelve years in 2019. For these purposes, the Committee analysed the ability to cover the subsequent vacancy/vacancies, by virtue of the general shareholders meeting, with one or more independent members of the Board of Directors. The Appointments committee and the Board of Directors itself particularly value the incorporation of new members with proven professional experience, whilst also increasing the current percentage of female directors. In this regard, the appointment of a female director to replace one of the independent directors who will have soon held their positions for twelve years, would increase the percentage of female directors to 33.33%, an increase on the current level of 27.78%.

C.1.8 Explain, when applicable, the reasons why proprietary Directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

Name or corporate name of the significant shareholder	Justification
CAJA NAVARRA BANKING FOUNDATION, CAJA CANARIAS FOUNDATION AND CAJA DE BURGOS FOUNDATION	Following the merger by absorption of Banca Cívica by CaixaBank, the shareholders: Caja de Ahorros y Pensiones de Barcelona, 'La Caixa' (now the 'La Caixa' Banking Foundation), and Caja Navarra (now the Caja Navarra Banking Foundation), Cajasol (now the Cajasol Foundation), Caja Canarias (now the Caja Canarias Foundation) and Caja de Burgos (now Caja de Burgos, Banking Foundation) (hereinafter, 'the Foundations'), entered into the Shareholders' Agreement on 1 August 2012, whose objective is to regulate the relationships of 'the Foundations' and the 'La Caixa' Banking Foundation, as shareholders of CaixaBank, and their reciprocal cooperative relationships, as well as with CaixaBank, with a view to strengthen their respective activities around the latter. They also agreed to appoint two members of the Board of Directors of CaixaBank proposed by "the Foundations" and, in order to give stability to their shareholding in CaixaBank, the "Foundations" agreed on a four-year lock up period, as well as a commitment to exercise their pre-emptive acquisition rights over two years in favour of the other foundations in the first place and subsidiarily ”la Caixa” Banking Foundation, should any of the Savings Banks wish to transfer all or part of their stake, once the lock-up period has expired. On 17 October 2016, the amendments to the Integration Agreement between CaixaBank and Banca Cívica and the CaixaBank Shareholders' Agreement were agreed, which means that the "Foundations", instead of proposing the appointment of two (2) directors at CaixaBank, one director at CaixaBank and one at VidaCaixa is proposed, and that the extension of the agreements that automatically occurred at the beginning of

Name or corporate name of the significant	Justification
	August, for three years, will have a duration of four years instead of the aforementioned three. On 4 October 2018, via the modification agreement entered into by 'the Foundations' and the 'La Caixa' Banking Foundation, the Agreement was modified, after the Cajasol Foundation declared its will to nullify the Integration Agreement between CaixaBank, S.A. and Banca Cívica S.A., once six years have passed since it was signed. CONTINUES IN SECTION H
MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA (Fixed Premium Insurance Company)	These appear in the Report of the Appointments Committee to the Board, which integrates the Board Report on the appointment proposal of Ignacio Garralda Ruiz de Velasco as a proprietary director, as an appendix, which was submitted and approved by the General Shareholders' Meeting of 2017. The aforementioned report states that the arrival of M. Garralda as board member will bring with it a number of significant benefits due to his extensive experience and expertise, while also facilitating the current strategic alliance between the CaixaBank Group and the Mutua Madrileña Group.

Provide details of any rejections of formal requests for Board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary Directors. If so, explain why these requests have not been entertained.

[ ] Yes
[√] No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name or corporate name of the director or committee	Brief description
GONZALO GORTÁZAR ROTAECHE	All powers delegable under the law and the Articles of Association are delegated, without prejudice to the limitations established in the Regulations of the Board of Directors for the delegation of powers that, in all events, apply for procedural purposes.
EXECUTIVE COMMITTEE	The Executive Committee has been delegated all of the responsibilities and powers available to it both legally and under the Company’s articles of association. For internal purposes, the Executive Committee is subject to the limitations set forth in Article 4 of the Rules of the Board of Directors.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
JUAN ROSELL LASTORTRAS	VidaCaixa, SA de Seguros y Reaseguros	Director	NO

Name or corporate name of the director	Corporate name of the group company	Position	Do they have executive duties?
TOMÁS MUNIESA ARANTEGUI	VidaCaixa, SA de Seguros y Reaseguros	Deputy Chairman	NO
GONZALO GORTÁZAR ROTAECHE	VidaCaixa, SA de Seguros y Reaseguros	Chairman	NO
GONZALO GORTÁZAR ROTAECHE	Banco BPI, S.A.	Director	NO
JAVIER IBARZ ALEGRÍA	VidaCaixa, SA de Seguros y Reaseguros	Director	NO

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name or corporate name of the director	Corporate name of the listed company	Position
IGNACIO GARRALDA RUIZ DE VELASCO	Endesa, S.A.	DIRECTOR
IGNACIO GARRALDA RUIZ DE VELASCO	BME Holding, S.A.	1st DEPUTY CHAIRMAN
ALAIN MINC	Logista	DIRECTOR
JORDI GUAL SOLÉ	Erste Group Bank, AG.	DIRECTOR
JORDI GUAL SOLÉ	Telefónica, SA	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	Solvay, S.A.	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	Airbus Group, S.E.	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	Vodafone Group PLC	DIRECTOR

The information on Directors and positions at other listed companies refers to year-end.
With regard to the position held by Mr. Jordi Gual Solé in Erste Group Bank, AG, his precise title is Member of the Supervisory Board. However, due to space restrictions, he is listed as Director.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated

Article 4 of the Board of Directors' Regulations stipulates that Directors must abide by the limitations on belonging to Boards of Directors set forth in the current regulations of the organisation, supervision and solvency of credit entities.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	7,568
Cumulative amount of rights of current Directors in pension schemes (thousands of euros)	4,548
Cumulative amount of rights of current Directors in pension schemes (thousands of euros)	

No information is provided on consolidated rights for former directors in terms of pensions, given that the company has no type of commitment (contribution or provision) related to former directors by virtue of the pensions scheme.

C.1.14 List any members of senior management who are not executive Directors and indicate total remuneration paid to them during the year:

Name or corporate name	Position(s)
JORGE MONDÉJAR LÓPEZ	CHIEF RISKS OFFICER
JAVIER PANO RIERA	CHIEF FINANCIAL OFFICER
FRANCESC XAVIER COLL ESCURSELL	CHIEF HUMAN RESOURCES AND ORGANISATION OFFICER
JORGE FONTANALS CURIEL	HEAD OF RESOURCES
MARÍA LUISA MARTÍNEZ GISTAU	EXECUTIVE DIRECTOR FOR COMMUNICATION, INSTITUTIONAL RELATIONS, BRAND AND CSR
ÓSCAR CALDERÓN DE OYA	GENERAL AND BOARD SECRETARY
JUAN ANTONIO ALCARAZ GARCIA	CHIEF BUSINESS OFFICER
MATTHIAS BULLACH	CHIEF DIRECTOR OF INTERVENTION, MANAGEMENT CONTROL AND CAPITAL
JOAQUIN VILAR BARRABEIG	DEPUTY MANAGING DIRECTOR OF INTERNAL AUDITRS
MARIA VICTORIA MATIA AGELL	HEAD OF INTERNATIONAL BANKING
Total remuneration received by senior management (thousands of euros)	10,107

C.1.15 Indicate whether any changes have been made to the Board Regulations during the year:

[√] Yes
[ ] No

Description of amendments

In the session of 22 February 2018, the CaixaBank Board of Directors agreed to change articles 14 ('The Auditing and Control Committee and the Risk Committee'), 15 ('The Appointments Committee and the Remuneration Committee) and 37 ('Relationships with auditors') of the CaixaBank Board Regulation in force.

The purpose of this is, on the one hand, to develop the standards on composition, competences and operation of the Auditing and Control Committee stipulated in the Articles of Association, incorporating the basic criteria and principles of the CNMV Technical Guide, and, in relation to this, to expressly incorporate certain Recommendations of the Code on Good Governance that the Company declares to have met in its 2017 Corporate Governance Report, and, on the other, to develop the standards of the Articles of Association on the competences of the Appointments committee, assigning this committee with the task to ensure the fulfilment of the diversity policy applied in relation to the Board of Directors, in accordance with the provisions of Royal Decree-law 18/2017. Furthermore, it suggests introducing certain technical specifications and clarifications.
The General Shareholders' Meeting of 5 April 2018 discussed the modification to the Regulation of the Board of Directors. This modification was explained in detail in the report issued by the Board, in accordance with the provisions of articles 528 and 518d) of the Corporations Act.
In accordance with the provisions of article 529 of the Corporate Enterprises Act, the amended text of both was reported to the Comisión Nacional del Mercado de Valores ("CNMV), executed in a public document and filed in the Companies' Registry. Once registered in the Companies' Registry on 18 April 2018, the full texts were published by the CNMV and by CaixaBank, S.A. on the corporate website (www.caixabank.com).

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, procedures and criteria used for each of these procedures.

In accordance with the provisions of article 529 decies, Royal Legislative Decree 1/2010, of 2 July, which approves the amended text of the Corporations Act, and articles 5, 6 and 18 to 21 of the Regulation of the Board of Directors, director appointment proposals put forward by the Board of Directors for the consideration of the General Meeting, and the appointment agreements adopted by the Board by virtue of the co-opting powers legally attributed to it, must be preceded by the corresponding proposal of the Appointments Committee, when dealing with independent directors, and by a report, in the case of all other directors. Proposals for the appointment and re-election of directors must be accompanied by a report from the Board of Directors setting out the competencies, experience and merits of the candidate.

In addition, when exercising its powers to propose appointments to the General Shareholders' Meeting and co-opt Directors to cover vacancies, the Board shall endeavour to ensure that external Directors or non-executive Directors represent a majority over executive Directors and that the latter should be the minimum necessary.

The Board shall also seek to ensure that the majority group of non-executive directors includes holders of stable significant shareholdings in the company or their representatives, or those shareholders that have been proposed as directors even though their holding is not significant (proprietary directors), and persons of recognised experience who can perform their functions without being influenced by the company or its group, its executive team or significant shareholders (independent directors).

When qualifying directors, the definitions established in applicable regulations, and detailed in article 19 of the Regulation of the Board of Directors, are used.

The Board will also strive to ensure that its external directors include proprietary and independent directors who reflect the existing proportion of the Company's share capital represented by proprietary directors and the rest of its capital. At least one third of the Company's directors will be independent directors.

No shareholder may be represented on the Board of Directors by a number of proprietary directors that accounts for more than 40% of the total number of Board members, without affecting the shareholders' right to proportional representation as laid down by law.

Directors shall remain in their posts for the term of office stipulated in the Articles of Association (which is 4 years) whenever the General Meeting does not agree on their removal and they do not resign from the position, and may be re-elected one or more times for periods of equal length. However, independent directors will not remain as such for a continuous period of more than 12 years.

Directors designated by co-option shall hold their post until the date of the next General Meeting or until the legal deadline for holding the General Meeting that is to decide whether to approve the financial statements for the previous financial year has passed. In the event that the vacancy arises after the General Meeting is called but before it is held, the appointment of the director by co-option to cover the vacancy will take effect until the next General Meeting is held.

CONTINUES IN SECTION H.

C.1.17 Explain to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments
Taking the Report on Effectiveness and Performance of the Board and its Committees as a basis, corresponding to the 2017 financial year, elaborated by the external consultant Russell Reynolds Associates, the Appointments Committee monitored all the organisational improvement measures and actions during 2018. As a result of the self-assessment in 2017, on 21 December, the Board analysed the conclusions of the financial year, and on 1 February 2018, agreed to modify the composition of the Board Committees as a result of the self-assessment. Furthermore, and by way of example, we should mention that improvements were made to the agendas of meetings, progress was made in the informational logistics for meetings of governing bodies, and the general and business information provided as updates between Board meetings was optimised, along with the participation of executives in meetings of governing bodies, making them more selective.

Describe the assessment process and the assessed areas, carried out by the board of directors, assisted, where relevant, by an external adviser, regarding the functioning and composition of the board and its committees, and any other area or aspect subject to evaluation.

Description of the assessment process and the assessed areas
As stipulated in article 529.9 of the Corporate Enterprises Act and article 16 of the Regulations of the Board of Directors, the Board evaluates its performance annually. It is also compliant with Recommendation 36 of the current Code of Good Governance dated February 2015 which recommends that a regular self-assessment be carried out on the performance of the Board of Directors and its Committees. This year, the Board of Directors assessed its own functioning, in accordance with the following procedure: First of all, with the assistance of the General Secretary and Secretary of the Board, the Appointments Committee approved the self-assessment questionnaires that comprise the basis of the self-assessment process for directors. To do this, the questionnaires the CaixaBank used in previous years (2016 and 2017) were taking into consideration, as well as applicable regulations, particularly the Code of Good Corporate Governance for Listed Companies of the CNMV and the Guide of the European Banking Authority on assessing the suitability of members of the board of directors and other key positions (EBA/GL/2017/12) of 26 September 2017. The methodology applied was primarily based on analysing the responses on the questionnaires. The Directors responded anonymously to 80 questions, grouped into the following categories and sub-categories: 1. Functioning of the Board of Directors. Quality and efficiency. (1.1 Preparation, 1.2 Dynamics and Culture and 1.3 Assessment of the work tools offered to directors). 2. Composition of the Board of Directors. 3. Committees: composition and operations (only for non-members). 4. Performance of the Chairman. 5. Performance of the CEO. 6. Performance of the Coordinating Independent Director. 7. Performance of the Secretary of the Board of Directors. 8. Individual evaluation of each director by peers. Members of each Committee were also sent a self-assessment form on the functioning of the respective committee. The questions were answered according to the following scale: 1 - Very faulty; 2 - Somewhat faulty; 3 - Somewhat acceptable; 4 - Very acceptable. The results and conclusions reached, including the recommendations, have been incorporated into the document analysing the performance assessment of the CaixaBank Board of Directors and its Committees, corresponding with the 2018 financial year, which was approved by the Board of Directors. It is a single report that contains the report of the assessment of the structure, size and assessment of the Board, the annual report on the assessment of the functioning of the Board and its delegated Committees, the performance of the functions of the Chairman, CEO, the coordinating independent director and the General Secretary, as well as the annual verification of compliance with the Director Selection Policy. Generally, and in light of the responses received from directors as a result of the self-assessments and activity reports elaborated by each of the Committees, the Board of Director favourably assesses the quality and efficiency of the functioning of the Board of Directors and its Committees during 2018.

Meanwhile, the structure, size and composition of the Board of Directors is considered adequate, particularly with respect to gender diversity and diversity of training and professional experience, age and geographical origin, in accordance with the verification of compliance with the selection policy, and also taking into account the individual re-assessment of the suitability of each director that the Appointments Committee has carried out, which leads to the conclusion that the overall Board of Directors is suitable in terms of composition, notwithstanding other aspects relating to the qualitative composition of diversity.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

With respect to the 2017 financial year, in which Russell Reynolds assisted the Board in the evaluation process, except for the provision of services relating to the evaluation process of the Board, there were no business dealings outside the ordinary trade and business activities with the consultant or any company in the same group. In said year, the external consultant also assisted the Appointments Committee in the director selection procedure.

C.1.19 Indicate the cases in which Directors must resign.

Article 21.2 of the Regulations of the Board of Directors stipulates that the Directors must place their position at the disposal of the Board of Directors and formalise, if the latter deems appropriate, the pertinent resignation, in the following cases:
(a) when they depart the executive positions, posts or functions with which their appointment as Director was associated;
(b) when they are subject to any of the cases of incompatibility or prohibition provided by law or no longer meet the suitability requirements according to the applicable regulations;
(c) when they are indicted for an allegedly criminal act or are subject to a disciplinary proceeding for serious or very serious fault instructed by the supervisory authorities;
(d) when their remaining on the Board, they may place at risk the Company's interest, or when the reasons for which they were appointed cease to exist. In particular, in the case of external proprietary Directors, when the shareholder they represent transfers its stake in its entirety. They must also do so when the said shareholder lowers its shareholding to a level which requires the reduction of the number of proprietary Directors;
(e) when significant changes occur in their professional situation on in the conditions in which they were appointed Director; and
(f) when due to facts attributable to the Director, his remaining on the Board causes serious damage to the corporate net worth or reputation in the judgement of the Board.
Article 21.3 of the Regulation of the Board of Administration establishes that, if an individual representing a legal entity director incurs in any of the aforementioned circumstances, the representative must offer their post to the legal entity that appointed them. If the latter decides to maintain the representative to exercise its position of Director, the Director who is a legal entity must offer its post of Director to the Board of Directors.
All of the above, notwithstanding the provisions of Royal Decree 84/2015, of 13 February, which implements Act 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions, on the requirements of repute that must be met by directors and the consequences of losses derived therefrom, along with other regulations or guides applicable to the nature of the company.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

[ ] Yes
[√] No

If applicable, describe the differences.

C.1.21 Indicate whether there are any specific requirements other than those relating to the Directors, to be appointed chairperson of the board of directors:

[ ] Yes
[√] No

C.1.22 Indicate whether the Articles of Association or the Board Regulations set any age limit for Directors:

[ ] Yes
[√] No

C.1.23 State whether the Articles of Association or the Board regulations establish any stricter term limits or other requirements for independent directors other than those required by law:

[ ] Yes
[√] No

C.1.24 State whether the Articles of Association or Board regulations establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if there is any limit regarding the categories in which it is possible to delegate, beyond the limits imposed by law. If so, give brief details.

With respect to the rules on proxy voting, the provision of article 17 of the Regulation of the Board establishes that directors must personally attend Board meetings. However, when they are unable to do so in person, they shall endeavour to grant their proxy in writing, on a special basis for each meeting, to another Board member, including the appropriate instructions therein. Non-executive Directors may only delegate a proxy who is another non-executive Director, while independent Directors may only delegate to another independent Director.
Likewise, the internal regulations stipulate that the proxy shall be granted by any postal, electronic means or by fax, provided that the identity of the Director is assured.
Notwithstanding the above, so that the proxyholder can respond to the outcome of the debate by the Board, proxies, when they are granted, always in accordance with the legal conditions, are not usually granted with specific instructions. This is in keeping with the law on the powers of the Chairman of Board, who is given, among others, the responsibility of encouraging a good level of debate and the active involvement of all Directors during the meetings, safeguarding their rights to adopt positions.

C.1.25 Indicate the number of board meetings held during the year, and how many times the board has met without the Chairman’s attendance. Attendance will also include proxies appointed with specific instructions.

Number of Board meetings	13
Number of Board meetings without the attendance of the chairman	

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	3

Indicate the number of meetings of the various Board committees held during the year.

Number of meetings of the AUDIT AND CONTROL COMMITTEE	17
Number of meetings of the APPOINTMENTS COMMITTEE	10
Number of meetings of the REMUNERATION COMMITTEE	7
Number of meetings of the RISKS COMMITTEE	13

Number of meetings of the EXECUTIVE COMMITTEE	22

C.1.26 State the number of meetings held by the Board of Directors during the year and the information on member attendance:

Number of meetings with the physical attendance of at least 80% of directors	13
% of in situ attendance in terms of the total votes during the year	97.80
Number of meetings with the physical attendance, or proxies with specific instructions, of all directors	8
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	97.80

In 2018, the total number of non-attendances of Directors was 5, whereby proxies appointed without specific instructions are deemed to be non-attendances. Director absences occur when Directors are unable to attend. Proxies, when appointed, do not generally include specific instructions for the proxyholder, so that the proxyholder can adhere to the outcome of the discussion by the Board.

Therefore, the percentage of non-attendances of the total votes cast in 2018 is 2.19%, taking into account that proxies appointed without specific instructions are deemed to be non-attendances.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[ ] Yes
[√] No

Identify, where applicable, the person(s) who certified the company’s individual and consolidated financial statements prior for their authorisation for issue by the Board.

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders’ Meeting with qualifications in the auditors' report.

The Audit and Control Committee is responsible for ensuring that the financial information is correctly drawn up, and, in addition to other functions, it conducts the following in order to avoid a qualified audit report:

In relation to overseeing financial information:
(i) to report to the Annual General Meeting about matters posed by shareholders that are within the competence of the Committee and, in particular, on the result of the audit, explaining how this has contributed to the integrity of the financial information and the Committee's role in this process;
(ii) oversee the process of elaborating and presenting mandatory financial information regarding the Company and, where relevant, the Group, reviewing the Company accounts, compliance with regulatory requirements in this area, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria. And, in particular, know, understand and oversee the effectiveness of the internal financial information control system (ICFR), concluding on the level of trust and reliability of the system, and (iii)

elaborating proposals to modify the accounting principles and criteria suggested by management, in order to guarantee the integrity of the accounting and financial information systems, including financial and operational control, and compliance with applicable law. The Committee can put forward recommendations or proposals to the Board of Directors, designed to safeguard the completeness of the mandatory financial information;
(iii) to ensure that the Board of Directors files the Annual Accounts to the General Shareholders Meeting, without limitations or qualifications in the audit report, and that, in the exceptional case whereby there are qualifications, ensure that the Chairman of the Committee and the auditors clearly explain the content and scope of said limitations or qualifications to shareholders;
(iv) to report to the Board of Directors, in advance, on the financial information, and related non-financial information, that the Company must periodically publish to the markets and its supervisory bodies;

C.1.29 Is the Secretary of the Board also a Director?

[ ] Yes
[√] No

Complete if the Secretary is not also a Director:

Name or corporate name of the secretary	Representative
ÓSCAR CALDERÓN DE OYA	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

As well as submitting to the Board of Directors, for submission to the Annual General Meeting, the proposals for selection, appointment, re-election and replacement of the external auditor, the Audit and Control Committee is responsible for maintaining the appropriate relations with the external auditor in order to receive information on those matters that could jeopardise their independence and any other matters related to the process of auditing the accounts. In any case, on an annual basis, external auditors must provide the Audit and Control committee with a declaration of their independence with regard to the Company or entities directly
○ or indirectly related to it, in addition to information on the additional services of any kind rendered to these entities by the aforementioned auditors
○ or persons or entities related to them as stipulated by auditing legislation. In addition, the Audit and Control Committee will issue annually, prior to the issuance of the audit report, a report containing an opinion on the independence of the auditor. This report must address, in all cases, the evaluation of the provision of any additional services referred to above, individually and collectively considered, different from the legal audit and related to the degree of independence or to the regulatory audit regulations.
As an additional mechanism of ensuring the auditor's independence, article 45.4 of the Articles of Association states that the General Meeting may not revoke the auditors until the period for which they were appointed terminated, unless it finds just cause. The Company has policies governing the relationship with the external auditor to guarantee compliance with applicable legislation and the independence of auditing work.
With regard to its relationship with market agents, the Company acts on the principles of transparency and non-discrimination set out in the applicable legislation and those stated in the Regulations of the Board of Directors which stipulate that the Board, through communications of material facts to the Spanish Securities Market Commission (CNMV) and the corporate website, shall inform the public immediately with regard to any material information. With regard to the Company's relationship with analysts and investment banks, the Investor Relations department shall coordinate the Company's relationship with analysts, shareholders and institutional investors and manage their requests for information in order to ensure they are treated fairly and objectively.
In this regard, and pursuant to Recommendation 4 of the Good Governance Code of Listed Companies, at its meeting on 30 July 2015 the Board of Directors, under its general powers to determine the Company's general policies and strategies, resolved to approve the Policy on information, communication and contact with shareholders, institutional investors and proxy shareholders which is available on the Company's website.
Within this Policy, and pursuant to the authority vested in the Coordinating Director appointed in 2017, he is must maintain contact, as appropriate, with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance.
Also, the powers delegated to the Board of Directors legally and through the internal regulations specifically include the duty of supervising the dissemination of information and communications relating to the Company. Therefore, the Board of Directors is responsible for managing and supervising at the highest level the information distributed to shareholders, institutional investors and the markets in general. Consequently, the Board of Directors, through the corresponding bodies and departments, works to ensure, protect and facilitate the exercising of the rights of the shareholders, institutional investors and the markets in general in the defence of the corporate interest, in compliance with the following principles:
Transparency, equality and non-discrimination, continuous information, affinity with public interest, being at the cutting edge in the use of new technologies and compliance with the Law and CaixaBank's internal regulations.
These principles are applicable to all information disclosed and the Company's communications with shareholders, institutional investors and relations with markets and other stakeholders such as, inter alia, intermediary financial institutions,

management companies and depositories of the Company's shares, financial analysts, regulatory and supervisory bodies, proxy advisors, information agencies, credit rating agencies, etc.
The Company pays particular heed to the rules governing the processing of insider information and relevant information contained in the applicable legislation and the Company's regulations on shareholder relations and communications with securities markets contained in CaixaBank's Code of Business Conduct and Ethics, and the Internal Code of Conduct on Matters Relating to the Stock Market of CaixaBank, S.A. and the Regulations of the Board of Directors (these are also available on the Company's website).
With respect to the concrete measures established to preserve the independence of external auditors, in 2018, the CaixaBank Board of Directors approved the Policy on the Relationship with External Auditors. The objective of this policy is to adapt the process of designating the Account Auditor of CaixaBank, S.A. and its Consolidated Group to the new regulatory framework, ensuring that it is carried out through an impartial and transparent process, and that both the designation and the relationship framework with the Auditor is implemented according to applicable standards.
Among other things, this Policy covers the principles that govern the selection, contracting, appointment, re-election and termination of the CaixaBank Account Auditor, as well as the relationship framework between both parties.

