CaixaBank Group

STATUTORY DOCUMENTATION

2016

Financial statements and management report of the CaixaBank Group that the Board of Directors, at a meeting held on 23 February 2017, 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.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of CaixaBank, S.A.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CaixaBank, S.A. ("the Bank") and companies composing, together with the Bank, the CaixaBank Group ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of total changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' responsibility for the Consolidated Financial Statements

The Bank's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of CaixaBank Group in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 1 to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Bank's directors of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2016, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Bank's directors consider appropriate about the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the Group.

DELOITTE, S.L.

Registered in R.O.A.C. nº S0692

Francisco Ignacio Ambrós

24 February 2017

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CONSOLIDATED BALANCE SHEET

at 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Assets

	31.12.2016	31.12.2015 (*)
Cash and cash balances at central banks	**13,259,957**	**6,615,172**
Financial assets held for trading (Note 11)	**11,667,687**	**13,312,220**
Derivatives	9,575,832	9,806,191
Equity instruments	294,923	250,543
Debt securities	1,796,932	3,255,486
Memorandum items: Loaned or advanced as collateral with the right of sale or pledge	*1,796,932*	*751,331*
Financial assets designated at fair value through profit or loss (Note 12)	**3,139,646**	**1,785,804**
Equity instruments	1,806,976	816,728
Debt securities	1,332,670	969,076
Available-for-sale financial assets (Note 13)	**65,076,973**	**62,997,235**
Equity instruments	2,946,030	3,379,273
Debt securities	62,130,943	59,617,962
Memorandum items: Loaned or advanced as collateral with the right of sale or pledge	*9,377,156*	*3,319,455*
Loans and receivables (Note 14)	**207,640,937**	**210,473,400**
Debt securities	561,139	927,655
Loans and advances	207,079,798	209,545,745
Credit institutions	6,741,354	6,649,545
Customers	200,338,444	202,896,200
Memorandum items: Loaned or advanced as collateral with the right of sale or pledge	*80,981,698*	*64,393,412*
Held-to-maturity investments (Note 15)	**8,305,902**	**3,820,114**
Memorandum items: Loaned or advanced as collateral with the right of sale or pledge	*2,875,627*	*520,793*
Derivatives - Hedge accounting (Note 16)	**3,090,475**	**3,917,462**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (Note 16)	**134,586**	**3,279**
Investments in joint ventures and associates (Note 17)	**6,420,710**	**9,673,694**
Joint ventures	1,193,962	1,142,773
Associates	5,226,748	8,530,921
Assets under insurance and reinsurance contracts (Note 18)	**344,144**	**391,225**
Tangible assets (Note 19)	**6,436,908**	**6,293,319**
Property, plant and equipment	3,004,662	3,039,823
For own use	*3,004,662*	*3,039,823*
Investment property	3,432,246	3,253,496
Intangible assets (Note 20)	**3,687,352**	**3,671,588**
Goodwill	3,050,845	3,050,845
Other intangible assets	636,507	620,743
Tax assets	**10,521,402**	**11,123,143**
Current tax assets	878,739	1,029,933
Deferred tax assets **(Note 26)**	9,642,663	10,093,210
Other assets (Note 21)	**1,795,723**	**2,217,157**
Inventories	1,012,896	1,135,337
Other assets	782,827	1,081,820
Non-current assets and disposal groups classified as held for sale (Note 22)	**6,404,860**	**7,960,663**
Total assets	**347,927,262**	**344,255,475**
Memorandum items:		
Guarantees given (Note 27)	**3,486,709**	**3,304,480**
Contingent commitments given (Note 27)	**75,651,105**	**65,374,524**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated balance sheet at 31 December 2016.

CONSOLIDATED BALANCE SHEET

at 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Liabilities

	31.12.2016	31.12.2015 (*)
Financial liabilities held for trading (Note 11)	**10,292,298**	**12,200,290**
Derivatives	9,394,559	9,498,607
Short positions	897,739	2,701,683
Financial liabilities designated at fair value through profit or loss (Note 12)	**3,763,976**	**2,359,517**
Deposits	3,763,976	2,359,517
Customers	3,763,976	2,359,517
Financial liabilities measured at amortised cost (Note 23)	**254,093,295**	**253,498,820**
Deposits	223,511,848	218,372,716
Central banks	30,029,382	23,753,214
Credit institutions	6,315,758	10,509,238
Customers	187,166,708	184,110,264
Debt securities issued	27,708,015	32,336,159
Other financial liabilities	2,873,432	2,789,945
Memorandum items: Subordinated liabilities	4,118,792	4,345,199
Derivatives – Hedge accounting (Note 16)	**625,544**	**756,163**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (Note 16)	**1,984,854**	**2,213,205**
Liabilities under insurance contracts (Note 18)	**45,803,579**	**40,290,523**
Provisions (Note 24)	**4,730,271**	**4,597,740**
Pensions and other post-employment defined benefit obligations	2,028,612	1,958,334
Other long-term employee benefits	972,767	900,311
Pending legal issues and tax litigation	633,224	514,206
Commitments and guarantees given	228,553	381,477
Other provisions	867,115	843,412
Tax liabilities	**1,186,209**	**1,555,970**
Current tax liabilities	218	379
Deferred tax liabilities **(Note 26)**	1,185,991	1,555,591
Share capital repayable on demand	**0**	**0**
Other liabilities (Note 21)	**1,805,635**	**1,499,638**
Liabilities included in disposal groups classified as held for sale	**86,039**	**79,059**
Total liabilities	**324,371,700**	**319,050,925**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated balance sheet at 31 December 2016.

CONSOLIDATED BALANCE SHEET

at 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Equity

	31.12.2016	31.12.2015 (*)
SHAREHOLDERS' EQUITY (Note 25)	**23,399,819**	**23,688,634**
Capital	5,981,438	5,823,990
Paid up capital	5,981,438	5,823,990
Share premium	12,032,802	12,032,802
Other equity	7,499	5,120
Retained earnings	5,239,487	4,850,813
Other reserves	(716,893)	413,916
Less: Treasury shares	(14,339)	(19,713)
Profit/(loss) attributable to owners of the parent	1,047,004	814,460
Less: Interim dividends **(Note 6)**	(177,179)	(232,754)
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 25)	**126,621**	**1,480,290**
Items that will not be reclassified to profit or loss	0	0
Items that may be reclassified to profit or loss	126,621	1,480,290
Foreign currency translation	2,332	378,102
Hedging derivatives. Cash flow hedges (effective portion)	25,316	85,622
Available-for-sale financial assets	(26,494)	816,586
Debt instruments	366,815	761,777
Equity instruments	(393,309)	54,809
Share of other recognised income and expense of investments in joint ventures and associates	125,467	199,980
MINORITY INTERESTS (non-controlling interests) (Note 25)	**29,122**	**35,626**
Accumulated other comprehensive income	50	530
Other items	29,072	35,096
Total equity	**23,555,562**	**25,204,550**
Total equity and total liabilities	**347,927,262**	**344,255,475**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated balance sheet at 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the years ended 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2016	2015 (*)
Interest income **(Note 29)**	6,753,052	8,373,068
Interest expenses **(Note 30)**	(2,596,196)	(4,020,418)
NET INTEREST INCOME	**4,156,856**	**4,352,650**
Dividend income **(Note 31)**	198,618	202,719
Share of profit/(loss) of entities accounted for using the equity method **(Note 17)**	628,518	375,135
Fee and commission income **(Note 32)**	2,261,910	2,258,170
Fee and commission expenses **(Note 32)**	(171,657)	(143,395)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net **(Note 33)**	786,714	772,543
Gains/(losses) on financial assets and liabilities held for trading, net **(Note 33)**	21,176	43,409
Gains/(losses) from hedge accounting, net **(Note 33)**	12,689	9,920
Exchange differences (gain/(loss), net	28,562	37,856
Other operating income **(Note 34)**	588,419	481,541
Other operating expenses **(Note 34)**	(995,774)	(780,809)
Income from assets under insurance and reinsurance contracts **(Note 34)**	803,630	735,197
Expenses from liabilities under insurance and reinsurance contracts **(Note 34)**	(493,129)	(520,701)
GROSS INCOME	**7,826,532**	**7,824,235**
Administrative expenses	(3,745,413)	(4,239,792)
Staff expenses **(Note 35)**	(2,745,349)	(3,178,805)
Other administrative expenses **(Note 36)**	(1,000,064)	(1,060,987)
Depreciation **(Notes 19 and 20)**	(370,202)	(365,923)
Provisions or reversal of provisions **(Note 24)**	(486,532)	(422,315)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss **(Note 37)**	(582,077)	(2,094,068)
Available-for-sale financial assets	(233,048)	(267,202)
Loans and receivables	(467,974)	(1,655,348)
Held-to-maturity investments	118,945	(171,518)
NET OPERATING INCOME/(LOSS)	**2,642,308**	**702,137**
Impairment or reversal of impairment on investments in joint ventures and associates **(Note 17)**	(3,986)	132,722
Impairment or reversal of impairment on non-financial assets **(Note 38)**	(228,413)	(455,484)
Tangible assets	(224,278)	(407,408)
Intangible assets	(503)	(48,076)
Other	(3,632)	0
Gains/(losses) on derecognition of non-financial assets and investments, net **(Note 39)**	(151,752)	33,795
Negative goodwill recognised in profit or loss **(Note 7)**	66,925	602,183
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations **(Note 40)**	(787,020)	(377,249)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**1,538,062**	**638,104**
Tax expense or income related to profit or loss from continuing operations **(Note 26)**	(482,183)	180,758
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**1,055,879**	**818,862**
Profit/(loss) before tax from discontinued operations	(944)	(2,360)
PROFIT/(LOSS) FOR THE PERIOD	**1,054,935**	**816,502**
Attributable to minority interests (non-controlling interests) **(Note 25)**	7,931	2,042
Attributable to owners of the parent	1,047,004	814,460
Earnings per share		
Basic earnings per share (euros) **(Note 6)**	0.18	0.14
Diluted earnings per share (euros) **(Note 6)**	0.18	0.14

(*) Presented for comparison purposes only (see Note 1 “Comparison of information”).

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY (PART A)

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the years ended 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2016	2015 (*)
PROFIT/(LOSS) FOR THE PERIOD	**1,054,935**	**816,502**
OTHER COMPREHENSIVE INCOME	**(1,354,149)**	**(341,396)**
Items that will not be reclassified to profit or loss	**0**	**0**
Items that may be reclassified to profit or loss	**(1,354,149)**	**(341,396)**
Foreign currency translation	(375,135)	200,865
Translation gains/(losses) taken to equity	*(130,474)*	*189,498*
Transferred to profit or loss	*(244,661)*	*11,367*
Other reclassifications		
Cash flow hedges (effective portion)	(85,293)	182,755
Valuation gains/(losses) taken to equity	*(68,004)*	*224,767*
Transferred to profit or loss	*(17,289)*	*(42,012)*
Transferred to initial carrying amount of hedged items		
Other reclassifications		
Available-for-sale financial assets	(843,676)	(795,196)
Valuation gains/(losses) taken to equity	*(443,562)*	*(408,641)*
Transferred to profit or loss	*(400,114)*	*(386,555)*
Other reclassifications		
Non-current assets and disposal groups classified as held for sale	0	0
Valuation gains/(losses) taken to equity		
Transferred to profit or loss		
Other reclassifications		
Entities accounted for using the equity method	(74,513)	133,509
Valuation gains/(losses)	*(74,513)*	*133,509*
Transferred to profit or loss		
Other reclassifications		
Share of other recognised income and expense of investments in joint ventures and associates		
Income tax relating to items that may be reclassified to profit or loss	24,468	(63,329)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(299,214)**	**475,106**
Attributable to minority interests (non-controlling interests)	7,451	2,012
Attributable to owners of the parent	(306,665)	473,094

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated statement of other comprehensive income for the year ended 31 December 2016.

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

for the years ended 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	Equity attributable to the parent									Minority interests		
	Shareholders' equity											
2016	Capital	Share premium	Other equity	Retained earnings	Other reserves	Less: Treasury shares	Profit/(loss) attributable to owners of the parent	Less: Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	**Total**
Opening balance (before restatement)	**5,823,990**	**12,032,802**	**5,120**	**4,850,813**	**413,916**	**(19,713)**	**814,460**	**(232,754)**	**1,480,290**	**530**	**35,096**	**25,204,550**
Effects of corrections of errors												0
Effects of changes in accounting policies												0
Opening balance at 31.12.2015	**5,823,990**	**12,032,802**	**5,120**	**4,850,813**	**413,916**	**(19,713)**	**814,460**	**(232,754)**	**1,480,290**	**530**	**35,096**	**25,204,550**
Total comprehensive income for the period							**1,047,004**		**(1,353,669)**	**(480)**	**7,931**	**(299,214)**
Other changes in equity	**157,448**	**0**	**2,379**	**388,674**	**(1,130,809)**	**5,374**	**(814,460)**	**55,575**	**0**	**0**	**(13,955)**	**(1,349,774)**
Issuance of ordinary shares	157,448			(157,448)								0
Dividends (or remuneration to shareholders)				(283,205)				(177,179)			(4,656)	(465,040)
Purchase of treasury shares (Note 25)						(2,008,803)						(2,008,803)
Sale or cancellation of treasury shares (Note 25)					(703,684)	2,014,177						1,310,493
Transfers among components of equity				889,327	(307,621)		(814,460)	232,754				0
Other increase/(decrease) in equity			2,379	(60,000)	(119,504)						(9,299)	(186,424)
Closing 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**

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated statement of total changes in equity for the year ended 31 December 2016.

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

for the years ended 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	Equity attributable to the parent									Minority interests		
	Shareholders' equity											
2015	Capital	Share premium	Other equity	Retained earnings	Other reserves	Less: Treasury shares	Profit/(loss) attributable to owners of the parent	Less: Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	**Total**
Opening balance (before restatement)	**5,714,956**	**12,032,802**	**0**	**4,524,957**	**544,876**	**(11,013)**	**620,020**	**(53,615)**	**1,821,656**	**560**	**37,369**	**25,232,568**
Effects of corrections of errors												0
Effects of changes in accounting policies												0
Opening balance at 31.12.2014	**5,714,956**	**12,032,802**	**0**	**4,524,957**	**544,876**	**(11,013)**	**620,020**	**(53,615)**	**1,821,656**	**560**	**37,369**	**25,232,568**
Total comprehensive income for the period							**814,460**		**(341,366)**	**(30)**	**2,042**	**475,106**
Other changes in equity	**109,034**	**0**	**5,120**	**325,856**	**(130,960)**	**(8,700)**	**(620,020)**	**(179,139)**	**0**	**0**	**(4,315)**	**(503,124)**
Issuance of ordinary shares	109,034			(109,034)								0
Issuance of other equity instruments												0
Dividends (or remuneration to shareholders)				(264,955)				(232,754)			(205)	(497,914)
Purchase of treasury shares						(38,587)						(38,587)
Sale or cancellation of treasury shares				92	(20)	29,887						29,959
Transfers among components of equity				665,374	(98,969)		(620,020)	53,615				0
Other increase/(decrease) in equity			5,120	34,379	(31,971)						(4,110)	3,418
Closing balance at 31.12.2015	**5,823,990**	**12,032,802**	**5,120**	**4,850,813**	**413,916**	**(19,713)**	**814,460**	**(232,754)**	**1,480,290**	**530**	**35,096**	**25,204,550**

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated statement of total changes in equity for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

for the years ended 31 December 2016 and 2015, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2016	2015 (*)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**14,145,969**	**2,539,493**
Profit/(loss) for the period	**1,054,935**	**816,502**
Adjustments to obtain cash flows from operating activities	**6,181,210**	**5,444,288**
Depreciation	370,202	365,923
Other adjustments	5,811,008	5,078,365
Net increase/(decrease) in operating assets	**2,554,125**	**6,482,782**
Financial assets held for trading	1,864,377	(1,271,690)
Financial assets designated at fair value through profit or loss	(1,573,686)	(628,917)
Available-for-sale financial assets	(2,794,520)	7,697,526
Loans and receivables	1,566,538	787,122
Other operating assets	3,491,416	(101,259)
Net increase/(decrease) in operating liabilities	**4,254,551**	**(9,935,272)**
Financial liabilities held for trading	(1,907,992)	217,024
Financial liabilities designated at fair value through profit or loss	1,688,575	633,010
Financial liabilities measured at amortised cost	6,547,081	(5,964,461)
Other operating liabilities	(2,073,113)	(4,820,845)
Income tax (paid)/received	**101,148**	**(268,807)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**(2,906,210)**	**4,764,308**
Payments:	**(4,910,698)**	**(2,294,023)**
Tangible assets	(459,494)	(421,803)
Intangible assets	(179,366)	(136,163)
Investments in joint ventures and associates	(104,890)	(757,842)
Subsidiaries and other business units	0	(815,703)
Non-current assets and liabilities classified as held for sale	(35,160)	(162,512)
Held-to-maturity investments	(4,131,788)	0
Proceeds:	**2,004,488**	**7,058,331**
Tangible assets	209,403	158,185
Intangible assets	0	600
Investments in joint ventures and associates	699,607	852,203
Non-current assets and liabilities classified as held for sale	1,095,478	303,445
Held-to-maturity investments	0	5,616,376
Other proceeds related to investing activities	0	127,522
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(4,596,291)**	**(5,411,793)**
Payments:	**(7,406,883)**	**(7,423,752)**
Dividends (Note 6)	(460,384)	(497,709)
Subordinated liabilities	0	(48,600)
Purchase of own equity instruments	(346)	(38,587)
Other payments related to financing activities	(6,946,153)	(6,838,856)
Proceeds:	**2,810,592**	**2,011,959**
Disposal of own equity instruments	1,310,592	29,959
Other proceeds related to financing activities	1,500,000	1,982,000
D) EFFECT OF EXCHANGE RATES CHANGES	**1,317**	**2,276**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**6,644,785**	**1,894,284**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**6,615,172**	**4,720,888**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**13,259,957**	**6,615,172**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash on hand	1,584,407	1,796,141
Cash equivalents at central banks	10,909,339	3,975,426
Other financial assets	766,211	843,605
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**13,259,957**	**6,615,172**

(*) Presented for comparison purposes only.

Note 1: Interest received and paid at 31 December 2016 amounted to EUR 6,608 million and EUR 3,022 million, respectively (EUR 8,682 million and EUR 4,411 million, respectively, at 31 December 2015).

Note 2: Dividends received at 31 December 2016 amounted to EUR 546 million (EUR 405 million at 31 December 2015).

The accompanying Notes 1 to 42 and appendices 1 to 7 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2016.

Notes to the financial statements of the CaixaBank Group for 2016

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Notes to the financial statements
for the year ended 31 December 2016

CAIXABANK, SA
AND COMPANIES COMPOSING THE CAIXABANK GROUP

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 2016, and the results of its operations, the changes in equity and the cash flows during the year then ended.

1. Corporate and other information

Corporate information

CaixaBank, SA and its subsidiaries compose the CaixaBank Group (hereinafter "the CaixaBank Group" or "the Group"). CaixaBank, SA ("CaixaBank"), with tax identification (NIF) number A08663619 and registered address at Avenida Diagonal 621, Barcelona, 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 Banks and Bankers ("Registro Especial de Bancos y Banqueros") and its listing on the Spanish stock markets—as a bank—on 1 July 2011.

At 31 December 2016, Criteria Caixa, SAU ("Criteria" or "CriteriaCaixa") was CaixaBank's majority shareholder, with a stake conferring profit-sharing rights of 45.32% (56.76% at 31 December 2015) and a stake conferring voting rights of 44.68% (56.17% at 31 December 2015). Criteria is 100% owned by Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (hereinafter ""la Caixa" Banking Foundation". Additionally, "la Caixa" Banking Foundation held 3,493 CaixaBank shares at 31 December 2016 (it held no CaixaBank shares at 31 December 2015).

The corporate object of CaixaBank mainly entails:

a) 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;
b) 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
c) 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 quoted bank, it is subject to oversight by the European Central Bank, the Bank of Spain and the Spanish national securities market regulator (*Comisión Nacional del Mercado de Valores*, CNMV).

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, which is set forth in the International Financial Reporting Standards (IFRS) as adopted by the European Union through EU Regulations, in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, and subsequent amendments. They have also been prepared bearing in mind the provisions of Bank of Spain Circular 4/2004 of 22 December ("the Circular") on Public and Confidential Financial Reporting Rules and Formats for Credit Institutions, which constitutes the adaptation of the IFRS adopted by the European Union to Spanish credit institutions, and subsequent amendments.

The financial statements, which were prepared from the accounting records of CaixaBank and the other Group 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 2016. 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.

Figures are presented in thousands of euros unless the use of another monetary unit is stated explicitly. 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.

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in 2016

At the date of authorisation for issue of the consolidated financial statements, the main standards that became effective were as follows:

Standards and interpretations	Title	Mandatory application for annual periods beginning on or after:
Approved for use in the EU		
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016

IAS 19 *Defined Benefit Plans: Employee Contributions* (Amendment)

The amendment is issued to enable employees, under certain circumstances, to deduct contributions to defined benefit pension plans from the related service cost in the period in which they are paid without having to make estimations to attribute them to each year of service. Contributions from employees or third parties set out formally in a benefit plan are recognised as follows:

- If the contribution is independent of the number of years of service, it can be recognised as a deduction from the service cost in the period in which the benefit is paid (this is an accounting option that must be applied consistently over time).
- If the contribution depends on a specific number of years of service, it must be attributed to these periods of service.

IAS 1 *Presentation of Financial Statements* (Amendment)

This amendment has been published to encourage the use of judgement when preparing financial reporting. With regard to materiality, it applies to all parts of the financial statements with no distinction, while no immaterial information has to be disclosed.

Statement of financial position and statement of profit or loss line items may be aggregated or disaggregated depending on their relevance.

Last, the notes to the financial statements do not need to be presented in the order suggested in paragraph 114 of IAS 1.

IAS 16 and IAS 38: *Acceptable Methods of Depreciation and Amortisation* (Amendments)

The amendment, to be applied prospectively, clarifies that the use of revenue-based methods to calculate depreciation and amortisation are not appropriate, because this does not reflect the expected pattern of consumption of the future economic benefits of an asset.

IFRS 11 *Acquisition of an Interest in a Joint Operation* (Amendment)

The amendment, to be applied prospectively, requires the application of IFRS 3 *Business Combinations* when the joint operation constitutes a business. Until now, this was not treated specifically.

IAS 27 *Equity Method in Separate Financial Statements* (Amendment)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity’s separate financial statements.

Standards and interpretations issued by the IASB but not yet effective

At the date of authorisation for issue of the accompanying consolidated financial statements, following are the most significant standards and interpretations for the Group issued by the IASB but not yet effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they have not yet been endorsed by the European Union:

Standards and interpretations	Title	Mandatory application for annual periods beginning on or after:
Approved for use in the EU		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Not approved for use		
IFRS 16	Leases	1 January 2019
Amendments to IFRS 4	Applying IFRS *9 Financial Instruments* with IFRS 4 *Insurance Contracts*	1 January 2018
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IAS 40	Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The Group has elected not to early adopt, where possible. In addition, the Group is currently analysing all the future impacts of the adoption of these standards, especially IFRS 9 and IFRS 16, and is unable to provide a reasonable estimate of their impact until this analysis has been carried out.

Approved for use in the EU

IFRS 9 *Financial Instruments: Classification and Measurement* (see Note 3)

IFRS 9 replaces the part of IAS 39 that deals with classification and measurement of financial instruments. There are some major differences with respect to the current standard regarding financial assets. These include the approval of a new classification model based on only two categories: amortised cost and fair value, entailing the elimination of the current classifications of the held-to-maturity investments and available-for-sale financial assets categories; a single impairment method only for assets carried at amortised cost and the non-separation of embedded derivatives in financial asset (see Note 3).

Regarding financial liabilities, the categories proposed in IFRS 9 are the same as those currently included in IAS 39. Therefore, there should not be any major differences except for the requirement to recognise changes in fair value related to credit risk as a component of equity for financial liabilities under the fair value option.

IFRS 15 *Revenue from Contracts with Customers*

This standard replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*, and the related interpretations on revenue recognition (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*). The model in IFRS 15 is more restrictive and principles based. Therefore, its application could result in changes to the profile of revenue.

The Group is currently analysing all the future impacts of the adoption of this amendment and is unable to provide a reasonable estimate of its impact until this analysis has been carried out.

Not approved for use in the EU

IFRS 16 *Leases*

This standard replaces the current IAS 17 *Leases* and interpretations on leases (IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 proposes a single model whereby all lessees recognise assets and liabilities in the balance sheet, with a similar impact as current finance leases (amortisation of the right-of-use and finance cost for the amortised cost of the liability). However, for lessors the proposal is to retain a dual accounting model for lessors, similar to the current IAS 17.

Amendment to IFRS 4 'Applying IFRS *9 Financial Instruments* with IFRS 4 *Insurance Contracts'*

In September 2016, the IASB issued this amendment to address concerns about the different effective dates of IFRS9 and the forthcoming insurance contracts Standard, introducing:

a) An overlay approach for all issuers of contracts within the scope of IFRS 4 to reclassify between profit and loss and other comprehensive income amounts equal to the difference between the amount recognised in profit and loss for a period for eligible financial assets under IFRS 9 and the amount that would have been recognised in profit and loss for these assets had the issuer of insurance contracts applied IAS 39; and

b) An optional temporary exemption from IFRS 9 for companies whose activities are primarily connected with insurance.

Some interested parties have suggested that the IASB should allow all issuers of insurance contracts to defer application of IFRS 9. They expressed concerns that introducing two significant accounting amendments in a short period of time could involve a significant outlay and workload for preparers and users of financial statements. Application of IFRS 9 before the future Standard on insurance contracts could also result in volatility and accounting mismatches in their statements of profit or loss and other comprehensive income.

If the European Commission endorses the amendments without any changes, the CaixaBank Group would not be able to apply the optional temporary exemption for investments connected with its insurance business.

Amendment to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'

The IASB clarifies, *inter alia*, the following through this amendment:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference. This applies irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, i.e. continuing to hold it, or whether it is probable that the issuer will pay all the contractual cash flows. Normally, the collection of the entire principal does not increase or decrease taxable profit that is reported for tax purposes, because the tax base equals the inflow of taxable economic benefits when the principal is paid.

- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this. For example, when an asset is measured at fair value, the entity shall consider whether there is sufficient evidence to conclude that it is probable that the entity will recover the asset for more than its carrying amount. This may be the case, for example, when an entity expects to hold a fixed-rate debt instrument and collect the contractual cash flows.

Amendment to IAS 7 'Disclosure Initiative'

In January 2016, the IASB amended IAS 7, requiring entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. It may therefore be necessary to disclose: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign currency rates; (iv) changes in fair values; and (v) other changes.

Amendment to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'

There are cases where a cash-settled share-based payment is modified, cancelling and substituting it with a new equity-settled share based payment and, at the modification date, the fair value of the post-modification awards is different to the value recognised for the original awards. Before the amendment was issued, there was diversity in entities' practice in the accounting treatment of these modifications.

By way of these amendments, the IASB requires that an equity-settled share based payment transaction is recognised in equity on the modification date to the extent to which the goods and services have been received. This measurement will be performed by reference to the fair value of the equity instruments granted at the modification date.

The liability for the share based payment originally settled in cash is derecognised on the modification date, as it is considered to have been settled when the entity grants the equity-settled share based payment replacing the cash-settled share-based payment. This is because on the modification date, the entity is no longer under the obligation to transfer cash (or other assets) to the counterparty. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

Amendment to IAS 40 'Investment Property'

The amendment, which will be applied prospectively, clarifies the principles for transfers into, or out of, investment property when, and only when, there has been a change in use of the property and this change requires analysis to determine whether the property continues to meet the definition of investment property. Change in use must be evidenced.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

This interpretation clarifies the exchange rate to be used for transactions that include the receipt or payment of advance consideration in a foreign currency.

Responsibility for the information and for the estimates made

The financial statements of CaixaBank and the consolidated financial statements of the CaixaBank Group for 2016 were authorised for issue by the Board of Directors at a meeting held on 23 February 2017. These financial statements have not yet been approved by the Annual General Meeting. However, the Board of Directors of CaixaBank expects they will be approved without any changes. The financial statements of CaixaBank and the CaixaBank Group's consolidated financial statements for 2015 were approved at the Ordinary Annual General Meeting held on 28 April 2016, and are presented solely for the purpose of comparison with the figures for 2016 (see "Comparison of information" in this Note). CaixaBank forms part of the Criteria Group, which in turn forms part of the Caixa d'Estalvis i Pensions de Barcelona "la Caixa" Banking Foundation Group, the Parent of which is the Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" Banking Foundation.

The preparation of the financial statements required the Group's directors to make certain judgements, estimates and assumptions in order quantify certain of the assets, liabilities, revenues, expenses and obligations shown in them. These estimates relate primarily to:

- The fair value of certain financial assets and liabilities (Note 2.2)
- Impairment losses on certain financial assets and the fair value of the related guarantees (Notes 13 to 15)
- The measurement of investments in joint ventures and associates (Note 17)
- Determination of the share of profit/(loss) of associates (Note 17)
- The useful life of and impairment losses on other tangible assets and intangible assets (Notes 19 and 20)
- The measurement of goodwill and intangible assets (Note 20)
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 22)
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 18)
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 24)
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 24)
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 26)

These estimates were made on the basis of the best information available at the date of preparation of these financial statements. However, events may occur that make it necessary for them to be changed in future periods.

Comparison of information and changes in consolidation perimeter

The 2015 figures in the accompanying 2016 financial statements are given for comparison purposes only.

As for the 2015 statement of profit or loss, gains and losses on the purchase and sale of foreign currency in customer transactions have been reclassified. They are no longer presented under “Exchange differences (gain/(loss), net” and “Gains/(losses) on financial assets and liabilities held for trading” and are presented under “Fee and commission income”. This resulted in the reclassification in 2015 of EUR 101 million, EUR 86 million of which corresponded to “Exchange differences (gain/(loss), net”.

Proceeds from sales of strategic investments were also not presented in 2016 under “Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” and were presented under “Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net” in trading income. The CaixaBank Group recognised results from this type of sale of EUR 99 million in 2015, which were reclassified in the comparative balances.

In October 2015, the CaixaBank Group started selling a new immediate life annuity product where the value of part of the commitments with policyholders is linked to the fair value of the affected assets. These investments, which were recognised under “Financial assets held for trading” at 31 December 2015, have been reclassified to ““Other assets at fair value through profit or loss”. The investments related with the unit-linked component – contracts where the policyholder assumes the investment risk – are also presented under this heading, as it is understood that the risks and rewards associated with this part of the new product are equivalent to the unit-linked portfolio, and the new classification better reflects the economic reality. The reclassified balances held in these investments totalled EUR 219 thousand at 31 December 2015. Equally, EUR 284 thousand were reclassified at the aforesaid date from “Liabilities under insurance contracts” to “Other financial liabilities at fair value through profit or loss”. Both the reclassified commitments with policyholders and the related financial assets continue to be valued at fair value through profit or loss. The differences between the reclassified amounts at the different dates are due to the cash associated with this new product.

In 2016 and 2015, there were no additional significant amendments with respect to the accounting regulations applicable that affected the comparability of information.

Seasonality of operations

The cyclical or seasonal nature of CaixaBank's operations is not significant. Nevertheless, pursuant to the interpretation of IFRIC 21, certain taxes and levies are expensed when the payment obligation arises, as per prevailing regulations.

The Group recognises property tax on 1 January each year. The expense in the statement of profit or loss for the year ended 31 December 2016 was EUR 51 million (EUR 47 million in the previous year), while contributions to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF) are recognised once notification has been received stating the amount payable to each fund.

In April 2016, the Group recognised a contribution to the Single Resolution Fund (SRF) of EUR 87 million, of which EUR 74 million were recognised in the statement of profit or loss under “Other operating expenses” and EUR 13 million under “Loans and receivables – Credit institutions” as the Company elected to materialise 15% of the contribution using irrevocable payment commitments, for which it provided cash collateral (the contribution for 2015 was recognised in the statement of profit or loss under “Other operating expenses” in November 2015 for an amount of EUR 93 million). The ordinary contributions from the institutions are based on: (i) the proportion it represents relative to the total aggregate of the institutions in terms of total liabilities, excluding own funds and the amount of guaranteed deposits, and (ii) the institution's risk profile, including an assessment, inter alia, of the probability of resolution, the complexity of its structure and resolvability, and indicators of the institution's financial situation and level of risk.

In November 2016, the Group recognised a contribution of EUR 187 million to the DGF in the statement of profit or loss under “Other operating expenses” corresponding to that year (the contribution for 2015 was EUR 186 million and was recognised on 31 December 2015). At its meeting of 15 July 2016, the Fund Management Committee resolved to set the annual contribution for the deposit guarantee part at 1.6 per thousand of the calculation basis of deposits effectively guaranteed (the same as the previous year’s contribution). Guaranteed deposits of less than EUR 100,000 hold the direct guarantee of the Deposit Guarantee Fund, and in addition, will have a preferential treatment maximum in the hierarchy of creditors. The annual contributions made by entities for the deposit guarantee part are adjusted according to their risk profile, according to the calculation method developed by the Bank of Spain.

In addition, in deciding what information to disclose in these consolidated annual financial statements, materiality was assessed in relation to the annual financial data.

Investments in credit institutions

At 31 December 2016, the CaixaBank Group held no direct ownership interests equal to or greater than 5% of the capital or voting rights in any credit institution other than the investments in subsidiaries and associates as shown in Appendices 1 and 3. No Spanish or foreign credit institution or group of which a credit institution forms part holds an ownership interest equal to or greater than 5% of the capital or voting rights of any of the credit institutions that are subsidiaries of the CaixaBank Group.

Minimum reserve ratio

Throughout 2016, CaixaBank complied with the minimum reserve ratio required by applicable regulations.

Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa

On 3 December 2015, the Boards of Directors of CaixaBank and Criteria entered into a swap agreement whereby CaixaBank had to deliver to Criteria shares representing 17.24% of The Bank of East Asia, Limited (BEA) and 9.01% of Grupo Financiero Inbursa, S.A.B. de C.V. (GFI) and Criteria had to deliver to CaixaBank shares it held representing 9.9% of CaixaBank's share capital and EUR 642 million in cash.

The transaction was completed on 30 May 2016 after obtaining clearance from all the authorities and complying with the conditions set forth in the swap agreement.

CaixaBank finally transferred to Criteria its stake in BEA, representing approximately 17.3% of the latter’s capital, and in GFI, representing approximately 9.01% of this company’s capital. Meanwhile, Criteria transferred to CaixaBank a number of CaixaBank treasury shares representing approximately 9.89% of its share capital and a cash amount set at EUR 678 million.

As provided for in the swap agreement, the change relative to the 3 December 2015 announcement in the stake in BEA being transferred to Criteria (17.24%) in CaixaBank treasury shares to be delivered by Criteria (9.9%) and in the cash amount to be paid by Criteria (EUR 642 million) is according to the financial flows received by each party from the signing date of the swap agreement (3 December 2015), that is, for the BEA shares received by CaixaBank as a scrip dividend, the CaixaBank shares received by Criteria as scrip dividend and the net adjustment for the dividends received in cash by Criteria and CaixaBank corresponding to the shares being transferred under the swap agreement.

As a result of the swap, the shareholder agreements relating to BEA and GFI were amended accordingly in order for Criteria to take over CaixaBank's position as the new shareholder. CaixaBank will remain as a banking partner to both banks to continue cooperating with them in commercial activities. If making strategic investments in banks that operate on the American continent and in the Asia-Pacific, CaixaBank will keep its commitment to make such investments through GFI and BEA, respectively, except in the case of GFI, if that bank decides not to participate in the investment.

The transfers included in the swap agreement had a net negative impact of EUR 14 million on CaixaBank's consolidated result at the reporting close, and an impact on the Level 1 regulatory capital (CET1) ratio of around -0.3% (phase-in) and +0.2% (fully loaded).

At CaixaBank's Annual General Meeting held on 28 April 2016, the Board of Directors was authorised to reduce capital through the cancellation of 584,811,827 treasury shares (representing 9.9% of share capital) to be acquired under the swap agreement, or to not execute the capital reduction if, based on the Company's interests and due to circumstances that may arise affecting CaixaBank, it were not advisable. On 22 September 2016, the Board of Directors exercised these powers and sold 585 million treasury shares representing 9.9% of the Company's share capital, with the objective of reinforcing the regulatory capital ratio in view of the takeover bid of Banco BPI and complying with the current objective of CaixaBank's Strategic Plan to maintain a level 1 capital ratio (CET 1) fully Loaded between 11% and 12%. The transaction amounted to EUR 1,322 million (see Note 25.1).

Takeover bid for Banco BPI

On 18 April 2016, CaixaBank notified the market of its Board of Directors' decision to launch a takeover comprising a Voluntary Tender Offer (VTO) for Portugal's Banco BPI.

The VTO price is EUR 1.113 per share in cash, and is conditional upon removal of the Banco BPI voting rights restriction, because it would involve more than 50% of BPI's capital, and obtaining the pertinent regulatory approvals. The bid price was the average weighted price of Banco BPI shares for the six months prior to the bid.

Prior to the latest announcement, CaixaBank held talks with the ECB to keep it abreast of the entire process and request suspension of any sanction proceedings against Banco BPI for excess risk concentration, in order to allow CaixaBank to find a solution to this situation should it finally take control of Banco BPI.

The Supervisory Board also decided to put on hold during this period the on-going sanction proceeding against Banco BPI for the large exposure breach prior to 2015.

CaixaBank was informed that the Supervisory Board had taken these decisions in the context of the takeover bid announced and that the decisions were subject to effective acquisition by CaixaBank of control of Banco BPI.

In response to this request, as reported by CaixaBank on 22 June 2016, the Supervisory Board of the ECB decided to grant CaixaBank a period of four months from the completion of CaixaBank's acquisition of Banco BPI to solve Banco BPI's large exposure breach. At the end of 2016, Banco BPI reached an agreement to sell Unitel 2% of its investment in Banco de Fomento Angola (BFA). This transaction was completed on 5 January 2017. As a result of this transaction BFA will be deconsolidated from BPI's balance sheet and therefore the issue of its excessive exposure to risks deriving from its controlling stake in BFA will be resolved.

The Supervisory Board also decided to put on hold during this period the on-going sanction proceeding against Banco BPI for the large exposure breach prior to 2015.

CaixaBank was informed that the Supervisory Board had taken these decisions in the context of the takeover bid announced and that the decisions were subject to effective acquisition by CaixaBank of control of Banco BPI.

With respect to the takeover bid announced on 18 April 2016, at Banco BPI's Extraordinary General Meeting held on 21 September 2016, the shareholders approved the elimination of the 20% voting cap of CaixaBank. As a result of this elimination, the Portuguese stock market regulator, the *Comissão do Mercado de Valores Mobiliários*, then announced that it would retract the dispensation from launching a mandatory takeover bid on Banco BPI it had granted to CaixaBank in 2012, thereby requiring CaixaBank to make a mandatory takeover bid on Banco BPI's shares. Consequently, the takeover bid on Banco BPI, which was initially a voluntary bid, became a mandatory takeover bid. The new price per share was set at EUR 1.134, equivalent to the volume-weighted average price of Banco BPI's shares in the preceding six months.

Acceptance of the bid by BPI shareholders was subject to compliance with the pertinent legal and regulatory requirements, including those foreseen in any foreign laws that apply to such shareholders. On 17 October 2016, ECB approval was obtained and the sale of 2% of BFA to Unitel was completed on 5 January 2017. This allowed CaixaBank to comply with another of the mandatory conditions for proceeding with its bid for 54.5% of BPI.

Subsequent events

2017 early retirement scheme

On 10 January 2017, CaixaBank launched a paid early retirement scheme for employees born between 1 March 1953 and 31 December 1959. 350 people have accepted the plan, which will cost approximately EUR 150 million. It is scheduled to come into force on 1 March 2017.

Control over Banco BPI

Following the sale of 2% of BFA to Unitel on 5 January 2017, BPI reduced its stake in BFA losing control of that company. This implied a loss attributable to CaixaBank of EUR 102 million, recognised on the 2017 statement of profit or loss.

On 16 January 2017, the Portuguese securities commission registered the prospectus for CaixaBank's takeover bid for BPI at a price per share of EUR 1.134, and the acceptance period of the bid was opened. This period closed on 7 February 2017. Having secured the required approvals and following completion of the acceptance period for the takeover bid, CaixaBank has obtained a stake of 84.51% in BPI. The payment for the 39.01% of share capital acquired in the bid stood at EUR 645 million

After the bid, CaixaBank's pro-forma regulatory (phase-in) Common Equity Tier 1 (CET1) ratio at 31 December 2016 was 12.0%, 11.2% fully loaded. In terms of total capital, factoring in the subordinated debt issued by CaixaBank on 8 February 2017 (see the section on "Subordinated bond issue" in this Note), the pro-forma ratios were 15.4% (phase-in) and 14.7% (fully loaded). Pro-forma data are based on preliminary internal estimates prior to the taking of control and the fair value of Banco BPI's assets and liabilities being set.

From that point, the corresponding purchase price allocation process then began to account for the transaction, in accordance with accounting legislation. As a result of this analysis, negative goodwill or goodwill could be recognised in the statement of profit or loss. Although work has begun to calculate the fair value of the assets and liabilities acquired, it is not possible at the date of authorisation for issue of the accompanying financial statements to estimate the potential impact thereof.

ABO of CaixaBank shares by CriteriaCaixa

On 6 February 2017, a package of 318,305,355 CaixaBank shares, owned by Criteria, was placed with institutional and/or qualified investors through an accelerated bookbuild, comprising 5.3% of total capital. The share placement amounted to EUR 1,069 million, at a sale price of EUR 3.36 per share. At the date of preparing the accompanying financial statements, the Company's total stake in CaixaBank amounted to 40.00%.

Following the placement, CriteriaCaixa, CaixaBank's main shareholder, holds a stake of 40%.

The placement is part of the CriteriaCaixa Group's announced intention to deconsolidate its position in CaixaBank from the prudential perimeter, announced by CriteriaCaixa on 26 May 2016. The placement also complies with one of the conditions established by the European Central Bank (ECB) as CriteriaCaixa would be considered to have relinquished control over CaixaBank for prudential reasons. Specifically, it would meet the condition referring to CriteriaCaixa's voting and dividend rights in CaixaBank not exceeding 40% of the total.

Subordinated bond issue

On 8 February 2017, CaixaBank announced the financial terms of a subordinated bond issue for the amount of EUR 1,000 million. The subordinated bonds will have a nominal unit value of EUR 100,000, with an issue price of 99.973%, accruing interest from the issuance date (inclusive) up to 15 February 2022 (exclusive) at an annual rate of 3.50%. From that date (inclusive), the subordinated bonds will accrue an annual fixed interest rate equal to the applicable 5Y swap rate, plus a margin of 3.35%.

The issuance date of the subordinated bonds, in addition to the date on which the issuance was closed and the bonds allocated, was 15 February 2017. The final maturity date of the issuance will be 15 February 2027.

CaixaBank will request the subordinated bonds to be classified as tier 2 capital.

2. Accounting policies and measurement bases

The principal accounting policies and measurement bases used in the preparation of the consolidated financial statements of the CaixaBank Group for 2016 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, statutory or through agreements) that give 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 a subsidiary. 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 subsidiary) 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. Relevant activities include establishing financial and operating decisions, or appointing and remunerating management bodies, among other.

The financial statements of the subsidiaries are consolidated, without exception, on the grounds of their activity, with those of CaixaBank 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 of the CaixaBank Group is shown under "Minority interests [non-controlling interests]" in the consolidated balance sheet and "Profit/(loss) attributable to minority interests [non-controlling interests]" in the statement of profit or loss, respectively (see Note 25).

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 retained investment recognised. The difference is recognised in the consolidated 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 actual or estimated data available 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 taken 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 Group’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 companies is disclosed in Appendix 2 and, where appropriate, Note 17. For listed companies, the latest public figures are shown. Otherwise, the information relates to the latest actual or estimated data available at the date of preparation of these notes to the financial statements.

Associates

Associates are companies over which the CaixaBank 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 it holds 20% of more of the voting power of the investee. If it holds less than 20%, significant influence is evidenced by the circumstances indicated in IAS 28. The existence of significant influence is usually evidenced by 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, investees 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 CaixaBank Group effectively does not have the power to govern the Entity’s financial and operating policies, are not considered associates. Based on these criteria, at 31 December 2016, the Group held some equity investments, for immaterial amounts, ranging from 20% to 50% classified under “Available-for-sale financial assets” in the balance sheet.

The most representative investments in which the Group has significant influence with a stake of less than 20% are as follows:

- Erste Bank: the relationship with this investee, which was classified as an associate in 2009, began in 2008. There is a preferred partnership agreement between Erste Bank'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 preferred partnership agreement, CaixaBank can appoint a director to Erste Bank's Supervisory Board. In December 2014, CaixaBank strengthened its strategic agreement with Erste Foundation through an amendment to the preferred partnership agreement. Under the amended agreement, CaixaBank can appoint a second director to Erste Bank's Supervisory Board. CaixaBank will vote at the Annual General Meeting in the same way as Erste Foundation, solely in respect of the election of members of the Supervisory Board. Through this agreement, CaixaBank has become 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. Combined, they have a shareholding of approximately 30%. CaixaBank's stake at 31 December 2016 was 9.92%.

- Repsol: with a stake of 10.05% at 31 December 2016, CaixaBank is currently Repsol's largest shareholder. Since it was created, CaixaBank has always held a relevant position in Repsol's shareholder structure and on its Board of Directors. CaixaBank's Chief Executive Officer is a Repsol director and the First Vice Chairman of its Board, Member of its Board Committee and Member of the Remuneration Committee. CaixaBank also has another director on the Repsol Board, who is a member of the Nomination Committee and the Sustainability Committee.

In the consolidated financial statements, investments in associates are accounted for using the "equity method", i.e. in proportion to the Group's 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's share of the profit or loss according to its economic stake is recognised in the statement of profit or loss.

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 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 companies is disclosed in Appendix 3 and, where appropriate, Note 17. For listed companies, the latest public figures are shown. Otherwise, the information relates to the latest actual or estimated data available at the date of preparation of these notes to the financial statements.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, 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.

There are instances in which the Group is highly exposed to variable returns and has decision-making power over the entity, directly or through an agent. This is the case of securitisation funds. Information on these funds, the financial support given to the vehicles and the reason are detailed in Note 28.2. At 31 December 2016, there were no agreements to provide significant 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 31 December 2016, 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.

Any positive difference 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 financial assets and liabilities

Financial assets are classified in the balance sheet for management and measurement purposes under the categories of “Financial assets held for trading”, “Financial assets designated at fair value through profit or loss”, “Available-for-sale financial assets”, “Loans and receivables” and “Held-to-maturity investments”, unless they must be presented under “Non-current assets held for sale” or relate to “Cash and cash balances at central banks”, “Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Derivatives – Hedge accounting”, which are presented separately.

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.

Financial assets and liabilities held for trading: this portfolio comprises mainly 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 that the Group manages 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 or loss: includes, where applicable, financial instruments designated by CaixaBank 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 or 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 CaixaBank, receivables from purchasers of goods and services it renders, and for debt securities not quoted in an active market.

Held-to-maturity investments: includes debt securities traded in an organised market, or those whose fair value can be reliably estimated despite not being quoted on an active market, with fixed or determinable payments and fixed maturity dates that the Entity has the positive intention and ability to hold to maturity.

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 deposit-taking activities of credit institutions.

Measurement of financial instruments and recognition of changes in subsequent measurements

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 organised, 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.

- Financial instruments classified as "Available-for-sale financial assets" are measured initially 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 translation" 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 (effective portion)".

  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 Company 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.

Fair value of financial instruments

The fair value of the financial instruments and their carrying amounts at 31 December 2016 and 2015 are as follows:

Assets

(Thousands of euros)

	31.12.2016		31.12.2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets held for trading (Note 11)	**11,667,687**	**11,667,687**	**13,312,220**	**13,312,220**
Derivatives	9,575,832	9,575,832	9,806,191	9,806,191
Equity instruments	294,923	294,923	250,543	250,543
Debt securities	1,796,932	1,796,932	3,255,486	3,255,486
Financial assets designated at fair value through profit or loss (Note 12)	**3,139,646**	**3,139,646**	**1,785,804**	**1,785,804**
Equity instruments	1,806,976	1,806,976	816,728	816,728
Debt securities	1,332,670	1,332,670	969,076	969,076
Available-for-sale financial assets (Note 13)	**65,076,973**	**65,076,973**	**62,997,235**	**62,997,235**
Equity instruments	2,946,030	2,946,030	3,379,273	3,379,273
Debt securities	62,130,943	62,130,943	59,617,962	59,617,962
Loans and receivables (Note 14)	**207,640,937**	**226,366,169**	**210,473,400**	**240,398,093**
Debt securities	561,139	566,529	927,655	982,586
Loans and advances	207,079,798	225,799,640	209,545,745	239,415,507
Credit institutions	*6,741,354*	*7,463,042*	*6,649,545*	*7,248,949*
Customers	*200,338,444*	*218,336,598*	*202,896,200*	*232,166,558*
Held-to-maturity investments (Note 15)	**8,305,902**	**8,409,854**	**3,820,114**	**3,861,116**
Derivatives - Hedge accounting (Note 16)	**3,090,475**	**3,090,475**	**3,917,462**	**3,917,462**
Total	**298,921,620**	**317,750,804**	**296,306,235**	**326,271,930**

Liabilities

(Thousands of euros)

	31.12.2016		31.12.2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities held for trading (Note 11)	**10,292,298**	**10,292,298**	**12,200,290**	**12,200,290**
Derivatives	9,394,559	9,394,559	9,498,607	9,498,607
Short positions	897,739	897,739	2,701,683	2,701,683
Other financial liabilities at fair value through profit or loss (Note 12)	**3,763,976**	**3,763,976**	**2,359,517**	**2,359,517**
Deposits	3,763,976	3,763,976	2,359,517	2,359,517
Customers	*3,763,976*	*3,763,976*	*2,359,517*	*2,359,517*
Financial liabilities measured at amortised cost (Note 23)	**254,093,295**	**255,408,777**	**253,498,820**	**256,639,379**
Deposits	223,511,848	224,685,124	218,372,716	221,461,813
Central banks	*30,029,382*	*30,182,316*	*23,753,214*	*24,025,913*
Credit institutions	*6,315,758*	*6,345,127*	*10,509,238*	*10,625,051*
Customers	*187,166,708*	*188,157,681*	*184,110,264*	*186,810,849*
Debt securities issued	27,708,015	27,836,299	32,336,159	32,291,729
Other financial liabilities	2,873,432	2,887,354	2,789,945	2,885,837
Derivatives - Hedge accounting (Note 16)	**625,544**	**625,544**	**756,163**	**756,163**
Total	**268,775,113**	**270,090,595**	**268,814,790**	**271,955,349**

All financial instruments are classified into one of the following levels using the following hierarchy for determining fair value by valuation technique:

Level 1: on the basis of quoted prices in active markets.

Level 2: using valuation techniques in which the assumptions correspond to inputs that are observable for the asset or liability, directly or indirectly, or quoted prices for similar assets or liabilities in active markets.

Level 3: valuation techniques used in which certain of the significant assumptions are not supported by directly observable market inputs.