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.

[√] Yes
[ ] No

Outgoing auditor	Incoming auditor
DELOITTE, S.L.	PricewaterhouseCoopers Auditors, S.L.

The General Shareholders Meeting held on 6 April 2017 appointed PricewaterhouseCoopers Auditores, S.L. as the accounts auditor for CaixaBank and its consolidated group, for the fiscal years 2018, 2019 and 2020.

The selection process took place throughout 2016, pursuant to the criteria established in Regulation (EU) 537/2014, of 16 April, on the specific requirements for legal audits of public-interest entities. The Auditing and Control committee was responsible for this selection process, ensuring transparency, independence and objectivity at all times. In 2017, the Committee also made that the auditor was changed smoothly and seamlessly, and in a way which had the smallest possible impact for CaixaBank.

Explain any disagreements with the outgoing auditor and the reasons for the same.

[ ] Yes
[√] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or group:

[√] Yes
[ ] No

	Company	Company of the group	Total
Amount of non-audit work (thousands of euros)	283	817	1,100
Amount of non-audit work / amount of audit work (in %)	18.00	38.00	29.00

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
N° of fiscal years audited by the current auditing firm / N° of years that the company or the group has been audited (in %)	5.26	5.26

C.1.35 Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

[√] Yes
[ ] No

Details of procedure
Pursuant to article 22 of the Regulations of the Board of Directors, when carrying out their duties, Directors have the duty to demand and the right to obtain from the company any information they need to discharge their responsibilities. For such purpose, they may request information on any aspect of the Company and examine its books, records, documents and further documentation. The right to information extends to investee companies provided that this is possible. Requests for information must be directed to the Chairman of the Board of Directors, if they hold executive status, and otherwise to the Chief Executive Officer, who will forward the request to the appropriate party in the Company. If they deem that the information is confidential, they will notify the Director of this as well as their duty of confidentiality. Notwithstanding the above, documents must be approved by the Board. In particular, documents that cannot be fully analysed and discussed during the meeting due to their size are sent out to Board members prior to the Board meeting in question.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging Directors to inform the Board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

[√] Yes
[ ] No

Details of procedure
In addition to the provisions of section C.1.19, according to the stipulations of article 21 of the Regulation of the Board, the director must offer their resignation to the Board of Directors, and, if the latter deems it necessary, formalise the corresponding resignation when, due to circumstances attributable to the Director, their remaining on the Board causes serious harm to the corporate net worth or reputation, in the judgement of the Board.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the Corporation Act:

[ ] Yes
[√] No

C.1.38 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

Not applicable.

C.1.39 Identify individually, for directors, and collectively, in other cases, and provide details of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of operation.

Number of beneficiaries	31
Type of beneficiary	Description of the agreement
CEO and 2 members of the Committee, 4 Managers // 24 middle managers.	Chief Executive Officer: One year of the fixed components of his remuneration. 2 members of the Management Committee: up to 0.8 annual payments of the fixed components of their remuneration above that provided for at law. Furthermore, the Directors and members of the Management Committee have one year of fixed remuneration, paid in monthly instalments, to remunerate the agreement of non-competition. This payment would be discontinued were this covenant to be breached. 28 executives and middle managers: between 0.1 and 1.7 yearly payments of fixed remuneration above that required by law.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group, beyond the cases stipulated by regulations. If so, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	√	

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?	√	

The Board of Directors, in full session, is responsible for approving, subject to a report of the Remuneration Committee, within the system called for in the Articles of Association, the remuneration policies of the Board of Directors, of the Identified Staff and General Staff of the CaixaBank Group. It also approves Directors' remuneration and, in the case of executive Directors, the additional consideration for their management duties and other contract conditions, the appointment and removal of Senior Executives, as well as compensation clauses. Therefore, the Board of Directors only approves "golden parachute" clauses for the Entity's Chief Executive Officer and the 2 members of the Management Committee.

It should be noted that the Board Remuneration Policy includes detailed information on the remuneration of directors, particularly the CEO, and is approved by the General Meeting. For the other managers (4 beneficiaries) that are not considered senior management, and middle managers (24 beneficiaries) in the case of dismissal that does not give rise to the right to receive compensation, the impact would be irrelevant given that, in these cases, the clauses are absorbed by legal compensations.

C.2. Board Committees

C.2.1. Give details of all the board committees, their members and the proportion of proprietary and independent Directors.

AUDIT AND CONTROL COMMITTEE		
Name	Position	Director
ALAIN MINC	CHAIRMAN	Independent
JOSÉ SERNA MASIÁ	MEMBER	Proprietary
KORO USARRAGA UNSAIN	MEMBER	Independent
EDUARDO JAVIER SANCHIZ IRAZU	MEMBER	Independent

% of executive Directors	0.00
% of proprietary Directors	25.00
% of independent Directors	75.00
% of other external Directors	0.00

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit and Control Committee will be exclusively formed of non-executive Directors, in the number determined by the Board of Directors, between a minimum of three (3) and a maximum of seven (7). Most of the members of the Audit and Control Committee shall be independent and one (1) of them shall be appointed on the basis of their knowledge and experience of accounting or auditing, or both.

Furthermore, the Board of Directors will ensure that members of the Audit and Control Committee, particularly its Chairperson, have sufficient knowledge and experience in accounting, auditing or risk management, and in any other areas required for the Audit and Control Committee to fulfil all its duties.

Overall, and notwithstanding the principle to foster diversity, the members of the Audit and control Committee, who will be allocated in consideration of their capacity of dedication needed to fulfil the duties assigned to them, will have the required technical knowledge regarding the Company's activities.

The Audit and Control Committee will appoint a Chairman from among the independent Directors. The Chairman must be replaced every four (4) years and may be re-elected once a period of one (1) year from his departure has transpired. The Chairman of the Committee will act as a spokesperson in meetings of the Board of Directors, and, where relevant, in the Company's General Shareholders' Meetings.

This Committee will come together at the frequency needed to fulfil its duties, and will be convened by the Chairman of the Committee, either at his/her own initiative or at the requirement of the Chairman of the Board of Directors, or of two (2) members of the Committee itself.

Its duties include:
to report to the Annual General Meeting about matters posed by shareholders that are within the competence of the Committee and, in particular, on the result of the audit, explaining how this has contributed to the integrity of the financial information and the Committee's role in this process.
oversee the process of elaborating and presenting mandatory financial information regarding the Company and, where relevant, the Group, reviewing the Company accounts, compliance with regulatory requirements in this area, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria.
to ensure that the Board of Directors files the Annual Accounts to the General Shareholders Meeting, without limitations or qualifications in the audit report, and that, in the exception case whereby there are qualifications, ensure that the Chairman of the Committee and the auditors clearly explain the content and scope of said limitations or qualifications to shareholders.
to report to the Board of Directors, in advance, on the financial information, and related non-financial information, that the Company must periodically publish to the markets and its supervisory bodies;
to oversee the effectiveness of internal control systems, and discuss any weaknesses found in the internal control system that may have been detected during the audit with the auditor, all without violating its independence. For such purposes, and if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding deadline for their follow-up;
to oversee the efficiency of the internal audit, establish and supervise a mechanism which allows the employees of the Company or of the group to which it belongs, confidentially and, if deemed appropriate, anonymously, to report irregularities of potential significance, especially financial and accounting ones, which they observe within the Company, receiving periodical information on its functioning, and proposing any actions it deems relevant for improvement and reducing the risk of irregularities in the future.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of the directors with experience	ALAIN MINC
Date of appointment of the chairman	21/05/2015

APPOINTMENTS COMMITTEE		
Name	Position	Director
ALAIN MINC	MEMBER	Independent
JOHN S. REED	CHAIRMAN	Independent
MARÍA TERESA BASSONS BONCOMPTE	MEMBER	Proprietary

% of executive Directors	0.00
% of proprietary Directors	33.33
% of independent Directors	66.67
% of other external Directors	0.00

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments Committee will be formed by Directors that do not carry out executive duties, in the number determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) members, the majority of which being independent Directors. Members of the Appointments Committee will be appointed by the Board of Directors at the proposal of the Audit and Control Committee, and the Chair of the Committee will be appointed from among the independent Directors that form part thereof.

It will meet whenever considered appropriate for the good performance of their duties and the meetings will be called by their Chairperson, either by his/her own initiative, or when required by two (2) members of the Committee itself, and must do so whenever the Board or its Chair requests the issuance of a report or the adoption of a proposal.

Its duties include:
Evaluating and proposing to the Board of Directors the assessment of skills, knowledge and experience required of Board members and key personnel at the Company.
To submit to the Board of Directors the proposals for the nomination of the independent Directors to be appointed by co-option or for submission to the decision of the General Shareholders' Meeting, as well as the proposals for the reappointment or removal of such Directors by the General Shareholders Meeting;
Reporting on the appointment and, as the case may be, dismissal of the Lead Director, the Secretary and the Deputy Secretaries for approval by the Board of Directors.
To examine and organise, in collaboration with the Coordinating Director, and with the Chairman of the Board of Directors, the succession of the latter and of the Company's chief executive and, as the case may be, send proposals to the Board of Directors so that the succession process is suitably planned and takes place in orderly fashion.

Report to the Board on gender diversity issues, ensuring that the procedures for selecting its members favour a diversity of experience and knowledge, and facilitate the selection of female directors, whilst establishing a representation target for the less represented sex on the Board of Directors as well as preparing guidelines on how this should be achieved. In any case, it must always ensure compliance with the diversity policy applied in relation to the Board of Directors, which will be specified in the Annual Corporate Governance Report.
Periodically evaluate, at least once a year, the structure, size, composition and actions of the Board of Directors and of its committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these. Here, the committee shall act under the direction of the Lead Director when assessing the performance of the Chairman. It should also evaluate the composition of the Management Committee, as well as its replacement lists, to ensure proper coverage as members come and go.
Supervising the Company's activities when it comes to corporate social responsibility and submitting to the Board any proposals it deems appropriate here.

REMUNERATION COMMITTEE		
Name	Position	Director
JUAN ROSELL LASTORTRAS	MEMBER	Independent
ALEJANDRO GARCÍA-BRAGADO DALMAU	MEMBER	Proprietary
MARÍA AMPARO MORALEDA MARTÍNEZ	CHAIRMAN	Independent

% of executive Directors	0.00
% of proprietary Directors	33.33
% of independent Directors	66.67
% of other external Directors	0.00

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Remuneration Committee will be formed by Directors that do not carry out executive duties, in the number determined by the Board of Directors, with a minimum of three (3) and a maximum of five (5) members, the majority of which being independent Directors. The Chair of the Board will be appointed from among the independent Directors that form part of the Committee.

It will meet whenever considered appropriate for the good performance of their duties and the meetings will be called by their Chairperson, either by his/her own initiative, or when required by two (2) members of the Committee itself, and must do so whenever the Board or its Chair requests the issuance of a report or the adoption of a proposal.

Its duties include:
Draft the resolutions related to remuneration and, particularly, report and propose to the Board of Directors the remuneration policy for the Directors and Senior Management, the system and amount of annual remuneration for Directors and Senior Managers, as well as the individual remuneration of the Executive Directors and Senior Managers, and the other conditions of their contracts, particularly financial, and without prejudice to the competences of the Appointments Committee in relation to any conditions that it has proposed not related to remuneration. Ensuring compliance with the remuneration policy for Directors and Senior Managers as well as reporting the basic conditions established in the contracts of these and compliance of the contracts.
Reporting and preparing the general remuneration policy of the Company and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of the Company and those that are intended to prevent or manage conflicts of interest with the Company's customers.
Analyse, formulate and periodically review the remuneration programmes, weighing up their adequacy and performance and ensuring compliance.

RISKS COMMITTEE		
Name	Position	Director
ANTONIO SÁINZ DE VICUÑA Y BARROSO	CHAIRMAN	Independent
IGNACIO GARRALDA RUIZ DE VELASCO	MEMBER	Proprietary
KORO USARRAGA UNSAIN	MEMBER	Independent
EDUARDO JAVIER SANCHIZ IRAZU	MEMBER	Independent
CAJA CANARIAS FOUNDATION	MEMBER	Proprietary

% of executive Directors	0.00
% of proprietary Directors	40.00
% of independent Directors	60.00
% of other external Directors	0.00

Explain the duties exercised by this committee, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Risk Committee will be exclusively formed of non-executive Directors, with the relevant knowledge, capacity and experience to fully understand and control the Company's risk strategy and appetite, in the number determined by the Board of Directors, between a minimum of three (3) and a maximum of six (6) members, the majority of which being independent Directors.

This Committee will come together at the frequency needed to fulfil its duties, and will be convened by the Chairman of the Committee, either at his/her own initiative or at the requirement of the Chairman of the Board of Directors, or of two (2) members of the Committee itself.

Its duties include:

To advise the Board of Directors on the overall susceptibility to risk, current and future, of the entity and its strategy in this area, reporting on the risk appetite framework, assisting in the monitoring of the implementation of this strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and implementing the monitoring of the appropriateness of the risks assumed and the profile established.
Propose to the Board the Group's risk policy.
Determine with the Board of Directors, the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish what the Committee should receive.
Regularly review exposures with its main customers and business sectors, as well as broken down by geographic area and type of risk.
Examine the Group's risk reporting and control processes, as well as its information systems and indicators.
Evaluation of the regulatory compliance risk in its scope of action and determination, understood as the risk management of legal or regulatory sanctions, financial loss, material or reputational that the Company could suffer as a result of non-compliance with laws, rules, regulation standards and codes of conduct, detecting any risk of non-compliance and carrying out monitoring and examining possible deficiencies in the principles of professional conduct.
Report on new products and services or significant changes to existing ones.

EXECUTIVE COMMITTEE		
Name	Position	Director
ANTONIO SÁINZ DE VICUÑA Y BARROSO	MEMBER	Independent
MARÍA VERÓNICA FISAS VERGÉS	MEMBER	Independent
JAVIER IBARZ ALEGRÍA	MEMBER	Proprietary
TOMÁS MUNIESA ARANTEGUI	MEMBER	Proprietary
JORDI GUAL SOLÉ	CHAIRMAN	Proprietary
FRANCESC XAVIER VIVES TORRENTS	MEMBER	Independent
MARÍA AMPARO MORALEDA MARTÍNEZ	MEMBER	Independent
GONZALO GORTÁZAR ROTAECHE	MEMBER	Executive

% of executive Directors	12.50
% of proprietary Directors	37.50
% of independent Directors	50.00
% of other external Directors	0.00

Explain the duties exercised by this committee, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how they have exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The composition of the Executive Committee, which reflects the composition of the Board, and the rules of its operations, will be determined by the Board of Directors.

The Chairman and Secretary of the Board of Directors will also be the Chairman and Secretary of the Executive Committee.

The appointment of members of the Executive Committee and the permanent delegation of powers from the Board on the same will require the favourable vote of at least two thirds of the members of the Board of Directors.

The Executive Committee will meet as often as it is called by its Chairman or whoever replaces him/her in his/her absence, as occurs in the event of vacancy, leave, or incapacity, and will be validly assembled when the majority of its members attend the meeting, either personally or by representation.

The resolutions of the Committee will be adopted by the majority of the members attending the meeting in person or represented by proxy and will be validated and binding without the need for later ratification by the full Board of Directors, notwithstanding that spelled out in article 4.5 of the Regulations of the Board of Directors.

The Executive Committee will inform the Board of the main matters it addresses and the decisions it makes thereon at its meetings.

The Executive Committee has been delegated all of the responsibilities and powers available to it both legally and under the Company's articles of the Executive Committee is subject to the limits established in article 4 of the Regulations of the Board of Directors.

C.2.2 Complete the following table with information regarding the number of female directors who were members of board committees at the close of the past four years:

	Number of women Directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
REMUNERATION CONTROL COMMITTEE	1	25.00	1	33.33	1	33.33		0.00
REMUNERATION COMMITTEE	1	33.33	2	66.67	2	66.67	2	66.67
REMUNERATION COMMITTEE	1	33.33	2	66.67	1	33.33	1	33.33
EXECUTIVE COMMITTEE	2	40.00	1	25.00	1	25.00	1	20.00
EXECUTIVE COMMITTEE	2	25.00	2	25.00	1	14.29	2	25.00

With respect to the information on the participation of female directors on the Appointments committee, the Remuneration Committee and the Risk Committee, it is essential to specify that, up to 25 September 2014, there were three commissions of the Board of Directors, namely: the Appointments and Remuneration Committee, the Audit and Control Committee and the Executive Committee. Thereafter, and pursuant to Law 10/2014 on the organisation, supervision and solvency of credit institutions, the CaixaBank Board of Directors resolved to change the Appointments and Remuneration Committee into an Appointments Committee, create a Remuneration Committee and a Risks Committee, and amend the Regulations of the Board of Directors accordingly to incorporate the provisions of the new Law and establish the duties of the new Board Committees. These changes resulted in the Bank having five Board Committees, namely: Appointments Committee, Remuneration Committee, Risk Committee, Audit and Control Committee and Executive Committee

C.2.3 Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

EXECUTIVE
COMMITTEE Brief
description

There are no specific regulations for the Board committees. The Executive Committee is governed by the applicable legislation, the company's Articles of Association and the Regulations of the Board of Directors. In aspects not specifically laid out for the Executive Committee, the operational rules governing the Board itself will be applied, by virtue of the Regulation of the Board available on the CaixaBank corporate website (www.caixabank.com).

There is no express mention in the Company's Articles of Association that the Committee must prepare an activities report. Nevertheless, in the meeting of 8 February 2018, the annual report of activities covering the main aspects of the regulation of the committee in the various corporate documents was approved, as well as the assessment of their functioning during 2017. Furthermore, in the meeting of December 2018, the annual activity report was approved, along with the assessment of its functioning for 2018.

AUDIT AND CONTROL COMMITTEE
Brief description

There are no specific regulations for the Board committees. The organisation and functions of the Auditing and Control Committee are detailed in the Regulation of the Board, which is available on the CaixaBank corporate website (www.caixabank.com) as well as its composition and structure.

In accordance with the provisions of article 14.3 (e) of the Regulation of the Board, and applicable standards, in the meeting of 8 February 2018, the Auditing and Control Committee approved its annual report on its functioning, highlighting the main incidents regarding its functions, if any have arisen, as well as the assessment of its functioning during 2017.
Furthermore, in the meeting of December 2018, the annual report on its functioning was approved, along with the assessment of its functioning for 2018.

RISKS COMMITTEE
Brief description

There are no specific regulations for the Board committees. The organisation and functions of the Risks Committee are detailed in the Regulation of the Board, which is available on the CaixaBank corporate website (www.caixabank.com) as well as its composition and structure.
In accordance with the provisions of article 14.3 (e) of the Regulation of the Board, and applicable standards, in the meeting of 8 February 2018, the Risk Committee approved its annual report on its functioning, highlighting the main incidents regarding its functions, if any have arisen, as well as the assessment of its functioning during 2017.
Furthermore, in the meeting of December 2018, the annual report on its functioning was approved, along with the assessment of its functioning for 2018.

APPOINTMENTS COMMITTEE
Brief description

There are no specific regulations for the Board committees. The organisation and functions of the Appointments Committee are detailed in the Regulation of the Board, which is available on the CaixaBank corporate website (www.caixabank.com) as well as its composition and structure.
In accordance with the provisions of article 15.4 (vi) of the Regulations of the Board, and applicable standards, in its meeting of 31 January 2018, the Appointments Committee approved its annual activity report, which includes the assessment of its performance during 2017.
Furthermore, in the meeting of December 2018, the annual report on its activities was approved, which includes the assessment of its functioning for 2018.

REMUNERATION COMMITTEE
Brief description

There are no specific regulations for the Board committees. The organisation and functions of the Remuneration Committee are detailed in the Regulation of the Board, which is available on the CaixaBank corporate website (www.caixabank.com) as well as its composition and structure.
In accordance with the provisions of article 15.4 (vi) of the Regulations of the Board, and applicable standards, in its meeting of 16 February 2018, the Appointments Committee approved its annual activity report, which includes the assessment of its performance during 2017.
Furthermore, in the meeting of December 2018, the annual report on its activities was approved, which includes the assessment of its functioning for 2018.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

The Board of Directors, as a plenary body, shall approve, subject to a report from the Audit and Control Committee of the operations that the Company or companies of its group perform with Directors, in terms established by Law, or when the authorisation corresponds to the Board of Directors, with shareholders holding (individually or in concert with others) a significant stake, including shareholders represented in the Board of Directors of the Company or of other companies forming part of the same group or with persons related to them (Related Party Transactions). The operations that simultaneously meet the following three characteristics will be exempt from the need for this approval:

a. they are governed by standard-form agreements applied on an across-the-board basis to a large amount of clients;

b. they are carried out at generally-established prices or rates by whoever is acting as the administrator of the good or service in question; and

c. their amount is no more than 1% of the company's annual revenue.

Therefore, the Board of Directors or, in its absence other duly authorised bodies or persons (for reasons of urgency, duly justified and in the scope of the authorisation conferred. In these cases the decision must then be ratified at the first Board meeting held following its approval) shall approve related-party transactions subject to a favourable report from the Audit and Control Committee. Any Directors affected by the approval of these transactions shall abstain from the debate and voting on the transactions.

With respect to the relationships of significant shareholders with a holding of higher than 30%, as explained in Note A.8 of section H.1 of this Report, Act 26/2013, on savings banks and banking foundations, establishes the obligation for banking foundations to approve a financial participation management protocol, which, inter alia, must address the general criteria for performing transactions between the banking foundation and the investee credit institution, and the mechanisms for avoiding any potential conflicts of interest. Accordingly, the "la Caixa" Banking Foundation approved its Protocol for managing its ownership interest in CaixaBank. On 22 February 2018, in accordance with the stipulations of the Management Protocol, the 'La Caixa' Banking Foundation, as the parent company of the 'La Caixa' Group, CriteriaCaixa, as a direct shareholder of CaixaBank, and CaixaBank, as a listed company, entered into a new Internal Relations Protocol (available on the corporate website), which, inter alia, establishes the general criteria for performing transactions or providing services under market conditions, and identifies the services that Companies of the 'La Caixa' Banking Foundation Group provide or could provide to Companies of the CaixaBank Group, and, likewise, those that Companies of the CaixaBank Group provide or could provide to Companies of the 'La Caixa' Banking Foundation Group. The Protocol establishes the circumstances and terms for approving transactions. In general the Board of Directors is the competent body for approving these transactions. In certain cases stipulated in Clause 3.4 of the Protocol, certain intragroup transactions will be subject to prior approval from the CaixaBank Board of Directors, which must have a report issued in advance by the Auditing Committee, whereby the same applies for all other signatories of the Protocol.

Intragroup transactions are regulated by the Internal Relations Protocol between the CaixBank and Banco BPI. This sets, inter alia, the general criteria to carry out transactions or provide intragroup services under market conditions, as well as identifying the services which CaixaBank Group companies provide and may provide to BPI Group companies and those which BPI Group companies provide or may provide, in turn, to CaixaBank Group companies. The Protocol establishes the circumstances and terms for approving intragroup transactions. In general the Board of Directors is the competent body for approving these operations.

It should be noted that certain intragroup operations described in Clause 3.3, given their importance, shall be subject to prior approval of the CaixaBank Board of Directors which must be in possession of a prior report from the Audit and Control Committee and also of the Banco BPI, in which case, the Board of Directors must be in possession of a report from its Tax Board.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity in the group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CRITERIA CAIXA, SAU	CAIXABANK, S.A.	Corporate	Dividends and other profit distributed	358,881
CRITERIA CAIXA, SAU	CAIXABANK, S.A.	Commercial	Other instruments that could imply a transfer of resources of or obligations between the Company and the related party	1,100,000

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or Directors.

Name or corporate name of the administrators or managers	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousands of euros)
No data				N.A.

All transactions were carried out in the ordinary course of business and on an arm's length basis. Note 41 of the consolidated financial statements shows the balances with managers and Directors in aggregate form for 2018.

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Name of the company in its group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

Note 41 of the consolidated financial statements shows the balances with CaixaBank Group associates and joint ventures in aggregate form as well as additional breakdowns 2018.

D.5 State any significant transactions conducted between the company or other companies in its group with other related parties, which have not been reported in the previous sections:

Name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

All transactions were carried out in the ordinary course of business and on an arm's length basis.
Note 41 of the consolidated financial statements shows the balances with managers and Directors in aggregate form for 2018.

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its Directors, management or significant shareholders.

Directors and Executives
Article 29 of the Regulations of the Board of Directors regulates the duty not to compete of company Directors. This non-competition prohibition can only be lifted if the Company is not expected to incur damages or it is expected that it will be indemnified for an amount equal to the benefits expected to be obtained from the exemption. The obligation to abide by the conditions and guarantees provided by the dispensation agreement and, in any case, the obligation to abstain from participating in the deliberations and voting in which there is a conflict of interest shall be applicable to the Director who has obtained the dispensation, all of this in accordance with the provisions of current legislation.
Pursuant to article 30 of the Regulations, Directors shall avoid situations which may imply a conflict of interest between the Company and themselves or persons related thereto, taking for these purposes any measures that may be necessary. In all cases, Directors must inform the Board of Directors of the situations of direct or indirect conflict that they or persons related thereto may have with the interests of the Company and these shall be disclosed in the notes to the financial statements.
Furthermore, article 3 of the Code of Conduct on Matters relating to the Securities Market of CaixaBank stipulates that Concerned Persons shall include members of the Board of Directors, and senior executives and members of the Company's Management Committee. Section VII of the Regulation establishes the Company's Policy on Conflicts of Interest, and article 43 thereof states the Duties in place in the event of personal or family-related conflicts of interest among those subject to the policy, including to always act with freedom of judgement, with loyalty to CaixaBank, its shareholders and its customers, to abstain from intervening in or influencing decisions that may affect people or companies with which there are conflicts of interest, and to inform the Monitoring Body of the Department of Regulatory Compliance of such. Significant shareholders
With a view to strengthen transparency and good governance in the Company, and in accordance with the stipulations of the Financial Participation Management Protocol of the 'La Caixa' Banking Foundation, the 'La Caixa' Banking Foundation, as the parent company of its Group, and CriteriaCaixa, as the direct shareholder of CaixaBank, and CaixaBank, as a listed company, entered into a new internal relations protocol, which is available on the Company's corporate website, as explained in Note A.8 of section H.1 of this Report.
The new Protocol, currently in force, has the following primary objectives: manage related operations derived from the execution of transactions or the provision of services; establish mechanisms to try to avoid conflicts of interest; provide for the granting of a right of first refusal in favour of "la Caixa" Banking Foundation, in the event of the transfer of Monte de Piedad, of which it is the owner; cover the basic principles of a potential collaboration between CaixaBank and the 'La Caixa' Banking Foundation in terms of CSR; regulate the proper flow of information so that the 'La Caixa' Banking Foundation, Criteria and CaixaBank can elaborate their financial statements and comply with periodical information and supervision obligations. The Protocol lays down the procedures to be followed by CaixaBank and "la Caixa" Banking Foundation with regard to, inter alia, conflicts of interest, their relationship with core shareholders, related party transactions and the use of privileged information, pursuant to prevailing legislation at all times.

D.7. Is more than one group company listed in Spain?

[ ] Yes
[√] No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including those of a tax nature:

The Company hereby states that of the descriptions contained in CNMV Circular 7/2015, of 22 December, regarding the scope of entities' risk management systems, that which best describes the Company's is number 1, namely: "The Risk Management System functions in an integrated and continuous manner, with each area, business unit, activity, subsidiary, geographical area and support area (for example human resources, marketing or management control) managing risk at a corporate level."
In other words, risk control is fully integrated into the business and the organisation plays a proactive role in ensuring that it is implemented. The Board of Directors determines the risk control and management policies and strategies. To this end it is advised by the Risks Committee, which also regularly reviews the policy in depth.
Senior Management participates directly in this process, maintaining the framework of internal control, ensuring that the Group is prudent in its execution, and in continuous strategic and financial management and planning processes, which guarantee a fit to the Group's profile and risk appetite. The Risk Management System is comprehensive and integrated, and is adapted and streamlined for application at subsidiaries and business units, while adhering to materiality and reasonableness criteria.
The Risk Management System itself is comprised of the following elements:
• Governance and organisation: The governing bodies are the Annual General Meeting and the Board of Directors, which have the powers that, respectively, are assigned to them under the Law and in the Articles of Association, and in accordance with them, in those developments established in the Regulations of each body. As a result, the Company is administrated and governed by its Board of Directors, which is its representative body, and, apart from areas that are competence of the General Meeting, is the highest decision-making body.
• Strategic risk management processes, which include:
Risk assessment: The Group conducts a twice-yearly own risk assessment for all risks in the Risk Catalogue, which incorporates an identification process for emerging risks that could be incorporated into the Catalogue.
Risk Catalogue: The Group has a Corporate Risk Catalogue, updated in December 2018, which facilitates the internal and external monitoring and reporting of the Group's risks, divided into three main categories: Business Model Risks, Specific risks for the Bank's financial activity, and Operational and Reputational Risk, which includes risks of a fiscal nature (further information is provided in section E.3).
Risk Appetite Framework (RAF): A comprehensive and forward-looking tool used by the CaixaBank Group's Board of Directors to determine the types and thresholds of risk it is willing to assume in achieving the Group's strategic objectives for all risks included in the Catalogue.
Risk planning: The Group has institutional processes and mechanisms in place for assessing changes to the Group's risk profile (recent, future and hypothetical in stress scenarios).
• Risk culture at CaixaBank: It is constantly evolving. It is articulated around general risk management, as well as other drivers, such as:
i. Training, exemplified by the so-called 'School of Risks', where training is given as a strategic tool to support business departments in matters of risk, whilst serving as the channel for transmitting the Group's culture and risk policies to allow for appropriate management, offering training, information and tools to all the Group's professionals.
ii. Information – publication of the general risk management principles, standards, circulars and manuals, communications in the monthly meetings of the CEO and Senior Management with the heads of the network and Central Services, etc. - and
iii. Incentives –the impact on the variable remuneration of certain levels of Executives according to the annual development of compliance with the Framework of Risk Management.

CONTINUES IN SECTION H

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk:

The governing bodies are the Annual General Meeting, as the representative body and the Board of Directors, which is, except for matters within the powers of the Annual General Meeting, the bank's senior decision-making body. Within its responsibilities, the Board determines and monitors the business model and the strategy, and monitors the Strategic Risk Management Process: a result of the risk assessment process, this establishes the Corporate Risk Catalogue and the Framework of Risk Appetite, and is responsible for the policies of internal governance and risk management and control, overseeing the organisation of its implementation and surveillance. The Board of Directors has created several committee, including the Risks Committee, whose functions are described below.
Risk Committee
The Risk Committee comprises exclusively non-executive Directors who possess the appropriate knowledge, skills and experience to fully understand and manage the risk strategy and risk propensity, where a majority must be independent Directors.
The main functions of this committee are to:

- Advise the Board of Directors on the Bank’s overall susceptibility to risk, current and future, and its strategy in this area, reporting on the Risk Appetite Framework.
- Propose the Group’s risk policy to the Board, including the different types of risk to which the Entity is exposed, the information and internal controls systems use to control and manage these risks and the measures in place to mitigate the impact of identified risks should these materialise.
- Determine with the Board of Directors, the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish what the Committee should receive.
- Regularly review exposures with its main customers and business sectors, as well as broken down by geographic area and type of risk.
- Examine the Group's risk reporting and control processes, as well as its information systems and indicators.
- Evaluate regulatory compliance risk in its scope of action and decision making, monitoring the risk and examining any possible deficiencies in the principles of professional conduct.
- Report on new products and services or significant changes to existing ones.

Organisational structure
General Risks Division
Within the executive team, the Chief Risk Officer, a member of the Management Committee, is the head of the Group's risks, independent from all the business departments, both from a hierarchical and functional perspective. S/he has direct access to the Group's Governance Bodies. One of the General Management's most important missions, in collaboration with other areas of the Group, is to head the process of implementing instruments across the entire branch network to ensure integral risk management under Basel guidelines, the ultimate aim
being to attain a balance between the risks assumed and the expected returns.
The CRO has organised his team as follows:

- Retail Credit Loan Officer & Service Line, responsible for the comprehensive management of the retail portfolio, the risk management models, infrastructure, transformational projects and innovation, as well as unified data management (RDA).
- The Business Credit Loan Officer, responsible for the comprehensive management of the portfolio of all other business segments and specialised sectors (Businesses and SMEs, Corporate, Public Sector, Sovereign, Financial Institutions, Real Estate, Project Finance, the Tourism Sector and Agri-food).
- Payment Arrears and Restructurings, responsible for analysing and approving operations to manage impaired credit exposures, e.g. through refinancing or restructuring, for all segments.
- Management of the Real Estate Building Centre, which controls and monitors real estate investments and divestments, and is responsible for the policies associated to property management.
- Corporate Risk Management Function & Planning (RMF), responsible for implementing the Group's risk strategy, monitoring all the assigned risks at the corporate level: financial (credit, market, liquidity, etc.) and non-financial (model, operational, IT, sustainability etc.).
- Environmental Risk Management, in charge of the new responsible creation of environmental management from the perspective of the Group's credit risk.

CONTINUES IN SECTION H

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree-Law 18/2017), to the extent that they are significant, which may affect the achievement of business objectives:

In the business model

- Business returns risk

Obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital.

- Eligible own funds / Capital adequacy

Risk caused by a restriction of the CaixaBank Group's ability to adapt its level of capital to regulatory requirements or to a change in its risk profile.

- Funding and liquidity

Risk of insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.
Affecting financial activity

- Credit

Loss of value of the assets of the CaixaBank Group against an offsetting entry due to the impairment of the capacity thereof to face their commitments

- Impairment of assets

Reduction of the book value of shareholdings and non-financial assets (tangible, intangible, deferred tax assets (DTA) and other assets) of the CaixaBank Group.

- Market

Risk of decreased value of assets or increased value of liabilities held in the Group's investment portfolio, due to fluctuations in interest rates, credit spreads, external factors, or market prices related to the traded assets and liabilities.

- Interest rate risk in the banking book

Negative impact on the economic value of the balance sheet's items or on the financial margin due to changes in the temporary structure of interest rates and its impact on asset and liability instruments and those off the Group's balance sheet not recorded in financial assets held for trading.

- Actuarial

The risk of loss or adverse change in the value of liabilities undertaken through insurance or pension contracts with customers or employees resulting from a divergence between actuarial variables used for pricing and reserves, and their real performance.

Operational and reputational

- Legal/Regulatory

The potential loss or decrease in the profitability of the CaixaBank Group as a result of changes in the legislation or in the regulation in force or due to conflicts of standards (in any field, including tax), in its interpretation or application by the corresponding authorities, or in its transfer to administrative or court rulings.

- Conduct and Compliance

Risk of CaixaBank applying criteria for action contrary to the interests of its clients or other stakeholder groups, or actions or omissions by the Group that are not compliant with the legal or regulatory framework, or with internal policies, rules or procedures.

- Technological

Losses due to the unsuitability or failures of the hardware or software of technological infrastructures, due to cyber attacks or other circumstances, which can compromise the availability, integrity, accessibility and security of infrastructure and data.

- Operating processes and external events

Losses or damages caused by operating errors in processes related to the Group's activity, due to external events that are beyond the Group's control, or by third parties external to the Group, whether accidentally or intentionally. This includes errors in the management of suppliers, model risk, and the custody of securities.

- Reliability of financial information

Deficiencies in the accuracy, integrity and criteria of the process used when preparing the data necessary to evaluate the financial and equity position of the CaixaBank Group.

- Reputational

The undermining of competitive capacity due to reduced trust in CaixaBank among any of its stakeholders, based on the assessment that said groups conduct of its activities or omissions, whether carried out by or attributed to the Group, its Senior Management, its Governing Bodies or due to the bankruptcy of related non-consolidated companies (Step-In risk).

The fiscal risk, understood as the risk of negative effects for financial statements and/or the Group's reputation, derived from decisions of a tax nature adopted either by the company itself or by tax and judicial authorities, would be covered by the management and control of the legal/regulatory risk.

The potential risks derived from corruption would be covered by the management and control of the risk of conduct and compliance, primarily in the areas related to complying with the bank's ethical and integrity values, as well as those related to the prevention of money laundering and terrorist financing.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk:

CaixaBank has a definition of risk tolerance levels, covered in the so-called Framework of Risk Appetite (already discussed in point E.1, as an integral part of the strategic risk management processes). The Risk Appetite Framework is a comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds of risk it is willing to assume to achieve the Group's strategic objectives. The RAF therefore sets the risk appetite for the activity.

The Board of Directors has established four key dimensions (qualitative statements) expressing the Group's aspirations regarding the main risks included in the Corporate Risk Catalogue. These are the following:

- Loss buffer: the objective is to maintain a medium-low risk profile and a comfortable capital adequacy, to strengthen customers' trust through financial solidity.
- Liquidity and Funding: the certainty in being able to meet financial obligations and requirements, including in adverse conditions, through stable and diversified financing.
- Composition of the business: leadership in retail banking and the generation of income and balanced, diversified capital.
- Franchise: activity with high standards of ethics and governance, fostering sustainability, action and operational excellence.

Similarly, there are statements regarding minimum risk appetite, including the monitoring of fiscal risk as part of legal and compliance risk.

In line with best practices in the financial sector, the structure of the Framework complements these statements with management indicators and levers to transmit these practices, in a consistent, clear and efficient manner, to the management of the business and of the risks. The Framework constitutes a pyramid structure that culminates in Tier 1 principles and indicators, supplemented by more detailed metrics (Tier 2). All of this is included in the day-to-day activity and employee decision-making through management mechanisms (Tier 3).

- Level 1 comprises the Risk Appetite Statement and key metrics, which are assigned tolerance and non-compliance thresholds. The Board of the Directors defines, approves, monitors and can modify this level at the frequency defined by the Corporate Policy of Strategic Risk Processes, with specialised consulting and ongoing monitoring by the Risks Committee.

“Tolerance” and "Breach" levels are set for each of the metrics via a system of traffic lights alerts:

- “Green traffic light”: target risk
- "Amber traffic light": early warning
- “Red traffic light": non-compliance

There is also a "Black traffic light" for certain metrics included in the Recovery Plan. Once this is activated, certain internal communication and governance processes are triggered based on the established severity of the situations. This ensures a comprehensive and scaled monitoring process of potential impairments in the Group's risk profile.

- Level 2 includes more detailed metrics, which are monitored by the management team, especially the Global Risk Committee. These indicators tend to derive from the factorial decomposition of Level 1 or from a greater breakdown of the contribution to the higher tier of risk portfolios or business segments. They also include the most complex and specialised risk measurement parameters, enabling risk management units to take level 1 metrics into account in the decision-making process.

The Board of Directors is thus assured that its management team monitors the same risks, and more exhaustively, so as to identify and prevent potential deviations from the risk profile established.

• Finally, level 3 represents the management mechanisms that the management team - through the business units and areas responsible for the intake, monitoring and control of each risk - defines and implements to bring execution into line with the established Framework. These mechanisms are:
1.Training and communication as key vehicles through which the risk culture is instilled.
2.The methodologies used to measure risk and assets-liabilities, which are crucial to monitoring the RAF properly.
3.The definition of risk approval, management and control policies, including limits and approval powers in the different levels of the organisation and in governance.
4.The incentives and appointments, used as key tools in HR policies, which help shape staff conduct.
5.The tools and processes used to properly construct and monitor the RAF and introduce the metrics and thresholds thereof in the relevant environments.
For more information (e.g. the risk assessment process), see Note 3 of the Consolidated Annual Accounts of the CaixaBank Group corresponding to 2018.

E.5. Identify any risks, including fiscal, which have occurred during the year:

For informative purposes, here is a summary of the main figures that characterised the credit risk in 2018:

• On 31 December 2018, the NPL of the Group were at 11.195 billion euros, representing a decrease of 3.11 billion euros compared with 2017 year-end.
• The NPA ratio of the Group, at 4.7% (6% Dec 17) compares very favourably with that of private-sector residents of the whole system, which went from 7.8% (Dec 17) to 6% (Oct 18).
• Property development and foreclosed assets: On 31 Dec 18, the gross amount of financing used for property development for the Group was 6,829 million euros (7.101 on 31 Dec 17), and the net book value of foreclosed real estate assets (available-for-sale portfolio) amounted to 0.7 billion euros on 31 Dec 18, representing a notable decrease from 5.9 billion euros on 31 Dec 17.
• To cover non-performing assets, in 2018, the Group accounted for loan-loss provisions of 97 million euros (799 in 2017), discounting recoveries. Including these provisions, the total funds for loan losses amounted to 6.014 billion euros at 2018 year end (7.135 at 2017 year end). The coverage ratio increased to 54% (+4% in the year).
• All this culminates in a Cost of Risk of 0.04% in 2018 vs. 0.34% in 2017.

The proper functioning of risk management and control systems in 2018 contributes significantly to the Group's sustainability ability to generate value over the long term. In this respect, we can highlight the significant reduction of problematic and non-core assets, as well as the increase in healthy credit investments.

For more information, see Note 3 of the Consolidated Annual Accounts of the CaixaBank Group corresponding to 2018.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise:

Due to a limitation of space, see the response in the 'Appendix to the IAGC 2018', attached to section H.

F. INTERNAL CONTROL AND MANAGEMENT SYSTEMS RELATING TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1. Entity control environment.

Specify at least the following components with a description of their main characteristics:

F.1.1 Which bodies and/or functions are responsible for: (I) the existence and maintenance of a suitable and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CaixaBank has formally assumed responsibility for ensuring the existence of a suitable and effective ICFR and has delegated powers to Financial Accounting, Control and Capital (FACC) to design, implement and monitor the same.
Article 40.3 of CaixaBank's Bylaws, states that the Audit and Control Committee's responsibilities will include at least the following:

- Overseeing the effectiveness of the Company's internal control environment, internal audit and risk management systems, and discussing with auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit.
- To oversee the process for preparing and submitting regular mandatory financial information.

In this regard, the Audit and Control Committee is charged with overseeing ICFR. Its oversight activity seeks to ensure ICFR's continued effectiveness, gathering sufficient evidence of its correct design and operation.
Furthermore, we should highlight that the Global Risk Committee is responsible for knowing and analysing the most relevant events and changes in the policies and methodologies regarding the admission, monitoring, mitigation and management of impairment or incidents of all risks under the scope of monitoring and management (as well as the reliability of financial information, inter alia), approved by the corresponding committees, and for monitoring the impact on the Company's different departments.
Meanwhile, the Risks Committee is responsible for advising the Board of Directors on the global risk propensity, present and future, and its strategy, reporting on the framework of risk appetite, assisting in the surveillance of this strategy's application, ensuring that the Group's actions are consistent with the previously decided level of risk tolerance, and monitoring the level of suitability of the risks assumed with the established profile.
This assigning of responsibilities has been disseminated to the organisation in the "Internal Control over Financial Reporting" policy and the equivalent Regulation.
The ICFR Policy was approved by the Board of Directors. It describes the most general aspects of ICFR such as the financial information to be covered, the applicable internal control model, policy supervision, custody and approval, etc.
For its part, the ICFR Regulation has been approved by the Management Committee. It outlines the Internal Control over Financial Reporting Function (hereinafter, ICFR), whose responsibilities are:

- Oversee that the practices and processes in place at the Company ensure the reliability of the financial information and compliance with applicable regulations.
- Assess whether the financial information reported by the various companies comprising the CaixaBank Group complies with the following principles:

i. The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
ii. The information includes all transactions, facts and other events in which the bank is the affected party (completeness).
iii. The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
iv. Transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).
v. The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

Both regulations allow for disseminating a common methodology in the Group. All CaixaBank Group entities that have an ICFR model act in a coordinated manner. We should highlight that, following the takeover of BPI in 2017, a project to homogenise the methodology applied began, and is currently ongoing.
The Policy and the Regulation both describe the three lines of defence model applicable to ICFR:
- First line of defence: This comprises the Group's business units and support areas, which are responsible for identifying, measuring, controlling, mitigating and reporting the key risks affecting the Group as it carries out its business.
- Second line of defence: This acts independently from the business units, and has the function of covering the risks from the Group's Corporate Risk Map, ensuring the existence of risk management and control policies and procedures, monitoring their application, assessing the control environment and reporting all of the Group's material risks. It includes the ICFR Function, which focuses its actions on the "Reliability of financial information" risk.

- Third line of defence: Internal Audit, which is responsible for assessing the effectiveness and efficiency of risk management and the internal control systems, applying principles of independence and objectivity.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

Reviewing and approving the organisational structure and the lines of responsibility and authority at the bank by CaixaBank's Board of Directors, through its Management Committee and Appointments Committee. The area of the Organisation designs the organisational structure of CaixaBank and proposes to the bank's governing bodies any suitable changes. Then, the General Human Resources and Organisation Division proposes the people to be appointed to carry out the duties defined.
The lines of responsibility and authority for drawing up the entity's financial information are clearly defined. It also has a comprehensive plan which includes, amongst other issues, the allocation of tasks, key dates and the various revisions to be carried out by each of the hierarchical levels. Both the above-mentioned lines of authority and responsibility and planning have been duly documented and all of those people taking part in the financial reporting process have been informed of the same.
We should also highlight the existence of the 'Policy on the dissemination and verification of financial information', approved by the Board of Directors. Its main objectives are:
- Define the scope of information to disclose, the general policy and criteria related to control and verification of financial information.
- Provide the bank with a reference framework that allows management of the reliability risk of the financial information to be disclosed, and standardising control activities.
- Define the governance framework to be followed both for information to disclose and for verification of documentation.

Under this Policy, verification of information to be disclosed is structured around three main points:
- Suitability and quality of information. That is, when information is disclosed, it meets the specifications in current regulations with respect to criteria, content and type of information to be disclosed, and it is also subject to a control environment that can provide a reasonable degree of assurance with regard to quality.
- Compliance with the internal governance prior to disclosure of information.
- Compliance with periodicity and disclosure deadlines.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

CaixaBank has a Code of Ethics and Principles of Action, which is the highest-level standard in the Bank's internal regulations hierarchy, approved by its Board of Directors. This establishes the values (leadership, trust and social commitment) and ethical principles behind its actions, and which must govern the activity of all employees, executives and members of the board of directors. These principles are as follows: compliance with laws and regulations, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.
As the Code establishes, CaixaBank undertakes to provide its customers with accurate, truthful and understandable information on its operations, fees and procedures for filing claims and resolving incidents. Furthermore, CaixaBank makes all relevant financial and corporate information available to its shareholders, in accordance with regulations in force.
The Code of Ethics is available on CaixaBank's website (www.caixabank.com), in the section Corporate Responsibility, and is accessible to all the Company's stakeholders. This can also be found in the Compliance and Corporate Social Responsibility portals in the Bank's Corporate Intranet, and in the Financial Terminal.
Derived from the values and ethical principles stipulated in the Code of Ethics, CaixaBank has elaborated a Code of Conduct regarding specific issues. Some of the most relevant aspects of this are:
I. Crime Risk Compliance Policy

Approved by the Board of Directors, this lays out the CaixaBank Criminal Prevention Model. Its objective is to prevent and avoid crimes within the organisation, following the stipulations of the Criminal Code, in relation to the criminal responsibility of the corporate person. Through this Policy, the Company has strengthened its model of organisation, prevention, management and control, which is designed according to the culture of compliance that articulates decision-making in all tiers of CaixaBank.