The fair value breakdown by methods used to calculate the fair value of the financial instruments held by the CaixaBank Group at 31 December 2016 and 2015 is as follows:

Fair value of assets

(Thousands of euros)

	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading	**2,104,647**	**9,563,040**	**0**	**3,546,563**	**9,765,657**	
Derivatives	14,693	9,561,139		42,372	9,763,819	
Equity instruments	294,923			250,543		
Debt securities	1,795,031	1,901		3,253,648	1,838	
Financial assets designated at fair value through profit or loss	**3,139,646**			**1,785,804**		
Equity instruments	1,806,976			816,728		
Debt securities	1,332,670			969,076		
Available-for-sale financial assets	**60,662,436**	**3,838,759**	**575,778**	**61,072,609**	**1,242,035**	**682,591**
Equity instruments	2,374,973	605	570,452	2,698,296	631	680,346
Debt securities	58,287,463	3,838,154	5,326	58,374,313	1,241,404	2,245
Loans and receivables	**0**	**332,324**	**226,033,845**	**478,302**	**183,430**	**239,736,361**
Debt securities		332,324	234,205	478,302	183,430	320,854
Loans and advances	0	0	225,799,640	0	0	239,415,507
Credit institutions			*7,463,042*			*7,248,949*
Customers			*218,336,598*			*232,166,558*
Held-to-maturity investments	**6,138,097**	**2,271,757**		**264,168**	**3,431,426**	**165,522**
Derivatives – Hedge accounting		**3,090,475**			**3,917,462**	
Total	**72,044,826**	**19,096,355**	**226,609,623**	**67,147,446**	**18,540,010**	**240,584,474**

Fair value of liabilities

(Thousands of euros)

	31.12.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities held for trading	**944,174**	**9,348,124**	**0**	**2,786,572**	**9,413,718**	**0**
Derivatives	46,435	9,348,124		84,889	9,413,718	
Short positions	897,739			2,701,683		
Financial liabilities designated at fair value through profit or loss	**3,763,976**			**2,359,517**		
Deposits	3,763,976			2,359,517		
Customers	*3,763,976*			*2,359,517*		
Financial liabilities measured at amortised	**0**	**0**	**255,408,777**	**0**	**0**	**256,639,379**
Deposits			224,685,124			221,461,813
Central banks			*30,182,316*			*24,025,913*
Credit institutions			*6,345,127*			*10,625,051*
Customers			*188,157,681*			*186,810,849*
Debt securities issued			27,836,299			32,291,729
Other financial liabilities			2,887,354			2,885,837
Derivatives - Hedge accounting		**625,544**			**756,163**	
Total	**4,708,150**	**9,973,668**	**255,408,777**	**5,146,089**	**10,169,881**	**256,639,379**

Process for determining fair value

The Entity's 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 CaixaBank's Risks

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.

For the CaixaBank Group, most of the financial instruments recognised as available-for-sale financial assets have, as the objective reference for determining their fair value, quoted prices in active markets (Level 1) and, therefore, the fair value is determined on the basis of the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price"). In general, this level includes quoted debt instruments with a liquid market, quoted equity securities, derivatives traded on organised markets and mutual funds.

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. The fair value of OTC (over the counter) derivatives and financial instruments (mainly debt securities) traded in scantly deep or transparent organised markets is determined using methods such as "net present value" (NPV), where each flow is estimated and discounted bearing in mind the market to which it belongs, the index to which it refers and the credit risk assumed with the issuer or counterparty, or option pricing models based on observable market data (e.g. Black'76 for caps, floors and swaptions, Black-Scholes for exchange rates and equity options, and Black-Normal for inflation options). Virtually all the financial instruments classified as trading and hedging derivatives are measured following the criteria for Level 2.

"Loans and receivables" and "Financial liabilities measured at amortised cost" are classified mostly in Level 3. Their fair value is estimated based on expected discounted cash flows, bearing in mind the estimate of interest rate, credit and liquidity risks in the discount rate. These estimates use, *inter alia*, historical early repayment rates and estimated credit loss rates based on internal models.

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 publicly available information is considered the best estimate of fair value.

The main valuation techniques, assumptions and inputs used in fair value estimation by type of financial instruments and the related balances at 31 December 2016 and 2015 are as follows:

Assets

(Thousands of euros)

	31.12.2016	31.12.2015		
	Level 2 and 3	Level 2 and 3	Main valuation techniques	Main inputs used
Financial assets held for trading (Note 11)	**9,563,040**	**9,765,657**		
Derivatives	9,561,139	9,763,819	Swaps: Present value method; currency options: Black-Scholes model; interest-rate options: Black model; index and equity options: Black-Scholes model, local volatility, Heston model; inflation rate options: Black Normal model; credit: Discounted cash flows and default intensity	Observable market data, correlations (equities), dividends (equities)
Debt securities	1,901	1,838	Present value method	Market interest rates and risk premiums Market peers
Available-for-sale financial assets (Note 13)	**4,414,537**	**1,924,626**		
Equity instruments	571,057	680,977	Present value method	Observable market data (interest rates, risk premiums, market peers), Net Asset value
Debt securities	3,843,480	1,243,649		
Derivatives - Hedge accounting (Note 16)	**3,090,475**	**3,917,462**	Swaps: Present value method; interest rate options: Black model	Observable market data
Total	**17,068,052**	**15,607,745**		

Liabilities

(Thousands of euros)

	31.12.2016	31.12.2015		
	Level 2 and 3	Level 2 and 3	Main valuation techniques	Main inputs used
Financial liabilities held for trading (Note 11)	**9,348,124**	**9,413,718**		
Derivatives	9,348,124	9,413,718	Swaps: Present value method; currency options: Black-Scholes model; interest-rate options: Black model; index and equity options: Black-Scholes model, local volatility, Heston model; inflation rate options: Black Normal model; credit: Discounted cash flows and default intensity	Observable market data, correlations (equities), dividends (equities)
Short positions	0	0	Present value method	Observable market data
Derivatives - Hedge accounting (Note 16)	**625,544**	**756,163**	Swaps: Present value method; interest rate options: Black model	Observable market data
Total	**9,973,668**	**10,169,881**		

The measurements obtained using internal models may differ if other techniques were applied or assumptions used regarding interest rates, credit risk spreads, market risk, foreign currency 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.

Credit risk and funding valuation adjustment

Credit Valuation Adjustment (CVA) is a valuation adjustment of OTC (over the counter) derivatives made due to the risk related to each counterparty's credit exposure.

Debit Valuation Adjustment (DVA) is a similar valuation adjustment to CVA, but arises from the CaixaBank Group's own credit risk assumed by its counterparties in OTC derivatives.

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 calculated by estimating expected exposure, the probability of default and loss given default for all derivatives on any underlying at the level of the legal entity with which CaixaBank has exposure.

Similarly, DVA is calculated by multiplying the expected negative exposure given the probabilities of default by CaixaBank's loss given default.

The data necessary to calculate probability of default and loss given default come from the credit markets (Credit Default Swaps). Counterparty data are applied where available. Where the information is not available, CaixaBank performs an exercise that considers, among other factors, the counterparty's sector and rating to assign the probability of default and the loss given default, 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 for CaixaBank are also based on prices taken from its issuance and credit derivatives markets.

The CVA/FVA and DVA/FVA adjustments recognised in the balance sheet at 31 December 2016 amounted to EUR -236.7 million and EUR 52.7 million, respectively, on the fair values of derivatives. At 31 December 2015, they amounted to EUR -205.4 million and EUR 53.6 million, respectively. The change in the value of the adjustments in 2016, for EUR 30.7 million, resulted in a positive impact on "Gains/(losses) on financial assets and liabilities held for trading, net" in the statement of profit or loss. In addition, the impact on 2016 of the CVA on matured or cancelled derivatives resulted in the recognition of a negative impact of EUR 1.4 million in "Gains/(losses) on financial assets and liabilities held for trading, net" in the statement of profit or loss (see Note 33).

Transfers between levels

The criteria applied for the revaluation of the portfolio are reviewed at least monthly, and can give rise to two circumstances:

- Improvements in the valuation of the financial instruments for having obtained prices published by contributors to market prices or because the quality of the published price has improved.
- Deterioration in the valuation of the financial instruments as a result of contributors to market prices having ceased publishing prices or because the quality of the published price has deteriorated.

Transfers between levels of the fair value hierarchy in the measurement of financial assets and financial liabilities in 2016 were as follows:

Transfers between levels

(Thousands of euros)	FROM:	**Level 1**		**Level 2**		**Level 3**	
	TO:	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
ASSETS							
Available-for-sale financial assets		936					
LIABILITIES							
Total		**936**		**0**			**0**

In 2016, there were transfers mainly from Level 1 to Level 2. This was mainly because sufficiently liquid prices were not obtained from a market information provider to perform the valuation of these securities.

Movements in Level 3 financial instruments

Movements in Level 3 balances in 2016 and 2015 were as follows:

Level 3 movements - 2016

(Thousands of euros)

	Financial instruments at fair value through profit or loss		Available-for-sale financial assets	
	Debt securities	Trading derivatives	Debt securities	Equity instruments
Balance at 31.12.2015	**0**	**0**	**2,245**	**680,346**
Total gains or losses	0	0		
To profit or loss				(397,671)
To equity valuation adjustments			(369)	35,307
Acquisitions			5,667	45
Settlements and others			(2,217)	252,425
Balance at 31.12.2016	**0**	**0**	**5,326**	**570,452**
Total gains/(losses) in the period for instruments held at the end of the period	**0**	**0**	**369**	**362,364**

Level 3 movements - 2015

(Thousands of euros)

	Financial instruments at fair value through profit or loss		Available-for-sale financial assets	
	Debt securities	Trading derivatives	Debt securities	Equity instruments
Balance at 31.12.2014	**0**	**0**	**16,894**	**858,904**
Additions due to business combinations (Note 7)				2,160
Total gains or losses			(2,836)	(89,275)
To profit or loss				(243,882)
To equity valuation adjustments			(2,836)	154,607
Acquisitions				137,714
Net variation in financial instruments at amortised cost			(1,854)	(229,157)
Redeemed			(9,959)	
Balance at 31.12.2015	**0**	**0**	**2,245**	**680,346**
Total gains/(losses) in the period for instruments held at the end of the period	**0**	**0**	**2,836**	**89,275**

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 CaixaBank Group analysed the most significant instruments. This analysis indicated that the values obtained would not change significantly.

The impacts on the fair value of the main financial instruments categorised within Level 3 of changes to the value of the most important unobservable inputs, taking the highest value (best-case scenario) and lowest (worst-case scenario) at 31 December 2016 are as follows:

Impacts arising from changes in the assumptions used to measure financial instruments categorised in Level 3

(Thousands of euros)

	Potential impact on profit or loss		Potential impact on valuation adjustments (*)	
	Best-case scenario	Worst-case scenario	Best-case scenario	Worst-case scenario
Available-for-sale financial assets – Equity instruments			19,966	(19,966)
Total	**0**	**0**	**19,966**	**(19,966)**

(*) Considering a -5%, +5% change in the valuation.

2.3. Accounting hedges

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

When the CaixaBank Group designates a transaction as a hedge, this is done at inception of the transaction or of the instruments included in the hedge and the hedging relationship 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 being hedged and how the hedging instrument's effectiveness will be assessed over its entire life.

The CaixaBank Group applies hedge accounting for hedges that are highly effective. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or in the cash flows that are attributed to the hedged risk are almost entirely offset by changes in the fair value or in the cash flows, as appropriate, of the hedging instrument or instruments.

To measure the effectiveness of hedges, an analysis is performed to determine whether if, at the inception of the hedge and during its life, it can be expected, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk are nearly completely offset by changes in the fair value or cash flows of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

The valuation methods used to estimate the fair value of the hedged and hedging instruments are adjusted to best market practices, while retrospective and prospective measures are used for assessing hedge effectiveness that meet the requirements of the regulatory framework:

- The effectiveness of the hedge is within a range of 80-125%.
- The formula used to retrospectively assess the hedge is as follows:

$$80\% \geq \frac{\text{(Change in PV + amount realised in the month) of hedging instruments}}{\text{(Change in PV + amount realised in the month) of hedged items}} \leq 125\%$$

PV: present value or fair value, is the present value of future cash flows from the transaction.
Realised: cash flows from the transaction already settled.

- Effectiveness is assessed, at a minimum, at the time an entity prepares its annual or interim financial statements for retrospective methods and daily for prospective methods.
- Value at Risk (VaR) and sensitivity methods verify the high statistical correlation between the changes in fair value of the hedged item and item to be hedged that arise from the hedged risk (mainly interest rate risk).
- VaR and sensitivity methods take into consideration the time value of money (sensitivities based on discounted cash flows and, therefore, present values).
- The prospective method verifies that the ratio of interest rate sensitivity of the item to be hedged and the interest rate sensitivity of the hedging instruments is within a range of 80-125%.
- Interest rate macro-hedges are verified daily to ensure that the ratio between the one-day VaR at 99% of the overall portfolio (item to be hedged and market hedges) and the one-day VaR at 99% of the item to be hedged is less than 10%.

Hedging transactions performed by the CaixaBank Group are classified into two categories:

- Fair value hedges, which 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 profit or loss.

- Cash flow hedges, which 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 CaixaBank Group also hedges a certain amount of interest rate sensitive financial assets or liabilities which, although forming part of the instruments composing the portfolio, are not identified as specific instruments, for interest-rate risk. These hedges, known as macro-hedges, can be fair value hedges or cash flow hedges.

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 fair value macro-hedges, gains or losses arising on the hedged items attributable to interest rate risk are recognised directly in the statement of profit or loss, but the balancing entry is recognised 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.

In cash flow hedges, the portion of the hedging instrument that qualifies as an effective hedge is recognised temporarily in “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedges” in equity until the hedged transactions occur. At this moment, the amounts previously recognised in equity are taken to the statement of profit or loss in a symmetrical manner to the hedged cash flows. The hedged items are recognised using the methods described in Note 2.2, without any changes for their consideration as hedged instruments.

When hedging derivatives no longer meet the requirements for hedging accounting, they are reclassified as trading derivatives. For fair value hedges, the previously recognised gains or losses on the hedged item are recognised in the statement of profit or loss using the effective interest rate method at the date hedge accounting is discontinued. For cash flow hedges, the cumulative gain or loss recognised in equity remains in equity until the forecast transaction occurs, at which point it is recognised in the statement of profit or loss. However, if it is expected that the transaction will not be carried out, the cumulative gain or loss is recognised immediately in the statement of profit or loss.

For the most part, the CaixaBank 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, position or market risk arising from these operations is not significant.

2.4. Reclassification of financial assets

As at 31 December 2016, the amounts of financial assets reclassified in previous years and the related implications are as follows:

Reclassified financial assets
(Thousands of euros)

	Carrying amount at 31.12.2016	Fair value at 31.12.2016	Carrying amount at the reclassification date	Effective interest rate range at the reclassification date
First half of 2013 (1)				
ES00000122D7	50,746	57,968	49,961	6.16
ES00000123B9	85,377	101,285	86,740	6.38

(1) Reclassification in March 2013 from "Available-for-sale financial assets" to "Held-to-maturity investments" for a nominal amount of EUR 5,916 million of a number of bonds, of which at 31 December 2016 are booked EUR 130 million. The reasons for the reclassification related to the Group's strategy of effectively holding this investment until maturity and its sufficient financial ability to do so.

The losses and gains that would have been recognised in profit or loss or in other comprehensive income had there been no reclassifications of financial assets, and the gains, losses, income and expenses recognised in the statement of profit or loss are summarised in the following tables:

Losses and gains that would have been recognised without the reclassification of assets
(Thousands of euros)

	Amount
Contribution of financial assets reclassified in 2016	**0**
Recognised in equity	
Recognised in profit/(loss) for the period	
Changes in fair value	**(1,773)**
Would have been recognised in equity had the financial assets not been reclassified	(1,773)
Would have been recognised in profit/(loss) for the period had the financial assets not been reclassified	

As well as the above reclassifications, EUR 1,054 million was reclassified in 2016 in relation to securities initially classified as "loans and receivables" (EUR 700 million) and "held-to-maturity investments" (EUR 354 million) to the portfolios of "loans and receivables" (EUR 110 million) and "available-for-sale financial assets" (EUR 944 million), as a result of the changes to the hierarchy of securities and in the Group's plans for recovering these investments (see Notes 14 and 15).

2.5. Asset encumbrance

Assets securing certain financing transactions and unencumbered assets at 31 December 2016 and 2015 are as follows.

Assets securing financing operations and unencumbered assets

(Thousands of euros)

	31.12.2016		31.12.2015	
	Carrying amount of encumbered assets	Carrying amount of unencumbered assets	Carrying amount of encumbered assets	Carrying amount of unencumbered assets
Equity instruments	0	3,237,554	0	3,626,145
Debt securities	14,015,220	11,206,846	4,882,193	20,400,228
Loans and receivables	77,778,187	141,070,775	61,047,293	157,539,665
Other assets	3,851,952	54,834,447	2,395,393	68,411,288
Total	**95,645,358**	**210,349,622**	**68,324,879**	**249,977,326**

These assets relate mainly to loans securing issuances of mortgage covered bonds, public sector covered bonds and securitisation bonds, debt securities provided in repos, securitisation bonds pledged for securities lending transactions and assets pledged as collateral (loans or debt securities) for access to ECB financing operations. They also include the balance of cash delivered to secure derivatives transactions.

In addition to the table above on own assets, the following presents information on assets received. These guarantees or collateral received arise mainly from reverse repos, securities lending, cash and debt securities received to secure trading in derivatives and own guaranteed debt and senior debt instruments issued. The following table presents the collateral received and unencumbered and that may be pledged to raise finance at 31 December 2016 and 2015:

Asset securing financing transactions

(Thousands of euros)

	31.12.2016		31.12.2015	
	Fair value of encumbered assets	Fair value of unencumbered assets	Fair value of encumbered assets	Fair value of unencumbered assets
Collateral received	**3,466,126**	**15,525,120**	**2,370,017**	**20,360,312**
Equity instruments	0	0	0	0
Debt securities	3,466,126	13,364,143	2,370,017	16,426,531
Other guarantees received	0	2,160,977	0	3,933,781
Own securities issued (*)	**0**	**975,145**	**0**	**1,462,272**
Total	**3,466,126**	**16,500,265**	**2,370,017**	**21,822,584**

(*) Own securities issued other than mortgage/public sector covered bonds or securitisation bonds; i.e. senior debt retained in part of the fair value of unencumbered assets.

The asset encumbrance ratio at 31 December 2016 and 2015 is as follows:

Asset encumbrance ratio
(Millions of euros)

	31.12.2016	31.12.2015
Encumbered assets and collateral received	**99,111,485**	**70,694,896**
Equity instruments	0	0
Debt securities	17,481,346	7,252,210
Loans and receivables	77,778,187	61,047,293
Other assets	3,851,952	2,395,393
Total assets + Total assets received	**324,986,227**	**341,032,535**
Equity instruments	3,237,554	3,626,145
Debt securities	42,052,335	44,078,969
Loans and receivables	218,848,962	218,586,958
Other assets	60,847,376	74,740,463
Asset encumbrance ratio	**30.50%**	**20.73%**

In 2016 the ratio increased by 9.77 percentage points due to the rise in financing obtained from the ECB used as collateral, mainly loans transformed into securitisation funds and covered bonds for discount at the European Central Bank and the collateralisation of securities loans, mainly loans transformed into securitisation funds and the increase in funding for repurchase agreements of debt securities.

Secured liabilities and the assets securing them at 31 December 2016 and 2015 are as follow:

Secured liabilities
(Millions of euros)

	31.12.2016		31.12.2015	
	Liabilities hedged, contingent liabilities or securities ceded	Assets, guarantees received and treasury securities issued (*)	Liabilities hedged, contingent liabilities or securities ceded	Assets, guarantees received and treasury securities issued (*)
Financial liabilities	**83,179,417**	**97,148,388**	**56,330,344**	**68,040,774**
Derivatives	2,845,180	3,851,952	2,826,761	2,395,393
Deposits	59,022,547	67,520,077	28,672,993	28,156,644
Issuances	21,311,689	25,776,359	24,830,590	37,488,737
Other sources of charges	**1,910,189**	**1,963,096**	**2,701,683**	**2,654,122**
Total	**85,089,606**	**99,111,485**	**59,032,027**	**70,694,896**

(*) Excluding encumbered covered and securitisation bonds

2.6. Offsetting of financial assets and liabilities

A financial asset and a financial liability shall be offset and the net amount reported in the balance statement when, and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously, taking into consideration the following:

- 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 eliminate or result in insignificant credit and liquidity risk, and settlement of the asset and liability is made in a single settlement process.

At 31 December 2016, the CaixaBank Group presented two collateral exchange transactions net. These transactions were instrumented through repos and entail the simultaneous acquisition and transfer of certain collateral. The repos derive from a simultaneous offset transaction, whereby one cannot be cancelled without the cancellation of the other. Exchange transactions are generally carried out at 12 months. At 31 December 2015, no amounts of financial assets and financial liabilities had been set off.

The detail of this offset is as follows:

Offsetting of assets and liabilities

(Thousands of euros)

	31.12.2016		
	Gross amount recognised (A)	**Amount offset in the balance sheet (B)**	**Net amount reported in the balance sheet (C=A-B)**
Reverse repurchase agreement	1,013,791	1,013,752	39
Total assets	**1,013,791**	**1,013,752**	**39**
Repurchase agreement	1,013,752	1,013,752	0
Total liabilities	**1,013,752**	**1,013,752**	**0**

2.7. 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. In this regard:

- If substantially all the risks and rewards of ownership of the transferred financial asset are transferred (such as in the case of: 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 substantially all the risks and rewards of ownership of the transferred financial asset are retained (such as in the case of: 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 assets, or other similar arrangements) 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: 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, or other similar cases), 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 CaixaBank 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.

2.8. 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 in accordance with contractual terms and conditions, irrespective of the legal form of the obligation, such as deposits (including those to participate in auctions and tenders), guarantees, insurance contracts or credit derivatives.

Financial deposits comprise all manner of deposits that directly or indirectly guarantee debt instruments 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 “Loans and receivables”, with a balancing entry in “Financial liabilities measured at amortised cost – Other financial liabilities” and “Other liabilities”. The changes in the fair value of the contracts are recognised as finance 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 instruments measured at amortised cost as set out in Note 2.9, except in the case of technical guarantees, where the criteria set out in Note 2.22 are applied.

Provisions set aside for this type of arrangements 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 CaixaBank's treasury activity (see Note 2.5).

2.9. Impairment of financial assets

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" in the statement of profit or loss for the year 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 year in which the impairment no longer exists or has decreased.

In 2016, the CaixaBank Group involved its internal models for the collective estimation of allowances and to determine the adjustments to be applied on the main valuations given in full individual appraisals or on the results generated by automatic valuation methods for foreclosed assets. These internal models, in accordance with Circular 4/2016, published by the Bank of Spain, have been used to re-estimate the losses incurred due to credit risk or the impairment of foreclosed assets to 31 December 2016.

The new estimation of impaiment allowances at 31 December 2016 has reduced the need for provisions of the loan portfolio by EUR 676 million and is recorded under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Note 37)" in the accompanying consolidated statement of profit or loss.

Debt instruments measured at amortised cost

Debt instruments are classified, on the basis of insolvency risk attributable to the customer or to the transaction, in one of the following categories:

- *Performing*: all transactions that do not meet the requirements for classification in other categories.
- *Watch-list performing*: all transactions which, without qualifying individually for classification as non-performing or write-off, show weaknesses that may entail higher losses for CaixaBank than similar performing transactions. CaixaBank assumes that any transactions with amounts past due of over 30 days show weaknesses, unless proven otherwise.

These include, (i) transactions included in sustainability agreements that have not completed the trial period. Unless there is evidence that would enable it to be classified as performing earlier, the trial period ends two years after the amendment of the terms and conditions of the agreement, all payments on the transactions are up to date and the associated principal has been reduced, (ii) refinancing, refinanced or restructured transactions that should not be reclassified as non-performing and that are still in the trial period (see Note 2.10), and (iii) transactions made by insolvent borrowers that should not be classified as non-performing or write-off.

- Non-performing:

  - *Due to customer arrears*: includes the total amount of debt instruments, whoever the obligor and whatever the guarantee or collateral, any part of whose principal, interest or contractually agreed expenses is past-due more than 90 days, unless such instruments should be classified as write-off. This category also includes guarantees given where the guaranteed transaction is non-performing.

    Transactions where all holders are classified according to cluster effect criteria for personal risk are also classified as non-performing due to customer arrears. Cluster effect criteria for personal risk are also applied to a borrower when transactions with past-due amounts of over 90 days account for more than 20% of the amounts pending collection.

    Transactions are reclassified to performing when following collection of part of the past-due amounts, the causes for their classification as non-performing as indicated above are no longer valid and the holders does not have any past-due amounts of more than 90 days in any other transactions at the date of reclassification as performing.

  - *For reasons other than customer arrears*: includes debt instruments, where due or not, which are not classifiable as write-off or non-performing due to customer arrears, but for which there are reasonable doubts about their full repayment (principal and interest) under the contractual terms in addition to off-balance sheet exposures not classified as non-performing due to customer arrears which are likely to be unpaid and where recovery is deemed to be doubtful.

    This category includes transactions made by customers evidencing a reduction in solvency after an individualised review.

    CaixaBank has established a methodology to assess specific indicators to identify any such reduction, flagging any significant financial difficulties affecting the borrower (weak economic-financial structure), non-compliance with contractual terms and conditions (recurring default of payment or late payment), high probability of insolvency and the disappearance of an active market for the financial asset in question due to financial difficulties.

    These indicators apply to borrowers defined as materially relevant and their activation requires an individual analysis of the transaction to establish it as performing or non-performing.

    In addition to transactions allocated to this category following an individual review, transaction meeting any of the following criteria are also classified as non-performing for reasons other than customer arrears:

    - Transactions with demanded balances or on which repayment by the entity has been legally demanded, despite being secured, in addition to transactions where the borrower is involved in litigation which can be resolved through collection.

- Finance lease transaction where the contract is terminated in order to recover possession of the goods.
- Transactions made by borrowers who have declared insolvency proceedings or are expected to declare insolvency proceedings where no liquidation petition has been made.
- Guarantees extended to borrowers that are undergoing insolvency proceedings where the liquidation phase has or will be declared, or that have undergone a significant and irrecoverable loss of solvency, even though the beneficiary of the guarantee has not demanded payment.
- Refinancing, refinanced or restructured transaction classifiable as non-performing (see Note 2.10) including those that having been classified as non-performing during the trial period are refinanced or restructured or that have past-due amounts of more than 30 days.

- *Write-off*: includes debt instruments, whether due or not, for which the Group, after analysing them individually, considers the possibility of recovery to be remote and proceeds to derecognise them, without prejudice to any actions that the CaixaBank Group may initiate 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.

  To reclassify transactions to this category before these terms expire, the entity must demonstrate in its individual analysis that they have become write-offs.

On the basis of credit risk management and monitoring criteria, CaixaBank classifies as individually significant borrowers those that require an individual assessment due to their exposure and level of risk. Individually significant borrowers may meet any of the following conditions:

- Borrowers with total exposure of more the EUR 20 million.
- Borrowers with total exposure of more than EUR 10 million that, due to various factors, such as having been refinanced, evidencing early signals of non-performance or surpassing specific expected loss thresholds, are classified as high risk.
- Borrowers with total exposure of more than EUR 5 million, of which more than 5% of the balance is classified as non-performing.