II. Anti-corruption Policy

Its objective is to prevent the Company and its employees from incurring in any kind of conduct that contradicts CaixaBank's regulatory stipulations and basic principles of action. It is accessible on the CaixaBank website.

Among other sections, the Policy includes rules on accepting and giving Gifts, relationships with political parties, sponsors, travel expenses and representation, donations and provisions to foundations and NGOs, and principles of action regarding risk providers.

Furthermore, it details the types of conduct, practices and activities that are prohibited, in order to avoid situations that could constitute extortion, bribery, facilitation payments or influence peddling.

III. International Regulation on Market Conduct

The objective of this Regulation, approved by the CaixaBank Board of Directors, is to adapt the actions of CaixaBank and companies of the CaixaBank Group, along with its boards of directors and management, employees and agents, to the standards of conduct contained in Regulation 596/2014 of the European Parliament, the Law on the Securities Market and its implementing regulations, which are applicable to activities related to the securities market. The primary objective is to promote transparency in markets and to protect the legitimate interests of investors at all times.

All relevant persons must understand, comply with, and enforce this Regulation and the current legislation of the securities market related to their specific area of activity. Other stakeholders may also access it on the CaixaBank website.

IV. Telematic Code of Conduct

This Code focuses its attention on guaranteeing the proper use of CaixaBank's technical and IT resources, and aims to raise awareness among employees of the benefits of properly using the communications network, and the security of IT and communication equipment, both inside and out of CaixaBank facilities.
Along with the aforementioned regulations, CaixaBank has a range of internal policies and standards of various kinds, covering the corresponding areas. In Compliance, these can be separated into the following areas:
- Customer protection
- Markets and integrity
- Employee activities
- Data protection and information governance
- Internal governance
- Money Laundering and Terrorist Financing Prevention
- Sanctions

In particular, we should highlight an internal standard on Regulatory Compliance, which describes the content and scope of application of a range of internal regulations that must be adhered to by CaixaBank employees. This includes matters regarding confidential query and claims channels.
The degree of internal dissemination of the Code of Ethics and Code of Conduct is universal. Specifically:
- All new employees are given a document explaining the Code of Ethics and the Code of Conduct. Once the content is explained, the employee declares that she/he has read, understands and accepts each of the terms thereof, manifesting their acceptance and undertaking to adhere to them.

- As with the Code of Ethics, the Code of Conduct is available on the Corporate Intranet (Compliance and Corporate Social Responsibility portals), and in the Financial Terminal.

- Training is also carried out each year on the Code of Ethics and the Code of Conduct, specifically through CaixaBank's own e-learning platform, which includes a final test. This guarantees continual monitoring of courses taken by the Bank's employees.

As in 2017, a range of training courses were defined for 2018 for employees, which are mandatory and regulatory, i.e. they are linked to the receipt of variable remuneration.

Among the materials in place, we can highlight the course on the 'Prevention of Criminal Risks in CaixaBank'. The aim of this course was to explain the crimes that could result in criminal liability for CaixaBank, as a result of being related to the Bank's activity, along with a range of prevention measures. The very nature of the course naturally involves aspects that directly or indirectly affect compliance with the Code of Ethics.

- In parallel to all the above, and in response to the needs at any given time to continue working on the dissemination of CaixaBank values and principles, notices and briefing notes are sent out. For example, in the framework of complying with the Code of Ethics, there is an annual notice regarding Gifts.

Meanwhile, depending on the area where there has been a breach to the Code of Ethics and/or Code of Conduct, the body responsible for analysing it and proposing corrective actions and potential sanctions varies. These include:
(*) Committee of Corporate Criminal Management

A high-level body with autonomous powers of initiative and control, with the capacity to raise consultations, request information, propose measures, begin investigations or carry out any process required in relation to crime prevention and managing the Crime Prevention Model. It reports to the Global Risk Committee, and, if relevant, to the Risk Committee.

(*) Committee of Whistleblower Channel

An internal committee that receives queries from the Channel and ensures Regulatory Compliance. It makes decisions on the admissibility of the complaints received and, where relevant, the actions to carry out. If disciplinary measures are required as a result of the analysis conducted, it is transferred to CaixaBank's Incidents Committee.

(*) Committee of the ICR

A collegiate body that analyses potential breaches, and proposes corrective actions and sanctions. Likewise, any queries regarding the content of the IRC can be forwarded to the IRC Committee Secretary or the Corporate Regulatory Compliance Division, depending on the issue.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature:

CaixaBank has a range of confidential whistleblower channels, or query and complaint channels, which are in place for potential breaches of the Code of Conduct, and potential irregularities of a financial and accounting nature.
A query is understood as a confidential request by an employee for clarification of specific questions, as a result of the interpretation or application of the concepts laid forth in the Code of Business Conduct and Ethics, Telematic Code of Conduct, the Policy concerning anti-corruption activities or the internal code of conduct relating to the Euribor and Eonia contribution process.
A complaint is understood as a confidential notification by an employee to make the Company aware of a potential breach, by anybody subject to the Code of Ethics and Principles of Action, the Code of Telematic Conduct, the Anticorruption Policy or the Internal Standards of conduct in the process of contributing to Euribor and Eonia, of any of the concepts laid forth therein, as well potential irregularities of a financial and accounting nature committed by any employee.
Irregularities of a financial and accounting nature are considered to be those relating to the following:
(*) The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
(*) The information includes all transactions, facts and other events in which the bank is the affected party (completeness). (*) The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation). The transactions, facts and other events have not been classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).
(*) The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).
The channels specified above are for the exclusive use of the Bank's employees. Queries and complaints are personal, and can only be put forward by the interested parties themselves, and not on behalf of a group or third party. If the queries/complaints are put forward by customers, they must be processed through the customer services channels established by CaixaBank, whether internal or official.
Currently, access to such channels is exclusively internal. It is available on the Corporate Intranet (Compliance and Corporate Social Responsibility portals) and the Financial Terminal. We should also highlight the significant effort of the organisation in disseminating and raising awareness of the channels, including in the training courses that detail the preceptive use of said channels when the circumstances arise.
Queries received through these channels are received and managed by Regulatory Compliance, apart from those relating to the Code of Telematic Conduct corresponding with Security and Governance. As for complaints, they are managed by Regulatory Compliance.
The channels have established a range of guarantees. These include:
(*) Confidentiality: It is expressly forbidden to share any kind of information on the content of queries or complaints regarding potential breaches with third parties. This information can only be known by people participating in their management. (*) Protection of the reporting party's identity: The person putting forward the query or communication of a potential breach is guaranteed protection of identity, whereby it is not revealed to the person being reported. Regulatory Compliance only provides the name of whistleblower to the Departments who require it to investigate the claim, and therefore the whistleblower's prior consent is needed.
(*) Prohibition on reprisals: Reprisals are expressly prohibited against individuals reporting a possible breach or against those aiding/involved in the investigation, provided they have acted in good faith and played no part in the reported event.
The resolution of complaints corresponds with the Committee for the Queries and Complaints Channel. Periodically, Regulatory Compliance reports to the Auditing and Control Committee.

- Periodic training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR which address, at least, accounting rules, auditing, internal control and risk management:

CaixaBank and its subsidiaries ensure the provision of a Continuous accounting and financial training plan, adapted to each of the positions and responsibilities of staff involved in preparing and reviewing financial information.
During 2018, the training carried out has primarily been focused on the following areas:
Accounting
- Audit
- Internal Control
- Legal/Tax
- Risk management
- Regulatory Compliance
- Risks

The various courses were aimed mainly at personnel in Financial Accounting, Control and Capital (FACC), the Deputy General Audit and Control Division, Defaults and Recoveries and Risks, as well as members of the bank's Senior Management. We estimate that more than 66,000 hours have been taught in this kind of training. With respect to ICFR training, an online training course in this area was relaunched in the last quarter of 2018. It was aimed at 87 employees of Intervention and Accounting, Corporate Information and Control of Investees, Planning and Capital and Risks, among others, in addition to the 66 who were trained in 2017 and the 432 between 2013 and 2016.
This two-hour long course is intended to raise awareness amongst all employees either directly or indirectly involved in preparing financial information of the importance of establishing mechanisms which guarantee the reliability of the same, as well as their duty to ensure compliance with applicable regulations. The first section covers ICFR standards, with particular reference to the CNMV's guidelines issued in June 2010, while the second covers the methodology established at the CaixaBank Group to ensure compliance with all prevailing ICFR regulatory requirements.
Financial Accounting, Control and Capital (FACC) also subscribes to various national and international accounting and financial publications, journals and websites. These are checked regularly to ensure that the bank takes into account any developments when preparing financial information.
The CaixaBank Strategic Plan for 2015-2018 included this aspect: 'become leaders in terms of service quality, with a more prepared, dynamic human team, whilst developing the professional capacities of employees in the Network of Branches and Central Services'. In this respect, under the framework of the new CaixaBank Strategic Plan for 2019-2021, announced on 27 November 2018, a new strategic element is to 'Encourage an agile, collaborative culture focused on people'. During the period of the new plan, talent will continue to be favoured - ensuring that potential can be developed through meritocracy, diversity and empowerment. The best value proposal for employees will be defined and deployed - improving employee experience - and the attributes of agility and collaboration will be promoted.
In 2015 the bank set up the Risks School in collaboration with the Instituto de Estudios Bursátiles (IEB), Pompeu Fabra University (UPF) and the Open University of Catalonia (UOC). The main purpose of this initiative is to support the training of critical professional skills and promote a decentralised management model so that employees increasingly have the necessary skills to approve lending transactions.
The Risks School has four different levels and training is adapted to the various profiles of CaixaBank employees according to their professional functions and requirements. It offers virtual content on the Virtaula corporate platform which is complemented with classroom-based sessions with internal training staff. The training is accredited by external experts from UPF.
678 employees were certified in 2018, and another 2,008 are currently taking the course. Over the coming years it is expected that all CaixaBank employees will receive training in the four levels offered by the Risks School.
Another important initiative is CaixaBank's agreement with the UPF Barcelona School of Management and the CISI (Chartered Institute for Securities & Investment) whereby both institutions certify the training taken by the bank's employees with a single demanding exam, in accordance with European regulations on specialist training for bank employees. This training initiative is aimed at branch managers and Premier Banking managers as well as CaixaBank Private banking advisers, directors and centre managers and so that they are able to offer customers the best possible service. With this, CaixaBank is anticipating the prevailing EU regulations and is also the first Spanish financial institution to certify employee training with a post-graduate university diploma in Financial Advice and a prestigious international financial sector certificate. In 2018, 434 employees, including branch managers, Premier Banking managers and Private Banking employees, took their exams to obtain a double post-graduate degree in Financial Advising and the international CISI certification, joining more than 7,600 CaixaBank professionals qualified in the past. Another 125 employees are currently taking the course.
In 2016, the Group signed an agreement with the UPF Barcelona School of Management to accredit employees with the Post-graduate course in Financial Information and Advice. This course is shorter than the last one, but meets the MiFID II advisory requirements, and is taken by Commercial Assistant Managers, as well as employees in the Business Banking segment. In its four editions, finished between January and November 2018, more than 3,334 employees were certified. 3,748 employees are currently taking new editions of the course, which will finish in 2019.

In terms of professional development programmes and degrees, these were primarily focused on business segmentation, just like in 2017, with the definition of competition profiles and functions in order to meet the challenges in place.
CONTINUES IN SECTION H

F.2. **Risk assessment in financial reporting** Report

at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented:

The risk identification process in place in "la Caixa" is as follows:

1.Determining the scope, including the selection of the financial information, relevant headings and Entities of the Group generating it, using quantitative and qualitative criteria. In 2018, this activity took place at the start of the year with the information from 2017 year-end, and was reviewed at the start of the second half of the year, with information from the end of June 2018.
2.Identification of the Group's material processes which are involved, either directly or indirectly, in preparing financial information.

3.Updating the reliability risk map of the financial information, identifying those risks which mitigate each process.
4.Documentation of existing controls to mitigate critical risks identified.
5.Classification and assessment of risks and controls. Assesses the criticality of risks and controls in order to identify the coverage of ICFR.
6.Continual assessment of the efficiency of ICFR. Issuing of reports.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency:

As indicated in the regulations which govern Internal Control over Financial Reporting, CaixaBank has a methodology to identify processes, relevant areas and risks associated with financial reporting, including risks of error or fraud. The regulations provide the methodology to identify the key areas and significant processes associated with the financial information relating to the identification of risks, based on:

- establishing specific guidelines for responsibilities and implementation and updating; and
- establishing the criteria to be followed and information sources to be used in the identification process, - establishing criteria to be followed to identify the relevant subsidiaries with regard to ICFR.

The ICFR Function periodically, at least once a year, reviews all the risks within the ICFR scope and all control activities designed to mitigate these. This process is carried out in conjunction with all the areas involved. However, if, during the course of the year, unidentified circumstances arise that could affect the preparation of financial information, the ICFR function must evaluate the existence of risks in addition to those already identified.

In any case, risks will refer to possible errors (intentional or otherwise) in relation to the financial information objectives: existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations.

- A specific process is in place to define the consolidation perimeter, with reference to the possible existence of complex corporate structures, special purpose entities, holding companies. etc.:

The risk identification process takes into account both routine transactions and less frequent transactions which are potentially more complex, as well as the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.).

The entity also has an analysis procedure in place implemented by the various business areas involved in corporate transactions and non-recurring or special transactions, with all accounting and financial impacts being studied and duly reported.

Meanwhile, the perimeter of consolidation is assessed each month by the Consolidation Function, which forms part of the Intervention and Accounting Management Department.

The impact of risks on the reliability of the reporting of financial information is analysed in each of the processes entailed in its preparation.

- The process addresses other types of risk (operational, technological, financial, legal, fiscal, reputational, environmental, etc.) insofar as they may affect the financial statements:

See previous section.

- Which of the entity’s governance bodies is responsible for overseeing the process:

The governing and management bodies receive periodic information on the main risks inherent in the financial information, while the Audit and Control Committee monitors the generation, development and review of the financial information via the Internal Audit function and the opinion of both External Audit and Supervisory Bodies.

F.3. Control activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Financial Accounting, Control and Capital is responsible for preparing and reviewing all financial information. It demands that the various Business Areas and Group companies collaborate in ensuring that the financial information submitted is sufficiently detailed.
Financial information is the cornerstone of the control and decision-making process of the bank's senior governing bodies and Management.
The preparation and review of all financial information hinge on suitable human and technical resources which enable the bank to disclose accurate, truthful and understandable information on its transactions in compliance with applicable standards.
In particular, the professional experience of the personnel involved in reviewing and authorising the financial information is of a suitable standard and all are appointed in light of their knowledge and experience in accounting, audit and/or risk management. Likewise, by establishing control mechanisms, the technical measures and IT systems ensure that the financial information is reliable and complete. Also, the financial information is monitored by the various hierarchical levels within Financial Accounting, Control and Capital (FACC) and, where applicable, double checked with other business areas. Finally, the key financial information disclosed to the market is examined and, if applicable, approved by the highest-ranking governing bodies (the Board of Directors and the Audit and Control Committee) and the bank's management.
With regard to activities and control procedures directly related to transactions which may have a material impact on the financial statements, the Entity has in place a process whereby it constantly revises all documentation concerning the activities carried out, any risks inherent in reporting the financial information and the controls needed to mitigate critical risks. This ensures that all documentation is complete and up-to-date.
The documentation of the critical processes and control activities for financial reporting contains the following information:
- Processes and associated sub-processes.
- A description of the financial information risks along with the financial assertions and the possibility of the risk of fraud. In this regard, we would note that the risks are classified into risk category and risk models which comprise the bank's Corporate Risk Map which is managed by the Executive Global Risk Management Division.
- Control activities carried out to mitigate the risk along with their characteristics:
  - Classification - Key / Standard
  - Purpose – Preventive / Detective / Corrective
  - Automation – Manual / Automatic / Semiautomatic
  - Frequency - How often the control is executed
  - Evidence – Evidence/proof that the control is working correctly
  - COSO Component – Type of control activity, according to COSO classification (Committee of Sponsoring Organisations of the Treadway Commission)
  - System – IT applications or programmes used in the control activity
  - Control executor – Person responsible for implementing the control
  - Person responsible for the control – Person who ensures the control is executed correctly

All activities and controls are designed to guarantee that all transactions carried out are correctly recorded, valued, presented and itemised.
CaixaBank has an Upwards internal key control attestation process to ensure the reliability of financial information disclosed to the markets. The persons responsible for each of the controls identified shall submit certifications guaranteeing their efficient execution during the period in question. The process is carried out quarterly although there are also ad-hoc attestations where controls of financial reporting are carried out during different periods.
The Executive Manager of Intervention, Management Control and Capital presents the result of the certification process to the Management Committee and the Auditing and Control Committee. This result is also passed on to the Board of Directors. In 2018, the Company performed the quarterly certification process 4 times, as well as the certification of some ad hoc controls, without any significant incidents in any of them that could have a material effect on the reliability of the financial information.
Internal Audit carries out the monitoring functions described in F.5.1 and F.5.2.
The preparation of the financial statements requires senior executives to make certain judgements, estimates and assumptions in order quantify certain of the assets, liabilities, income, expenses and obligations shown in them. These estimates are based on the best information available at the date the financial statements are prepared, using generally-accepted methods and techniques and observable and tested data and assumptions.

The review and approval procedures of judgements and estimates are included in the Policy and in the internal ICFR Standard, under the section 'Review and approval of Judgements and Estimates', which specifies that those responsible for approving said information are the Board of Directors and the Management Committee.
This year the Entity has addressed the following:
- The fair value of certain financial assets and liabilities.
- The criterion to temporarily allocate income obtained from secondary activities provided to the profit and loss account.
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations.
- Impairment losses on financial assets, and of the fair value of guarantees associated thereto, according to their classification in accounts, which entail the need to make judgements regarding: i) the consideration of 'a significant increase in credit risk' (SICR), ii) the definition of default; and iii) the incorporation of forward-looking information.
- The measurement of stakes in joint ventures and associates.
- Determination of share of profit (loss) of associates.
- Actuarial assumptions used to measure liabilities arising under insurance contracts
- The useful life and impairment losses of tangible and intangible assets.
- The measurement of goodwill and intangible assets.
- Impairment losses on non-current assets and disposal groups classified as held for sale

- Actuarial assumptions used to measure post-employment liabilities and commitments
- The measurement of the provisions required to cover labour, legal and tax contingencies.
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The IT systems which give support to processes regarding the preparation of financial information are subject to internal control policies and procedures which guarantee completeness when preparing and publishing financial information.
Specifically these are policies regarding:
I. Information Security Management System: CaixaBank has an Information Security Management System (ISMS) based on international best practices and This ISMS has obtained, and each year renews, ISO 27001:2013 certification by the British Standards Institution (BSI). This system defines, amongst other policies, those for accessing IT systems and the internal and external controls which ensure all of the policies defined are correctly applied.

II. Operating and business continuity: the bank has an IT Contingency Plan in place to deal with serious situations to guarantee its IT services are not interrupted. It also has strategies in place to enable it to recover information in the shortest time possible. This IT Contingency Plan has been designed and operates according to ISO 27031:2011. Ernst&Young has certified that the regulatory governance body for Technological Contingency at CaixaBank has been designed, developed and is operating in accordance with this regulation.
The British Standards Institution (BSI) has certified that CaixaBank's Business Continuity Management System is ISO 22301:2012 compliant. These certifications attest:
- CaixaBank management's commitment to business continuity and technological contingency
- The existence of business continuity and technological contingency management best practices
- A cyclical process based on continuous improvement
- That CaixaBank has deployed and operates business continuity and technological contingency management systems which are compliant with internationally recognised standards.
Which offer:
- Assurance to our customers, investors, employees and society in general that the bank is able to respond to serious events that may affect business operations.
- Compliance with the recommendations of regulators, the Bank of Spain, MiFID and Basel III
- Advantages in terms of the Entity's image and reputation
- Annual audits, both internal and external, which ensure we keep our systems up-to-date

III. Information technology (IT) governance: CaixaBank's information and technology (IT) governance model ensures that its IT services are aligned with the Organisation's business strategy and comply with all regulatory, operational and business requirements. IT governance is an essential part of overall governance and encompasses organisational structures and guidelines to ensure that the IT services support and facilitate the fulfilment of strategic objectives. The Regulatory Body of Information Technology (IT) Governance at CaixaBank is developed on the basis of requirements specified in the standard 'ISO 38500:2008 - Corporate Governance of Information', in accordance with the technical guide contained in the technical report 'ISO 38502:2014 - IT Governance - Work and model framework'. The certification of the model was updated by Deloitte Advisory, S.L. in December 2018.
CaixaBank's IT services have been designed to meet the business' needs, guaranteeing the following:
- Segregation of duties;
- Change management;
- Incident management;
- IT quality management;
- Risk management: operational, reliability of financial reporting, etc.;

- Identification, definition and monitoring of indicators (scorecard);
- Existence of governance, management and monitoring committees;
- Periodic reporting to management;
- Rigorous internal controls which include annual internal and external audits.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The CaixaBank Group has a Cost, Budget Management and Purchasing Policy, approved by the Management Committee on 18 June 2018, which defines the global reference framework for the companies of the Group, and details the general principles and procedures regarding the definition, management, execution and control of the budget for CaixaBank's operational and investment costs. CaixaBank,
This policy is detailed in the internal regulations which mainly regulate processes regarding:
- Budget elaboration and approval
- Applying the budget: management of demand
- Purchases and contracting services
- Paying supplier invoices

All of the processes carried out between Group entities and suppliers are managed and recorded by programmes which include all activities. The Efficiency Committee is responsible for ensuring that the budget is applied in accordance with internal regulations.
To ensure correct cost management, the CaixaBank Efficiency Committee has delegated duties to two committees:
- Expenses and Investments Committee (EIC): reviews and ratifies all expenses and investment proposed by the various areas and subsidiaries in projects. It queries the need and reasonableness for same by means of a profitability and/or efficiency analysis.

- Purchasing Board: oversees achieving maximum savings in contracting goods and services, encouraging equal opportunities among suppliers. The bank's Code of Business Conduct and Ethics stipulates that goods must be purchased and services engaged objectively and transparently, avoiding situations that could affect the objectiveness of the people involved. For this reason, the contracting modalities accepted by the Purchasing Board are auctions and budget requests; in this case, a minimum of three provider offers must be compared.

The CaixaBank Group has a Suppliers' Portal offering quick and easy communication between suppliers and Group companies. This channel allows third party companies to submit all the necessary documentation when bidding for contracts as well as all the necessary documentation once services have been contracted. This not only ensures compliance with internal procurement regulations but also makes management and control easier.
CaixaBank has an Outsourcing Policy which establishes the methodological framework and criteria to take into account when outsourcing services. The policy determines the roles and responsibilities of each activity and states that all outsourcings must be assessed according to their critical nature, as well as defining various control and supervision levels according to their classification.
The professional services company Deloitte Consulting, S.L.U. certified the compliance of the design and copy of governance of outsourcing in accordance with Standard ISO 37500:2014, which certifies:
- Senior management's commitment to outsourcing governance.
- The existence of outsourcing management initiative best practices
- A cyclical process based on continuous improvement

Formalisation of this Policy means:
- Our customers, investors, employees and other stakeholders trust in the decision-making and control process for outsourcing initiatives.
- Compliance with the recommendations of regulators, such as the Bank of Spain, MiFID and Basel III
- Advantages in terms of the Entity's image and reputation

CaixaBank has increased its control efforts even further, and ensures that future outsourcing does not represent a loss of supervision, analysis and exigence capacities of the service or activity in question. The following procedure is followed when there is a new outsourcing initiative:
- Analysis of the applicability of the outsourcing model to the supplier
- Assessment of the outsourcing decision by measuring criticality, risks and the outsourcing model
- Engagement of the supplier
- Transfer of service to external supplier
- Oversight and monitoring of the activity or service rendered.