In addition to the above, individually significant borrowers are also those that are considered to require individual treatment for any reason.

All borrowers that do not comply with the above criteria are treated as a group.

The calculated coverage 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.

CaixaBank calculates the required amount to cover the risk attributable to the holder and to country risk, provided that the risk is not transferred to write-off.

For the purposes of estimating coverage, the amount of the risk for debt instruments is the gross carrying amount, and for off balance exposures, the estimated value of the disbursements.

In line with applicable rules, the coverage 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 is in a situation of impairment (due to arrears or reasons other than arears), the specific coverage for the transaction is estimated through a detailed analysis of the customer flows, factoring in the status of the owner, and the flows expected to be recovered are assessed using two methodologies according to the borrower's capacity to generate flows through its activities.

  The calculation of the present value of the estimated future cash flows of a secured financial asset reflects the cash flows that could derive from the execution of this guarantee, less the costs of obtaining and selling the collateral, irrespective of whether execution thereof is likely or not.

- In the other cases, coverage is estimated at group level using internal methodologies based on CaixaBank's past experience and factoring in the updated and adjusted value of the guarantees considered to be effective.

  The collective allowance is calculated using the Company's internal models, that form part of the valid Models and Parameters Policy, in accordance with Circular 4/2016.

  At portfolio level, the calculation of allowances using internal models is designed to estimate the losses incurred on exposures contained in these portfolios. In addition to calculating allowances at portfolio level, the Company assigns allowances for each individual exposure. The calculation has two parts:

  1. Setting the basis for the calculation of allowances, in two steps (i) 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, and (ii) 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.

     Effective guarantees or collateral are considered to be collateral in the form of cash deposits, quoted equity instruments and debt securities issued by creditworthy issuers; mortgages on completed housing, offices and multi-purpose premises and on rural property, net of any prior charges; and personal guarantees (bank guarantees and other, inclusion of new obligors, etc.) which entail the direct and joint and several liability of the new guarantors to CaixaBank, these being persons or entities whose solvency is sufficiently demonstrated as to ensure the full repayment of the transaction under the agreed terms.

     The aforementioned guarantees are not considered to be effective when there is an adverse correlation between the effectiveness of the guarantee and the borrower's credit rating (e.g. borrower's assets pledged).

  2. Establishing the coverage to be applied on this basis for the calculation of allowances. This calculation factors in the probability of borrower not complying with the transaction 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 Company may use the default coverage rates established by the Bank of Spain.

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

Individual or collective coverage for non-performing transactions must not be lower than the general coverage applied if they were classified as watch-list performing.

The final coverage applied in a transaction must be the greatest of the credit risk allowance allocated to the borrower and the country risk, although the latter is not material for CaixaBank.

In order to ensure the reliability and consistency of its estimated coverage, CaixaBank performs backtesting exercises to compare the estimates made with real losses observed and benchmarking exercises to compared the estimates with expected losses in terms of solvency and any other reference considered to be appropriate.

Debt securities classified as available for sale

The market value of quoted debt instruments 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 instruments, 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 CaixaBank 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.

2.10. 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) is 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, change 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 term 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 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 instruments 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 grace 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 percentage established for operations in the watch-list performing category.

Refinanced and 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 must have made regular payments to 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 that 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 trial 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 trial period, further refinancing or restructuring of the refinancing, refinanced or restructured operation, 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 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 to 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, refinanced or restructured operation is reclassified to the watch-list performing category.

2.11. Foreign currency transactions

The CaixaBank Group's functional and presentation currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in foreign currency. The functional currency is the currency of the primary economic environment in which the CaixaBank Group operates. The functional currency may be other than the euro, depending on the country in which the subsidiaries are based. The presentation currency is the currency in which the CaixaBank Group's consolidated financial statements are presented.

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, including unmatured purchase and sale contracts considered as hedges, 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 functional currency of the Group are generally recognised under "Exchange differences (gain/(loss), net" in the statement of profit or loss. 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 – Foreign currency translation " in the balance sheet until they are realised, 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.

In order to combine the separate financial statements of foreign branches whose functional currency is not the euro in the CaixaBank Group's consolidated financial statements, the following policies are applied:

- Translate the financial statements of the foreign branches to the CaixaBank Group's presentation currency. The translation is performed at the exchange rates used in translating foreign currency balances, except for income and expenses, which are translated at the closing exchange rate of each month.

- Recognise any translation differences under "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Foreign currency translation" in the balance sheet until the related item is derecognised, when it is reclassified to profit or loss.

2.12. Recognition of income and expenses

The main policies applied by the CaixaBank Group to recognise revenue and expenses are as follows:

Interest income, interest expenses, dividends and similar items

Interest income, interest expenses and similar items are recognised on an accrual basis using the effective interest method, regardless of when the resulting monetary or financial flow arises. Interest accrued on non-performing loans, including loans exposed to country risk, is credited to profit or loss upon collection, which is an exception to the general rule. Dividends received from other companies are 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.

Fees and commissions

The criteria for recognising fee and commission income and expenses vary according to their nature.

- Financial fees and commissions, such as loan and credit origination fees, are an integral part of the effective cost or yield of the financial transaction and are recognised under the same heading as finance income or cost; i.e. "Interest income" and "Interest expenses". Fees and commissions, which are collected in advance, are taken to profit or loss over the life of the transaction, except when they are used to offset directly related costs.

  Fees and commissions offsetting directly related costs, understood to be those which would not have arisen if the transaction had not been arranged, are recognised under "Other operating income" as the loan is taken out when these direct costs are individually identified.

  Once the individually-identified direct costs have been deducted, the remaining fees and commissions are recognised in the statement of profit or loss to offset other directly related costs, to a limit of 0.4% of the principal of the financial instruments, or a maximum of EUR 400. Any surplus fees and commissions are recognised in the statement of profit or loss throughout the life of the operation (see Notes 29 and 31).

  If the total sum of financial fees and commissions does not exceed EUR 90, it is recognised immediately in profit or loss.

  For financial instruments measured at fair value through profit or loss, the amount of the fee or commission is recognised immediately in the statement of profit or loss.

- Non-financial fees and commissions arising from the provision of services are recognised under "Fee and commission income" and "Fee and commission expenses" over the life of the service, except for those relating to services provided in a single act, which are accrued when the single act is carried out.

Non-financial income and expense

Non-financial income and expenses are recognised for accounting purposes on an accrual basis.

Deferred receipts and payments

Deferred receipts and payment are recognised for accounting purposes at the amount resulting from discounting the expected cash flows to net present value at market rates.

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

Mutual funds and pension funds managed are not presented on the face of the Group's consolidated 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 consolidated statement of profit or loss.

Other assets owned by third parties and managed by consolidated entities for which a management fee is received are not presented on the face of the consolidated balance sheet (see Note 28.1).

2.14. 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.
- Post-employment benefits.
- Other long-term employee benefits.
- Termination benefits.

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. They include: 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” in the statement of profit or loss.

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 employee benefits which are payable by the CaixaBank Group to its employees after completion of 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 CaixaBank Group's post-employment obligations with its 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 plan assets, is recorded under "Provisions – Pensions and other post-employment defined benefit obligations" in the balance sheet (see Note 24).

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 CaixaBank, 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 CaixaBank's own creditors, even in bankruptcy. Assets cannot be returned to CaixaBank, 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 CaixaBank has already paid to employees.

Virtually all of CaixaBank's defined benefit commitments are assured through polices taken out with the Group subsidiary VidaCaixa, SA de Seguros y Reaseguros. Consequently, these contracts do not meet the requirements to be considered plan assets. The fair value of the insurance contracts is shown under "Other assets – Insurance contracts linked to pensions" in CaixaBank's separate balance sheet.

CaixaBank's remaining defined benefit commitments, arising mostly from mergers, are assured through polices 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 VidaCaixa, SA de Seguros y Reaseguros, which 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. The standard provides the option of reclassifying them subsequently to voluntary reserves or maintaining them as valuation adjustments. In this respect, the Group elected to reclassify them to voluntary reserves.

This 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 asset, 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 for the Entity 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 (see Note 24).

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.

2.15. Income tax

The expense for Spanish corporation 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 and or joint ventures are not recognised when the CaixaBank 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 in the foreseeable future.

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.

Deferred tax assets recognised are reviewed at the end of each reporting period to ensure that they remain valid, and adjusted, where appropriate, based on any new estimates. Recognised tax assets are tested for impairment every six months to ensure that they can be utilised.

2.16. Tangible assets

“Tangible assets” includes 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 property”.

“Property, plant and equipment” comprises tangible assets for own use and other assets leased out under an operating lease. Property, plant and equipment for own use includes assets held by the CaixaBank 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 property” 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 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” 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.

Depreciation of tangible assets

	Years of 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 CaixaBank 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.

At CaixaBank, tangible assets for own use are mostly allocated to the banking business cash-generating unit (CGU). This CGU was tested for impairment to verify whether it generated sufficient cash flows to support the value of its assets.

In the particular case of investment property, fair value corresponds to the market appraisal of the asset in its current condition by independent experts. To determine fair value at 31 December 2016, appraisals were requested in accordance with the criteria established by Ministerial Order ECO/805/2003 when the latest available appraisal was over two years old. Statistical appraisals were used for properties with a gross carrying amount of less than EUR 250 thousand.

In this respect, the CaixaBank Group has a corporate policy that guarantees the professional competence and the 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 appraisers and valuation agencies with which the CaixaBank Group worked in Spain in 2016 are listed in Note 19.

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 had no impairment losses had been recognised in prior years.

Likewise, the estimated useful lives of items 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 property is recognised under “Other operating income” in the statement of profit or loss and the related operating expenses under “Other operating expenses”.

2.17. 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 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.

The depreciation charge for these assets is recognised in “Depreciation” in the statement of profit or loss.

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.

<u>Internally developed computer software</u>

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.

At 31 December 2016 and 2015, practically all intangible assets corresponding to software were developed by third parties.

2.18. 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 financial charges, 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 2.19.

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.

2.19. 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 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 CaixaBank 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 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 of the foreclosed asset 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 foreclosed asset 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 internal models consider the Company's experience in selling similar assets (in terms of time, price and volume), the value trend of the assets and the time taken to sell, among other factors.

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. In that regard, at least every 1-2 years, the Company updates the main valuation used to estimate the fair value. In line with the procedure followed in the initial recognition process, the Company also applies an adjustment, based on the internal models, to the main valuation, in accordance with Circular 4/2016.

The fair value is determined using appraisals or valuations carried out by independent experts in accordance with the criteria of Ministerial Order ECO/805/2003. Appraisals are no more than two years old, subsequently adjusted using an internal valuation method. Homes with a fair value of under EUR 250,000 are updated using statistical appraisals.

In this respect, the CaixaBank Group has a corporate policy that guarantees the professional competence, 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 CaixaBank 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 appraisers and valuation agencies with which the CaixaBank Group worked in Spain in 2016 are listed in Note 19.

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

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" 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.

Pursuant to Note 2.9, the impact of developing the internal models for calculating foreclosed assets has been to recognise allowances of EUR 656 million under "Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Note 40)" in the accompanying consolidated statement of profit or loss.

2.20. Leases

Finance leases

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

Leases in which the CaixaBank Group acts as the lessor of the asset are recognised as lending under "Loans and receivables" 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 CaixaBank Group acts as 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.

Finance income, when it acts as lessor, and finance cost, when it acts are 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 substantially all the risks and rewards inherent in the asset and ownership of the asset are retained by the lessor.

In operating leases in which the CaixaBank 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 CaixaBank 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 or loss. If the sale was made at a price below fair value, the gain 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 CaixaBank Group has a procedure for monitoring the transaction prospectively, paying special attention to changes in market office rental prices compared to the contractual rents CaixaBank is required to pay and the condition of the assets sold.

The review is carried out annually, or more frequently if exceptional circumstances in the office rental market or in the conditions of the properties 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.

2.21. 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 the financial statements since this may result in the recognition of income that may never be realised.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the contingent asset is disclosed.

2.22. 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 that is considered likely to occur and which is certain as to its nature but uncertain as to its amount and/or timing.

The CaixaBank Group's 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 on the basis of the obligations covered, e.g. provisions for pensions and similar obligations, provisions for tax and provisions for commitments and guarantees given.

Provisions, which are quantified based of 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.

CaixaBank's 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.

In 2016, the Group derecognised provisions that it had recognised in addition to advances made to different institutions for the amount of EUR 146 million. At 31 December 2015, these amounts had not been offset and stood at EUR 86million.

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.

2.23. Insurance transactions

The Group applies the requirements of IFRS 4 *Insurance Contracts* to all the assets and liabilities in its consolidated financial statements derived from insurance contracts in accordance with the definition provided in this standard.

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.

In accordance with the applicable IFRS, insurance entities must carry out an adequacy test of their on-balance sheet insurance contract liabilities in relation to their contractual obligations.

In this respect, it determines:

i) 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.

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

The present value of the contractual cash flows in insurance contracts is determined using the same interest rate as that used to estimate the present value of the financial assets related to the insurance contracts.

The main components of technical provisions are as follows.

- *Unearned premiums and unexpired risks*

  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 reporting period.

- *Life insurance*

  This 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.

  The insurance companies have used the PERM/F-2000P mortality and survival tables for all new contracts since 15 October 2000. PERM/F-2000C tables are applied to contracts before this date.

- *Life insurance provision where the investment risk is borne by the policyholders*

  These provisions correspond to the technical provisions of insurance contracts where the investment risk is born by the policyholder.

- *Claims*

  The provision for claims represents the total amount of outstanding liabilities on claims occurred 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 corresponding to accepted reinsurance are determined using the same criteria as for direct insurance.

Technical provisions for direct insurance and accepted reinsurance are presented in the balance sheet under “Liabilities under insurance contracts” (see Note 18).

Technical provisions linked to risks assigned to reinsurers are calculated on the basis of the reinsurance contracts entered into and by applying criteria similar to those used for direct insurance. These provisions are recognised in the consolidated balance sheet under “Assets under insurance and reinsurance contracts” (see Note 18).

In addition, the Group has been applying the accounting option provided for in IFRS 4 that allows for the correction of accounting asymmetries. Under this accounting option, the insurer may, but is not required to, recognize the recognized but unrealized gain or loss on the assets associated with insurance contracts, as well as their variations, in the provision of life insurance or In a liability account symmetrically to how that recognized or unrealized gain or loss has been recorded. The corresponding adjustment in these liabilities (or deferred acquisition costs or intangible assets) is recognized in other comprehensive income if, and only if, unrealized gains or losses are recognized in other recognized income and expense.

2.24. Statement 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 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 the entity 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 issuances launched by the CaixaBank Group and placed on the institutional market are classified as financing activities, whereas the issuances placed on the Spanish retail market are classified as operating activities.

2.25. Statements of changes in equity. Part A) Statement of other comprehensive income

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

The items used to present the statement of other comprehensive income are as follows:

i) The profit or loss for the year.

ii) The net income or expense recognised temporarily in equity as “Accumulated other comprehensive income”.

iii) The net income or expense recognised definitively in equity.

iv) The tax accrued on the previous items.

v) The total recognised income and expense calculated as the sum of the above items.

2.26. 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:

i) Adjustments due to changes in accounting policy 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.

ii) Total comprehensive income: represents the aggregate of all items recognised in the statement of total changes in equity income part A) other comprehensive income, outlined above.

iii) 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

Adequate risk management is essential for the business of any credit institution, especially one like CaixaBank, which mainly operates in retail banking and considers the confidence of its customers to be a core value.

The year 2016 has been extremely challenging and volatile. Financial institutions in Europe have faced hurdles on a number of fronts in successfully achieving their economic and social mission while generating expected returns for shareholders, customers and investors.

The CaixaBank Group has faced four primary risk factors during the year that have had a significant influence on management because of their impact during the year and their expected medium-term development.

These risk factors are:

1. **The macroeconomic environment**.

   The global economy grew by 3.1% in 2016, at a very similar rate to in 2015 (3.2%). Although this growth is somewhat lower than forecast, it picked up during the year, fuelled by an upturn in emerging economies during the latter half of 2016.

   The notable global economic recovery in 2016 was underpinned by a raft of "ultra-accommodative" monetary policies by the main central banks and a slight increase in oil prices. The latter has lessened financial pressures on several emerging economies (crude oil exporters), while also favouring the biggest importers (as prices have remained still low).

   It is forecast that the world will continue to enjoy decent growth in 2017, albeit in a climate of greater uncertainty. In particular, global economic growth will climb to 3.5%, supported once again by the emerging economies and some progress by the advanced economies. With regard to uncertainty, economic activity will primarily be conditioned by political events in 2017. Much of this uncertainty will be in Washington, London, Paris and Berlin, among other capital cities around the world.

   There is an air of expectation in Washington regarding the positions the new administration will adopt. The central scenario being touted is that a pragmatic approach will be taken, shaped by the Republican Party's more moderate stance. It is therefore envisaged that major imbalances in the US economy will be avoided in the midterm, along with trade wars and political disputes that would be extremely costly for the world economy. Negotiations to leave the European Union will begin in London, while new governments will be elected in Paris and Berlin, which will be key to the future of the European project.

   Europe has continued to recover at a moderate rate in 2016 (1.7% in the eurozone), helped by the ECB's expansionary monetary policy, lower oil prices, and structural reforms in various countries. The impact of Brexit on eurozone growth has been less pronounced than initially forecast, although this does not mean it will not increase in the medium term. This will depend on the uncertainty surrounding the negotiations and final agreement reached. The eurozone growth forecast for 2017 (1.5%) is similar to that in 2016. It is only slightly lower because of a weakening of various combined tailwinds, such as oil prices.

   Against this backdrop, the Spanish economy grew robustly by 3.2% in 2016, posting growth of over 3% for the second year running. This outstanding performance is the result of a raft of temporary external (low oil price and ECB policies) and internal (fiscal stimulus) factors that support growth, in addition to the cyclical economic upturn.

Although tailwinds will be less pronounced in 2017, underlying factors will move in the right direction, and therefore a 2.6% increase in GDP is envisaged. In particular, significant numbers of jobs will continue to be created, the export sector will follow its upward trajectory, the real estate sector will rebound further, fiscal consolidation will persist (helped, in part, by the new measures announced by the government), and bank lending will remain on the rise.

Therefore, 2017 is expected to see noteworthy economic growth rates worldwide and in Spain, despite significant risks as a result of the uncertainty caused by various political events.

2. **Regulatory changes**.

There were many regulatory and supervisory developments in 2016 on several fronts: funding structures, accounting, corporate governance, risk management and control and market disclosures. A few of the main changes are as follows:

- Adaptation to **trends in regulatory capital requirements for Pillar 1 risks (credit, market and operational)**: Off the back of the financial crisis, the EU carried out a swathing reform of the financial regulatory framework to restore financial equilibrium and market confidence. Regulators are continuously developing capital requirements based on the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR), as well as regulatory monitoring and implementation of the Regulatory Technical Standards (RTS) and the Implementing Technical Standards (ITS) of both, which the regulatory bodies are developing continuously. In this context, after an additional review of the framework, the European Commission recently published a package of financial system reforms through which it proposes modifying, *inter alia*, the Capital Requirements Directive and the Capital Requirements Regulation. Key aspects of this reform include the Leverage Ratio requirement (LR), the Net Stable Financing Ratio requirement (NSFR), capital requirements for market risk set down in the *Fundamental Review of the Trading Book* (FRTB) and capital requirements for counterparty risk (SA-CCR), that transpose the final resolutions of the Basel Committee. Further, the way in which large exposure limits are calculated has been changed and the exemption afforded to public sector exposures eliminated.

  Other developments in 2016 include various publications by the Basel Committee of documents on reducing variation in how different banks calculate risk-weighted assets, and on defining problematic assets (non-performing exposures and forbearance). The EBA also conducted a number of reviews and initiated various consultations during the last few months of 2016. These include a review of the prudential large exposures regime, treatment of leveraged transactions, estimation of risk parameters and modelling techniques in internal models, and requirements regarding the disclosure of information on sovereign debt exposures and operational risk. CaixaBank is working to assess the impacts and, where applicable, begin adapting to the new guidelines.

  The content, scope of application and/or calendar of implementation had still not been determined for a significant number of these regulatory developments at 31 December 2016. This situation reflects the state of affairs during the last year. While it is clear proof of the political and regulatory drive to enhance the quality of the European financial system, it does hinder banks' management and investment decisions and investors' ability to make informed choices.

- **Internal governance**: Internal governance has attracted more attention from various international bodies in recent years. The main focus has been to correct weak or superficial internal governance practices of institutions, such as those that came to light as a result of the financial crisis. Weaknesses in corporate governance in various institutions have contributed to excessive and imprudent risk taking in the banking sector. Robust internal governance policies are fundamental for an institution to operate properly, both on an individual level and as part of the banking system it forms part of.

  On 28 October, the EBA launched a consultation on its Draft Guidelines on Internal Governance, with a view to tackling the potentially harmful effects on rational risk management of poorly designed corporate governance regimes. It has placed a greater emphasis on the duties and responsibilities of institutions' governing bodies in supervising risk, including their role on their committees. The aim of these guidelines is to enhance the status of the risk management function, improving information flows between it and the governing body and ensuring the supervisory authorities are able to oversee risk management effectively. They are also designed to alert governing bodies to the risks caused by complex and opaque structures and to improve transparency. They are currently being assessed and adapted by the Entity.

  The need for a sound risk culture, code of conduct and effective management of conflicts of interest has also been put in the spotlight. Extra guidance is given on the risk management framework, how to organise internal control functions, and how to roll out internal controls.

- **Improvement and compliance with the Basel Pillar 3 framework requirements** regarding disclosures to the market, set out in the Pillar 3 report. New content published during the first six months of the year in the document for 2015, prior to the Basel Committee's requirements coming into force (at the end of 2016), and a new approach to adopting best practices, in accordance with the principles and recommendations of the Enhanced Disclosure Taskforce (EDTF) of the Financial Stability Board (FSB). These developments include quarterly reporting of prudential information on the CaixaBank website to help investors and analysts. On 14 December, the EBA also published its final guidelines on disclosure requirements, providing guidance on how to fulfil the requirements established in the CRR and the Pillar 3 framework.

- **International Financial Reporting Standard (IFRS) 9 *Financial Instruments***

  IFRS 9 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 replaces the current International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*.

  Regarding the classification and measurement of financial assets, the approach in IFRS 9 considers both the business model within which the assets are held and their contractual cash flows, effectively reducing the number of portfolios and impairment models currently envisaged in IAS 39. Financial assets that give rise to cash flows that are solely payments of principal and interest are measured at amortised cost if they belong to a business model whose objective is to collect the contractual cash flows, but at fair value through other comprehensive income if the objective is to both collect the cash flows and sell the instrument. All other financial assets, including embedded derivatives, must be fully measured at fair value through profit or loss.

For all assets not measured at fair value through profit or loss, the entities must recognise expected credit losses, differentiating between assets whose creditworthiness has not deteriorated significantly since initial recognition and those whose creditworthiness has.

It is precisely in the section of impairment in IFRS 9 where the main changes are compared to the currently model under IAS 39 based on the accounting of losses incurred for credit risk. In particular, IFRS 9 requires an entity to use an impairment model as a basis for measuring its loan loss allowance. The model differentiates between three stages. Measurement of expected loss depends on whether there has been a significant increase in the credit since initial recognition, whereby: (i) 12-month expected credit loss (Stage 1) applies to all assets (from initial recognition) as long as there is no significant deterioration in credit quality, (ii) life-time expected loss (Stages 2 and 3) applies when a significant increase in credit risk has occurred on an individual or collective basis. For impaired financial assets in Stage 3, interest revenue is calculated on net carrying amount.

The assessment of whether there has been a significant increase in credit risk should consider reasonable and supportable information that is available without undue cost or effort, that is an indicator of increases in credit risk from initial recognition and reflects historical, current and forward-looking information.

Noteworthy differences between the new expected loss model in IFRS 9 and the current incurred loss model of IAS 39 include:

- Upon initial recognition, IFRS 9 requires expected loss to be recognised rather than incurred loss.
- The degree of judgement required to incorporate forward-looking information and assumptions regarding the behaviour affecting the life of the instruments that should be considered and how the assumptions are incorporated in the measurement of expected losses, increases in the expected-loss model.
- The requirement to calculate full lifetime losses for exposures that have experienced significant impairment since initial recognition.

Regarding financial liabilities, the categories set out in IFRS 9 are similar to those currently in IAS 39, and their measurement does not change, only the requirement to recognise changes in fair value related to own credit risk as a component of equity for financial liabilities designated under the fair value option.

For hedge accounting, the granularity in current IAS 39 requirements is replaced with a new model that better reflects internal risk management activities in the financial statements. There are changes with respect to IAS 39 in a number of other areas, such as hedged items, hedging instruments, the accounting of the time value of options and the assessment of effectiveness, which will enable Group entities that carry out financial activities to expand the transactions to which hedge accounting is applied and facilitate the application of hedge accounting, whereas the rest of the entities will benefit mainly from the possibility of hedging non-financial risks.

In 2015, the Group began preparatory work for application of this standard. Spearheaded by an Internal Project Committee, this entails mainly taking the necessary steps to implement IFRS 9 in all areas of the Bank that are affected so as to ensure compliance at the effective date, and evaluating the potential quantitative and qualitative impacts (e.g. on the business, infrastructure) sufficiently in advance in order to enhance their management.

The Committee's main tasks are:

- 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 9,
- To ensure all quantitative and qualitative requirements are identified and planned appropriately to achieve implementation by the effective date, and
- To guarantee that the impact can be calculated before the effective date.

The Committee, led by the Executive Global Risk Management Division, in conjunction with the Executive Financial Accounting, Control and Capital Division, liaises with the Group's Management Committee and is in charge of operational management and strategic decision making (e.g. resources, deadlines, definition of models).

A number of teams (systems, models, impairment, financial accounting, accounting policies, monitoring) oversee day-to-day management. In addition, a Monitoring Committee has been set up, composed of the heads of each of these areas.

A series of key implementation milestones have also been defined related to both classification and measurement, and to the loan loss allowance model, which began in 2015 and runs to the third quarter of 2017, when the operational development of the calculation is expected; any pending issues will be completed by the middle of the fourth quarter of 2017.

Specifically, in relation to the financial assets and liabilities model, the types of portfolio and business model are being studied to determine their classification and measurement, and subsequently their quantitative impact.