All outsourced activities have control activities largely based on performance indicators. Each person in charge of an outsourced activity shall request that the supplier report all indicators and keep these up-to-date. These are then reviewed internally on a periodical basis.
In 2018, activities outsourced to third parties relating with valuations and calculations of independent experts primarily related to:
- Certain internal audit and technology services
- Certain financial consultancy and business intelligence services

- Certain marketing and various procurement services
- Certain IT and technology services
- Certain financial services
- Certain financial, fiscal and legal advisory services
- Certain processes related to Human Resources and various procurement services
- Certain processes related to Information Systems

F.4. Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The exclusive responsibility to define and communicate the Company's accounting criteria falls on Intervention and Accounting Management - Department of Policies and Accounting Regulations, integrated into the Executive Department of Intervention, Management Control and Capital.

Its responsibilities include monitoring and analysing regulations applicable to the Group, for their interpretation and subsequent application in the financial information, in a homogenous way across all companies that comprise the Group; it also continually updates accounting criteria applied for any new kind of contract or operation, or any regulatory change. Furthermore, it analyses and studies the accounting implications of individual operations, to anticipate impacts and ensure the correct accounting process is applied in the consolidated financial statements, and resolves any questions or conflicts surroundings accounting matters that are not included in a cost sheet, or where there are any doubts regarding their interpretation. Accounting queries that have been concluded by the Department are shared with the rest of the Intervention and Accounting Management Department at least once per month, explaining the technical arguments that support them or the interpretations made, as well as issues currently being analysed.
In the process for defining new products, through their participation in the Groups' Product Committee, they analyse the accounting implications of the products, on the basis of their characteristics, whereby this analysis is elaborated in the creation or update of a cost sheet, detailing all the potential events for which a contract or operation can be circulated, and describing the main characteristics of the administrative operation, tax regulations and criteria and accounting standards applied. Additions and amendments to the accounting circuits are notified immediately to the Organisation and most can be consulted on the Entity's intranet.
This department also participates in and supports the Regulation Committee of the CaixaBank Group in terms of accounting regulations. In the event of any regulatory change applicable, which must be implemented in the Group, the Department communicates this in writing to the Departments or Group subsidiaries affected, and participates or leads the implementation projects for such changes where relevant.
The previous activities are materialised in the existence and maintenance of a manual on accounting policies, which establishes the standards, principles and accounting criteria adopted by the Group. This manual guarantees the comparability and quality of the financial information of all companies of the Group, and is complemented by the queries received by the Department.
Communication with operation managers is permanent and fluid.
Additionally, the Policies and Regulation Department is responsible for developing training activities in the organisation's relevant business departments, on accounting news and notifications.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

CaixaBank has internal IT tools which guarantee the completeness and consistency of the processes for capturing and preparing financial information. All of these applications have IT contingency mechanisms which guarantee that the data is held and can be accessed in any circumstances.
We would note that the bank is currently upgrading its accounting information architecture to improve the quality, completeness, and immediacy of the information provided by business applications. The various IT applications are gradually being including in the scope of the project which currently includes a very significant materiality of balances.
Both CaixaBank and other Group entities use specialist tools and mechanisms in standard format to capture, analyse and prepare consolidated financial information. The accounts plan, which is incorporated in the consolidation application, has been defined to comply with requirements of the various regulators.

The bank also has a SAP Governance, Risk and Compliance (SAP GRC) tool to guarantee the completeness of ICFR, reflecting existing risks and controls. The application also supports the Corporate Risk Map (CRM) and Operational Risk Indicators (KRIs), for which the Executive Global Risk Management Division is responsible.

F.5. Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the Internal Control System, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

Notwithstanding the risk management and control functions of the Board of Directors, the Audit and Control Committee is entrusted with overseeing the process for preparing and submitting regulated financial information and the effectiveness of the bank's internal control and risk management systems and discussing with auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit.
The duties of the Audit and Control Committee include those related to overseeing the process for preparing and submitting regular financial information as described in point F.1.1.
As part of its duty to oversee the process for preparing and submitting regular financial information, the Audit and Control Committee carries out, inter alia, the following activities:
- Review of the Annual Internal Audit Plan and assessing whether the Plan has sufficient scope to provide appropriate coverage for the main risks to which the bank is exposed. Subsequently, the Annual Plan is transferred to the Board of Directors.
- Assessment of the conclusions of the audits carried out and the impact on financial information, where applicable.
Constant monitoring of corrective action, prioritising each one.
The Internal Audit function, which is part of the Deputy General Audit and Control Division, is governed by the principles contained in the Internal Audit Regulations approved by the CaixaBank Board of Directors. CaixaBank's Internal Audit function is an independent activity providing assurance and consultation services; it is designed to add value and improve activities. It contributes to achieving the strategic objectives of the CaixaBank Group, providing a systematic and disciplined approach to evaluating and improving risk control and management processes and corporate governance. Its objective is to guarantee effective and efficient supervision of the internal control system through ongoing assessment of the organisation’s risks and provide support to the Audit and Control Committee by drafting reports and reporting regularly on the results of work carried out. Point E.6 provides a description of the Internal Audit function and all the functions of the Deputy General Audit Division.

Internal Audit has auditors working in various audit teams which specialise in reviewing the main risks to which the bank is exposed. One of these teams is the Financial Audit, Investees and Regulatory Compliance Division where specialists oversee processes at Financial Accounting, Control and Capital, which is responsible for preparing the bank’s financial and accounting information. The Internal Audit’s annual plan includes a multiyear review of the risks and controls in financial reporting for all auditing work where these risks are relevant.
In each work process, the Internal Audit:
Identifies the necessary controls to mitigate the risks associated with the process’ activities.
- Analyses the effectiveness and efficiency of the existing controls on the basis of their design
Verifies that these controls are applied.
Reports its conclusions of the review and issues an opinion on the control environment.
Recommends corrective actions.
Internal Audit has developed a specific working plan to review ICFR, focusing on the periodical review of the relevant processes (transversal and business) defined by the Internal Control over Financial Reporting team which is supplemented by a review of existing auditing controls in other processes. Currently, this work programme is completed by reviewing the proper certification and evidence of effective execution of a sample of controls, selected according to continual auditing indicators. Based on this, the Audit function publishes an annual global report which includes an assessment of the performance of ICFR during the year.
The annual evaluation of the ICFR, of 31.12.2018, focused on:
Revising the application of the framework defined in the document “Internal Control over Financial Reporting in Listed Companies” published by the CNMV which sets out the best practices for internal control over financial reporting.
- Verifying the application of the methodology established in the Internal Control over Financing Reporting System to guarantee that Group ICFR is adequate and effective.
- Assessing the hierarchical attestation of key controls identified process.
- Evaluating the descriptive documentation of the relevant processes, risks and controls in drafting financial information Furthermore, in 2018, Internal Auditing carried out different reviews that affect the generation, elaboration and presentation of financial information, focused on financial-accounting areas, corporate risk management, financial instruments, and insurance businesses and foreclosed assets, among others.

The Audit and Control Committee and executive team will be informed of the results of the ICFR evaluation. These reports also include an action plan detailing corrective measures, their urgency to mitigate risks in financial information and the timeframe for resolving these.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the entity's senior management and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The bank has in place a discussion procedure with its auditor. Senior management is kept permanently informed of the conclusions reached during the review of the financial statements. Also, the Audit and Control Committee receives information from the auditor on the audit plan, the preliminary conclusions reached concerning publication of the financial statements and the final conclusions as well as, if applicable, any weaknesses encountered in the internal control system, prior to preparing the financial statements. Also, when reviewing the interim financial information, the Audit and Control Committee shall be informed of the work carried out and the conclusions reached.

In addition, and within its areas of activity, Internal Audit's reviews conclude with the issue of a report evaluating the relevant risks and the effectiveness of internal control of the processes and the transactions analysed. It also evaluates the possible control weaknesses and shortcomings and formulates recommendations to correct them. Internal Audit reports are sent to senior management. The Audit and Control Committee also issues a monthly report on the activities carried out by Internal Audit, with specific information on all significant weaknesses identified during the reviews.
Internal Audit constantly oversees the fulfilment of recommendations, focusing particularly on critical and high-risk weaknesses, and reports to senior management on a regular basis. This monitoring information, as well as the relevant incidents identified in the Audit reviews, are reported to the Audit and Control Committee and senior management.
In 2018, the change of the account auditor for the CaixaBank Group took place, appointed by the Board of Directors in December 2016, at the proposal of the Auditing and Control Committee.

F.6 Other relevant information.

F.7 External auditor's report.

State whether:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

In accordance with the recommendation concerning the Auditor's Report included in the guidelines on the information relating to Internal Control over Financial Reporting in Listed Companies published by the National Securities Market Commission on its website, the auditor of the financial statements of CaixaBank has reviewed the information on internal control over financial reporting system. The final report concludes that, as a result of the procedures applied regarding information on ICFR, there are no relevant inconsistencies or incidents.
This report is attached as an Appendix to the Annual Corporate Governance Report.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company’s behaviour. General explanations are not acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   Complies [X] Explanation [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

   b) The mechanisms in place to resolve possible conflicts of interest.

   Complies [ ] Partially complies [ ] Explanation [ ] Not applicable [X]

This recommendation is not deemed to be applicable to CaixaBank, given that the bank itself is the only listed company belonging to the CaixaBank Group in Spain. Nevertheless, for reasons of transparency, it should be noted that the CaixaBank Group contains another listed company, whose shares were listed in Portugal until 14 December. This company is Banco BPI, S.A., with which CaixaBank has signed an Internal Protocol Governing Relations.

For more detail, see section D.7

3. During the annual general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company’s corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

   a) Changes taking place since the previous annual general meeting.

   b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

   Complies [X] Partially complies [ ] Explanation [ ]

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

   This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

   Complies [X] Complies partially [ ] Explanation [ ]

5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

   When a Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

   Complies [ ] Complies partially [x] Explanation [ ]

The Board of Directors, in its meeting dated 10 March 2016, agreed to propose at the Annual General Meeting on 28 April the ratification of an agreement to delegate powers in favour of the Board of Directors in order to issue bonds, preference shares and any other fixed income securities or instruments of a similar nature which are convertible into CaixaBank shares, or which directly or indirectly give the right to the subscription or acquisition of the company's shares, including warrants. The proposed delegation expressly included the power to disapply the pre-emptive subscription right of shareholders. This proposal was approved at the Annual General Meeting held on 28 April 2016.

The capital increases that the Board of Directors may approve under this authorisation to carry out the conversion of shares in whose issuance the pre-emptive subscription right has been disapplied are not subject to the maximum limit of 20% of the share capital that the Annual General Meeting of 23 April 2015 unanimously agreed for any capital increases that the Board of Directors may approve (the legal limit of 50% of the capital at the time of the approval does apply).

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment companies, and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, and Spanish Act 11/2015 of 18 June on the recovery and resolution of credit institutions and investment services companies, anticipate the need for credit entities to provide, in certain proportions, different instruments in the composition of their regulatory capital so that they can be considered suitably capitalised. Therefore, different capital categories are contemplated that must be covered by specific instruments. Despite the Company's adequate capital situation, it was deemed necessary to adopt an agreement that allows instruments to be issued that may be convertible in certain cases. To the extent that the issuance of these instruments implies the need to have an authorised capital that, at the time of its issuance, covers a possible convertibility and in order to provide the company with greater flexibility, it was deemed suitable for the capital increases that the Board approves to be carried out under the delegation agreement in this report in order to address the conversion of shares in whose issuance the pre-emptive subscription right has been excluded, not being subject to the maximum limit of 20% of the capital which is applicable to all other capital increases that the Board is authorised to approve.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

   a) Report on auditor independence.

   b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

   c) Audit committee report on third-party transactions.

   d) Report on corporate social responsibility policy.

   Complies [X] Complies partially [ ] Explanation [ ]

7. The company should broadcast its general meetings live on the corporate website.

   Complies [X] Explanation [ ]

8. The audit committee should strive to ensure that the Board of Directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

   Complies [X] Complies partially [ ] Explanation [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

   Complies [X] Complies partially [ ] Explanation [ ]

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies [ ] Partially complies [X] Explanation [ ] Not applicable [ ]

With regard to section c), the Board agrees that there are different presumptions about the direction of the vote for proposals submitted by shareholders and those submitted by the Board (as established in the Regulations of the Company's General Meeting), opting for the presumption of a vote in favour of agreements proposed by the Board of Directors (because the shareholders absent for the vote have had the opportunity to record their absence so their vote is not counted and they can also vote early in another direction through the mechanisms established for that purpose) and for the presumption of a vote against agreements proposed by shareholders (since there is a probability that the new proposals will deal with agreements that are contradictory to the proposals submitted by the Board of Directors and it is impossible to attribute opposite directions for their votes to the same shareholder. Additionally, shareholders who were absent have not had the opportunity to assess and vote early on the proposal).

Although this practice does not reflect the wording of Recommendation 10, it does better achieve the final objective of Principle 7 of the Good Governance Code which makes express reference to the Corporate Governance Principles of the OECD, which outline that the procedures used in Shareholders' Meetings must ensure the transparency of the count and the adequate registration of votes, especially in situations of voting battles, new items on the agenda and alternative proposals, because it is a measure of transparency and a guarantee of consistency when exercising voting rights.

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies [X] Partially complies [ ] Explanation [ ] Not applicable [ ]

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company’s best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

    In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

    Complies [X]   Partially complies [ ]   Explanation [ ]

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

    Complies [ ]   Explanation [X]

At year end 2018, the Board of Directors was formed of 18 members.
The composition of the Board is deemed to be suitable to ensure maximum effectiveness and participation with a wide variety of opinions. The size of the Board is also deemed to be suitable given the Bank's history, namely that it was previously a savings bank with a 21-member board.
The current size and composition of the Board of Directors is justified, as well, by the need to include a certain number of independent Directors and to comply with the shareholders agreement stemming from the merger with Banca Cívica. This agreement calls for the inclusion of two additional Board members representing the savings banks (currently banking foundations) acquired as a result of the merger.
Notwithstanding this, it is recorded that, in the framework of the amendment to the Integration Agreement between CaixaBank and Banca Cívica (SE of 17 October 2016, which reported the amendment to Clause 5 of the Shareholders' Agreement between "la Caixa" Banking Foundation and the Foundations so that they could propose only one member of the CaixaBank Board of Directors), in 2016 Caja Navarra Banking Foundation submitted its resignation, with just one representative of said shareholders' agreement as a member of the CaixaBank Board of Directors.
Finally, and in compliance with legal requirements, as the Entity has four mandatory board committees, it requires a sufficient number of Directors to avoid, if relevant, duplications therein. Therefore, despite the Entity exceeding the recommended number of Directors, it considers this number to be appropriate as it ensures maximum effectiveness and participation of both the Board and its committees.

14. The Board of Directors should approve a Director selection policy that:

a) Is concrete and verifiable;

b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and

c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each Director.

The Director selection policy should pursue the goal of having at least 30% of total board places occupied by women Directors before the year 2020.

The nomination committee should run an annual check on compliance with the Director selection policy and set out its findings in the annual corporate governance report.

Complies [X] Partially complies [ ] Explanation [ ]

15. Proprietary and independent Directors should constitute an ample majority on the Board of Directors, while the number of executive Directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies [X] Partially complies [ ] Explanation [ ]

16. The percentage of proprietary Directors out of all non-executive Directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies [X] Explanation [ ]

17. Independent Directors should be at least half of all Board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent Directors should occupy, at least, a third of Board places.

Complies [X]   Explanation [ ]

18. Companies should post the following Director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the Director class to which they belong, in the case of proprietary Directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies [X]   Partially complies [ ]   Explanation [ ]

19. Following verification by the nomination committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary Directors at the request of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

20. Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary Directors, the latter's number should be reduced accordingly.

Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

21. The Board of Directors should not propose the removal of independent Directors before the expiry of their tenure as mandated by the Articles of Association, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

    The removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

    Complies [X]   Explanation [ ]

22. Companies should establish rules obliging Directors to inform the board of any circumstance that might harm the organisation’s name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

    The moment a Director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the annual corporate governance report.

    Complies [X]   Partially complies [ ]   Explanation [ ]

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other Directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

    When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

    The terms of this Recommendation also apply to the Secretary of the Board, even if he or she is not a Director.

    Complies [X]   Partially complies [ ]   Explanation [ ]   Not applicable [ ]

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

25. The Nomination Committee should ensure that non-executive Directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors regulations should lay down the maximum number of company boards on which Directors can serve.

Complies [X] Complies partially [ ] Explanation [ ]

26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items.

Complies [X] Complies partially [ ] Explanation [ ]

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, Directors should delegate their powers of representation with the appropriate instructions.

Complies [ ] Complies partially [x] Explanation [ ]

In the event of unavoidable absences, in order to prevent de facto changes to the balance of the Board of Directors, legislation allows for delegation to another director (non-executives only to other non-executives) - this is established in Principle 14 of the Good Governance Code and also envisaged in the Articles of Association (article 37), as well as the Board's Regulations (article 17), which determine that Directors must personally attend Board meetings. However, when they are unable to do so in person, they shall endeavour to grant their proxy in writing, on a special basis for each meeting, to another Board member, including the appropriate instructions therein. Non-executive Directors may only delegate a proxy who is another non-executive Director, while independent Directors may only delegate to another independent Director.

The Board of Directors considers, as good corporate governance practice, that when directors are unable to attend meetings, proxies are not generally delegated with specific instructions. This does not amend, de facto, the balance of the Board given that delegations may only be made by non-executive directors to other non-executive directors, and independent directors may only delegate to other independent directors, while directors are always required to defend the company's corporate interest regardless of their director status.

Moreover, and reflecting the freedom of each director who may also delegate with the appropriate instructions as suggested in the Board's Regulations, the decision to delegate without instructions represents each director's freedom to consider what provides most value to their proxy, and they may finally decide on the grounds that they want to give their proxy freedom to adapt to the result of the Board meeting debate. This, in addition, is in line with the law on the powers of the Chairman of Board, who is given, among others, the responsibility of encouraging a good level of debate and the active involvement of all directors, safeguarding their right to adopt any position or stance they see fit.

Therefore, the freedom to appoint proxies with or without specific instructions, at the discretion of each director, is considered good practice and, specifically, the absence of instructions is seen as facilitating the proxy's ability to adapt to the content of the debate.

28. When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

29. The company should provide suitable channels for Directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies [X] Complies partially [ ] Explanation [ ]

30. Regardless of the knowledge Directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies [X] Explanation [ ] Not applicable [ ]

31. The agendas of Board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly drawn up in the minutes, of the majority of directors present.

Complies [X] Complies partially [ ] Explanation [ ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies [X] Complies partially [ ] Explanation [ ]

33. The Chairman, as the person responsible for the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's Articles of Association, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Director, when circumstances so dictate.

Complies [X] Complies partially [ ] Explanation [ ]

34. When a lead independent director has been appointed, the Articles of Association or Regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the Chairman or Deputy Chairmen; give voice to the concerns of non-executive directors; maintain contact with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance; and coordinate the Chairman's succession plan.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

35. The Board Secretary should strive to ensure that the Board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies [X] Explanation [ ]

36. The Board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the Board's operation.

b) The performance and membership of its committees.

c) The diversity of Board membership and competences.

d) The performance of the Chairman of the Board of Directors and the company's Chief Executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of Board committees.

The evaluation of Board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

The process followed and areas evaluated should be detailed in the Annual Corporate Governance Report.

Complies [X] Complies partially [ ] Explanation [ ]

37. When an executive committee exists, its membership mix by Director class should resemble that of the Board. The Secretary of the Board should also act as Secretary to the Executive Committee.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee's minutes.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

39. All members of the audit committee, particularly its Chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent Directors.

Complies [X] Complies partially [ ] Explanation [ ]

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board's Non-Executive Chairman or the Chairman of the audit committee.

Complies [X] Complies partially [ ] Explanation [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitoring the preparation and integrity of financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the Board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies [X] Partially complies [ ] Explanation [ ]

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies [X] Partially complies [ ] Explanation [ ]

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

45. Control and risk management policy should specify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [X] Complies partially [ ] Explanation [ ]

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the Audit Committee or some other dedicated Board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

Complies [X] Complies partially [ ] Explanation [ ]

47. Members of the Appointments and Remuneration Committee - or of the Appointment Committee and Remuneration Committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to perform. The majority of their members should be independent Directors.

Complies [X] Complies partially [ ] Explanation [ ]

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Complies [X] Explanation [ ] Not applicable [ ]

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any Director may approach the nomination committee to propose candidates that it might consider suitable.

Complies [X] Partially complies [ ] Explanation [ ]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the Board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for Directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on Director and senior officers' pay contained in corporate documents, including the Annual Directors' Remuneration Statement.

Complies [X] Partially complies [ ] Explanation [ ]

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive Directors and senior officers.

Complies [X] Partially complies [ ] Explanation [ ]

52. The terms of reference of supervision and control committees should be set out in the Regulations of the Board, and aligned with those applicable to legally mandatory Board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive Directors, with a majority of independents.

b) Committees should be chaired by an independent Director.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's missions, discuss their proposal sand reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all Board members.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the Audit Committee, the Nomination Committee, the Corporate Social Responsibility Committee, where one exists, or a dedicated committee established ad hoc by the Board under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups.

g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies [X] Complies partially [ ] Explanation [ ]

54. The corporate social responsibility policy should state the principles or commitments that the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The goals of its corporate social responsibility policy and the support instruments to be deployed.

b) The corporate strategy with regard to sustainability, the environment and social issues.

c) Specific practices in matters related to the following: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.

d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) Channels for stakeholder communication, participation and dialogue.

g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies [X] Complies partially [ ] Explanation [ ]

55. The company should report on corporate social responsibility developments in its Directors' report or in a separate document, using an internationally accepted methodology.

Complies [X] Complies partially [ ] Explanation [ ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive Directors.

Complies [X] Explanation [ ]

The required dedication, the limitations of other professional activities, the responsibilities inherent in this position and the demands of experience and knowledge must be duly rewarded through remuneration. However, if the Entity does not adequately compensate its Directors in return for limiting the activities they are able to carry out at other banking entities and demands a certain level of dedication and responsibility, this could become a barrier to selecting and incorporating new professionals to the Boards of Directors of highly complex banking entities.
Moreover, a level of remuneration that is in line with the qualification, dedication and responsibility required by the position of director could in some cases compromise their independence, due to this representing a significant part of their income.

57. Variable remuneration linked to the company and the Director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive Directors.

The company may consider the share-based remuneration of non-executive Directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the Director must dispose of to defray costs related to their acquisition.

Complies [X] Complies partially [ ] Explanation [ ]

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor’s report.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

61. A major part of executive Directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the Director must dispose of to defray costs related to their acquisition.

Complies [ ] Complies partially [ ] Explanation [X] Not applicable [ ]

The shares delivered as settlement of the annual bonus, and which are deferred over 3 years, are subject to a 12-month lock-up period after delivery and no minimum amount must be held once this period has concluded.

At the Annual General Meeting held on 6 April 2017, the Board of Directors Remuneration Policy was approved, extending the deferral period from three to five years applicable from 2018 onward (this change has been made to comply with the EBA Guidelines on Remuneration Policies) and the Modification to the Board of Directors Remuneration Policy approved by the Annual General Meeting of 6 April 2018 was maintained.