Further, policies to determine the classification of transactions and coverage thereof are being implemented in the other main area of application in the model for calculating allowances based on expected loss.

The Entity is currently calculating the potential impacts of the application of IFRS 9 on the value of the financial assets and financial liabilities it currently reports, along with an estimate of loan loss allowances. The Group is currently not therefore able to provide details of the quantitative impacts.

3. Impact of technological development.

Banks are exposed to higher levels of direct competition in the financial markets due to financial innovation and the emergence of new players in the industry. Easy access to hard data means economic agents can enter the market directly or can switch to other non-bank financial service companies (shadow banks), reducing the market dominance of traditional banking.

Digital solutions to respond to the needs of individual customers and companies are proliferating rapidly across the major traditional banking arms, weakening their foothold and giving rise to new patterns of consumption, payment, saving and financing. The appearance of numerous "FinTech" companies stands out: there are new companies created to provide services related to the finance industry, based on disruptive innovation in information and communication technologies (ICTs). Specifically, they are unlocking the value of a combination of new programming languages, greater data storage and processing capacities and analytical algorithms, fewer legal/regulatory restrictions (also included under "shadow banking") and less costly business models.

All these factors have fuelled higher levels of competition today and will cause considerable disruption in the banking industry moving forward. Shadow banks handle approximately half of loans in the United States and a quarter in the eurozone. Cyberattacks are also emerging, involving fraudulent access to the data contained in the Entity's information and communication technology infrastructure or the fraudulent manipulation of processes developed using said infrastructure, seeking to obtain benefits for those launching the attack. In addition to the damage to customers, such attacks could be the object of economic sanctions or financial loss with other customers due to the image of vulnerability transmitted by companies affected by these attacks, in addition to prompt media coverage. The growth in online/mobile purchases by customers is making it easier to operate for criminal groups, whose ability and reach are increasing rapidly.

The exponential increase in the complexity and importance of ICTs in the banking sector has moved technology risk into the spotlight. This risk – the associated losses of which have always been considered when measuring and managing operational risk – is defined as the current or future potential for losses due to failures or inadequacies in technical infrastructures that could lead to data becoming inaccessible or unsecure. The EBA has drawn up a raft of guidelines on this matter to help the competent authorities assess ICT risk as part of the Supervisory Review Evaluation Process (SREP), encouraging the uptake of common method and procedures for assessing this ICT risk.

According to the results of the EBA's risk assessment, operational risks have generally increased, with 95% of banks reporting that the greater sophistication and complexity of ICTs was giving rise to new threats to their technological infrastructures. Moreover, in December 2016 almost 50% of institutions saw their banks' exposure to operational risk rising, citing ICT risk as one of the important threats, since most banking transactions today are critically dependant on IT platforms and telecommunications networks.

4. **Trust in the sector and image.**

It is perceived that Spanish and European communities have not yet recovered their trust in the banking sector, in a complex scenario that the factors mentioned above are also contributing to (financial crisis, the sometimes generalised regulatory and media response, scandals associated with the management of customer information, etc.). This is further exacerbated by sanctions and court rulings handed down to certain financial institutions worldwide in relation to conduct risk. Conduct risk includes malpractice in the design, sale and post-sale of financial products and services in which the financial institution took advantage of its greater knowledge and control over the process to obtain a higher profit, causing a damage to customers, counterparties or investors. For the purposes of capital consumption, these economic damages would be included under the measurement and management of operational risk.

Moreover, the economic crisis, high leverage among households and businesses, and the decline in the value of investments in financial products, among other reasons, have tarnished the banking sector's overall image. The best practices and greater social awareness applied by the CaixaBank Group to mitigate the impacts have made it stand out among customers and public opinion in general. However, the Entity has also seen its reputation suffer, so it will continue working to improve it.

3.2. Risk control, management and governance

Although the CaixaBank Group has demonstrated that its levels of risk appetite, internal capacity and prudence in decision-making not only enable it to overcome financial crises, but even strengthen its position of leadership in retail banking, the Entity continues to develop its global risk management system to maximise its effectiveness and satisfy the expectations of its stakeholders: shareholders, investors, customers, regulators, supervisors and society in general, in accordance with the mandate that derives from its corporate values of "quality, trust and social commitment".

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

- Governance and organisation
- Corporate Risk Map
- Risk appetite framework
- Risk assessment and planning
- Risk culture
- Internal control framework

Governance Structure and Organisation

<u>Corporate governance</u>

The governing bodies are the Annual General Meeting and the Board of Directors. As part of its responsibilities, the Board of Directors sets and monitors the business model and strategy, establishes the Corporate Risk Map and the Risk Appetite Framework and is in charge of internal governance policies and risk management and control, supervising the organisation of the Entity to implement and monitor these.

The Board of Directors has created several committee, including the Risks Committee, whose functions are described below.

Risks 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. At least a third of its members are independent Directors.

The main functions of this committee are:

- 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 information and control processes of the Group's risk as well as the information systems and indicators.
- Evaluate regulatory compliance risk in its scope of action and determination, 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.

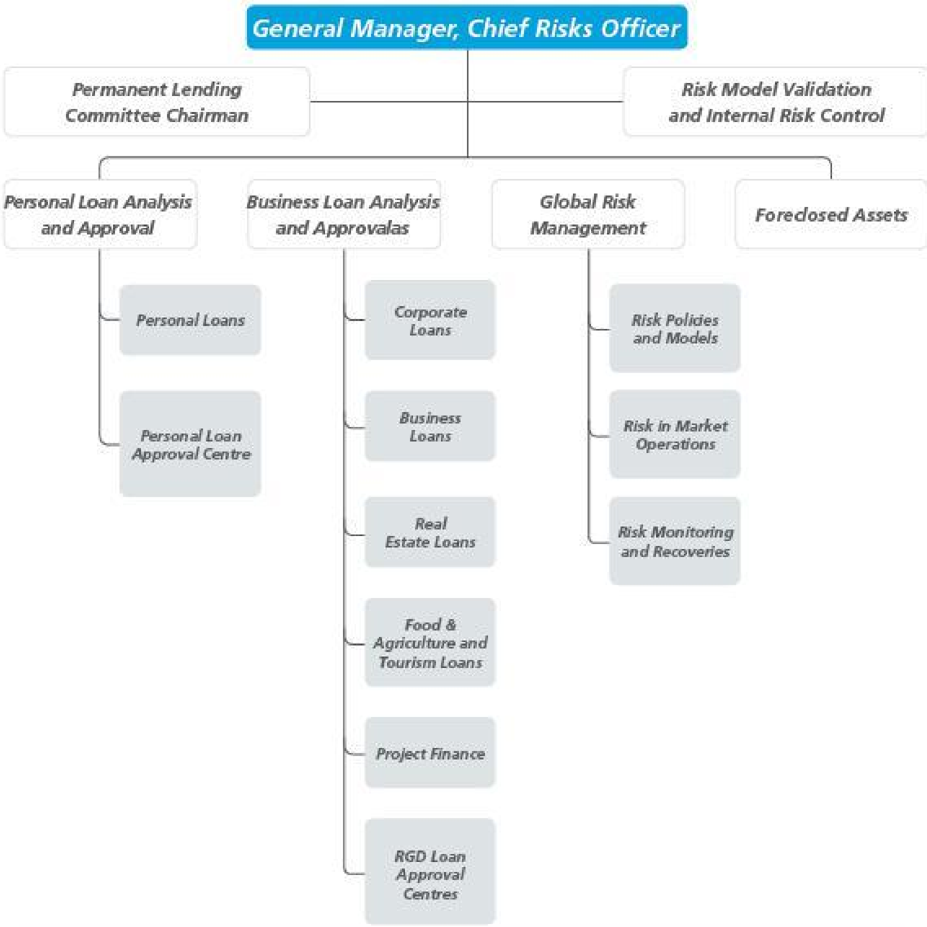
Organisational structure

General Risks Division

As part of the executive team, the Chief Risks Officer (CRO) is ultimately responsible for the Group's risks. The CRO operates independently of the business areas from both a reporting and operational perspective. The CRO has direct access to the Group's governance bodies, especially the Risks Committee, reporting regularly to the members thereof on the status of and expected changes to the Entity's risk profile.

The CRO has organised his team as follows:

- Personal Loan Analysis and Approval division, responsible for analysing and granting loans to retail customers.
- Business Loan Analysis and Approval division, responsible for analyses and risk approvals for other business segments and specialised sectors (Companies and SMEs, Corporate, Public Sector, Sovereign, Financial Entities, Real Estate, Project Finance, Tourism and Food & Agriculture).
- Permanent Lending Committee, with powers delegated by the Board to approve transactions.
- Global Risk Management Committee, responsible for risk management and overseeing asset performance and solvency and capital adequacy mechanisms.
- Foreclosed Assets Division.
- Internal Risks Control Division, including control units and units tasked with the Validation of Risk models.



Part of the Risks Division's functions are to identify, measure and integrate the different risk exposures, as well as the risk-adjusted returns of each area of business, from a global perspective of the CaixaBank Group and in accordance with its management strategy.

One of its most important missions, in collaboration with other areas of the Entity, is to head and oversee 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.

Deputy General Manager - Control & Compliance

The Deputy General Manager of Control & Compliance was appointed in December 2015, reporting directly to the CEO. In 2016, the Internal Control Units forming part of the General Risks Division and Financial Accounting, Control and Capital were strengthened, thereby reinforcing the second line of defence, acting independently of the business units and thereby following the three lines of defence model on which CaixaBank's Internal Control Framework is structured.

For further information, see the Internal Control Framework section.

Deputy General Manager, Head of Internal Audit

To guarantee the independence and powers of the audit function, Internal Audit reports functionally to the Audit and Control Committee – a board committee – and also reports to the Chairman of the Board of Directors. This ensures the independence and authority of the Internal Audit function, which performs independent and objective advisory and consulting activities.

For further information on the activities and functions of Internal Audit, see the Internal Control Framework section.

As explained in the General Risk Management Principles, CaixaBank has an approvals structure in place for transactions entailing credit risk which is decentralised across the Branch Network, facilitating rapid decision-making in response to customers' needs. Branch managers are assigned a certain level of authorisation to approve transactions. If the level of risk exceeds these limits, the system specifies the immediate superior with the necessary powers for approving the transaction and transfers the file to them.

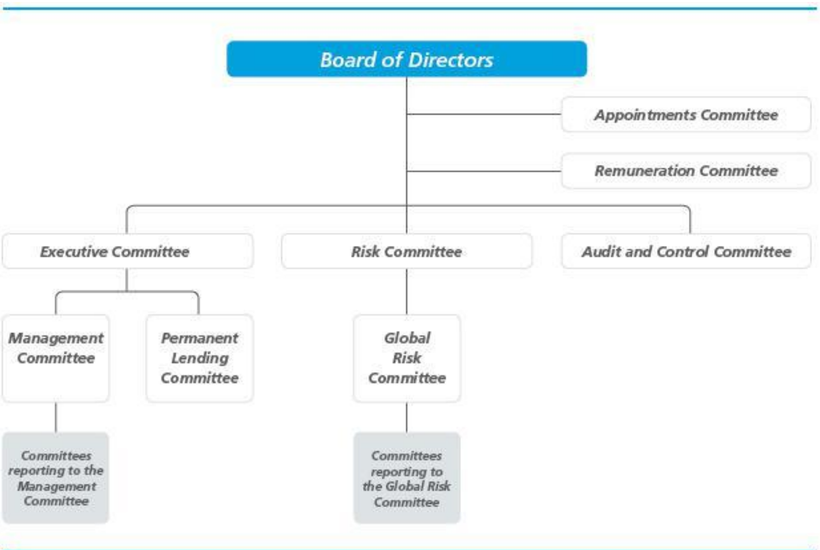
There is a hierarchical structure for the approval of transactions, whereby higher risk transactions require approval at the highest level, which have greater knowledge and are more specialised in risk assessment. The main tiers of authority are as follows:

- Branches (Manager/Deputy Manager)
- Business Area Manager
- Risk Approval Centres (retail banking analysts and business banking analysts)
- Regional Managers
- Central Services

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 committee for risk governance, management and control.

Level 1 committees are listed first, followed by level 2 committees that play a key role in the Group's risk area.



Committees reporting to the Board Committees:

- **Management Committee**

Assesses and adopts resolutions concerning implementation of the Strategic Plan and the annual operating plan in addition to organisational aspects affecting the Entity. It also approves structural changes, appointments, expense lines and business strategies.

- **Permanent Lending Committee**

The Permanent Lending Committee ("the PLC") analyses and, where appropriate, approves the transactions that fall within its scope, and refers any transactions that exceed its level of authority to the Board of Directors. It is the final tier in the approvals hierarchy, above which lending and credit must be signed off by the Board of Directors.

The PLC can also approve individual transactions that do not fulfil all established criteria for each type of product or applicable specific policy, provided there is no cause for obtaining the approval of the Board of Directors.

- **Global Risk Committee**

This committee is responsible for the end-to-end management, control and monitoring of risks to which the Bank is exposed, as well as the specific risks of the most relevant financial investees, and the implications of these risks when managing solvency and capital consumption.

This Committee is also charged with adapting CaixaBank's risk strategy to the risk appetite framework (RAF) established by the Board, clarifying and resolving doubts about its interpretation and keeping CaixaBank's Board informed through the Risk Committee of the main areas of activity and the status of risks.

The committee also regularly analyses the Group's global risk position and puts in place the main measures to optimise risk management within the framework of its strategic objectives.

Committees reporting to the Management Committee

- **ALCO**

The ALCO (Asset and Liability Committee) is responsible for management, monitoring and control of liquidity, interest rate and foreign currency risk in the banking book. It is responsible for optimising and ensuring the profitability of the financial structure of the CaixaBank Group's balance sheet and its profitability. This includes the net interest income and non-recurring revenues in trading income, determining internal transfer rates, monitoring prices, maturities and volumes of activities that generate assets and liabilities, under the policies, risk appetite framework and risk limits approved by the Board of Directors.

- **Transparency Committee**

The Transparency Committee determines all transparency-related aspects of the design and marketing of financial instruments, banking products and investment and savings insurance plans.

It is tasked with ensuring the transparent marketing of the Bank's products by defining and approving policies covering marketing, the prevention of conflicts of interest, the safeguarding of customer assets and enhanced execution of transactions. It also validates the classification of new financial instruments, banking products and savings and investment plans on the basis of their risk and complexity, in accordance with the provisions of MiFID and banking and insurance transparency regulations.

- **Regulation Committee**

The Regulation Committee is an offshoot of the Management Committee. It is responsible for monitoring the regulatory environment as it affects or might affect the CaixaBank Group. It establishes strategic positions in relation to the different regulatory proposals and preliminary regulatory proposals and their potential impact on the Group. It also sets the key strategic lines for communicating these positions to stakeholders, including the management of the representation of the Group's interests. Its ultimate purpose is to stay one step ahead of regulatory changes and facilitate the Group's adaptation to new and increasingly demanding regulatory requirements.

- **Planning Committee**

The Planning Committee was created in June 2015 and is tasked with coordinating, monitoring and integrating the different planning processes (targets, Operating Plan, ICAAP, Funding Plan, coordination with subsidiaries, etc.). Its functions include: conveying the culture of planning to all area involved, establishing a common language for planning, approving and seeking consensus in both the intermediate and final stages of the process, raising proposals to the Management Committee, monitoring compliance with the plan during the year, ensuring defined milestones are met.

- **Information and Data Quality Governance Committee (IDQGC)**

The Information and Data Quality Governance Committee is in charge of overseeing the coherence, consistency and quality of the information reported to the regulator and to the Group's management, providing a transversal view at all times.

Among its main functions, the Committee defines the data management strategy, promoting the value of information and data as a corporate asset, and critical and differentiating factor; promotes the definition of the policy regulating the information and data quality governance framework; and approves the data quality targets (criticality, indicators, tolerance thresholds, quality plans) and monitors them, reporting to the various governance bodies.

This Committee also reviews and approves changes to critical reports (management and regulatory), data or data structures affecting various levels, and addresses any discrepancies. Finally, it reports to the Management Committee on the overall progress of the information and data quality governance plan, the level of data quality, and the level of compliance with regulatory information and data requirements.

- **Data Protection Committee**

This is a permanent committee with powers to discuss, work and decide on all aspects relating to personal data protection involving CaixaBank and its group companies. The purpose of the Committee is to monitor the application of data protection legislation in force at all times, resolve any incidents that are identified and lead the implementation of new regulations and criteria in this area.

The Committee reports to the Management Committee, which is responsible for informing the Board of Directors of any aspects it considers to be more important or that could seriously impact CaixaBank's reputation or corporate interests.

- **Restructuring and Resolution Plans Committee**

Another committee not reporting to the Risks Division is the Restructuring and Resolution Plans Committee (RRPC), which oversees all issues related to recovery and resolution plans.

When drawing up the Recovery Plan, the RRPC determines the Plan's scope and the areas involved. It recommends that the Plan be updated at least once a year in line with prevailing legislation. It also directs the project and supervises and controls the preparation process which falls to the Project Office.

Before approving the Recovery Plan the RRPC validates the Report proposed by the Project Office and submits it to the Management Committee.

Regarding the recovery indicators, the RRPC reviews the Report drawn up by the Project Office every quarter and, depending on the findings, can submit a proposal to activate/deactivate a Recovery Plan.

The RRPC also coordinates all information requests sent by both Spanish and European resolution authorities such as the Bank of Spain, the Fund for Orderly Bank Restructuring (FROB) or the Single Resolution Board.

- **Corporate Responsibility and Reputation Committee(CRRC)**

The CRRC is responsible for proposing the general policies for reputation management, monitoring CSR strategy and practices and for the global management, control and monitoring of reputational risk affecting the CaixaBank Group.

Committees reporting to the Global Risk Committee

The following committee stand out for their weighting in risk management and control:

- **Risk Policies Committee**

This committee approves the Group's credit and market risk policies. Policies are any of the guidelines governing the Bank's activities and any procedures through which they are implemented.

The Risk Policies Committee's remit is to establish policies that are in line with and underpin the CaixaBank Group's Risk Appetite Framework. Its powers, as conferred upon it by the Global Risk Committee, include defining and authorising policies for approving loans and monitoring risks, along with default and recovery policies.

The Risk Policies Committee, together with the New Products Committee, which must ensure that the risk and operational components of new products are adapted to and aligned with the framework established by Management, must also analyse and approve loan and credit products.

- **Operational Risk Committee**

It focuses on applying, reviewing and disseminating the Operating Risk Management Framework, as well as identifying critical points, and establishing operating risk mitigation and control procedures.

- **Models and Parameters Committee**

The Models and Parameter Committee reviews and formally approves models and parameters for credit risk, market risk (including counterparty risk - credit in Treasury activity and operational risk), and any other methodologies used by the committee to perform its control duties.

- **Impairment Committee**

This committee is responsible for adjusting ratings and accounting provisions of loans linked to borrowers assessed individually according to objective impairment criteria, and for adjusting the criteria for estimating provisions for assets whose impairment is determined collectively, and in general to perform any necessary adjustments to the provisioning structure that has a significant impact on the impairment provisions for the lending portfolio.

- **Default and Recovery Committee**

This committee analyses default targets set by Senior Management and applies them to managed portfolios and players involved in lending. It oversees and monitors level of compliance with the targets set, and liaises with the various areas to take the steps needed to redress any deviations.

It defines and monitors recovery policies and procedures, which will be presented to the Policies Committee for approval before roll-out. It reports to the Global Risk Committee on matters within its remit.

- **Real Estate Acquisition and Appraisal Committee (REAAC)**

This committee analyses and approves, where appropriate, any acquisitions proposed by branch network directors of real estate accepted in lieu of payment of real estate developer loans, taking into account the legal aspects of each arrangement, appraisal values, and expected recoveries.

It also signs off acquisitions of real estate from insolvent companies and, exceptionally when this is the best option for recovering loans.

- **Internal Control Committee**

  The Internal Control Committee, created in 2016, has the mission of providing reasonable assurance to management and the governing bodies that the Risk Control Policies and Procedures in the organisation are in place, designed correctly and applied effectively, evaluating the Control Environment of the Risks of the CaixaBank Group. It is composed of the Control Units of the second and third line of defense, and the Business Control Unit.

Corporate Risk Map

Developments in the financial system and the transformation of the Regulatory Framework indicate the growing importance of assessing risk and the control environment of entities.

The CaixaBank Group has a “Corporate Risk Map” to identify, measure, monitor, control and report risks.

CaixaBank’s Corporate Risk Map includes a Corporate Risk Catalogue updated in December 2016, which helps the internal and external monitoring and reporting of the Group’s risks grouped into three main categories. Business Model Risks, Specific risks for the Bank’s financial activity and Operational and Reputational Risk. Updating of the Catalogue has basically involved the following changes: separating out technological risk into an additional risk category – this risk was previously included in operational risk; and giving conduct risk the same level of importance as compliance risk.

The main risks reported periodically to CaixaBank's management and the governing bodies are:

- **Business model risk:**
  - **Eligible own funds:** 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.
- **Risks affecting financial activity**
  - **Credit risk:** Risk of a decrease in the value of the CaixaBank Group's assets due to uncertainty in a counterparty's ability to meet its obligations.
  - **Market risk:** Risk of a decrease in the value of the Group's assets held for trading or an increase in the value of its liabilities held-for-trading and in the investment portfolio, due to fluctuations in interest rates, credit spreads, external factors or prices in the market where the assets and liabilities are traded.
  - **Interest rate risk in the banking book:** Risk of a negative impact on the economic value of the balance sheet or results, caused by the renewal of assets and liabilities at rates that are different to those previously established, arising from changes in the structure of the interest rate curve.
  - **Actuarial risk:** Risk of an increase in the value of commitments assumed through insurance contracts with customers (insurance business) and employee pension plans (pension obligations), due to differences between the claims estimates and actual performance.
- **Operational and reputational risk:**
  - **Legal/Regulatory:** Risk of losses due to errors in the interpretation or application of the existing legislation and regulations or adverse judicial rulings. In addition, it includes the risk of an adverse impact on the economic value due to legislative or regulatory changes.
  - **Conduct and Compliance:** Risk of CaixaBank applying criteria for action contrary to the interests of its clients and stakeholders and deficient procedures that generate actions or omissions that are not aligned with the legal or regulatory framework, or with the internal codes and rules, and which could result in administrative sanctions or reputational damage.
  - **Technological**: Risk of losses due to inadequate hardware or software or failures in the technical infrastructures 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 Bank's activity, due to external events beyond the Bank's control, or due to third parties outside the Bank, both accidentally and fraudulently.
  - **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 situation of the CaixaBank Group.
  - **Reputational risk:** Risk associated with reduced 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 CaixaBank, its Senior Management or Governing Bodies.

In order to restore the confidence of its customers in the Group, CaixaBank has focused on solvency and quality as strategic priorities. Moreover, CaixaBank has spent the last few years strengthening its control and regulatory structures to minimise the probability of occurrence of actions or omissions such as those recently seen in certain global financial corporations, which have had an increasing media impact and affected the sector's image.

Risk appetite framework

Background

Regulators and other advisory bodies in the financial sector are increasingly advising on the need to define and implement a Risk Appetite Framework that backs up the decision-making process and informed approval of risks.

In particular, we would note the guiding principles published by the Financial Stability Board (November 2013), which consider them a standard prerequisite for good governance, and adequate management and oversight of financial groups. The European Banking Authority and Single Supervisory Mechanism have adhered to these recommendations, and although no regulations have yet been created they have made them a key factor for the assessment of the quality of a financial entity's corporate governance, in the context of the Supervisory Review and Evaluation Process (SREP).

The risk culture has always been a distinguishing feature of the CaixaBank Group decision-making process and business management. This culture, together with the risk policies and systems in place and the skills of its workforce, have permitted the Group to maintain a moderate risk profile and noteworthy level of solvency in the Spanish market, which has strengthened its leadership during the recent financial crisis.

As a result of its pursuit of leadership and excellence, the CaixaBank Group adopted this framework in 2014, considered among best practices in internal risk governance.

Description and structure

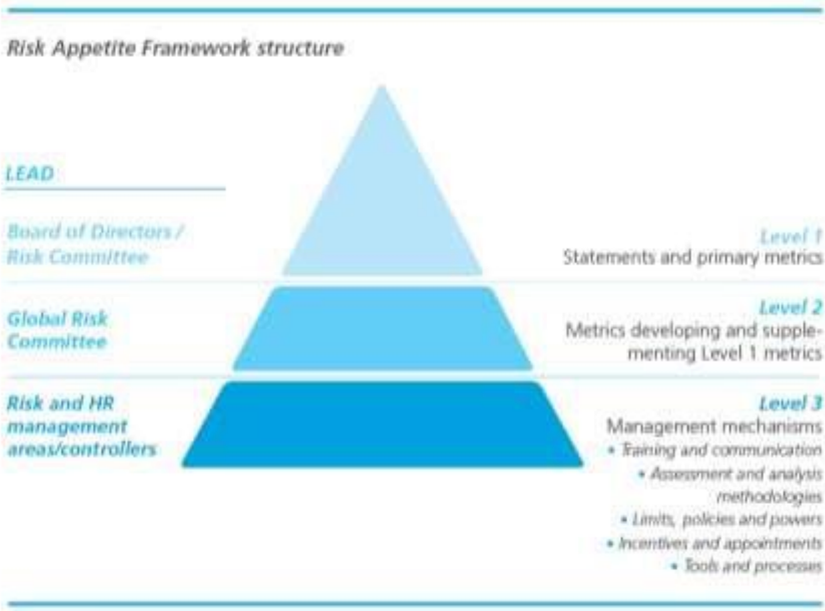
The Risk Appetite Framework (the "Framework" or "RAF") is a comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds of risk it is willing to assume in achieving the Group's strategic objectives.

The Board of Directors has established four key dimensions expressing the Group's aspiration regarding the main risks. These are:

- **Loss buffer**: CaixaBank has set an objective of maintaining a medium-low risk profile and a comfortable level of capital to strengthen its position as one of the soundest entities in the European banking market.
- **Funding and liquidity:** CaixaBank wants to make sure that it is always able to meet its obligations and funding requirements on time, even under adverse market conditions, and one objective is to have a stable and diversified funding base as a means of preserving and protecting the interests of its depositors.
- **Business composition:** CaixaBank aspires to maintain its leading position in the retail banking market and be able to generate revenue and capital in a balanced and diversified manner.
- **Franchise**: CaixaBank is committed to the highest ethical and governance standards in its business conduct, encouraging sustainability and social responsibility, and ensuring operating excellence.