With regard to the prohibition on transferring the ownership of a number of shares equivalent to twice the fixed annual remuneration, this is not applied as such at CaixaBank. The purpose established in Principle 25 whereby the directors' remuneration favours the achievement of the business objectives and the company's best interest is also achieved through the existence of malus and clawback clauses and through the remuneration structure of the executive directors, whose remuneration in shares (corresponding to half the variable remuneration) is deferred with a 12 month restriction period, and this variable remuneration also represents a limited part of the total remuneration, which is fully consistent with the prudential principles of not providing an incentive for risk taking and with the alignment of objectives and the sustainable evolution of the entity.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

64. Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

H. OTHER USEFUL INFORMATION

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

   Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption. In particular, indicate whether the company adheres to the Code of Best Tax Practices of 20 July 2010:

RESPONSES CONTINUED:

A.5 – With regard to the corporate relationship that the 'La Caixa' Banking Foundation and Criteria Caixa, S.A.U. (company controlled by the 'La Caixa' Banking Foundation through which it holds its stake in CaixaBank) had with CaixaBank, on 26 September 2017 it was disclosed that a decision of the Governing Council of the European Central Bank found that, on the basis of compliance with the terms and conditions, CriteriaCaixa no longer exercises control or dominant influence over CaixaBank and is therefore is no longer its parent company. For this reason, no mention is now made of a corporate relationship between the 'La Caixa' Banking Foundation Group and CaixaBank, which has become the parent company of the financial conglomerate formed of the group's entities that are considered to be regulated, with CaixaBank classified as a significant supervised entity, in accordance with article 6.4 of Regulation (EU) No. 1024/2013, whereby CaixaBank comprises, together with the credit institutions of its group, a significant supervised group of which CaixaBank is the entity at the highest level of prudential consolidation.

A.7 - The share capital affected by the Shareholders' Agreement reported to the Company is 80.597%. This percentage pertained to the CaixaBank shares held by: Caja Navarra (currently Caja Navarra Banking Foundation), Cajasol (currently Fundación Cajasol), Caja Canarias (currently Fundación Caja Canarias), and Caja de Burgos (currently Fundación Caja de Burgos, Banking Foundation), ("the Foundations") and the “la Caixa” Banking Foundation at 1 August 2012, the date the agreement was signed.
The current information provided in this section is 40.639%, which is the sum of the stake of the 'La Caixa' Banking Foundation through Criteria Caixa, S.A.U. and the stake of the Caja Canarias Banking Foundation, which is publicly-available information on the CNMV website. In the first case, given that it is a significant holding, and in the second, due to its condition as a member of the Board of CaixaBank. Therefore, the information on the percentage of capital affected by the Agreement does not include the holdings of the other two signatory foundations (the Caja Navarra Banking Foundation and the Caja de Burgos Foundations), whereby, as they are not significant shareholders or members of the Board of Directors, the information on their holdings in CaixaBank is not public.
"Brief description of agreement" below:
They also agreed that the “la Caixa” Banking Foundation would vote in favour of the appointment of the two members to the Board of Directors of CaixaBank proposed by "the Foundations" and, in order to give stability to their shareholding in CaixaBank, the "Foundations" agreed a four-year lock up period, as well as a commitment to exercise their pre-emptive acquisition rights over two years in favour of the other Foundations in the first place and subsidiarily the “la Caixa” Banking Foundation, should any of "the Foundations" wish to transfer all or part of their stake, once the lock-up period has expired.
On 17 October 2016, the amendments to the Integration Agreement between CaixaBank, S.A. and Banca Cívica, S.A. as well as the Shareholders' Agreement of CaixaBank, S.A. were signed, the first of them on 26 March 2012 by the Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), CaixaBank, S.A., Banca Cívica, S.A and the savings banks that once formed Banca Cívica, S.A., and the second on 1 August 2012 by "la Caixa" and the savings banks that formed Banca Cívica, S.A. The amendments to the aforementioned agreements on the one hand mean that the banks that formed Banca Cívica, S.A., instead of proposing the appointment of two directors at CaixaBank, will propose one director at CaixaBank, S.A. and one director at VidaCaixa, S.A., subsidiary of CaixaBank, and on the other, that the extension of the agreements that automatically took place at the beginning of August 2016, for three years, will have a duration of four years instead of the aforementioned three.
On 4 October 2018, via the modification agreement entered into by 'the Foundations' and the 'La Caixa' Banking Foundation, the Agreement was modified, after the Cajasol Foundation declared its will to nullify the Integration Agreement between CaixaBank, S.A. and Banca Cívica S.A., once six years have passed since it was signed.

Modifications were also made to Recital III, Clause 1 'Purpose of the Shareholders' Agreement' to remove the mention 'to support the 'La Caixa' Banking Foundation, Clause 3 'Territorial Advisory Boards'. Clause 5 'Right of First Refusal' has been removed, such that its wording is no longer applicable. Furthermore, the third paragraph of clause six 'Term of the Shareholders' Agreement' is no longer applicable.
The validity of the commitments regarding the combined Social Work of the Foundations and the 'La Caixa' Banking Foundation has been maintained, with the same content and scope as before, with the exception of the commitments between Cajasol and the 'La Caixa' Banking foundation, whereby, in this case, only the commitments made on the date of said document remain in force, up to the end date thereof.
The advisory nature of the Territorial Advisory Boards for Canary Islands, Navarre and Castile-Leon shall continue in force.

Continuation of "Expiration date of the Agreement"

On 17 October 2016, the amendments of the integration agreement between CaixaBank, S.A. and Banca Cívica, S.A and the Shareholders' Agreement of CaixaBank, S.A. were signed, the first of them on 26 March 2012 by the Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), CaixaBank, S.A., Banca Cívica, S.A and the savings banks that once formed Banca Cívica, S.A., and the second on 1 August 2012 by "la Caixa" and the savings banks that formed Banca Cívica, S.A.
The automatic renewal of the agreements, for three years, which took place on 1 August 2016, will instead last for four years.

A.8. – See Note A.5, which explains that, from 26 September 2017, there is no controlling shareholder in CaixaBank.
Notwithstanding, the protocol for management of its financial stake in CaixaBank and the Internal Relations Protocol remain in effect, the origins and development of which is explained below.
Act 26/2013 on Savings Banks and Banking Foundations requires banking foundations to approve, within two months from their creation a Protocol for managing its ownership interest in the financial institution. This protocol must establish, at a minimum, the strategic criteria for managing the interest, the relations between the Board of Trustees and the governing bodies of the bank, specifying the criteria for proposing director appointments and the general criteria for carrying out operations between the banking foundation and the investee credit institution, and the mechanisms to avoid potential conflicts of interest. The "la Caixa" Banking Foundation signed its protocol for managing its ownership interest in CaixaBank on 24 July 2014. The CNMV was notified on 9 December 2014 following approval from Bank of Spain.
On 18 February 2016, the members of the Board of Trustees of "la Caixa" Banking Foundation signed a new protocol for managing the financial ownership in CaixaBank, S.A., which resulted in the adaptation of the protocol approved by the Board of Trustees on 24 July 2014 to the content of Circular 6/2015. On 18 May 2017, the Board of Trustees approved a new protocol that replaces the previous one approved on 18 February 2016 (and amended on 31 March 2016), to adapt its content to the commitments to be undertaken by the 'La Caixa' Banking Foundation in order to comply with the conditions approved on 3 March 2016 and notified on 16 March 2016 by the Supervisory Board of the European Central Bank for prudential deconsolidation between Criteria and Caixabank.
On 19 December 2016, in accordance with the provisions of the Protocol for Managing the Financial Investment, the 'La Caixa' Banking Foundation, as parent of the 'La Caixa' Group, CriteriaCaixa, as direct shareholder in CaixaBank, and CaixaBank, as a listed company, signed a new Internal Relations Protocol which replaced the previous Protocol.

On 26 September 2017, the Decision of the Board of the Central European Bank was issued, which considered that, on the basis of complying with the conditions, CriteriaCaixa no longer exercises control of or has a dominant influence on CaixaBank, and is therefore no longer is parent company.
And on 22 February 2018, the 'La Caixa' Banking Foundation, as the parent of the 'La Caixa' Group, CriteriaCaixa, as direct shareholder of CaixaBank, and CaixaBank, as a listed company, entered into the new Internal Relations Protocol, which replaced the Previous Protocol, and whose main objectives are to:
- manage the related-party transactions deriving from transactions or services rendered.
- establish mechanisms that attempt to avoid the emergence of conflicts of interest.
- make provision for the 'La Caixa' Banking Foundation to have a right of pre-emptive acquisition in the event of a transfer by CaixaBank of Monte de Piedad, which it owns.
- establish the basic principles for a possible collaboration between CaixaBank and the 'La Caixa' Banking Foundation in matters relating to CSR.
- regulate the proper flow of information so that the 'La Caixa' Banking Foundation, Criteria and CaixaBank can elaborate their financial statements and comply with periodical information and supervision obligations.

Another essential objective of the Protocol is the acceptance and firm commitment of the Parties to comply with the conditions established by the Central European Bank for the prudential deconsolidation of Criteria in CaixaBank.

A.12 - There is no restriction on the transfer of shares and/or voting rights. Notwithstanding the above, it should be noted that Article 16 et seq. of Act 10/2014, of 26 June, on Discipline, Supervision and Solvency of Credit Institutions, states that persons wishing to acquire a significant holding (under the terms of article 16 of the standard) in the capital or voting rights of the company, or to increase, directly or indirectly, their stake therein, such that their voting rights or share capital is equal to or greater than 20%, 30% or 50%, or whereby by virtue of the acquisition, they could obtain control of the credit institution, must give prior notice to the Bank of Spain.
Nor does CaixaBank have legal restrictions or restrictions set forth in the Articles of Association on voting rights. Nevertheless, as explained in Note B.6, CaixaBank's Articles of Association and General Shareholders' Meeting Regulations stipulate that all shareholders who, individually, or in a group with other shareholders, own a minimum of one thousand (1,000) shares, and who have registered ownership of such in the relevant book-entry ledger at least five days in advance of the date the General Meeting is to be held, may attend in person.
Shareholders at the Annual General Meeting on 19 April 2012 voted to amend certain articles of the Articles of Association. Amendments include, inter alia, specification that given that the Company allows shareholders to exercise their voting rights and proxies through means of remote communication, the restriction of owning a minimum of one thousand shares to be able to attend the General Meeting would only apply to those attending in person.

Therefore, following this amendment, shareholders do not have to hold a minimum number of shares in order to be eligible to attend the Annual General Meeting (either in person or by proxy) and exercise their voting rights through means of remote communication.

B.1 and B.2 - The quorum required for constitution of the Annual General Meeting and the system of adopting corporate resolution sat CaixaBank do not differ from that established in the Corporate Enterprises Act (LSC).
In connection with the amendments to the Articles of Association approved in the Annual General Meeting of 28 April 2016, and to adapt the text of the Regulations of the Annual General Meeting to the wording of the Articles of Association, the same General Meeting resolved as follows: first, to amend article 12 of the Regulations of the Annual General Meeting relating to the constitution of the Annual General Meeting, in order to also specify in these Regulations that the strengthened quorum required to agree on the issuance of bonds will only apply to the issuances that are within the power of the General Meeting. And, on the other, to include an exception to the deadline in order to attend or be represented at the Meetings, and therefore it was agreed to amend articles 8 ("Right of attendance") and 10 ("Right of representation") of the Board's Regulations to expressly specify, in relation to the deadlines of five (5) days, that there is an exception for the specific cases where any law applicable to the Company establishes a regime that is incompatible.

B.7 - Article 4 of the Regulation of the Meeting establishes that the General Meeting is always responsible for aspects of legislation applicable to CaixaBank.

C.1.8 - Continued:

Modifications were also made to Recital III, Clause 1 'Purpose of the Shareholders' Agreement' to remove the mention 'to support the 'La Caixa' Banking Foundation, Clause 3 'Territorial Advisory Boards'. Clause 5 'Right of First Refusal' has been removed, such that its wording is no longer applicable. Furthermore, the third paragraph of clause six 'Term of the Shareholders' Agreement' is no longer applicable.

The validity of the commitments regarding the combined Social Work of the Foundations and the 'La Caixa' Banking Foundation has been maintained, with the same content and scope as before, with the exception of the commitments between Cajasol and the 'La Caixa' Banking foundation, whereby, in this case, only the commitments made on the date of said document remain in force, up to the end date thereof.

The advisory nature of the Territorial Advisory Boards for Canary Islands, Navarre and Castile-Leon shall continue in force.

C.1.13 - The remuneration of Directors in 2018 as reported in this section takes the following aspects into consideration: The

Board of Directors, at 31 December 2018, was composed of 18 members.

On 21 December 2017, following a favourable report by the Appointments Committee, and subject to the suitability verification by the Central European Bank, the Board of Directors agreed to appoint Tomás Muniesa Arantegui as a member of the Board of Directors. Tomás Muniesa Arantegui was nominated director at the proposal of the shareholder Caixa d'Estalvis i Pensions de Barcelona Banking Foundation, 'La Caixa', and maintained his duties as Managing Director of Insurance and Asset Management at CaixaBank, receiving the classification as Executive Director.

Likewise, also at the proposal of the Appointments Committee and subject to verification by the European Central Bank, Mr Muniesa was appointed Deputy Chairman of the Board of Directors and member of the Executive Committee. (Relevant event number 259,844).

On 6 April 2018, the Ordinary General Shareholders' Meeting approved the ratification and appointment of Eduardo Javier Sanchiz Irazu (independent director) and Tomás Muniesa Arantegui (executive director), in the latter case subject to a suitability verification by the European Central Bank.

The Board of Directors, in a meeting held after the AGM, at the proposal of the Appointments Committee and subject to a director suitability verification by the banking supervisor, agreed to re-elect Tomás Muniesa Arantegui as Deputy Chairman of the Board and member of the Executive Committee. (Relevant event number 263,818)

On 26 April 2018, Tomás Muniesa Arantegui accepted his appointments as executive director, Deputy Chairman of the Board of Directors and member of the Executive Committee of CaixaBank, after receiving communications from the European Central Bank on his suitability to fill the roles of director and Deputy Chairman of CaixaBank. (Relevant event number 264,783)

Tomás Muniesa Arantegui performed executive functions up to 22 November 2018, the date on which he resigned from his duties as Managing Director for Insurance and Asset Management and member of the Management Committee, taking on the category of Propriety Deputy Chairman.

Furthermore, on 1 February 2018, the Board of Directors adopted the following agreements regarding the composition of its Committees: (Relevant event number 261,218)

With respect to the Risk Committee, the contracts of Mr Ibarz, Mr Rosell and Ms Moraleda as members of the Committee were terminated, and Mr Garralda, Mr Sanchiz, Ms Usarraga and the Caja Canarias Foundation were appointed new members thereof. With respect to the Audit and Control Committee, Mr Sanchiz was appointed a new member thereof.
With respect to the Appointments Committee, the contracts of Mr Sáinz de Vicuña (Chairman) and Ms Moraleda as members were terminated, and Mr Reed and Mr Minc were appointed President and member of said Committee, respectively.
With respect to the Remuneration Committee, the contracts of Mr Minc and Ms Bassons as members were terminated, and Mr García-Bragado and Mr Rosell were appointed.

The remuneration figure for the Board of Directors does not include remuneration for participation on other boards in representation of the Company outside of the consolidated group, which amounts to €609,000, nor the amount of contributions to the savings schemes with non-vested economic rights during the fiscal year, which amount to €355,000.

C.1.14 - The total remuneration of members of senior management includes the remuneration of Tomás Muniesa Arantegui until April 2018, the date on which he joined the CaixaBank Board of Directors.

This amount includes the total fixed, in kind and variable remuneration paid to senior management. Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating a 100% achievement, and includes the accrued portion of the long-term share-based variable remuneration plan approved at the Annual General Meeting held on 23 April 2015. This includes social security insurance premiums and discretionary pension benefits, along with other long-term provisions.

The remuneration received in 2018 by Senior Management of CaixaBank for representing the Company on the Boards of listed companies, and others with representation, within the consolidated group or not, amounts to €521,000, which has been entered into the profit and loss accounts of the respective companies.

The employment contracts with members of the Management Committee contain clauses on termination benefits for the early termination or rescission of such contracts.

C.1.16 - Continuation of 'State the procedures for appointing, re-electing, evaluating and removing Directors'. List the competent bodies, procedures and criteria used for each of these procedures.

On 20 September 2018 the Board of Directors approved the Policy for the Selection, diversity and suitability assessment of Directors and Senior Management, and other key positions in CaixaBank and its group (hereinafter, the 'Policy'), which replaces the previous Director Selection Policy. The new Policy forms part of the Company's corporate governance system, and covers the main aspects and commitments of the Company and its Group concerning the appointment and selection of directors.
In the director selection process, with respect to individual requirements, candidates to become directors, and current directors, must meet the suitability requirements needed to exercise their role, in accordance with the provisions of applicable regulations. In particular, they must have recognised business and professional repute, suitable knowledge and experience for performing their duties, and be able to exercise good governance in the company.
Furthermore, the conditions established by regulations in force will be taken into account, regarding the overall composition of the Board of Directors. In particular, the overall composition of the Board of Directors must incorporate sufficient knowledge, abilities and experience regarding the governance of credit institutions, to sufficiently understand the Company's activities, including the primary risks, and to ensure the effective capacity of the Board of Directors to take independent and autonomous decisions in the Company's interests.
The Appointments Committee, with the assistance of the General Secretary and the Secretary of the Board, taking into account the balance of knowledge, experience, capacity and diversity required and in place on the Board of Directors, elaborates and constantly updates a competency matrix, which is approved by the Board of Directors.
Where applicable, the results of applying the matrix may be used to identify future training needs or areas to strengthen in future appointments.
The selection procedure for members of the Board established in the Policy will be complemented, in any applicable areas, with the provisions of the Protocol on the Procedures for the Suitability Assessment and Appointments of Directors and Senior Management, and other key positions in CaixaBank (hereinafter, the 'Suitability Protocol'), or equivalent internal standard in place at any time.
The Protocol establishes the Company's units and internal procedures involved in the selection and ongoing assessment of members of the Board of Directors, general managers and other senior executives, the heads of the internal control function and other key posts in CaixaBank, as defined under applicable legislation. Under the "Protocol", the Board of Directors, in plenary session, assesses the suitability of proposed candidates, based on a report from the Appointments Committee. Furthermore, with regard to the procedure for assessing candidates' suitability prior to their appointment as Director, the Suitability Protocol establishes procedures to continually evaluate Directors and to assess any unforeseeable circumstances which may affect their suitability for the post.
Directors shall be removed from office when the period for which they were appointed has elapsed, when so decided by the General Meeting in use of the attributes granted thereto, legally or in the Articles of Association, and when they resign.
In the event of the conditions described in C.1.19, Directors must place their position at the disposal of the Board of Directors and formalise, if the latter deems appropriate, the pertinent resignation.
When a director leaves office prior to the end of their term, they must explain the reasons in a letter which is to be sent to all members of the Board of Directors.

C.1.27- Notwithstanding the response given, we hereby note that as part of the ICFR System, the financial statements for the year ended 31 December 2018, which form part of the annual financial statements, are subject to attestation by the Entity's Head of Financial Accounting, Control and Capital.

D.7 – In Spain, the Bank is the only listed company belonging to the CaixaBank Group. Nevertheless, for reasons of transparency, it should be noted that the CaixaBank Group contains another listed company, whose shares were listed in Portugal until 14 December. This company is Banco BPI, S.A., with which CaixaBank has signed an Internal Protocol Governing Relations and whose main objectives are:

- to manage the related party transactions deriving from the carrying out of transactions or the provision of services, respecting the corporate interest of the two entities and, in this regard, identifying the services that are or may be provided to the BPI Group Companies by CaixaBank and the services that are or may be provided to the CaixaBank Group Companies by the BPI Group Companies, establishing the general criteria for these purposes within a framework of independence, transparency, reciprocity and conformity with market conditions.

- establish, without prejudice to the foregoing, mechanisms to avoid the emergence of conflicts of interest caused by CaixaBank's status as the controlling shareholder of BPI.
- regulate the flow of adequate information that enables CaixaBank, as the parent of the group of which BPI is a part, to fulfil its management requirements, legal obligations and the requests or orders of its supervisors, amongst others, the preparation of its financial statements and the fulfilment of its periodic reporting and supervisory requirements with the European Central Bank and the Bank of Spain and other supervisory and resolution bodies; all the foregoing, without prejudice to allowing the information flow that BPI may need from CaixaBank for its supervisory bodies.

E.1 - Continuation of Response:

- CaixaBank has an Internal Control Framework which offers a reasonable degree of assurance that the Group will achieve its objectives. The Internal Control Framework is a set of rules and controls that govern CaixaBank's organisational and operating structure, including reporting processes and functions of risk management, compliance and internal audit. This is structured around the three lines of defence model, in line with regulatory guidance and best practices in the sector.

1. The first line of defence consists in the Group's business and support units, which are risk taking areas responsible for developing and maintaining effective controls over their businesses, and for identifying, managing and measuring, controlling, mitigating and reporting the main risks that arise in their ongoing activity.
2. The second line of defence acts independently from the business units and it performs risk identification, measurement, monitoring and reporting, establishes management policies and control procedures, and is responsible for reviewing application thereof by the first line.
3. The internal audit function also carries out control activity as the third line of defence, and independently from the first and second lines. It provides an independent and objective review of the quality and effectiveness of the bank's internal control system.

For more information on Control Units, see section E.6 and Note 3 of the Consolidated Financial Statements of the CaixaBank Group for 2018.

E.2. – Continuation of Response:

Collegiate bodies in the risk area

Senior Management acting within the framework of the duties assigned by the Board and its Committees, has established several committees for risk governance, management and control. It is not directly responsible for Reputational Risk, Legal and Regulatory Risk, including tax risk and Conduct and Compliance Risk that all fall under the Deputy General Manager of Compliance. Level 1 committees are listed first, followed by level 2 committees that play a key role in the Group’s risk area.

Committees related with the risk function:

- Permanent Lending Committee: has powers delegated by the Board of Directors to approve transactions.
- Global Risk Committee: body that reports to the Risks Committee in all matters related to the Group's risk management, assessment methodologies, approval, recovery and mitigation policies, monitoring, reporting and risk control of the banking group. Under the Risk Management Function, it manages, controls and monitors the overall risks included in the Corporate Risks Catalogue, as well as the implications on the management of solvency and consumption of capital.

Committees reporting to the Global Risk Committee

- Risk Policy Committee
- Global Default and Recovery Committee
- Operational Risk Committee
- Models and Parameter Committee
- Impairment Committee
- Corporate Responsibility and Reputation Committee
- Crime Risk Committee

For more information, see Note 3 of the Consolidated Annual Accounts of the CaixaBank Group corresponding to 2018.

G.26 - According to the provisions of Article 7.2 of the Regulations of the Board of Directors, the Chairman is vested with the ordinary powers to draw up the agenda for such meetings and lead the discussions and deliberations.
However, all Directors may request that additional items be included in the agenda.

H. OTHER USEFUL INFORMATION

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption. In particular, indicate whether the company adheres to the Code of Best Tax Practices of 20 July 2010.

UN Global Compact

Since 2012, CaixaBank has chaired the Spanish Network of the United Nations Global Compact and thereby fosters the advance and of the ten principles, which are based on human, labour and environment rights and the fight against anti-

Women's Empowerment Principles

In 2013, CaixaBank adhered to the U.N. Women and the United Nations Global Compact's joint initiative: Women's Empowerment Principles. By doing so, CaixaBank publicly assumed the commitment to ensure that its policies promote gender equality.

Responsible Banking Principles

In 2018, CaixaBank signed on to the Responsible Banking Principles, launched by the United Nations Environment Programme Finance Initiative (UNEP FI). The aim of the Principles is to align the activity of the financial sector with reaching the United Nations Sustainable Development Objectives and those of the Paris Agreement on climate change.

United Nations Environment Programme Finance Initiative - UNEP FI

In 2018, CaixaBank joined this alliance in which financial institutions publicly recognise the key role they play in ensuring that our economy and lifestyles are sustainable. The signatories also undertake to integrate environmental and social considerations into all levels of their entities and operations.

Equator Principles

CaixaBank has been a signatory to the Equator Principles since 2007. The Entity is committed to considering and managing social and environmental risks in assessing and financing project finance transactions of more than US $10 million and project-related corporate loans where the total aggregate loan amount is over US $ 100 million.

United Nations Principles for Responsible Investment (UNPRI)

VidaCaixa, a company in the business of marketing life insurance and managing pension plans, and CaixaBank Asset Management, CaixaBank's fund management company, both part of Caixabank, have been formally committed since 2009 and 2016, respectively, to these principles, which take into consideration social, environmental and corporate governance criteria in investment decisions.

Diversity Charter

This charter is signed voluntarily by a company or a public institution to promote its commitment to the principles of equality, its actions to foster the inclusion of all people in the workplace and society, the recognition of the benefits of cultural, demographic and social diversity within companies, the implementation of specific policies which encourage a working environment free from prejudice for employment, employment, training and the promotion and adoption of non-discrimination programmes aimed at underprivileged groups. CaixaBank became a signatory in 2012.

More women, better

Signatory, along with the Ministry of Health, Social Services and Equality, of this pioneering initiative and one of the most important pledges of the Spanish government and industry to achieve a better balance of men and women in positions of company responsibility. Signatory since 2014.

Generation and Talent

Collaborating entity of the Generation and Talent Observatory, an organisation for research, analysis and training in generational diversity and the impact of the latter on socio-economic and labour issues in organisations. Signatory since

Green Bond Principles

CaixaBank signed up to these principles in 2015. These are a series of voluntary guidelines for all players in the green bond issuance process (underwriters, issuers and investors).

Spanish Group for Green Growth

In 2016, CaixaBank was one of the founder members of this business association, which aims to help promote a low-carbon economy compatible with economic growth and job creation.

RE100

Since 2016, CaixaBank has formed part of this collaborative global corporate initiative committed to using 100% renewable electricity. It has established the public target of using 100% renewable electricity by the year 2018.

CDP

CaixaBank has been a signatory of CDP since 2012. This is an independent not-for-profit organisation working to drive greenhouse gas emissions reduction and sustainable water usage. As a signatory, and as a token of its commitment to respect and protect the environment, CaixaBank has committed to measure, disclose, manage and disseminate environmental information.

Voluntary agreements programme to reduce greenhouse gas emissions.

Under this programme, which is promoted by the Catalan Climate Change Office, in 2015, CaixaBank voluntarily pledged to monitor its emissions and introduce measures other than those legally established to help reduce these.

OECD Guidelines for multinational enterprises

CaixaBank follows these guidelines which promote sustainable and responsible business

Code of Best Tax Practices

Since 2015, CaixaBank has been compliant with and committed to the Code of Good Tax Practices drawn up within the framework of the collaboration with the Spanish tax

Furthermore, CaixaBank, through its London branch, is currently voluntarily subscribed to the Code of Practice on Taxation for Banks, driven by the tax authorities in the United Kingdom.

Code of Good Practices for the viable restructuring of mortgage loans on primary residences

On 15 March 2012, CaixaBank adhered to the Spanish government's Code of Good Practices for the viable restructuring of mortgage loans on primary residences. CaixaBank's decision to join was based on the fact that the code mirrors one of its own core objectives: its long-standing fight against social and financial exclusion.

National Education Plan

Since 2010 CaixaBank has been a signatory to the Financial Education Plan promoted by the Bank of Spain and the Spanish Securities Market Regulator (CNMV) to improve society's knowledge of financial matters.

For more information, please visit the "Corporate Responsibility" section under "Corporate Information" on the CaixaBank website, or via this link: http://www.caixabank.com/responsabilidadcorporativa/ modelofinanzasresponsables/iniciativasyalian zas_es.html

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This annual corporate governance report has been approved by the company's Board of Directors, at its meeting on:

21/02/2019

State whether any Directors voted against or abstained from voting on the approval of this Report.

[ ] Yes
[√] No

CAIXABANK, S.A.

APPENDIX IAGC 2018

C.2.1. List all the committees of the Board of Directors, their members and the proportion of executive and propriety directors, or other external directors that comprise them: Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and functioning. For each one of these functions, briefly describe their most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

EXECUTIVE COMMITTEE

Brief description

Article 39 of the Articles of Association and articles 12 and 13 of the Regulations of the Board of Directors describe the organisation and operation of the Executive Committee.

1) Organisation and operation

The powers of the Executive Committee will be those that, in each case, are delegated by the Board, with the limitations set forth by Law, in the Company's Articles of Association and in these Regulations.

The Executive Committee will meet as often as it is called by its Chairman or whoever replaces him/her in his/her absence, as occurs in the event of vacancy, leave, or incapacity, and will be validly assembled when the majority of its members attend the meeting, either personally or by representation.

The appointment of members of the Executive Committee and the permanent delegation of powers from the Board on the same will require the favourable vote of at least two thirds of the members of the Board of Directors.

The Executive Committee will inform the Board of the main matters it addresses and the decisions it makes thereon at its meetings.

The Chairman and Secretary of the Board of Directors will also be the Chairman and Secretary of the Executive Committee.

The resolutions of the Committee will be adopted by the majority of the members attending the meeting in person or represented by proxy and will be validated and binding without the need for later ratification by the full Board of Directors, notwithstanding that spelled out in article 4.5 of the Regulations of the Board of Directors.

2) Responsibilities

The Executive Committee has been delegated all of the responsibilities and powers available to it both legally and as laid out in the Articles of Association. In terms of procedure, the Executive Committee is subject to the limitations set forth under article 4.5 of the Regulations of the Board of Directors.

3) Activities during the financial year

The Committee analysed recurring issues such as:

- Information on the general economic situation and the most relevant data on CaixaBank, including the monitoring of the Strategic Plan, accounting results, the evolution of the commercial and financial activity, share prices, reactions of investors and analysts to the Company's decisions, the agreements adopted on personnel matters, appointments and other variations to the workforce and securities transactions since the last Committee meeting.
- Granting of loans and credits.
- Real estate sales.
- Resolutions relating to investees, inter alia: capital contributions, amendments to Articles of Association, distribution of reserves, amendments to the composition of their governing bodies, granting of powers, sale and purchase of shares or stakes, the dissolution or liquidation of companies, and the appointment of proxies to attend meetings.
- Analysis of corporate investment or divestment transactions.

AUDIT AND CONTROL COMMITTEE

Brief description

Articles 40 and 14 of the Articles of Association and Regulations of the Board of Directors and applicable legislation describe the organisation and operation of the Audit and Control Committee.

1) Organisation and operation

The Audit and Control Committee will be exclusively formed of non-executive Directors, in the number determined by the Board of Directors, between a minimum of three (3) and a maximum of seven (7). Most of the members of the Audit and Control Committee shall be independent and one (1) of them shall be appointed on the basis of their knowledge and experience of accounting or auditing, or both.

Furthermore, the Board of Directors will ensure that members of the Audit and Control Committee, particularly its Chairperson, have sufficient knowledge and experience in accounting, auditing or risk management, and in any other areas required for the Audit and Control Committee to fulfil all its duties.

Overall, and notwithstanding the principle to foster diversity, the members of the Audit and control Committee, who will be allocated in consideration of their capacity of dedication needed to fulfil the duties assigned to them, will have the required technical knowledge regarding the Company's activities.

To review the mandatory financial instruments to be sent to the authorities, along with the information that the Board of Directors that must be approved and included in annual public documentation, each quarter the Audit and Control Committee will meet in an ordinary session, with the presence of the internal auditor and, if any kind of review report is issued, the account auditor. At least a part of these meetings will take place without the presence of the management team, so that they can discuss specific issues that arise from the reviews conducted.

The Audit and Control Committee will appoint a Chairman from among the independent Directors. The Chairman must be replaced every four (4) years and may be re-elected once a period of one (1) year from his departure has transpired. The Chairman of the Committee will act as a spokesperson in meetings of the Board of Directors, and, where relevant, in the Company's General Shareholders' Meetings.

It shall also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need be a committee member. In the event that such appointments are not made, the Secretary to the Board shall act as Secretary. The Secretary will assist the Committee Chair in planning its meetings, and gathering and handing out the information needed sufficiently in advance, taking down the minutes of such meetings.

The Audit and Control Committee will establish an annual work plan that will include the main activities of the Committee during the fiscal year.

The members of the Company’s management team or personnel shall be required to attend the meetings of the Audit and Control Committee and to lend their assistance and allow the committee to access any information they may have when the Committee so requests. The Committee may also require the Company’s auditors to attend its meetings, along with other people, only by invitation of the Committee Chair, and only to deal with specific points of the agenda for which they have been convened.

The Audit and Control Committee must establish an effective, periodical communication channel with its usual spokespersons, which will normally be the Committee Chair and, among others, with Company management, particularly financial management; the head of internal audits; and the main auditor responsible for account auditing. In particular, the communication between the Audit and Control Committee and the external auditor must be smooth and continuous, in accordance with the regulatory guidelines for audit activity, and must not jeopardise the auditor’s independence or the effectiveness with which it carries out the audit or with which the audit procedures are developed.

The Audit and Control Committee must have adequate, relevant and sufficient access toany information or documentation held by the Company and may receive advice from external experts when it deems this necessary for correctly fulfilling its functions.

The Company must provide the Audit and Control Committee with sufficient resources to fulfil its functions.

It will shall be validly assembled when the majority of its members attend in person or by proxy. Resolutions shall be adopted by a majority of the members attending in person or by proxy and minutes of the resolutions adopted at each meeting shall be drawn up and such resolutions shall be reported to the Board as a plenary body, submitting or delivering a copy of the minutes to all Board members.

The committee's Chairman shall report to the Board on its activities and on the work performed at meetings specifically arranged for this purpose, or at the immediately following meeting when the Chairman deems this necessary.

It will prepare an annual report on its operation highlighting the main incidents occurring, if any, related to its duties, that will be the basis, amongst others, and if applicable, for the evaluation made by the Board of Directors. Furthermore, if the Committee deems it appropriate, it shall include in the report suggestions for improvement.

In particular, the Audit and Control Committee’s report will include, among other content, the significant activities carried out during the period, and it will inform of those carried out in collaboration with external experts, posting them on the Company’s website sufficiently in advance of the Ordinary General Meeting.

2) Responsibilities

Notwithstanding any other task which may be assigned thereto from time to time by the Board of Directors, the Audit and Control Committee shall perform the following basic duties:

In relation to overseeing financial information:

(i) to report to the Annual General Meeting about matters posed by shareholders that are within the competence of the Committee and, in particular, on the result of the audit, explaining how this has contributed to the integrity of the financial information and the Committee's role in this process;

(ii) oversee the process of elaborating and presenting mandatory financial information regarding the Company and, where relevant, the Group, reviewing the Company accounts, compliance with regulatory requirements in this area, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria. And, in particular, know, understand and oversee the effectiveness of the internal financial information control system (ICFR), concluding on the level of trust and reliability of the system, and elaborating proposals to modify the accounting principles and criteria suggested by management, in order to guarantee the integrity of the accounting and financial information systems, including financial and operational control, and compliance with applicable law. The Committee can put forward recommendations or proposals to the Board of Directors, designed to safeguard the completeness of the mandatory financial information;

(iii) to ensure that the Board of Directors files the Annual Accounts to the General Shareholders Meeting, without limitations or qualifications in the audit report, and that, in the exceptional case whereby there are qualifications, ensure that the Chairman of the Committee and the auditors clearly explain the content and scope of said limitations or qualifications to shareholders;

(iv) to report to the Board of Directors, in advance, on the financial information, and related non-financial information, that the Company must periodically publish to the markets and its supervisory bodies;

With regard to overseeing internal control and internal auditing:

(v) to oversee the effectiveness of internal control systems, and discuss any weaknesses found in the internal control system that may have been detected during the audit with the auditor, all without violating its independence. For such purposes, and if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding deadline for their follow-up;

(vi) to oversee the effectiveness of the internal auditing, and in particular that the internal audit unit endeavours to ensure the correct functioning of the reporting and internal control systems, verifying their suitability and integrity; to ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and cessation of the person responsible for it; to propose the budget for this service; to approve its approach and its work plans, ensuring its work is mainly geared to the Company's significant risks; to receive periodical reporting on its activity and to verify that the senior management is taking into account the conclusions and recommendations in its reports; and to conduct an annual assessment of the functioning of the internal audit unit and the performance of its duties by the person responsible, for which purpose it will gather any opinions the executive management may have. This assessment must include an evaluation of the degree of compliance with the objectives and criteria established for setting the variable components of its remuneration, with the Committee also being involved in determining such components.

The person responsible for the unit in charge of the internal audit function willsubmit its annual work plan to the Committee, inform of any incidents arising oncarrying it out and submit a report on its activity at the end of each financial year.

The Internal Audit Department will be functionally dependent on the Chairperson of the Audit and Control Committee, without prejudice to the fact that it must report to the Chairperson of the Board of Directors so that the latter may suitably perform its functions;

(vii) to establish and oversee a mechanism enabling the Company's employees, or those of the group to which it belongs, to confidentially (and anonymously, if deemed appropriate) notify of any potentially significant irregularities they may observe within the Company, particularly those of a financial and accounting nature, receiving periodical reporting on its functioning and being able to propose the relevant measures for improvement and reduction of the risk of irregularities in the future;

With regard to overseeing risk management and control:

The Audit and Control Committee will carry out the functions established in this section in coordination with the Risk Committee, to the necessary extent.

(viii) to oversee the effectiveness of the financial and non-financial risk management systems;

(ix) to hold a meeting at least once a year with the leading persons responsible for the business units at which the latter will explain the trends of the business and the associated risks;

With regard to the accounts auditor:

(x) to submit to the Board of Directors, for submission to the General Shareholders' Meeting, the proposals for selection, appointment, re-election and replacement of the accounts auditor, being responsible for the selection process, in accordance with regulations applicable to the Company, as well as the contracting conditions thereof and the scope of his/her professional mandate, and for this purpose, it must define the auditor selection procedure and issue a reasoned proposal containing at least two alternatives for the selection of an auditor, except in cases of the auditor's re-election;

(xi) regularly recompile, from the external auditor, information on the auditing plan and its execution as well as preserving its independence in the exercise of its duties;

(xii) to serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations and to mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable to the preparation of the financial statements, as well as to examine the circumstances which, as the case may be, motivated the resignation of the auditor and to ensure that the Company sends a significant event notice to the Securities Market Commission (CNMV) informing of the change of auditor, accompanied by a statement regarding any possible disagreements with the outgoing auditor and, if there have been any such disagreements, of their content;

(xiii) to establish appropriate relationships with the external auditor in order to receive information, for examination by the Audit and Control Committee, on matters which may threaten the independence of said auditor and any other matters relating to the audit process, particularly any discrepancies that may arise between the auditor and the Company management, and, where the case may be, the authorisation of any services other than those that are prohibited, under the terms set forth in the applicable legislation in relation to their independence and any other communications provided for in audit legislation and audit regulations.

In any case, on an annual basis, the Audit and Control Committee must receive. from the external auditors, a declaration of their independence with regard to the Company or entities related to it directly or indirectly, in addition to detailed, personalised information on additional services of any kind rendered to these entities and the corresponding fees received by the aforementioned auditors or persons or entities related to them as stipulated by the regulations governing auditing activity, ensuring that the external audit firm's remuneration for its work does not jeopardise its quality or independence and ensuring that the Company and the auditor observe the applicable legislation with regard to provision of services other than auditing services, the limitations on the auditor's business concentration and, in general, all other regulations regarding auditor independence;

(xiv) to issue annually, prior to the issuance of the audit report, a report containing an opinion on whether the independence of the auditor has been compromised, which will be posted on the Company's website sufficiently in advance of the Ordinary General Meeting. This report must address, in all cases, the reasoned evaluation of the provision of each and all of the additional services referred to in the preceding section, individually and collectively considered, different from the legal audit and related to the degree of independence or to the regulations governing auditing activity;

(xv) to supervise compliance with the auditing contract, striving to ensure that the opinion about the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely;

(xvi) to ensure that the external auditor holds an annual meeting with the Board of Directors as a plenary body, to inform it of the work carried out and the evolution of the Company's situation with regard to auditing and risks;

(xvii) to conduct a final assessment with regard to the auditor's work and how it has contributed to the quality of the audit and the integrity of the financial reporting;

Other functions:

(xviii) to supervise the compliance with regulations with respect to Related Party Transactions and, previously, inform the Board of Directors on such transactions. In particular, to ensure that the information on said transactions be reported to the market, in compliance with the provisions of the current legislation, and to report on transactions which imply or may imply conflicts of interest and, in general, on the subject matters contemplated in Chapter IX of this Regulation.

The report on related party transactions issued by the Audit and Control Committee, where the case may be, will be posted on the Company website sufficiently in advance of the date of the Ordinary General Meeting;

(xix) to supervise the compliance with the internal codes of conduct, particularly the Internal Rules of Conduct on Matters Related to the Securities Market and, in general, the rules of corporate governance;

(xx) to provide the Board of Directors with advance notice of any transactions regarding structural and corporate modifications that the Company may plan to carry out, their financial terms and their accounting impact and, in particular, where the case may be, of the proposed equation of exchange;

(xxi) to, previously, report to the Board of Directors on the creation or acquisition of stakes in special purpose entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, may deteriorate the transparency of the Company or of the group to which it belongs;

(xxii) to consider the suggestions submitted to it by the Chairman of the Board o fDirectors, Board members, executives and shareholders of the Company;

(xxiii) to receive information and, as the case may be, issue a report on the disciplinary measures intended to be imposed upon members of the Company's senior management team;

(xxiv) to supervise compliance with any relations protocols which the Company may sign with shareholders or which the Company may sign with companies from its Group ,and the performance of any other action established in the protocols for the best compliance with the aforementioned supervisory duty; and

(xxv) any others attributed thereto by Law, in the Articles of Association, these Regulations and other regulations applicable to the Company.

3) Activities during the year

There are recurring matters which are analysed by the Committee, such as those referring to the oversight of financial and non-financial information, the oversight of internal auditing, compliance with corporate governance rules and fulfilment of the Securities Held in Treasury Policy.

The Committee paid particular attention to overseeing the process for preparing and submitting the mandatory financial information and other information concerning 2018 disclosed to the market. The person responsible for financial reporting has appeared in several of the Committee's meetings held in 2018, and thus the Committee has learned, sufficiently in advance, about the process of compiling and consolidating interim financial information and the individual and consolidated financial statements. The Committee has been informed and approved of the valuation criteria and accounting practices applied by CaixaBank and, with the assistance of the external auditor, it has confirmed that it is aligned with accounting laws and the criteria established by competent regulators and supervisors. All with the object of guaranteeing the integrity of the accounting and financial information systems, including financial and operative control, and compliance with the applicable legislation.

The Annual General Meeting held on 6 April 2017 appointed PricewaterhouseCoopers Auditores, S.L. as the auditor of the accounts of CaixaBank and of its consolidated group for the years 2018, 2019 and 2020. The selection process took place throughout 2016, pursuant to the criteria established in Regulation (EU) 537/2014, of 16 April, on the specific requirements for legal audits of public-interest entities. The Committee was responsible for this selection process, and ensured that it was transparent, independent and objective.

In 2018, the transition was completed from the previous auditor, Deloitte S.L., to PricewaterhouseCoopers Auditores, S.L., designated by the General Shareholders' Meeting as the new auditor of CaixaBank and its consolidated Group for 2018, 2019 and 2020.

In addition, and as part of their ordinary powers, the Committee discussed, examined, and took decisions or issued reports on the following matters:

- Independence of the external auditor, and follow-up on the reports issued by it;
- Approval of the Internal Audit Plan for 2018, monitoring its degree of implementation and its main conclusions;
- Internal Audit reports issued at the Group and overseeing their recommendations.
- Monitoring trends in the main figures in the CaixaBank income statement and balance sheet, and the breakdown of the Group's liquidity position and solvency;
- Information about monitoring activities in the field of the Single Supervisory Mechanism; Overseeing the efficiency of the Internal Control Systems, including the internal control over financial reporting (ICFR).
- Monitoring Control & Compliance activities.
- Overseeing the functioning of the Company's mechanisms that allow its employees to confidentially report any irregularities with potentially serious implications within the heart of the Company (Whistleblower Channel);
- Information on transactions carried out with CaixaBank by directors or their related parties, and also those carried out with CaixaBank by senior management or their related parties.

APPOINTMENTS COMMITTEE AND REMUNERATION COMMITTEE Brief

description

Articles 40 and 15 of the Articles of Association and Regulations of the Board of Directors and applicable legislation describe the organisation and operation of the Appointments Committee and the Remuneration Committee.

1) Organisation and operation

The Appointments Committee and the Remuneration Committee shall be formed exclusively of non-executive members of the Board of Directors, in a number determined by the Board of Directors (minimum of three (3), maximum of five (5)). A majority of each of these Committees must be independent directors, where members of the Remuneration Committee will be appointed by the Board of Directors at the proposal of the Audit and Control Committee. The Chairman of the Committee will be appointed from amongst the independent Directors forming part of such Committee.

Both the Appointments and the Remuneration Committees shall be self-governing, they shall elect their Chairman and appoint a Secretary. In the absence of this latter appointment, that of the Board shall act as Secretary or one of the Deputy Secretaries.

Both the Appointments and the Remuneration Committees shall:

(i) Meet whenever considered appropriate for the good performance of their duties and the meetings will be called by their Chairperson, either by his/her own initiative, or when required by two (2) members of the Committee itself, and must do so whenever the Board or its Chair requests the issuance of a report or the adoption of a proposal;

(ii) The meeting notice shall be sent out by letter, telegram, fax, e-mail, or any other means which allows keeping a record of its receipt;

(iii) The Secretary of each of the committees will be responsible for calling the meetings and for filing the minutes and documentation presented to the committee.

(iv) Minutes will be prepared of the resolutions adopted at each meeting, which shall be reported to the Board and the minutes will be available to all members of the Board in the Board Secretariat, but shall not be sent or delivered for reasons of discretion, unless the Chair of the Committee decides otherwise;

(v) The Committees shall be validly constituted with the attendance in person or represented by proxy of the majority of its members and resolutions shall be adopted by a majority of members who attend in person or by proxy.

They will draw up a report on their operations, highlighting the main incidents to have occurred, if any, in relation to their functions. This report will provide the basis, among other information, for the Board's assessment of the committees' performance. In addition, when the relevant Committee deems it appropriate, it will include in that report suggestions for improvement.

2) Responsibilities

Notwithstanding other duties which may be assigned thereto by the Board of Directors, the Appointments Committee shall have the following basic responsibilities:

(i) Evaluating and proposing to the Board of Directors the assessment of skills, knowledge and experience required of Board members and key personnel at the Company.

(ii) Submitting to the Board of Directors the proposals for the nomination of the independent Directors to be appointed by co-option or for submission to the decision of the Annual General Meeting, as well as the proposals for the reappointment or removal of such Directors by the Annual General Meeting.

(iii) Report proposed appointments of the remaining Directors for them to be designated by co-option or subject to the decision of the General Meeting of Shareholders, as well as on proposals for their re-election or removal by the General Shareholders' Meeting.

(iv) Reporting on the appointment and, as the case may be, dismissal of the Lead Director, the Secretary and the Deputy Secretaries for approval by the Board of Directors.

(v) Determining the most desirable profile for candidates of the various committees other than the Appointments Committee, based on their knowledge, aptitudes and experience, and presenting to the Board its proposed appointments to committees other than the Appointments Committee itself.

(vi) Reporting on proposals for appointment or removal of senior executives, being able to effect such proposals directly in the case of senior managers which due to their roles of either control or support of the Board or its Committees, it is considered by the Committee that it should take the initiative. Propose, if deemed appropriate, the basic terms of the contracts of senior executives other than their pay and remuneration, and report those terms once established.

(vii) Examining and organising, in collaboration with the Lead Director, and with the Chairman of the Board of Directors, the succession of the latter and of the Company's chief executive and, as the case may be, sending proposals to the Board of Directors so that the succession process is suitably planned and takes place in orderly fashion.