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 is represented graphically through a pyramid structure that ends with 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 levers (Tier 3).



- Tier 1 comprises the Risk Appetite Statement and key metrics, which are assigned appetite and tolerance thresholds. The Board of Directors defines, approves, oversees and can amend this tier as often as is determined in the policy governing the Framework, with specialist advice and ongoing monitoring by the Risks Committee.

  "Appetite" and "Tolerance" levels are set for each of the metrics through a system of alert traffic lights:

  - "Green traffic light": risk target
  - "Amber traffic light": early alert
  - "Red traffic light": breach

  There is also a "Black traffic light" for certain metrics included in the Recovery Plan. Once activated, the internal communication and governance processes would be triggered based on the defined seriousness of the situations.

  This ensures a comprehensive and scaled monitoring process of potential impairments in the Bank's risk profile.

  To illustrate, some metrics considered for each dimension are:

  - Loss buffer. Regulatory solvency ratios, calculated on the basis of advanced models and approaches (expected loss, VaR) and accounting-related indicators, such as cost of risk or the (Non-Performing Loan) NPL ratio.

- Funding and liquidity. External (regulatory ratios) and internal (management) metrics.
- **Business composition.** Indicators that encourage diversification (e.g. by borrower, sector) and minimise exposure to non-strategic assets.
- Franchise. Includes non-financial risks (e.g. operational, reputational), with both quantitative metrics, such as commitments of zero tolerance of non-compliance.

- Tier 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 Tier 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, which allow the tier 1 metrics to be taken into consideration by risk management units in the decision-making process.

  The Board of Directors is assured that its management team monitors the same risks, more exhaustively, to be able to identify and prevent potential deviations in the established risk profile.

- Lastly, Tier 3 represents the management levers that the management team, through the various business units and areas in charge of authorising, monitoring and controlling each risk, defines and implements for alignment with the established Framework.

  These mechanisms are:

  - **Training and communication:** key factors that enable all employees involved in the Group's decision-making process to be aware of and take on board their degree of contribution to the Strategic Plan and maintaining the Board's appetite for risk. Training and communication are both key pillars in the consolidation and dissemination of a clear and efficient risk culture, against a backdrop as changeable and uncertain as that currently affecting the financial sector.
  - **Risk assessment and analysis methodologies**: to provide the Board of Directors with a precise, clear and coherent vision of exposure to each risk. The role played by the RAF largely consists of selecting and submitting to governing bodies the methodologies that are most suitable in each case, from the combined standpoint of accounting, regulation, economics and potential losses/losses in stress scenarios, as required.
  - **Limits, policies and powers in the approval of new risk positions**: these three components transmit at organisation, process and exposure level what can be done, in alignment with the Risk Appetite Framework and other pillars of the risk management framework.
  - **Incentives and appointments**: the HR processes considered to have the greatest short-term impact to guide the behaviour of the management team and of employees in the broader sense.
  - **Tools and processes:** the framework uses technology infrastructure, execution and control systems and existing internal reporting processes within the Entity (e.g. to implement the risk concentration limit for loan approvals). Several ad hoc mechanisms have also been set up to ensure the appropriate management of and compliance with the framework governance.

Monitoring and governance of the Risk Appetite Framework in the CaixaBank Group

The Board of Directors defines and supervises the Group's risk profile, updating the framework's metrics and thresholds where necessary, and at least annually. The development of the Framework in 2016 continued to prove useful for the Board of Directors and the Risks Committee as a single comprehensive platform from which to direct the Group's strategy, management and control. In the annual review conducted during the year, new metrics were added and thresholds were modified to take account of new regulatory requirements and the Entity's strategic developments.

Throughout this process, the Risks Committee is responsible for helping the Board of Directors in its tasks and reviewing more frequently and in greater depth the development of Tier 1 metrics, and compliance with the actions plans to re-direct underlying risks to the appetite zone as rapidly as possible.

The Global Risk Committee is an executive body that reports directly to the Risks Committee. It 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.

To ensure the Framework is compliant and transparency in line with the best international practices, the following basic reporting structure has been defined:

- Monthly presentation by the Corporate Global Risk Management Division 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 current risk levels breach the threshold for:
    - Appetite: 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. The status of the action plan must be reported to the Board Risks Committee as part of its recurring reporting.
    - Tolerance: 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 Board Risks Committee.
    - Recovery Plan: would trigger the Plan's governance process, which envisages a set of measures designed to:
        - Reduce the possibility of the Entity going bankrupt or entering into a resolution process; and
        - Minimise the impact in the event of bankruptcy, and avoid the need for a 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.

At these meetings, the Board can amend or update the metrics and thresholds previously assigned.

If a risk breaches a tolerance 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*.

Inclusion in planning processes and stress tests

Since it was approved in November 2014, the Framework has become a key pillar of internal planning processes and simulation processes in the event of possible stress scenarios. An overarching view of the RAF in different scenarios was provided to the Board through the ICAAP, the ILAAP and the 2016 EBA stress test, to be able to take the right decisions on amending or signing off the forecasts prepared by the individuals responsible for these processes.

Risk assessment and planning

As a complement and reinforcement that feeds back into both the Corporate Risk Map and the Risk Appetite Framework, the CaixaBank Group has institutional processes and mechanisms to evaluate both the evolution of the risk profile (recent, future and hypothetical in stress scenarios), and to evaluate its own ability to ensure the appropriate governance, management and control.

Risk Assessment

Annual procedure in which the Entity seeks to:

- Identify, assess, classify and internally report significant changes in inherent risks assumed by the Entity in its environment and business model, due to changes in the level of risk (evolving) or to the appearance of other risks that could potentially become significant (emerging), and
- 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. All with the aim of maximising internal transparency and the risk culture, and to prioritise efforts and investments with a larger potential impact on the Group's residual risk profile.

The scope and depth of this process, which originated in the context of the ICAAP report, has been evolving in alignment with the self-defined goal of continuous improvement, and through the inclusion of the guidelines and recommendations published by European regulatory and supervisory bodies in recent years.

It is currently performed on a stand-alone basis, using quantitative information, benchmarks and qualitative input provided by the internal representatives of different stakeholders, in the areas involved in risk management and control areas.

Risk planning

The Entity plans the expected performance of the different factors and ratios that define the future risk profile, as part of the four-year Strategic Plan (the current plan is for 2015-2018), and compliance is monitored regularly.

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 Entity's resilience in the face of internal and/or external events.

Risk Culture

<u>General risk management principles</u>

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

- Risk is inherent to CaixaBank's business:

  Creating value through the provision of financial intermediation services involves assuming risks of varying extremes, which have to be managed appropriately. The most relevant risks are: credit, market, liquidity, interest rate risk in the banking book, investee, operational and reputational.

- Risk is the ultimate responsibility of the Board and requires involvement of Senior Management:

  The Board of Directors is the most senior risk management body. It approves and regularly reviews the main policies and strategies. Management is involved in risk management:

  - It reports to the Board of Directors on the status and changes in all the risks to which the Group is exposed on a timely basis. It also answers any additional requests for information that the Entity's governing bodies deem appropriate.
  - It analyses in the Global Risk Committee the status and changes in the principal risk parameters, and proposes risk management measures to ensure best practices are adopted. The Global Risk Committee's decisions are taken jointly.

- Medium-low risk profile

  CaixaBank's target risk profile is medium-low, translating into a target rating of AA/A. Risk and returns on transactions, the level of confidence in the statistical tools used to measure risks, and the level and composition of capital must be commensurate to this level of solvency.

- Involvement throughout the organisation

  - The risk and control areas identify, from an overarching perspective, all the risks to which activity is exposed. Their main duty is to manage and control risks using specialist teams.
  - The business units of the branch network and operating centres of Central Services have first-hand knowledge of customers and operations, which is essential to adequately documenting and approving transactions and monitoring the evolution thereof.

- Life cycle of transactions

  Management throughout the full cycle of transactions: from preliminary analysis until approval, monitoring of solvency and profitability, to repayment or recovery of impaired assets

- Joint decision-making, with an authorisation system always requiring approval by two employees.

- Independence of business and operating units

  The Risks Function is independent from business and operating units, and is subject to decisions made by the Board of Directors and general management.

- Approval based on the borrower's repayment ability and an appropriate return

- The use of standard criteria and tools

  Risk definitions, analysis criteria and management and control tools are standard across the organisation. Risk policies and procedures are published in internal regulations available to all staff. Risks are identified taking into account the development of new products and businesses, as well as relevant changes to these, in order to ensure they are in line with the Group's risk profile.

- Decentralised decision-making

  Inclusion of the table of powers in the systems facilitates the decentralisation of decision-making so that decisions are taken as close as possible to customers, while ensuring risks are approved at a suitable level. Staff avail of sufficient information to identify, manage and report risks, and are aware of their responsibilities with regards to these duties.

- Use of advanced techniques

  Risks are measured and analysed using advanced methods and tools in accordance with sector best practices. These include probability of default calculations obtained through rating and scoring tools, loss given default and expected loss calculations in connection with the various portfolios and risk-adjusted return tools, both at customer and branch level. Value at Risk (VaR) calculations are also performed for the portfolios as a method for controlling and setting market risk thresholds, and the various operational risks relating to each CaixaBank activity are identified using both quantitative techniques, such as the calculation of VaR, and qualitative techniques through Key Risk Indicators (KRI), self-assessment of operational risks and the establishment of action plans and risk mitigation plans.

  All risk measurement, monitoring and management work is carried out in accordance with the recommendation of the Basel Committee on Banking Supervision, European directives and Spanish legislation.

- Allocation of appropriate resources

  The human and technical resources allocated to risk management are sufficient in terms of both quantity and quality to allow objectives to be reached.

<u>Training</u>

With the objective of enabling the Group's branch managers, premier bank managers and private banking consultants to offer customers the best service and build their trust, since 2015 more than 6,000 branch managers and premier banking managers have obtained a diploma in Financial Advisory services from the UPF School of Management (run by Pompeu Fabra University) and almost the same number obtained a Certificate in Wealth Management from the Chartered Institute for Securities & Investment (CISI), accreditation that is recognised among financial institutions (e.g. HSBC, BNP Paribas, Credit Suisse, the National Bank of Abu Dhabi, Citi Bank, UBS, Barclays and Deutsche Bank) not only as a measure of their knowledge in financial advisory services but also in the codes of conduct and ethics required to achieve excellence in customer services. This makes the Group the first Spanish financial institution to certify employees' training with a post-graduate Financial Advisory diploma and a prestigious international financial sector certificate.

In the area of Risks, the General Risks Division and the General Human Resources Division define the content of all training for functions supporting the Board/Senior Management covering specific matters that help high-level decision-making, as well as the rest of the organisation's functions, especially with respect branch network staff. The aim is to facilitate the transfer throughout the organisation of the Risk Appetite Framework, the decentralisation of decision-making, the update of risk analysis skills and the optimisation of risk quality.

The Entity is structuring its training programme through the Risk School. In this way, training is seen as a strategic tool designed to provide support to business areas. The school also acts as a conduit for disseminating the Bank's risk policies; providing training, information and tools for all the Entity's staff. The proposal comprises a training circuit for specialising in risk management, which will be linked to the professional development of all the Bank's workforce from Retail Banking staff to specialists from any field. It aims to ensure that all personnel have sufficient knowledge of:

- the financial system and different risks affecting the economic climate and the banking business,
- the structure and operations of the Group's Risk Management activity,
- the processes and tools associated with lending operations with regard to approval, monitoring and eventual re-negotiation and repayment phases,
- lending products and the risk inherent to each one, in addition to legislation governing lending contracts.

In September 2015, the Risk School launched its first Risk Analysis Certificate promotion (aimed at sales managers, with a total of 46,200 training hours) and the first Post-graduate diploma in Risk Analysis - Specialising in Retail (aimed at branch managers and assistant managers, with a total of 37,900 training hours). More than 2,400 employees are currently taking part in training: new promotions of the Risk Analysis Certificate (one edition) and the Post-graduate diploma in Risk Analysis (two editions), which began in 2016.

The following training on banking risk is provided by the Risk School:

- **Basic Banking Risk course**: Basic level university qualification designed for 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. (2nd Edition, started in May 2016, with the participation of 320 employees and sales managers).

- **Postgraduate diploma in Banking Risk Analysis**: University diploma for 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 at CaixaBank. In 2016, the 2nd Edition (March 2016, 1,013 participants) and the 3rd Edition (September 2016, 648 participants) began, along with the 1st Edition of Specialising in Retail, begun in September, in which 690 employees with responsibility in the branch network are taking part.

More than 3,500 hours of training were provided to risk teams in 2016 through several courses for CaixaBank's branch and Central Services personnel. The main programmes were:

- **Training in professional skills:**

    - **Site visit management**: for Risk Analysts, to maximise the effectiveness of visits to companies. Course covering the implementation of the New Regional Risk Approval Centre Organisation with customer classification and roll-out of the new model for collaboration between Risk Approvals and the centres serving businesses, institutions and the public sector. To this end, sales managers will sometimes be accompanied during visits to selected customers.

- **Training in many specific areas of expertise**. The main programmes were:
    - **"Impact of amendment of Appendix IX of Circular"** training for all teams of Regional Risk Approval Centres and analysts of Central Services, streamed live.
    - **New Risk Analysts:** to introduce this group to risk management criteria and policies, the tools available to them when carrying out their work, the main financing products offered by the Bank and the legal aspects relating to risk. The course is intended mainly for a group of employees from Global Risk Management at Central Services and Asset Management Technicians (TGAS) with the aim of improving their technical and conceptual vision through a range of applied scenarios relating to risk policies and specific product characteristics and features, while enhancing their skills in relation to other risks for which they are not directly responsible (such as market risk).

Performance assessment and remuneration

As described in the Risk Appetite Framework section, the CaixaBank Group works to ensure that the extrinsic 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.

Two different plans are in place to achieve this:

- 15% of the variable remuneration received by members of the Management Committee and the Identified Group is directly related to successful annual compliance with the Risk Appetite Framework.
- Employees working in business areas set down their objectives in a bottom-up/top-down process to ensure that, on aggregate, the objectives of the Strategic Plan (for the corresponding year) are met. Therefore, insofar as these objectives are already calibrated to ensure compliance with the Risk Appetite Framework, in addition to other institutional objectives (identification and knowledge of customers, according to KYC principles), efficient and effective transference and subsequent alignment with the risk profile set by the Board is achieved.

Internal control framework

CaixaBank's Internal Control Model offers a reasonable degree of assurance that the Group will achieve its objectives.

This is structured around the 3 Lines of Defence model, in line with regulatory guidance and best practices in the sector.

- The first line of defence 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.

  In 2015 the control functions in the first line of defence were reinforced— Among others, with the creation of the Corporate Business Control Department as a specific control unit for the General Business Division.

- The second line of defence acts independently of the business units and is designed to ensure the existence of risk management and control policies and procedures, monitor their application, evaluate the control environment and report all of the Group's material risks.

The second line of defence was also reinforced in December 2015 through the creation of the Deputy General Control & Compliance Area, and in 2016, by the Control Units added in the General Risks Division and the Financial Accounting, Control and Capital area.

- The third line of defence, which comprises Internal Audit, is responsible for assessing the effectiveness and efficiency of risk management and the internal control systems, applying principles of independence and objectivity.

Global risk management and control ensures that the Entity's risk profile is aligned with its strategic objectives, preserves the solvency and liquidity mechanisms, enables it to achieve an optimal risk-return ratio and strive for excellence in customer service with flexible and transparent processes.

Internal Control

In December 2016, the Internal Control Committee was created, chaired by the Deputy General Manager of Control and Compliance area and involving the Control Units of the second and third lines of defence, and the Business Control Unit.

The Control Units, each under its scope of action, have the following functions:

- Ensure that suitable policies and procedures are in place in relation to risk management, and that they are effectively complied with.
- Ensure the existence of a suitable and effective Control Environment that mitigates the risks, under its scope of action, including monitoring through indicators.
- Detect the existence of gaps in the control, establish plans to remedy these and monitor their implementation.
- Ensure the existence of proper reporting to the Internal Control Committee.
- Foster a culture of control and compliance in its scope of action.

The Internal Control Committee has the mission of providing reasonable assurance to management and the governing bodies that the Risk Control Policies and Procedures in the organisation are in place, designed correctly and effectively applied, evaluating the Control Environment of the Risks of the CaixaBank Group.

The Control Units that make up the second line of defence are:

- Internal Risk Control
- Internal Control over Information and Financial Models
- Regulatory Compliance

<u>Internal Risk Control</u>

The objective of the Internal Risk Control department is to unify into a single organisational area, reporting directly to the General Risks Division, the different functions of the second line of defence within the aforementioned Division.

The department is organised into the following functions:

1) Internal Control of Operational and Credit Risk and Control of Markets.

The purpose of these functions is to monitor, as a second line of supervision:

- The definition and implementation of processes in accordance with the bank's risk policies, ensuring that risk taking is always done within the framework defined by them and with a suitable control framework.

- The consistency and effectiveness of the controls exercised from the first line of defence on the processes of assuming risk by the Bank.

- The monitoring and control of the risks assumed, as well as their ongoing reporting to, among others, the areas of risk taking and/or management, Senior Management and the competent committees, as well as supervisory bodies and third party entities.

2) Internal Validation

3) The criticality and importance of the risk management and capital determination process requires proper control environments to ensure the reliability of the process. The control environment must also be sufficiently specialised and operate on a continuous basis in the entities. In this respect, internal validation must comply with regulatory requirements, as well as provide fundamental support to risk management in its responsibilities of issuing technical opinions and authorising the use of internal models.

   Regulations state that internal validation is a compulsory prerequisite for supervisory validation, which must be carried out by an independent and specialised unit of the institution, with clearly defined functions.

   At CaixaBank, the internal validation function is performed by Risk Models Validation (RMV), which was created on approval by the Management Committee. The RMV function falls under Internal Risk Control, which in turn reports to the General Risks Division. This ensures its independence from the areas in charge of developing risk models and policies, and risk infrastructures. The RMV's mission is to issue a technical opinion on the suitability of the internal models used for internal management and/or regulatory purposes in the CaixaBank Group.

   In line with its mission, the scope of the RMV team's actions include credit, market and operational risk, in addition to economic capital calculation, reviewing methodological and management (e.g. use of management models and tools, risk policies, 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 and coordinated with Internal Audit in the development of its functions as a second and third line of defence, respectively.

   The RMV team's activities are classified into three categories:

   - Annual planning: The RMV team has an annual plan in place that sets out the analysis and review activities to be carried out each year, thus ensuring that the opinions issued remain valid and in effect.

   - Review and monitoring: Through validation cycles, the RMV team keep the opinions on the various models and their integration in management (for IRB models) up to date.

In the case of model roll-outs, significant changes and non-significant changes, the RMV team conducts specific reviews in addition to ordinary validation processes designed to add value to the risk management areas.

- Reporting:
  - The RMV annual report on activities carried out over the past year.
  - Coordination of the process for updating the follow-up dossiers of the models.
  - Regular monitoring of recommendations issued.

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

To achieve its objectives, RMV must act in accordance with the general principles defined in the Global Risk Model Validation Framework. In particular, the following general principles are relevant in the review evaluation process:

- Critical examination: All relevant information regarding models and their use should be evaluated, and a rigorous, in-depth and well-founded opinion issued.
- Transparency: RMV's opinion should be fully understood by the areas reviewed.
- Regulatory Compliance: RMV must always comply with any applicable internal rules and regulatory requirements. In particular, it must ensure that the internal models comply with the minimum regulatory requirements.

Internal Control over Information and Financial Models

The objective of the Internal Control over Information and Financial Models Department is the supervision of the risks associated with the Financial Accounting, Control and Capital (FACC) Department and is organised into the following functions:

1) **Internal Control over Financial Reporting (ICFR) System**

The ICFR, as part of the Bank's Internal Control, is defined as the set of processes that are carried out to provide reasonable assurance on the reliability of the financial information published by the entity in the markets. It is designed in accordance with that 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). As a second line of defence, it monitors whether the practices and processes in place at the Bank ensure the reliability of the financial information and its compliance with applicable regulations. This function should specifically assess whether the financial information reported by the different entities within the Group complies with the following principles:

a) The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
b) The information includes all transactions, facts and other events in which the entity is the affected party (completeness).

c) The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
d) The transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).
e) 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 detail of this function is presented in the Annual Corporate Governance Report for 2016, along with the activities carried out during the period.

2) <u>Internal Control over Financial Planning Models (ICFPM)</u>

This function, recently created, has the objective of exercising the internal control of the second line of defence over the activities carried out by the Corporate Planning and Capital Division, ensuring the existence of suitable policies and procedures, ensuring that these are effectively complied with and the existence of an appropriate and effective control environment that mitigates the risks associated with such activities. The function is also designed to detect the existence of gaps in the control, establish plans to remedy these and monitor their implementation. The function has been organised on the basis of a validation process based on two visions:

- Validation with "product" vision of the activities of the Corporate Planning and Capital Division (Operating Plan, Strategic Plan, ICAAP, Pillar 3 report, Recovery Plan, Stress Test, etc.).
- "On line" Validation: the validation process takes place in parallel with the production of the product, in order to have the conclusions before the presentation to the Board of Directors.

In order to mitigate risks, the ICFPM function covers both quantitative and qualitative aspects. The essential elements of the overall validation process cover the following areas of review:

- Corporate governance
- Technological environment, databases used and available resources
- Management integration
- Methodologies and hypotheses used
- Integrity of the documentation

<u>Regulatory Compliance</u>

The objective of the Regulatory Compliance function is to monitor compliance risk. The Regulatory Compliance Area supervises compliance risk arising from potential deficiencies in the procedures implemented by establishing second-tier controls within its scope of activity (*inter alia*, through monitoring activities, reviewing internal procedures and analysing deficiencies detected by reports from external experts, from reports on inspections carried out by supervisory bodies, customer complaints, etc.). When deficiencies are detected, the Regulatory Compliance Area urges the areas affected to develop proposals for improvement initiatives, which it monitors regularly.

Similarly, the Regulatory Compliance Area carries out advisory activities on matters within its area of responsibility and carries out training and communication actions to enhance the compliance culture in the organisation. Another activity that it undertakes is to ensure that best practices in integrity and rules of conduct are followed. To do this it has, among other things, an internal confidential whistle-blowing channel in place at the entity. This channel also resolves any reports of financial and accounting irregularities that may arise.

The Regulatory Compliance Area liaises with the main supervisory bodies (both Spanish and international) and handles any requirements issued by them. For all these activities, the Regulatory Compliance Area reports regularly to Senior Management and to the Audit and Control Committee and Risk Committee.

The Regulatory Compliance Area carries out its activity through 4 divisions: the Regulatory Risks department, the Anti-Money Laundering and Counter Terrorist Financing department, the International and Group department and the department for Compliance in the Corporate & Institutional Banking - CIB area.

Internal Audit

CaixaBank's Internal Audit performs 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 management and control, and internal governance processes.

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

Internal Audit is the third line of defence in CaixaBank's 3 lines of defence control model. It oversees the activities of the first and second lines of defence so as to provide reasonable certainty to Senior Management and governing bodies with regard to:

- The effectiveness and efficiency of internal control systems in offsetting the risks of the Group's activities:
- Compliance with prevailing legislation, especially the requirements of supervisors
- Compliance with internal policies and regulations, and alignment with the Risk Appetite Framework and 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).

Internal Audit's responsibilities include:

- Regularly reporting to Senior Management and the Audit and Control Committee on the conclusion of tasks carried out and weaknesses uncovered.

Adding value by proposing recommendations to address weakness 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 in the CaixaBank Group's balance sheet and arises from the banking and insurance business, treasury operations and long-term equity investments in financial entities and sector leaders. The maximum credit risk exposure at 31 December 2016 of financial instruments recognised as “Financial assets held for trading”, “Available-for-sale financial assets”, “Loans and receivables”, “Held-to-maturity investments” and “Derivatives – Hedge accounting” in the accompanying balance sheet, and “Guarantees given” and “Contingent commitments given” as memorandum items in the accompanying balance sheet, does not differ significantly from the carrying amount.

In relation to its ordinary business, CaixaBank gears its lending activity towards meeting the financing needs of households and businesses. Credit risk management is characterised by a prudent approvals policy and appropriate coverage. Most loans are to private borrowers and consist primarily of mortgages to first-time homebuyers. Therefore, the loan structure has a significantly low level of risk given the high degree of diversification and fragmentation. In line with CaixaBank’s Risk Appetite Framework, the Entity is seeking a medium-low credit risk profile, 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.

A considerable effort has also been made to adopt and prepare for implementation of regulatory changes (see point 3.1 on regulatory changes in this note). These changes include:

- The CaixaBank Group was already applying the main governance practices in accordance with Circular 4/2016, whereby the only adaptations needed were in relation to the use of internal methods for calculating impairment due to credit risk and for real estate assets foreclosed or given in payment of debt in the separate financial statements. The Group was already using internal models to calculate losses due to credit risk in the consolidated financial statements.

- International Financial Reporting Standard (IFRS) 9 “Financial Instruments”, which provides a comprehensive set of accounting requirements for the recognition and measurement of financial assets and financial liabilities. The Group is working to implement these requirements. Spearheaded by an Internal Project Committee, this entails mainly taking the necessary steps to implement IFRS 9 in all areas of the bank that are affected so as to ensure compliance at the effective date, and evaluating the potential quantitative and qualitative impacts (e.g. on the business, infrastructure) sufficiently in advance in order to enhance their management.
  The Committee’s main tasks are:
  - 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 9,
  - To ensure all quantitative and qualitative requirements are identified and planned appropriately to achieve implementation by the effective date.
  - To guarantee that the impact can be calculated before the effective date.

  The Committee, led by the Executive Global Risk Management Division, in conjunction with the Executive Financial Accounting, Control and Capital Division, liaises with the Group's Management Committee and is in charge of operational management and strategic decision making (e.g. resources, deadlines, definition of models).

  A number of teams (systems, models, impairment, financial accounting, accounting policies, monitoring) oversee day-to-day management. A Monitoring Committee has been set up, composed of the heads of each of these areas.

A series of key implementation milestones have also been defined related to both classification and measurement, and to the loan loss allowance model, which began in 2015 and runs to 2017, when the operational development of the calculated is expected.

The Entity is currently calculating the potential impacts of the application of IFRS 9 on the value of the financial assets and financial liabilities it currently reports, along with an estimate of loan loss allowances.

- Lastly, both the Basel Committee on Banking Supervision (BCBS) and the European Banking Authority (EBA) have requested preliminary analyses of changes in regulatory capital requirement measures for Pillar 1 risks (Quantitative Impact Study, QIS) and Surveys. This entails an investment in resources to perform analysis and calculations, and the involvement of governance bodies and management committees to review possible scenarios and potential impacts, without any certainty as to how they will ultimately be used.

To ensure appropriate protection of customers, individuals and credit institutions, the current legal framework (Sustainable Economy Act 2/2011, of 4 March, and Ministerial Order EHA/2899/2011, of 28 October, on transparency and protection of customers of banking services) requires all institutions to establish policies, methods and procedures that ensure the correct study and granting of loans. The new concept of "responsible loan" establishes the need to adequately evaluate customer solvency and promote practices to ensure responsible lending.

Accordingly, CaixaBank has detailed policies, methods and procedures for studying and granting loans, or responsible lending, as required in Annex 6 of Circular 5/2012 of 27 June, of the Bank of Spain addressed to credit institutions and payment service providers regarding transparency in banking and responsible lending.

The document was approved by the CaixaBank Board of Directors in January 2015, in compliance with Bank of Spain Circulars 5/2012 and 3/2014, and establishes, *inter alia*, the following policies:

- 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.
- An entity-wide policy of not granting foreign currency loans to individuals.

In addition, bearing in mind the current economic-social climate, CaixaBank has devised an "Assistance Plan" for individuals with mortgages on their main residence facing circumstantial financial difficulties. This Plan is designed to achieve three objectives:

- Pro-actively prevent default.
- Offer assistance to families that have long been good customers of the Bank and who are at risk of default due to the loss of work by one of the mortgage holders, illness, a temporary drop in income, or other circumstantial factors
- Reduce the NPL ratio

CaixaBank also adheres to the Code of Good Practices for the viable restructuring of mortgage debts on primary residences included in Royal Decree-Law (RDL) 6/2012, of 9 March, on urgent measures to protect mortgagors without funds, as amended by Law 1/2013, of 14 May, on measures to strengthen the protection of mortgage borrowers, debt restructuring and subsidised housing rentals.

3.3.2 Key indicators

At 31 December 2016 and 2015, the non-performing loan ratio (including non-performing contingent liabilities) stood at 6.9% and 7.9%, respectively. The ratio for the Spanish financial system as a whole according to the figures for November 2016 stood at 9.32%. Non-performing loans amounted to EUR 14,754 million and EUR 17,100 million at 31 December 2016 and 2015 respectively. At 31 December 2016 and 2015, provisions for non-performing loans resulted in coverage ratios of 47% and 56%, respectively.

3.3.3 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.

3.3.3.1 Credit risk measurement and rating

The mission of the Corporate Risk Models and Policies Division within Global Risk Management at CaixaBank is to build, maintain and monitor the credit risk measurement systems. It is also in charge of guaranteeing and advising on the use of these systems, while seeking to ensure that the decisions based on these measurements take their quality into account. As established in best practices, this corporate division is independent from the business areas in order to ensure that risk rating policies are not affected by commercial considerations.

In accordance with the Delegated Regulation (EU) No. 529/2014 of the European Commission (CRR), CaixaBank uses internal models to assess credit risk related to the following types of exposure:

- Mortgage loans granted to individuals
- Personal loans granted to individuals
- Cards issued to individuals
- Loans and credit granted to SMEs
- Loans and credit granted to large companies (corporations)
- Portfolio of industrial holdings

In addition to the above, the Entity uses internal models for management tasks but not for the purposes of calculating minimum regulatory capital requirements to some types of exposure, e.g. Specialist financing.

Internal models, with specific calibrations to estimate incurred losses, are also used to calculate allowances.

Periodic reviews are performed of all the models to detect any deterioration in the quality of the measurements and of the estimates made for the purpose of including any fluctuations in the economic cycle. Practically the entire retail banking portfolio, which includes the individual and SME segments, is assessed on a monthly basis, enabling the knowledge base for these customers and their portfolios to be continually updated. 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.

Risk measurement involves two basic concepts, described below.

- **Expected loss:** Expected loss is the result of multiplying three factors: exposure at default, probability of default and loss given default.

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

  The estimate is based on the Bank's internal default experience, relating the drawdown levels upon default to drawdown levels over the 12 preceding months. The relationships observed in terms of product type, term to maturity and customer characteristics are modelled for each transaction.

- **Probability of Default (PD):** CaixaBank uses management tools covering virtually all of its lending business to help estimate the PD associated with each borrower.

  These tools were developed on the basis of the Entity's NPL experience and include the measurements required to fine-tune the results to the business cycle, with a view to securing relatively stable measures in the long term, which may differ from the incidences of default observed at any given time. Moreover, the tools are implemented across the entire branch network and integrated within the normal authorisation and monitoring tools of asset products.

  Credit risk assessment tools can be either product or customer oriented. Product-oriented tools are used mainly within the scope of authorisation of new retail banking transactions and take account of the debtor's specific characteristics, information derived from the customer relationship, internal and external alerts, and the specific characteristics of the transaction to determine the probability of default of the transaction. Customer-oriented tools, on the other hand, assess the debtor's probability of default on a general basis, though the results for individuals may differ according to the product. This second group comprises behavioural 'scoring' models for the monitoring of risk of individuals and ratings or companies.

  Rating tools for companies vary considerably according to the customer segment. The rating process for micro-enterprises and SMEs is based on a modular algorithm, and four different data sets are rated: 1) the financial statements, 2) the information drawn from dealings with customers, 3) internal and external alerts, and 4) certain qualitative factors.

  The Corporate Rating function, which reports to the CaixaBank Global Risk Management Division, has internal models in place to obtain ratings for the large companies segment. These are expert models that seek to replicate the ratings of rating agencies and require expert criteria of analysts. In view of the lack of sufficient statistical frequency of internal default delinquency in this segment, 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 models were developed on the basis of data with sufficiently significant historical depth, so they include the cycle effect to a reasonable degree and ensure the stability of the measurements obtained.

  The results of all the tools are linked to a risk master scale that provides a standard classification for the lending portfolio, i.e. it allows risk to be grouped according to a common expected NPL ratio.

- **Loss given default (LGD):** LGD is the percentage of debt that cannot be recovered in the event of customer default. CaixaBank reviews the default recovery and default remedial procedures on an ongoing basis to minimise the impact of a potential default.

  Historical LGD rates are calculated using internal information of CaixaBank, taking into consideration all the cash flows associated with the contracts from the moment of default until the situation is either remedied or a default is finally declared. This calculation also includes an estimate of the indirect expenses (office staff, infrastructure costs and similar) associated with the process.

Additionally, the LGD is modelled in order to provide correct initial estimates, based on the collateral, the loan-to-value ratio, the type of product, the borrower's creditworthiness and, as required by current legislation, the recessionary phases of the economic cycle.

As a result of credit approval policies, mandatory provision of collateral and the related loan-to-value ratio, and active default management, improving the levels of settlement and recovery in the event of default, the estimated LGD rates for the now performing portfolio are quite low.

- **Unexpected loss:** Measuring the expected loss guarantees proper control of credit risk under "normal" market conditions. The expected loss, in fact, may be considered as an additional business cost. However, at times real losses can exceed the expected losses due to sudden changes in the cycle or variations in the specific risk factors of each portfolio and the natural correlation between the various debtors' credit risk.

  The variability of the expected losses from the portfolio constitutes unexpected losses, which represent potential unforeseen losses. They are calculated as the loss associated with a sufficiently high level of confidence in the distribution of losses, less the expected losses. In its normal business activity, the Entity must have the ability to absorb these unforeseen losses.

- **Incurred loss:** An estimate is made of incurred loss; i.e. the need to set aside provisions for the exposures set out in IAS 39, defined as the difference between the carrying amount of the exposure and the estimated future cash flows for the non-performing transactions. For transactions classified as standard, an estimate of incurred but not reported losses is made taking the losses associated with new doubtful exposures over a 12-month horizon as reference.

  For individually significant doubtful exposures, the estimates are based on individual assessments. In all other cases, they are based on internal models or collective assessments.

  The parameters used for the collective estimation are similar to those discussed previously, except they are Point-in-Time calibrations; i.e. they reflect prevailing economic conditions, as opposed to Through-the-Cycle or Downturn metrics, which are used to calculate risk-weighted assets for solvency purposes (Basel).

  Specifically, incurred loss is obtained by multiplying the basis for the calculation of allowances, calculated as EAD less the recoverable amount of collateral, by the *intensity* of provisions. Meanwhile, the recoverable amount of collateral is obtained by applying a haircut to the valuation of the collateral (appraisal value) to reflect foreclosure, possession, maintenance and selling costs, and adjustments to the selling price based on the Entity's recent experience. The *intensity* indicated above is the product of multiplying the probability of default by the probability that, after default, the exposure is not adjusted by estimated losses if there is no foreclosure. All these parameters are estimated based on the Entity's recent experience and, where possible, the approaches used for the risk parameters taken for solvency and management purposes.

3.3.3.2 Admission and approval

Approval of lending transactions at CaixaBank follows the basic criterion of evaluation of the borrower's repayment capacity, and it is not the Entity's policy to approve transactions merely because guarantees exist. Additionally, with regard to the basic criterion, it is important for the Entity to obtain additional guarantees, particularly in respect of long-term transactions, and to fix a price in accordance with the characteristics of the transaction that covers the funding, overhead and inherent credit risk costs.

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

The Entity has an approval system in place to authorise loans, which is a highly effective tool for delegating powers to manage risk. The system is based on the establishment of maximum approval levels by guarantee and customer/Group in the case of individuals and large companies, and by customer/economic Group expected-loss thresholds in other business segments. Decisions that, due to level of risk required, are resolved on a decentralised basis always require the signature of two employees with sufficient powers of approval.

The level of approval powers is determined based on the evaluation of five key parameters:

- **Amount**: the total finance applied for plus any finance already extended. This determines the level of risk to be approved.
- **Collateral**: the group of assets and/or funds pledged to secure fulfilment of a repayment obligation. This key parameter analyses what percentage of the finance is secured by the collateral.
- **General Risk Policy**: raft of policies identifying and evaluating the relevant variables of each transaction.
- **Term:** the requested payment term for the finance; a critical variable introducing uncertainty into the transaction.
- **Price:** the transaction price should cover all costs, including funding, operating, expected loss and capital remuneration.

In this respect, in 2016, the process for updating risk parameters for portfolios of greater materiality continued and new management models were rolled out to improve the predictive capabilities of these tools.

Scorings and ratings of customers are updated monthly to always have an appropriate credit rating. For legal entities, the Entity periodically updates the financial statements and qualitative information of its companies to achieve the maximum level of coverage of the internal rating.

This system is based on electronic files for both new applications and existing transactions, eliminating the need to physically move files and making the process more efficient. This includes all documentation necessary to analyse and resolve the transaction for the related level, capturing basic information automatically from information systems and by scanning documentation offering a digital signature by the parties (e.g. provision of guarantee).

To determine the price of operations, the pricing tools included in the applications systems (based on appropriate coverage of the risk premium, the cost of liquidity and operating expenses) and data from the Risk-Adjusted Return (RAR) tool are used. This RAR measure aims to achieve greater control over the balance between risk and returns. It can identify the factors determining the returns on each customer adequately and analyse customers and portfolios in accordance with their risk-adjusted returns. For virtually all of the Company's products, the manager knows, at the time of the grant, the impact of new transactions on the customer's risk-adjusted return. This provides it with more information for pricing transactions.

There is a specific, centralised area for risk operations with individuals and self-employed professionals: the Individual Loan Approval Centre. The main objective of this area is to manage authorisation of loans to individuals that exceed the approval powers of the branch offices, with a commitment to provide a response with 48 hours.

For requests submitted by legal entities, there are several Regional Risk Approvals Centres (RACs). These centres deal with requests up to a specific level of risk approval, so that if the risk level requested to approve a transaction does not exceed their approval level, it may be approved at the centre. Otherwise, the request is passed on to Central Services.

Therefore, the internal organisation of Companies Loan Approvals at Central Services is based on the following structure adjusted for the type of risk and customer segment:

- **Corporate risks:** centralises business groups with annual turnover above EUR 200 million managed by Corporate centres.
- **Company risks:** 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 food and agriculture 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.
- **Financial sector risk and country risk:** management of bank counterparty risk and country risk inherent in funding transactions for the various segments.

Highlights for the year include:

- The risk policies governing CaixaBank's risk approval system were adapted to Bank of Spain Circular 4/2016, of 27 April.
- The decision to grant a loan must be taken based on documented and verified information on the applicant and the purpose of the transaction. Aware of the importance of having correct documentary support to evaluate transactions, the Entity developed an automated document control system. The automated control shows the office what documentation is required for the application being processed based on borrower segment and transaction type.
- Further progress was made on centralising risk pre-approvals for natural and legal persons in the micro and small business loan segments based on multiple risk criteria. The pre-approval campaigns are designed:
    - To focus commercial activities as selecting a target customer can help identify possible pockets of potential credit.
    - To strengthen existing relations with customers.
    - To detect potential customers.
    - To speed up the approval of transactions for customers based on their loyalty and credit behaviour.

  Depending on the type of campaign, transactions can be arranged through Línea Abierta, an ATM or may require the direct involvement of a branch, whose management is facilitated through a fast-track service, with no or minimal documentation.

- Progress was made on the digitalisation of loan transaction processes (digital signature and transaction authorisation). Digitalisation introduces greater and more sophisticated control over transactions, improving the reliability and quality of the data used in granting loans.

- Progress was also made in integrating models in management, particularly in implementing a pricing scheme that takes into consideration the profitability of the customer, as well as that of the transaction for companies.
- A **Communication Protocol** was implemented to improve the interaction between risk analysts and sales managers.
- Regarding measurement of the area's service quality, more intense monitoring was carried out, which led to the design of action plans for specific regions. These efforts resulted in significant improvements in the quality perception index during the year.
- A promotion and specialisation plan for specific products was rolled out successfully, driving initiatives and implementing improvements. This enabled the risk analysts to acquire greater knowledge about some specific financing products.

In 2016, the reorganisation and standardisation of the Risk Approval Centres (RACs) of the regional divisions begun the year before was completed. This entailed:

- Integration of Corporate Finance Specialists (CFSs) of Business Centres into each Regional Head Office's RAC team, who continue to work at these centres.
- Redefinition of functions of Risk Analysts working at the Business Centres and RACs.
- Creation of the post of Analyst Coordinator (AC) replacing the Head of Risk Analysis (HRA), and redefinition of this individual's functions in accordance with the new model. The post of Company Risk Director (CRD) has also been created for each of the largest RACs.
- Establishment of a relationship model for RAs and CRDs and other business managers to ensure proper coordination and customer service. This includes specifying the functions of each role, work protocols and the circuit of transactions with discrepancies, etc.

The objectives of this reorganisation were:

- Refocus Risks' attention to customers and the Commercial Area to strengthen ties with and knowledge of customers. Each analyst is assigned a customer portfolio for a classification process.
- Greater flexibility and independence to approve transactions.
- Availability of top analysts in the RACs specialising in certain segments.
- Driving up of new business, focusing on quality investments.

3.3.3.3. Limits on large exposures

As part of the approvals process, the CaixaBank Group monitors and ensures compliance with the regulatory limits (25% of eligible own funds) and the concentration risk appetite thresholds. For additional information, see section 3.3.4. "Concentration of risks".

At year-end 2016 no breach of the defined thresholds had been observed.

3.3.3.4 Credit risk mitigation

The Entity applies the following policies to mitigate credit risk:

- Compensation policies and processes: transaction offsetting agreements included in clauses of framework offsetting agreements are used as credit risk mitigation techniques since they provide an offsetting facility between contracts of the same type. In this respect, in managing risk and calculating capital, the existing and reciprocal cash balances between the Entity and the counterparty are offset.

- Transactions at CaixaBank are approved based on an evaluation of the borrower's repayment capacity. If this condition is fulfilled, the contribution of additional guarantees or collateral (mortgages, collateral provided by shareholders or the parent company, or pledges) is assessed and a price is set in accordance with the aforementioned conditions that guarantees appropriate coverage of the risk premium.

  However, long-term operations must have more solid guarantees, as repayment capacity is always subject to the passage of time and the difficulties involved in assessing and controlling investment projects. These guarantees should never be used to substitute a lack of repayment capacity or an uncertain outcome for the project.

  All transactions involving a risk are secured by the personal guarantee of the borrowers, irrespective of whether they are a natural or legal person, who pledge all of their existing and future assets to secure fulfilment of the obligations concerned. Further guarantees may also be required alongside a borrower's personal guarantee. Acquiring additional guarantees always reduces exposure to risk as they cover us against unexpected contingencies. Guarantees must therefore increase as the likelihood of these contingencies occurring rises.

  For accounting purposes, effective guarantees or collateral are collateral and personal guarantees that the Entity can demonstrate are valid as risk mitigators. When analysing the effectiveness of collateral or guarantees, factors to be considered include the amount of time required to enforce the guarantees and the Entity's ability to realise the guarantees or collateral, as well as its experience in realising guarantees.

  The different types of guarantees and collateral, along with the policies and procedures their management and assessment, are as follows:

  - Personal guarantees: most of these relate to pure-risk operations with companies in which the collateral provided by the shareholders, irrespective of whether they are individuals or legal entities, is considered relevant, as those ultimately responsible for the operation. In the case of individuals, the collateral is estimated on the basis of declarations of assets, and where the backer is a legal entity, it is analysed as the holder for the purposes of the approval process.

  - Security interests: the main types of security interests accepted are:

    - Pledged guarantees: applicable to loans, open credits, credit accounts, guarantee lines, risk lines or leases, guaranteed through CaixaBank intermediation or pledging of accounts held against the bank. To be admitted as collateral, the financial instruments must be deposited at CaixaBank, they must be free of liens and charges, their contractual definition must not restrict their pledge, and 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.

      The main types of acceptable financial guarantees are as follows:

      - demand savings accounts: A pledge is drawn up for a specific sum on the account. The rest may be freely used, and may even be used in other on-going operations.

      - time deposits and savings facilities: The entire sum of the product is effectively withheld.

      - interests in mutual funds: they must be Spanish mutual funds, or funds of international managers registered with the CNMV and marketed by CaixaBank through All Funds Bank. The guarantee withholding is applied to the number of holdings that make up the amount pledged, depending on the valuation at the time of pledging. Other holdings may be pledged to secure further borrowings.

- insurance policies: Pledge in line with the policy and for the lowest value between the surrender value and the sum of capital, pensions and contributions. The pledged policy is fully affected.

- Fixed-income securities: they must be senior or mortgaged covered bond issuances, and may not be subordinated, convertible or preference issuances. The securities must be admitted to trading on a regulated market of the European Union or similar, and have a rating of at least BBB.

- Equity securities: Securities deposited at CaixaBank may be pledged, provided they are quoted on a regulated market of the European Union or similar.

- Mortgage guarantees: a mortgage is a real right on immovable property to secure an obligation. The internal policy establishes 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 Bank and the mandatory legal certainty of this documentation.

  - review processes for the appraisals registered, in order to ensure proper monitoring and control of the guarantee. Regular processes are also carried out to test and validate the appraisal values in order to detect any anomalies in the procedures of the appraisal entities acting as suppliers to CaixaBank.

  - outlay policy, mainly concerning property development operations, to allow funds to be released as work progresses, depending on the valuation drawn up by the appraisal entity.

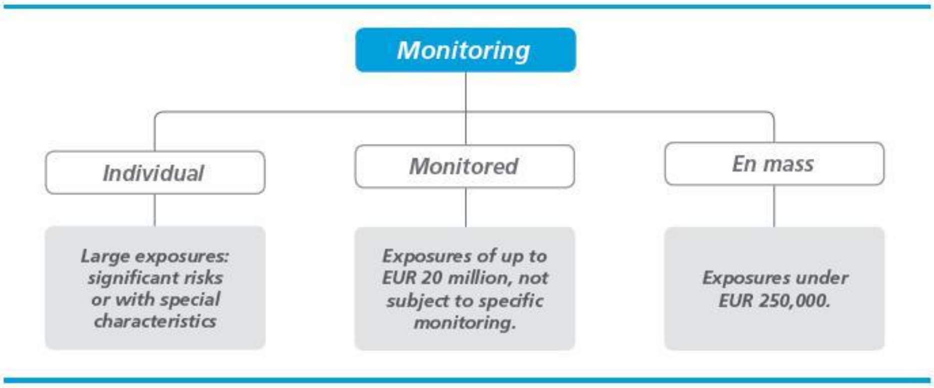
  - Loan to value (LTV) of the transaction. The capital to be granted in mortgage operations is limited to percentages of the value of the guarantee, which is defined as the lowest of three values: the appraisal value, the value as estimated by the applicant and, if the transaction is a purchase, the value shown on the official deed. IT systems calculate the level of approval required for each type of transaction.

3.3.3.5 Credit risk monitoring

To adequately manage credit risk, borrowers must be monitored continuously over the entire term of their loans. The objective is to reach a conclusion on the quality of the risk assumed with the borrower and any actions that need to be taken, including the estimation of impairment. The targets of risk monitoring are the accredited holders of the debt instruments and off-balance sheet exposures that bear credit risk.

The risk monitoring teams at CaixaBank report to the Executive Global Risk Management Division. Their function is two-fold: to provide individual and expert analysis of borrowers or economic groups with significant levels of risk, or large exposures, and to monitor models of risk holders in the collectively monitored portfolio, based on alerts built in the systems.

Monitoring of portfolios is guided by several different policies and procedures, based on the exposure in question and the specific nature of the portfolios:



The outcome of monitoring action is the establishment of *Action Plans* or *Monitoring Ratings* for each of the borrowers analysed. The conclusion is reached through individual analysis or the application of models and alerts, which provide a reference for future approval policies.

3.3.3.6 Arrears management

The default function is the last step in the credit risk management process and is aligned with CaixaBank's risk management guidelines.

Recovery is conceived as an integral management circuit that begins even before default or before an obligation falls due through a prevention system implemented by CaixaBank and ends with recovery or definitive write-off.

The CaixaBank branch network oversee the recovery activity. The Entity's extensive network allows for coverage of the entire national territory, ensuring proximity to and knowledge of the customer, which it leverages applying criteria of effectiveness and efficiency.

One of CaixaBank's main risk management priorities since economic recession in Spain began has been to ensure that the units responsible for arrears management have the resources they need to operate successfully.

The aim is to act on the first signs of any deterioration in the creditworthiness of debtors and carefully implement measures to monitor operations and the related guarantees and, if necessary, instigate claims to recover debt quickly. These measures make up the first three "Principles and premises of the Entity's recovery activity":

- Prevention: One of the most important principles at CaixaBank is the early detection of the risk of non-payment, so it can be managed and the situation normalised even before it occurs.
- Customer-orientation: Recovery actions are designed to help customers find solutions to irregularities in payments. They also provide a tool for increasing customer loyalty, as recovery management is carried out with and for the customer. This requires knowledge and an analysis of the customer to decide on the best action for both the Entity and the customer.

  Incidents are managed bearing in mind the customer's overall position, rather than each position showing incidents separately. Also taken into account is the customer's relationship within an economic group or with other customers. In general, efforts are made to avoid overlaps in actions, which increases costs.

- Anticipation: CaixaBank attempts to act as early as possible to arrive at a solution and pre-empt other creditors in order to have the best position vis-à-vis the debtors and any other creditors.

The situation of the Spanish real estate market poses extreme difficulties for those who took out mortgage loans when property prices were at their highest, leaving them in a situation now where they cannot meet their payment obligations.

In this context, CaixaBank was among the first to embrace and adopt the Code of Good Practices and is still applying today a set of measures for private customers experiencing temporary difficulties in paying off mortgage loans on their normal residence. These measures, which apply only to customers whose relationship with the Entity shows their unequivocal desire to honour the commitments made, aim to adapt the conditions of the operation to the borrower's current situation. Grace periods, waiting clauses, unification of debts and a payment moratorium, for example, are some of the measures that are analysed when deciding with customers on the process that best suits their particular situation, also applying the prudence criteria established in the "Principles and premises of the Entity's recovery activity".

- Prudence: The objective of the recovery activity is to obtain the highest amount possible at the lowest cost at any time during the life of the loan (including the judicial stage), always acting with maximum prudence in ongoing negotiations with the customer. In this respect, actions that lead to an improvement in the customer's classification and exceed the powers delegated in the recovery officer must be agreed jointly, never unilaterally. Moreover, agreements should only be made when they are reasonable and realistic, and have completed the related approval circuit.

3.3.3.7. Recoveries

Policies and strategies of the CaixaBank Group in relation to problematic assets in the construction and property development sectors

The underlying criterion guiding the CaixaBank Group's management of problematic assets in the real estate sector is to help borrowers meet their obligations.

First, with the commitment of shareholders and other companies within the borrower group, it 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.

For completed projects, the possibility of helping with the sale is analysed through Servihabitat Servicios Inmobiliarios, SL, which is 49%-owned by CaixaBank and exclusively manages, for a period of 10 years, the CaixaBank Group's real estate assets (see Note 13), basically the properties of BuildingCenter, SAU, a property holding company of CaixaBank, and of the CaixaBank Group. This allows for the efficient management of the investment, pursuing recovery and adding value and profitability.

In all cases, detailed purchaser quality checks are run to ensure the feasibility of providing loans to the end buyers.

Finally, 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 using the appraisal performed by a valuation company approved by the Bank of Spain. When the acquisition price is lower than the outstanding debt, the loan is written down to the foreclosure value.

Policies and strategies relating to foreclosed assets

BuildingCenter, SAU is the CaixaBank subsidiary responsible for ownership of the Group's real estate assets. BuildingCenter acquires the real estate assets deriving from CaixaBank's lending activity and manages them through Servihabitat Servicios Inmobiliarios, SL.

Real estate assets are acquired through three different channels:

1) Acquisition at auctions held after assets have been foreclosed, mainly in relation to mortgage loans. Auction prices are established, up to the limits set forth in applicable legislation, pursuant to updated appraisals made by appraisal firms approved by the Bank of Spain. Activities involving adjudication at auction are controlled by the Auctions Committee comprising CaixaBank's Risks and Legal Services Areas and representatives of BuildingCenter, which is the ultimate holder of the assets.