(viii) Report to the Board on gender diversity issues, ensuring that the procedures for selection of its members favour the diversity of experience, knowledge, and facilitate the selection of female Directors, and establish a representation target for the less represented gender on the Board of Directors as well as preparing guidelines for how this should be achieved, in any case endeavouring to ensure compliance with the diversity policy applied to the Board of Directors, which will be reported on in the Annual Corporate Governance Report.

(ix) Periodically evaluate, at least once a year, the structure, size, composition and actions of the Board of Directors and of its committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these. Here, the committee shall act under the direction of the Lead Director when assessing the performance of the Chairman. It should also evaluate the composition of the Management Committee, as well as its replacement lists, to ensure proper coverage as members come and go.

(x) Assessing, as often as required by applicable regulations, the suitability of the various members of the Board of Directors and of the Board as a whole, and reporting to the Board of Directors on its findings.

(xi) Periodically reviewing the Board of Directors selection and appointment policy in relation to senior executives and making recommendations.

(xii) Consider any suggestions it receives from the Company's Chairman, Board members, executives and shareholders.

(xiii) Supervising and controlling the smooth operation of the Company's corporate governance system, making any proposals it deems necessary for its improvement.

(xiv) Monitoring the independence of the independent Directors.

(xv) Proposing to the Board the Annual Corporate Governance Report.

(xvi) Supervising the Company's activities when it comes to corporate social responsibility and submitting to the Board any proposals it deems appropriate here.

(xvii) Verifying that the Board of Directors possesses a sufficient balance of knowledge, skills, diversity and experience and preparing a description of the duties and aptitudes that may be required for any specific appointment, whilst also evaluating the expected dedication of time for fulfilling the position.

Notwithstanding other duties which may be assigned thereto by the Board of Directors, the Remuneration Committee shall have the following basic responsibilities:

(i) Drafting the resolutions related to remuneration and, particularly, reporting and proposing to the Board of Directors the remuneration policy for the Directors and Senior Management, the system and amount of annual remuneration for Directors and Senior Managers, as well as the individual remuneration of the Executive Directors and Senior Managers, and the other conditions of their contracts, particularly financial, and without prejudice to the competences of the Appointments Committee in relation to any conditions that it has proposed not related to remuneration.

(ii) Ensuring compliance with the remuneration policy for Directors and Senior Managers as well as reporting the basic conditions established in the contracts of these and compliance of the contracts.

(iii) Reporting and preparing the general remuneration policy of the Company and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of the Company and those that are intended to prevent or manage conflicts of interest with the Company's customers.

(iv) Analyse, formulate and periodically review the remuneration programmes, weighing up their adequacy and performance and ensuring compliance.

(v) Propose to the Board the approval of the remuneration reports or policies that it is required to submit to the General Shareholders' Meeting, as well as reporting to the Board on any remuneration-related proposals or motions the Board may intend to lay before the General Meeting.

(vi) Considering the suggestions it receives from the Company's Chairman, Board members, executives
o and shareholders.

3) Activities during the year

3.1) Appointments Committee:

As part of its ordinary powers, the Committee discussed, examined, and took decisions or issued reports on the following matters: assessment of suitability; appointments to the Board, Committees and Advisory Committees; verification of the Directors' character; gender diversity; the policy for selecting Directors, senior management and other key posts; the CSR masterplan, corporate governance documentation to be submitted for 2018; in accordance with article 15 of the Regulations of the Board of Directors.

In 2018, the Committee established a work plan on two occasions. Notwithstanding other issues, relevant aspects presented included the need to tackle selection policies for directors and senior managers, as well as internal suitability assessment procedures to adapt to the guidelines of the EBA; corporate support; and the need to address appointment proposals for independent directors. In September, the Committee primarily focused on the self-evaluation of the Board (individual and collective); the evaluation of the Board's structure, size and composition; the evaluation of the functioning of the Board and its Committees; and analysed the monitoring of the recommendations of the Code of Proper Corporate Governance for Listed Companies and the annual planning of director training.

3.2) Remuneration Committee:

The Committee analyses recurring issues such as annual remuneration, salary policy and remuneration systems and corporate governance.

In addition, and as part of their ordinary powers, the Committee discussed, examined, and took decisions or issued reports on the following matters: the proposed evaluation of individual and group targets for 2017 and the 2018 Bonus Scheme, the 2017 ARDR, incidences due to regulatory changes, the 2015-2018 Long-term Incentive Plan and the Board Remuneration Policy, among others.

RISKS COMMITTEE

Brief description

Articles 40 and 14 of the Articles of Association and Regulations of the Board of Directors describe the organisation and operation of the Risks Committee.

1) Organisation and operation

The Risks Committee shall comprises exclusively non-executive Directors who possess the appropriate knowledge, skills and experience to fully understand and manage the risk strategy and risk propensity of the entity, in the number determined by the Board of Directors, with a minimum of three (3) and a maximum of six (6), where the majority must be independent Directors.

The Risks Committee shall meet as often as necessary to fulfil its duties and shall be convened by the Chair, either on his/her own initiative or at the request of the Chair of the Board of Directors or of two (2) members of the Committee itself.

The meeting notice shall be sent out by letter, telegram, fax, e-mail, or any other means which allows keeping a record of its receipt.

The Secretary will be responsible for convening the meeting and for filing the minutes and documents submitted to the committee.

It will shall be validly assembled when the majority of its members attend in person or by proxy. Resolutions shall be adopted by a majority of the members attending in person or by proxy and minutes of the resolutions adopted at each meeting shall be drawn up and such resolutions shall be reported to the Board as a plenary body, submitting or delivering a copy of the minutes to all Board members.

The Committee will inform the Board of its activities and work performed via its Chairperson in the meetings scheduled for this purpose, or immediately afterwards when the Chair deems necessary.

It will prepare an annual report on its operation highlighting the main incidents occurring, if any, related to its duties, that will be the basis, amongst others, and if applicable, for the evaluation made by the Board of Directors. Furthermore, if the Committee deems it appropriate, it shall include in the report suggestions for improvement.

For the proper performance of its duties, the Entity shall ensure that the delegated Risks Committee can access without difficulty the information concerning the risk situation of the Entity and, if necessary, specialist outside expertise, including external auditors and regulators.

The Risks Committee may request the attendance at meetings of the people that, within the organisation, have roles related to its duties, and shall have the advice that may be necessary to form criteria on matters within its competence, which shall be processed through the Council Secretariat.

2) Responsibilities

Notwithstanding any other task which may be assigned thereto from time to time by the Board of Directors, the Risks Committee shall perform the following basic duties:

(i) Advising the Board of Directors on the Bank's overall susceptibility to risk, current and future, and its strategy in this area, reporting on the Risk Appetite Framework, assisting in monitoring the implementation of this strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously agreed and seeing to it that actual risk exposure falls within the limits of the established risk profile.

(ii) Proposing to the Board the Group's risk policy, which should identify in particular:

(a) The different types of risk (operational, technological, financial, legal, reputational, etc.) which the Company faces, including amongst the financial or economic risks the contingent liabilities and other off-balance-sheet risks.

(b) The internal reporting and control systems to be used to control and manage those risks.

(c) The determination of the risk level the Company sees as acceptable.

(d) The measures in place to mitigate the impact of identified risks should they materialise.

Ensure that the pricing policy of the assets and liabilities offered to the clients fully consider the business model and risk strategy of the entity. Otherwise, the Risks Committee will submit to the Board of Directors a plan to amend it.

(iv) Determine with the Board of Directors, the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish what the Committee should receive.

(v) Regularly review exposures with its main customers, economic business sectors and by geographic area and types of risk.

(vi) Examine the information and control processes of the Group's risk as well as the information systems and indicators, which should enable:

(a) A suitable and adequate structure and functionality of risk management across the entire Group.

(b) Knowing the Group's risk exposure in order to assess whether it conforms to the profile determined by the Bank.

(c) Having sufficient information available so as to be able to accurately gauge risk exposure for decision-making purposes.

(d) The proper functioning of policies and procedures in place to mitigate operational risks.

(vii) Evaluate the regulatory compliance risk in its scope of action and determination, understood as the risk management of legal or regulatory sanctions, financial loss, or material or reputational loss that the Company could suffer as a result of non-compliance with laws, rules, regulation standards and codes of conduct, detecting any risk of non-compliance and carrying out monitoring and examining possible deficiencies in the principles of professional conduct.

(viii) Report on new products and services or significant changes to existing ones, in order to determine:

(a) The risks facing the Company from their issue and their commercialisation on the market, as well as from significant changes in existing ones.

(b) The internal reporting and control systems used to control and manage those risks.

(c) Corrective measures to limit the impact of the identified risks, should they materialise.

(d) The means and the appropriate channels for their commercialisation in order to minimise any reputational risks and mismarketing.

(ix) Cooperate with the Remuneration Committee in the establishment of rational remuneration policies and practices. For these purposes, the Risks Committee will examine, notwithstanding the duties of the Remuneration Committee, if the incentives policy anticipated in the remuneration systems take into account the risk, capital, liquidity and the probability and timing of the benefits.

(x) Assist the Board of Directors, particularly, regarding the (i) establishment of efficient channels of information to the Board about the risk management policies of the Company and all the important risks to which it is exposed, (ii) ensure that adequate resources will be assigned for managing risks, and, particularly, intervening in the evaluation of the assets, in the use of external credit classifications and the internal models related to these risks and (iii) the approval and periodical review of the strategies and policies for assuming, managing, supervising and reducing the risks to which the Company is or can be exposed, including those presented by the macro-economic situation in which it operates in relation to the economic cycle.

(xi) Any others attributed thereto by Law, in the Articles of Association, the Regulations of the Board of Directors and other regulations applicable to the Company.

3) Activities during the year

As part of its ordinary powers, the Committee discussed, examined and agreed on or issued reports on, inter alia, issues within its remit regarding the Risk Appetite Framework (RAF), the Recovery Plan, the Group's Risk Policy, the Risk Scorecard, the Review of the Types of Risk, Monitoring of Internal Control and Regulatory Compliance; and the Global Risk Committee.

In 2018, the Committee dealt with the relevant write-off risks as separate points of the agenda in multiple meetings, as well as issues of risk management, the lessons learned from the crisis and management aspects that have been reinforced.

E.6 Explain the response and monitoring plans for the main risks the entity is exposed to, including of a fiscal nature.

As we have mentioned before, the main risks the Entity is exposed to are outlined in the Corporate Risk Catalogue.

Clear monitoring responsibilities have been established and, where applicable, the response within the risk appetite framework.

The **Board of Directors** is the body responsible for defining and supervising the Group’s risk profile, updating the framework’s metrics and thresholds where necessary, and at least once per year.

The **Risk Committee** is responsible for helping the Board of Directors in its tasks and reviewing the development of Tier 1 metrics more frequently and in greater depth, and for compliance with the action plans to redirect underlying risks to the appetite zone as rapidly as possible.

The **Global Risk Committee** is responsible for proposing the design and development of the RAF, and monitoring compliance therewith at least monthly. If the pre-established risk appetite levels are exceeded, the necessary measures are taken to reshape the situation.

The following basic reporting structure has been defined to ensure the Framework is compliant and that transparency is in line with best international practices:

- **Monthly presentation** by the Management Division of the *Corporate Global Risk Function & Planning* to the **Global Risk Committee**, indicating the past and future trends of Tier 1 and Tier 2 metrics, according to the Strategic Plan/projection made as part of the ICAAP exercise. If first level risk levels breach the threshold for:
    - **Tolerance**: an 'amber traffic light or early alert' is assigned to the indicator, and the party responsible or the Management Committee is entrusted by the Global Risk Committee with preparing an action plan to return to the 'green' zone, and a timeline is drawn up.
    - **Non-compliance**: a 'red traffic light' is assigned, including an explanation as to why the previous action plan did not work (if there was one). Corrective or mitigating measures are proposed to reduce exposure. This must be approved by the Risks Committee**.The Board must receive information with the content and frequency established by the Risks Committee.**
    - ***Recovery Plan***: this would trigger the Plan's governance process, which entails a set of measures to: minimise the possibility of insolvency of the bank, or of it entering an insolvency proceeding and minimising the impact in case of bankruptcy, seeking to prevent a public bail out.

      In this case, the regulator must be informed of serious breaches and the action plans expected to be adopted.
- **Quarterly presentation** to the **Risks Committee** on the situation, action plans and forecasts for Tier 1 metrics.
- **Half-yearly presentation to the Board of Directors** on the situation, action plans and forecasts for Tier 1 metrics.

During these sessions, the Board may decide to amend or update the metrics and previously assigned thresholds.

If a risk breaches a non-compliance threshold which could threaten the Group's ability to continue as a going concern, the Board may initiate the measures set forth in the *Recovery Plan***.**

As part of the elements for risk management, we can highlight the Liquidity Contingency Plan, which forms part of the Group's risk strategy. Its main objective is to include measures and a Governance Framework to face the potential situation of a liquidity crisis, with the maximum involvement of senior management.

Under the framework of resolution plans, which determine the resolution strategy to follow according to the nature of each entity, CaixaBank takes into account the communication of formal requirements by the competent bodies during the 2019 financial year.

When it comes to fiscal risk, this falls under the framework of Fiscal Strategy (which details its main strategic tax principles) and the Fiscal Risk Control and Management Policy, both approved by the Group's Governance Bodies and updated in 2018.

Furthermore, the Group's compliance in the fiscal area has maintained its adherence to the Code of Good Tax Practices of the Large Companies Forum, complying with the content thereof.

As indicated in section E.1, the second and third lines of defence play a fundamental role in terms of overseeing and developing the Group's risk action plans. Its functions and organisation, in accordance with the Group's Internal Control Framework, are as follows:

Second line of defence

The functions included in the second line of defence act independently of the business units and comprise:

- Establishing corporate policies for risk management and control, in coordination with the first line of defence, and assessing their subsequent compliance.
- The identification, measurement and monitoring of the risks (including emerging risks), contributing to the definition and implementation of risk indicators aligned with the RAF.
- The identification of control weaknesses and establishment of action plans and their implementation.
- Independent internal or comparison validation of internal models.
- Furthermore, the Risk Management Strategic Processes are coordinated, including the compliance and monitoring of the Risk Assessment process, the Corporate Risks Catalogue and the RAF.

Activities of the second line of defence, as well as (i) identified risks, (ii) the monitoring of action plans and (iii) the opinion on the suitability of the control environment in the Group, are periodically reported to the bodies responsible for the control environment, following the established hierarchy, as well as to the supervisory bodies.

- **Corporate Risk Management Function (RMF) & Planning**

  The RMF is responsible for identifying, monitoring, analysing, measuring, managing and reporting risks, thus gaining a comprehensive view of all the Group's risks. To this end, all aspects that are considered relevant for it to perform its function and that are implemented by second line of defence functions without hierarchical dependency will be reported to the RMF.

  In addition, on matters that fall within its remit, the RMF: i) monitors the internal organisation of the second line of defence, general plans and activities, and evaluates their effectiveness; ii) oversees the appropriate scaling of the second line of defence in order to ensure effective management of its responsibilities, perform monitoring of the objectives of the second line of defence and the areas within it, and of improvement projects relating to risk management monitoring processes and systems; and iii) provides assurance to Management and Governing Bodies of the existence, appropriate design and effective application of risk control policies and procedures in the organisation, assessing the risk control environment. In addition, the RMF must reinforce coordination mechanisms of Risk Management Units of the first, second and third lines of defence, as necessary.

- **Internal Financial Control (IFC)**

  The Internal Control - Finance department, within the Financial Accounting, Control and Capital (FACC) department is integrated functionally into the RMF and performs functions as the second line of defence with regard to the following risks: i) profitability of the business; ii) own resources / solvency; iii) depreciation of other assets and iv) reliability of financial information.

- **Compliance (C)**

  Compliance is a function that falls under the responsibilities of the CEO and, within the scope of its activities, it reports to the Senior Management, to the Governance Bodies, as well as to the supervisory bodies (Bank of Spain, ECB SEPBLAC, Treasury, CNMV and other bodies).

  The Compliance supervision model is based on four main management mechanisms: i) the definition and maintenance of a detailed risk taxonomy in each field of activity; (ii) the annual Compliance Plan, which determines the monitoring and review activities of internal procedures, according to their criticality. (iii) the monitoring of gaps identified (control deficiencies or regulatory breaches), either by the first line of defence, through the activities that form part of the Compliance Plan, reports by external experts, reports of inspections by supervisory bodies, customer complaints, etc. and improvement Action Plans, which are subject to regular monitoring; iv) reporting and the scaling of relevant information, the monitoring of inspections or deficiencies in the area of Compliance.

  Furthermore, the Compliance function carries out advisory activities on the matters that fall under its responsibility, and carries out actions to develop and transform the Compliance "culture". This is done by redesigning technology-based processes, through awareness-raising and communication plans conducted throughout the organisation, and through training activities, establishing a compulsory regulatory training plan which is linked to the annual bonus.

  Another activity that is undertaken involves ensuring that best practices in the field of integrity and codes of conduct are followed. One of the measures implemented to this end is an internal and confidential whistle-blowing channel that is made available to employees.

- **Model Validation and Risk (internal validation)**

  The function of internal validation in CaixaBank is carried out by the Model Validation and Risk unit, which reports to the RMF. Its objective is to issue an independent technical report on the suitability of internal models used for internal management purposes, and/or of a regulatory nature, within the Group. Included within its scope of action are activities such as reviewing methodological and management aspects (e.g. use of management models and tools, coverage levels, controls, governance and implementation of models in management processes), and verifying the existence of an IT environment with sufficient data quality to support the modelling needs.

  RMV's activities are aligned with regulatory requirements of the various oversight mechanisms.

  The findings of any RMV review activity are used as the basis for an overall opinion and several recommendations, where applicable. RMV is required to focus on the main deficiencies that are identified, adapting the extent of monitoring required and the scale of recommendations according to their relevance.

<u>Third line of defence</u>

To guarantee the independence and powers of the audit function, Internal Audit reports to the Audit and Control Committee – an expert board committee – as well as to the Chairman of the Board of Directors.

Internal Audit has a rule book governing how it operates, which has been approved by the Board of Directors. It establishes that it is an independent and objective assurance and consultation function, established to add value and improve operations. Its objective is to provide reasonable assurance to Senior Management and the Governance Bodies with regard to:

- The effectiveness and efficiency of internal control systems in offsetting the risks associated with the Group's activities;
- Compliance with prevailing legislation, especially the requirements of Supervisors and the appropriate application of the defined RAF.
- Compliance with internal policies and regulations, and alignment with best practices and uses in the sector, for adequate internal governance of the Group.
- The reliability and integrity of financial and operational information, including the effectiveness of Internal Control over Financial Reporting (ICFR).

Its main supervisory functions include:

- The adequacy, effectiveness and implementation of policies, regulations and procedures.
- The effectiveness of controls.
- Adequate measurement and monitoring of first line of defence and second line of defence indicators.
- The existence and correct implementation of action plans to remedy weaknesses of controls.
- The validation, monitoring and assessment of the control environment by the second line of defence.

Its functions also include i) the elaboration of the Annual Audit Plan with a multi-year vision, based on the risk assessments, including requirements of regulators and tasks or projects requested by Senior Management/the Management committee and the Auditing and Control Committee; ii) the periodical report on the conclusions of works carried out and weaknesses detected, passed on to Governance Bodies, senior management, external auditors, supervisors and all other relevant control and management environments; and (iii) provide value by elaborating recommendations to resolve the weaknesses detected in reviews and monitoring of proper implementation across the responsible centres.

For more information, see Note 3 of the Consolidated Annual Accounts of the CaixaBank Group corresponding to 2018.

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor´s report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of CaixaBank, S.A. for the 2018 financial year

To the Board of Directors of CaixaBank, S.A.,

In accordance with the request of the Board of Directors of CaixaBank, S.A. ("the Company") and our engagement letter dated 11 December 2018, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in Annual Corporate Governance Report in section *"F. Internal control and risk management systems in relation to the process of issuing financial information (ICSFR)"* of CaixaBank, S.A. for the 2018 financial year, which includes a summary of the Company's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Company in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Company's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Company's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the *"Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities"* published by the National Securities Market Commission (hereinafter NSMC) on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Company's annual financial information for the 2018 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, provided that this special work neither constitutes an account audit it is not even submitted to the Law of Account audit, we do not express an opinion of audit in the terms foreseen in the mentioned regulation.

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R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Company in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 5/2013 of the NSMC, dated June 12, 2013, as modified by Circular nº 7/2015 of the NSMC dated December 22, 2015 and in Circular nº 2/2018 of the NSMC dated June 12, 2018.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Company.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the Audit and Control Committee.

4. Comparison of the information described in point 1 above with our knowledge of the Company´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the Board of Directors, Audit and Control Committee and other committees of the Company, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the NSMC, dated June 12, 2013, as modified by Circular nº 7/2015 of the NSMC, dated December 22, 2015 and by Circular nº 2/2018 of the NSMC dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ramón Aznar Pascua

22 February, 2019

TIMBRE DEL ESTADO

0,03 EUROS

TRES CÉNTIMOS DE EURO

ON2548065

CLASE 8.ª

DECLARACIÓN DE RESPONSABILIDAD SOBRE EL CONTENIDO DEL INFORME FINANCIERO ANUAL DEL GRUPO CAIXABANK CORRESPONDIENTE AL EJERCICIO 2018

Los abajo firmantes declaran que, hasta donde alcanza su conocimiento, las cuentas anuales elaboradas con arreglo a los principios de contabilidad aplicables ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados de CaixaBank, S.A. y de las empresas comprendidas en la consolidación tomados en su conjunto, y que el informe de gestión incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de CaixaBank, S.A. y de las empresas comprendidas en la consolidación tomadas en su conjunto, junto con la descripción de los principales riesgos e incertidumbres a que se enfrentan.

Las Cuentas Anuales e Informe de Gestión de CAIXABANK, S.A. Y SOCIEDADES QUE COMPONEN EL GRUPO CAIXABANK, correspondientes al ejercicio 2018, formuladas por el Consejo de Administración en su reunión del día 21 de febrero de 2019, constan en el reverso de 502 hojas de papel timbrado de clase 8ª del nº OM5249002 al nº OM5249238 ambas inclusive, del nº ON2831501 al nº ON2831652 ambas inclusive y del nº ON2831181 al nº ON2831293 ambas inclusive y en el anverso y reverso de la hoja de papel timbrado de clase 8ª nº ON2548065 que contiene las firmas de los miembros del Consejo que los suscriben.

Valencia, 21 de febrero de 2019

Don Jordi Gual Solé
Presidente

Don Tomás Muniesa Arantegui
Vicepresidente

Don Gonzalo Gortázar Rotaeche
Consejero Delegado

Don Francesc Xavier Vives Torrents
Consejero Coordinador
No firma por no haber asistido presencialmente, sino mediante videoconferencia. El Secretario,

Doña Maria Teresa Bassons Boncompte
Consejera

Doña María Verónica Fisas Vergés
Consejera
No firma por no haber asistido presencialmente, sino mediante videoconferencia. El Secretario,

Fundación Bancaria Canaria Caja General de Ahorros de Canarias – Fundación CajaCanarias
Representada por:
Doña Natalia Aznárez Gómez
Consejera

Don Alejandro García-Bragado Dalmau
Consejero

Don Ignacio Garralda Ruiz de Velasco
Consejero

Don Javier Ibarz Alegria
Consejero

Don Alain Minc
Consejero

Doña María Amparo Moraleda Martínez
Consejera

Don John Shepard Reed
Consejero
No firma por no haber asistido presencialmente, sino mediante videoconferencia. El Secretario,

Don Juan Rosell Lastortras
Consejero
No firma por no haber asistido presencialmente, sino mediante videoconferencia. El Secretario,

Don Antonio Sáinz de Vicuña Barroso
Consejero

Don Eduardo Javier Sanchiz Irazu
Consejero

Don José Serna Masiá
Consejero

Doña Koro Usarraga Unsain
Consejera