2) Acquisition of mortgaged real estate assets of individuals, with the subsequent subrogation and cancellation of the debts. As in the previous instance, 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 rules approved in CaixaBank for this type of transaction.

3) Acquisition of real estate assets of companies, mainly property developers, to cancel their debts. As in the previous instances, 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 rules approved in CaixaBank for this type of transaction. The acquisition process includes conducting full legal and technical reviews of the properties. The Real Estate Acquisition and Appraisal Committee, comprising CaixaBank's Risk and Legal Services Areas and representatives of BuildingCenter, which is the ultimate holder of the assets, permanently controls this process and is first in line for approving the transactions prior to them being put before CaixaBank's Management Committee.

At 31 December 2016, the accumulated volume of assets acquired by BuildingCenter, SAU for administration amounts to EUR 6,125 million (EUR 7,110 million at 31 December 2015), of which EUR 1,690 thousand relate to assets handed over during 2016.

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

- Land development: Certain procedures have yet to be completed for some plots that are suitable for development in order for them to be developed, such as completion of the planning process, redistribution of plots and development of urban infrastructure. These procedures are performed through the specialised services of Servihabitat Servicios Inmobiliarios, pursuant to very strict investment criteria. They are only performed when the investment ensures that the value of the affected assets will be maintained.
- Completion of housing developments: CaixaBank's acquisition criteria restrict purchases of property developments in progress. A number of minor measures to improve some of these developments are made to ensure that they can be sold. These measures are performed using the technical resources and experience of Suministros Urbanos y Mantenimientos, SA (Sumasa), a Group subsidiary, also pursuant to very strict investment criteria.
- Property exchanged through swaps: This involves mobilising certain land by assigning it to a developer in exchange for part of the finished product in the property development. This strategy is followed in very limited circumstances and following very strict criteria for selecting the property

developer with regard to solvency and the ability to complete the project. This strategy enables land that has been initially acquired to be converted into a finished product, which makes it easier to trade on the market.

- 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 recover the investment and generate a positive margin.
- Rental: A means of benefiting from rising demand and generating recurring income without forcing a sale in a market with increasingly fewer buyers facing difficulties accessing credit. This strategy also involves a social dimension when former owners are offered the opportunity to rent the property they have handed over in lieu of their debt to allow them to continue living in it.
- Sale: Servihabitat Servicios Inmobiliarios, the company that manages the real estate assets of BuildingCenter, implements an intense sales campaign through an online-multichannel system, CaixaBank branches, its own offices, and estate agents, etc., which continuously positions it as a benchmark in terms of sales volume and brand recognition and innovation.

3.3.3.8 Refinancing policies

The CaixaBank Group has a detailed customer debt refinancing policy, which is in accordance with Circular 4/2016 and contains the same general principles issued by the EBA for this type of operation.

From the very beginning, CaixaBank has adhered to the Code of Good Practices for the viable restructuring of mortgage debts on primary residences included in Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgagors without funds, as amended by Law 1/2013, of 14 May, on measures to strengthen the protection of mortgage borrowers, debt restructuring and subsidised housing rentals.

The risk management procedures and policies applied allow for detailed monitoring of credit transactions at all times. In this regard, any transaction that CaixaBank uncovers 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 CaixaBank's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

Refinancing

The detail of refinancing by economic sector at 31 December 2016 and 2015 is as follows:

31.12.2016

(Thousands of euros)

	Total						
	Unsecured loans		Secured loans				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	Real estate mortgage secured	Rest of secured loans	
Credit institutions	2	5,018					
Public administrations	35	108,665	733	62,115	61,249		(832)
Other financial corporations and individual entrepreneurs (financial business)	49	26,797	12	661	510		(24,906)
Non-financial corporations and individual entrepreneurs (non-financial business)	3,150	2,028,662	18,644	3,790,487	2,670,262	12,523	(1,708,964)
Of which: Financing for real estate construction and development (including land)	*103*	*65,915*	*5,390*	*1,630,791*	*1,103,752*	*2,879*	*(566,891)*
Other households	28,906	229,713	141,870	5,480,696	4,658,970	7,886	(834,341)
Total	**32,142**	**2,398,855**	**161,259**	**9,333,959**	**7,390,991**	**20,409**	**(2,569,043)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

	Of which: Non-performing						
	Unsecured loans		Secured loans				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	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	26	40,555	282	15,913	15,905		(827)
Other financial corporations and individual entrepreneurs (financial business)	40	24,609	12	569	425		(24,674)
Non-financial corporations and individual entrepreneurs (non-financial business)	1,917	1,168,836	14,425	2,839,235	1,825,563	5,780	(1,601,245)
Of which: Financing for real estate construction and development (including land)	*66*	*55,408*	*3,896*	*1,251,943*	*769,736*	*2,383*	*(521,221)*
Other households	15,546	147,308	94,997	3,077,070	2,441,840	2,765	(715,131)
Total	**17,529**	**1,381,308**	**109,716**	**5,932,787**	**4,283,733**	**8,545**	**(2,341,877)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

(*) At 31 December 2016 and 2015, allowances identified collectively totalled EUR 1,572,254 thousand and EUR 1,634,630 thousand, respectively, while those for individually amounted to EUR 996,789 thousand and EUR 707,247 thousand.

31.12.2015

(Thousands of euros)

	Total						
	Unsecured loans		Secured loans				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	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	113	940,762	103	125,478	125,450		(289)
Other financial corporations and individual entrepreneurs (financial business)	25	29,452	12	1,090	990		
Non-financial corporations and individual entrepreneurs (non-financial business)	10,794	3,025,090	44,932	7,913,626	6,836,853	27,504	(2,830,167)
Of which: Financing for real estate construction and development (including land)	*207*	*89,220*	*6,364*	*3,041,237*	*2,144,428*	*3,331*	*(1,029,696)*
Other households	41,549	229,137	116,526	7,865,876	5,545,066	9,187	(670,403)
Total	**52,481**	**4,224,441**	**161,573**	**15,906,070**	**12,508,359**	**36,691**	**(3,500,859)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

	Of which: Non-performing						
	Unsecured loans		Secured loans				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	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	32	21,519	6	4,134	4,133		(289)
Other financial corporations and individual entrepreneurs (financial business)							
Non-financial corporations and individual entrepreneurs (non-financial business)	3,155	1,267,136	11,521	4,106,408	2,436,552	4,802	(2,590,801)
Of which: Financing for real estate construction and development (including land)	*110*	*82,751*	*3,403*	*1,903,798*	*1,142,400*	*2,085*	*(917,214)*
Other households	11,286	70,488	25,048	2,189,609	1,243,569	2,557	(552,643)
Total	**14,473**	**1,359,143**	**36,575**	**6,300,151**	**3,684,254**	**7,359**	**(3,143,733)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

Changes in refinanced operations in the 2016 and 2015 are:

Changes in refinanced transactions
(Thousands of euros)

	31.12.2016	31.12.2015
Opening balance	16,629,652	16,893,851
Additions due to business combinations **(Note 7)**		1,120,319
Refinancings and restructurings in the period	3,887,446	2,571,325
Memorandum items: Impact recognised in the statement of profit or loss for the period	*(286,906)*	*(194,033)*
Debt repayments	(2,874,646)	(1,333,124)
Foreclosures	(349,000)	
Derecognitions (reclassification to written-off assets)	(384,996)	(2,412,869)
Other changes	(7,744,685)	(209,850)
Closing balance	**9,163,771**	**16,629,652**

(*) Reclassification of transactions on fulfillment of exit criteria from the refinancing category, primarily.

The table below provides information on guarantees received for refinanced operations at 31 December 2016 and 2015 by classification of customer insolvency risk:

Guarantees received for refinanced transactions (*)
(Thousands of euros)

	31.12.2016	31.12.2015
Value of collateral	**16,818,386**	**39,334,059**
Of which: Guarantees non-performing risks	10,020,152	13,591,292
Value of other guarantees	**4,898**	**29,918**
Of which: Guarantees non-performing risks	1,054	9,483
Total	**16,823,284**	**39,363,977**

(*) The value of the guarantee is the lower amount of the collateral and the loan value, except for non-performing loans, in which it is fair value.

3.3.4 Concentration risk

According to the guidelines published by the Committee of European Banking Supervisors (CEBS) in September 2010[1] before it was dissolved and its responsibilities assumed by the EBA, concentration risk is one of the main possible causes of major losses and potential destruction of solvency of financial corporations, with many examples seen in the 2008-2009 period

In line with normal industry practice and as set out in CaixaBank's Corporate Risk Catalogue, concentration risk is conceptually included within credit risk However, according to sector supervisors and in line with best practices, the scope of analysis and monitoring of concentration risk should be broader than just loans and advances and include any type of asset.

Moreover, in line with the CEBS Guideline 7, the CaixaBank Group has developed methodologies, processes and tools 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 to each of these have been defined under the CaixaBank Group's Risk Appetite Framework.

[1] "CEBS Guidelines on the management of concentration risk under the supervisory Review process (GL31)"

Lastly, the impact of interdependencies between and degree of diversification of risks is measured in terms of both regulatory and economic capital.

Concentration in customers or in "large exposures"

As explained in section 3.3.3.3. "Limits on large exposures", a regulatory standpoint and assessment is coupled with the management perspective used as a reference in the Risk Appetite Framework.

In addition, as explained in the introduction to this note on risk management, in the section on regulatory changes, the European Commission has unveiled a raft of financial system reforms including the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). One of the reforms put forward by the European Commission is to change the definition of the base for calculating large exposures, limiting eligible capital so that total capital is replaced by Tier 1 capital, while Tier 2 capital is excluded.

Concentration by product type

CaixaBank's internal reporting integrates both a traditional intra-risk perspective and a transversal inter-risk vision for monitoring and offering the management and governing bodies a holistic view of positions classified for accounting purposes in "Loans and receivables", "Fixed-income portfolio", "Equity portfolio" and "Derivatives".

In addition, a report is drawn up monthly showing all the positions of the CaixaBank Group, and of guaranteed mutual and pension funds. The report looks at financial portfolio performance by product type, category, country risk and issuer/counterparty risk.

Concentration by geographic location

Risk concentration by geographic area in 2016 and 2015, respectively, is as follows:

31.12.2016

(Thousands of euros)

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**33,062,955**	**16,518,162**	**14,838,596**	**535,129**	**1,171,068**
Public administrations	**79,169,507**	**75,298,966**	**3,755,248**	**12,351**	**102,942**
Central government	64,991,647	61,123,691	3,753,775	11,752	102,429
Other public administrations	14,177,860	14,175,275	1,473	599	513
Other financial corporations and individual	**15,051,167**	**8,625,664**	**6,041,849**	**263,388**	**120,266**
Non-financial corporations and individual	**78,350,032**	**68,599,550**	**5,089,754**	**3,211,986**	**1,448,742**
Real estate construction and development	6,739,498	6,718,439	19,521	610	928
Civil engineering	4,489,447	3,809,723	218,022	439,892	21,810
Other	67,121,087	58,071,388	4,852,211	2,771,484	1,426,004
Large corporations	40,314,846	33,602,264	3,750,901	2,137,797	823,884
SMEs and individual entrepreneurs	26,806,241	24,469,124	1,101,310	633,687	602,120
Other households	**114,870,928**	**112,927,358**	**1,403,690**	**163,084**	**376,796**
Home purchase	90,565,684	89,118,605	998,086	127,031	321,962
Consumer	11,701,383	11,664,762	16,237	9,878	10,506
Other	12,603,861	12,143,991	389,367	26,175	44,328
SUBTOTAL	**320,504,589**	**281,969,700**	**31,129,137**	**4,185,938**	**3,219,814**
TOTAL	**320,504,589**				

31.12.2015

(Thousands of euros)

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**22,884,953**	**9,739,061**	**9,865,456**	**880,293**	**2,400,143**
Public administrations	**73,964,137**	**68,799,969**	**5,163,270**	**0**	**898**
Central government	54,887,921	49,723,753	5,163,270		898
Other public administrations	19,076,216	19,076,216			
Other financial corporations and individual	**16,541,716**	**10,797,983**	**5,693,050**	**43,423**	**7,260**
Non-financial corporations and individual	**89,614,643**	**82,900,033**	**4,597,299**	**1,523,329**	**593,982**
Real estate construction and development	9,521,635	9,420,290	77,751	22,801	793
Civil engineering	5,936,216	5,269,049	286,103	375,209	5,855
Other	74,156,792	68,210,694	4,233,445	1,125,319	587,334
Large corporations	39,694,825	34,941,410	3,512,930	750,191	490,294
SMEs and individual entrepreneurs	34,461,967	33,269,284	720,515	375,128	97,040
Other households	**114,573,791**	**112,701,736**	**1,094,142**	**147,803**	**630,110**
Home purchase	92,500,677	91,065,895	1,036,691	127,723	270,368
Consumer	10,365,959	10,340,450	14,480	5,694	5,335
Other	11,707,155	11,295,391	42,971	14,386	354,407
SUBTOTAL	**317,579,240**	**284,938,782**	**26,413,217**	**2,594,848**	**3,632,393**
Less: Allowances for impairment of assets not assigned to specific transactions	**105,637**				
TOTAL	**317,473,605**				

The detail of risk in Spain by Autonomous Community in 2016 and 2015 is as follows:

31.12.2016 **1 / 2**

(Thousands of euros)

	Total	Andalusia	Balearic Islands	Canary Islands	Castilla-La Mancha	Castilla-León
Central banks and credit institutions	**16,518,162**	**5,719**	**87**	**275**	**35**	**138**
Public administrations	**75,298,966**	**1,744,799**	**312,186**	**366,065**	**154,891**	**349,206**
Central government	61,123,691					
Other public administrations	14,175,275	1,744,799	312,186	366,065	154,891	349,206
Other financial corporations and	**8,625,664**	**17,182**	**2,585**	**20,773**	**1,724**	**19,025**
Non-financial corporations and individual entrepreneurs (non-financial business)	**68,599,550**	**5,359,796**	**1,938,292**	**2,455,638**	**1,125,979**	**1,474,708**
Real estate construction and development (including land)	6,718,439	999,433	216,339	450,606	35,756	193,778
Civil engineering	3,809,723	209,191	60,706	105,814	46,797	55,454
Other	58,071,388	4,151,172	1,661,247	1,899,218	1,043,426	1,225,476
Large corporations	33,602,264	507,274	688,415	606,900	267,843	298,844
SMEs and individual entrepreneurs	24,469,124	3,643,898	972,832	1,292,318	775,583	926,632
Other households	**112,927,358**	**18,792,617**	**4,207,415**	**6,528,864**	**2,815,771**	**3,844,829**
Home purchase	89,118,605	14,442,047	3,416,842	5,668,388	2,315,911	3,243,374
Consumer	11,664,762	2,017,959	427,732	597,419	260,186	285,188
Other	12,143,991	2,332,611	362,841	263,057	239,674	316,267
TOTAL	**281,969,700**	**25,920,113**	**6,460,565**	**9,371,615**	**4,098,400**	**5,687,906**

31.12.2016 **2 / 2**

(Thousands of euros)

	Catalonia	Madrid	Navarra	Community of Valencia	Basque Country	Rest (*)
Central banks and credit institutions	**3,343,395**	**13,152,713**	**136**	**2,637**	**140**	**12,887**
Public administrations	**4,702,276**	**3,481,394**	**503,425**	**1,111,854**	**718,273**	**730,906**
Central government						
Other public administrations	4,702,276	3,481,394	503,425	1,111,854	718,273	730,906
Other financial corporations and individual	**683,017**	**7,772,121**	**5,776**	**53,988**	**10,846**	**38,627**
Non-financial corporations and individual entrepreneurs (non-financial business)	**9,759,173**	**31,737,012**	**1,144,171**	**4,424,742**	**3,210,161**	**5,969,878**
Real estate construction and	1,480,052	2,343,157	145,582	344,451	181,213	328,072
Civil engineering	1,064,650	1,683,435	78,546	131,540	87,140	286,450
Other	7,214,471	27,710,420	920,043	3,948,751	2,941,808	5,355,356
Large corporations	3,430,067	21,760,629	171,228	1,369,295	1,936,090	2,565,679
SMEs and individual entrepreneurs	3,784,404	5,949,791	748,815	2,579,456	1,005,718	2,789,677
Other households	**33,409,427**	**17,053,067**	**3,493,001**	**8,669,312**	**3,474,047**	**10,639,008**
Home purchase	24,028,260	14,314,513	3,002,079	7,111,944	2,914,337	8,660,910
Consumer	4,162,916	1,417,543	295,604	830,307	310,460	1,059,448
Other	5,218,251	1,321,011	195,318	727,061	249,250	918,650
TOTAL	**51,897,288**	**73,196,307**	**5,146,509**	**14,262,533**	**7,413,467**	**17,391,306**

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

31.12.2015 **1 / 2**

(Thousands of euros)

	Total	Andalusia	Balearic Islands	Canary Islands	Castilla-La Mancha	Castilla-León
Central banks and credit institutions	**9,739,061**	**58,113**	**318**	**3,608**	**14,591**	**4,462**
Public administrations	**68,799,969**	**1,817,062**	**497,609**	**514,206**	**192,977**	**372,098**
Central government	49,723,753					
Other public administrations	19,076,216	1,817,062	497,609	514,206	192,977	372,098
Other financial corporations and individual entrepreneurs (financial business)	**10,797,983**	**73,165**	**1,058**	**4,358**	**1,003**	**47,562**
Non-financial corporations and individual entrepreneurs (non-financial business)	**82,900,033**	**8,488,990**	**2,233,827**	**4,137,311**	**1,284,651**	**2,075,965**
Real estate construction and development (including land)	9,420,290	1,277,204	270,861	693,688	185,672	229,936
Civil engineering	5,269,049	401,632	91,277	140,508	62,518	74,076
Other	68.210.694	6,810,154	1,871,689	3,303,115	1,036,461	1,771,953
Large corporations	34.941.410	813,765	453,915	489,086	81,380	524,414
SMEs and individual entrepreneurs	33,269,284	5,996,389	1,417,774	2,814,029	955,081	1,247,539
Other households	**112,701,736**	**17,137,661**	**3,939,392**	**5,597,054**	**3,054,700**	**3,885,189**
Home purchase	91,065,895	13,633,880	3,235,315	4,884,005	2,582,643	3,360,821
Consumer	10,340,450	1,663,976	338,358	466,241	229,723	237,868
Other	11,295,391	1,839,805	365,719	246,808	242,334	286,500
TOTAL	**284.938.782**	**27,574,991**	**6,672,204**	**10,256,537**	**4,547,922**	**6,385,276**

(Thousands of euros)

	Catalonia	Madrid	Navarra	Community of Valencia	Basque Country	Rest (*)
Central banks and credit institutions	**4,990,159**	**3,445,688**	**79**	**4,406**	**537,175**	**680,462**
Public administrations	**6,537,437**	**5,565,303**	**663,056**	**1,250,850**	**751,884**	**913,734**
Central government						
Other public administrations	6,537,437	5,565,303	663,056	1,250,850	751,884	913,734
Other financial corporations and individual entrepreneurs (financial business)	**4,620,904**	**5,723,958**	**26,441**	**55,190**	**214,398**	**29,946**
Non-financial corporations and individual entrepreneurs (non-financial business)	**19,950,583**	**27,217,923**	**1,784,924**	**5,605,719**	**3,461,912**	**6,658,228**
Real estate construction and development (including land)	2,270,237	2,752,307	193,656	619,593	249,851	677,285
Civil engineering	2,009,938	1,653,073	157,585	263,751	185,042	229,649
Other	15,670,408	22,812,543	1,433,683	4,722,375	3,027,019	5,751,294
Large corporations	11,064,613	15,973,767	628,139	1,133,566	1,810,840	1,967,925
SMEs and individual entrepreneurs	4,605,795	6,838,776	805,544	3,588,809	1,216,179	3,783,369
Other households	**37,056,694**	**16,730,344**	**3,624,610**	**8,179,110**	**3,265,396**	**10,231,586**
Home purchase	28,078,066	14,139,100	3,096,204	6,823,870	2,774,374	8,457,617
Consumer	4,191,985	1,191,009	265,294	647,408	248,587	860,001
Other	4,786,643	1,400,235	263,112	707,832	242,435	913,968
TOTAL	**73.155.777**	**58,683,216**	**6,099,110**	**15,095,275**	**8,230,765**	**18,513,956**

(*) 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 limits established by the CaixaBank Group's Risk Appetite Framework (Tier 1), differentiating between private business economic activities and public sector financing. In keeping with the internal communication policy of the Risk Appetite Framework, trends in these indicators are reported monthly to the Global Risk Committee and quarterly to the CaixaBank Risks Committee (at least).

For the private business sector, a maximum concentration limit in any economic sector is established by aggregating the accounting positions recognised under loans and receivables, investment portfolio and equity investments (excluding treasury repo operations, deposits and trading portfolio).

In addition, in calculating the economic capital charge, the impact of diversification of the lending portfolio based on sector concentration is determined.

Exposure to the public sector is also regularly analysed and monitored. See 3.3.5 Sovereign risk for details.

Loans and advances to customers by activity in 2016 and 2015, respectively, were as follows:

31.12.2016

(Thousands of euros)

	TOTAL	*Of which: Real estate mortgage secured*	*Of which: Rest of secured loans*	Secured loans Carrying amount based on latest available appraisal (loan to value) ≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	**12,531,618**	***640,599***	***100,419***	**125,635**	**161,165**	**335,232**	**76,303**	**42,683**
Other financial corporations and individual entrepreneurs (financial business)	**7,583,239**	***328,432***	***19,025***	**38,481**	**265,048**	**34,019**	**5,385**	**4,524**
Non-financial corporations and individual entrepreneurs (non-financial business)	**68,657,838**	***22,332,909***	***2,292,158***	**10,121,628**	**8,855,126**	**3,259,569**	**1,218,906**	**1,169,838**
Real estate construction and development (including land)	6,731,077	*5,715,143*	*29,539*	2,279,820	2,479,845	806,500	112,943	65,574
Civil engineering	4,485,508	*744,549*	*33,683*	337,186	276,130	127,370	19,159	18,387
Other	57,441,253	*15,873,217*	*2,228,936*	7,504,622	6,099,151	2,325,699	1,086,804	1,085,877
Large corporations	38,794,633	*3,927,722*	*978,252*	1,890,714	1,512,492	730,901	278,441	493,426
SMEs and individual entrepreneurs	18,646,620	*11,945,495*	*1,250,684*	5,613,908	4,586,659	1,594,798	808,363	592,451
Other households	**114,475,394**	***101,445,825***	***752,702***	**29,117,048**	**40,633,279**	**27,600,815**	**3,939,202**	**908,183**
Home purchase	90,561,560	*89,460,252*	*221,202*	23,690,460	36,060,571	25,870,540	3,511,113	548,770
Consumer	11,701,382	*4,029,981*	*199,024*	1,946,847	1,489,935	550,694	151,906	89,623
Other	12,212,452	*7,955,592*	*332,476*	3,479,741	3,082,773	1,179,581	276,183	269,790
SUBTOTAL	**203,248,089**	***124,747,765***	***3,164,304***	**39,402,792**	**49,914,618**	**31,229,635**	**5,239,796**	**2,125,228**
Less: Allowances for impairment of assets not assigned to specific transactions								
TOTAL	**203,248,089**							
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	9,163,771	*7,405,688*	*32,063*	2,056,957	3,293,906	1,742,278	223,997	120,615

31.12.2015

(Thousands of euros)

	TOTAL	*Of which: Real estate mortgage secured*	*Of which: Rest of secured loans*	Secured loans Carrying amount based on latest available appraisal (loan to value)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	**14,152,657**	***477,420***	***3,029***	**31,123**	**29,043**	**57,146**	**111,617**	**251,520**
Other financial corporations and individual entrepreneurs (financial business)	**10,984,205**	***216,225***	***4,708,757***	**12,955**	**112,249**	**46,030**	**55,346**	**4,698,402**
Non-financial corporations and individual entrepreneurs	**64,004,650**	***30,553,930***	***2,245,107***	**8,545,169**	**9,266,046**	**9,185,881**	**3,205,544**	**2,596,397**
Real estate construction and development	7,450,440	*6,598,855*	*167,589*	1,258,910	2,000,755	2,242,267	694,649	569,863
Civil engineering	4,279,794	*767,642*	*50,806*	217,525	278,908	185,165	64,712	72,138
Other	52,274,416	*23,187,433*	*2,026,712*	7,068,734	6,986,383	6,758,449	2,446,183	1,954,396
Large corporations	19,918,904	*2,952,776*	*428,619*	897,427	689,373	1,115,316	268,982	410,297
SMEs and individual entrepreneurs	32,355,512	*20,234,657*	*1,598,093*	6,171,307	6,297,010	5,643,133	2,177,201	1,544,099
Other households and non-profit institutions serving households	**113,860,325**	***98,724,053***	***989,490***	**23,452,996**	**35,835,784**	**32,308,555**	**6,589,093**	**1,527,115**
Home purchase	92,496,925	*86,862,302*	*446,885*	19,947,918	32,355,366	29,008,911	5,167,844	829,148
Consumer	10,351,891	*4,123,516*	*232,088*	1,367,568	1,234,260	1,144,191	436,496	173,089
Other	11,011,509	*7,738,235*	*310,517*	2,137,510	2,246,158	2,155,453	984,753	524,878
SUBTOTAL	**203,001,837**	***129,971,628***	***7,946,383***	**32,042,243**	**45,243,122**	**41,597,612**	**9,961,600**	**9,073,434**
Less: Allowances for impairment of assets not assigned to specific transactions	**105,637**							
TOTAL	**202,896,200**							
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	16,629,652	*13,487,804*	*270,856*	2,170,191	2,316,226	2,905,506	2,872,976	3,493,761

Risk concentration according to the rating assigned to fixed income instruments at year-end 2016 and 2015, respectively, is as follows:

31.12.2016

(Thousands of euros)

	Loans and receivables (Note 14.1)	Financial assets held for trading (Note 11)	Available-for-sale financial assets (Note 13)	Held-to-maturity investments (Note 15)	TOTAL
AAA	5,059		342,062		347,121
AA+			2,357		2,357
AA	786		135,185		135,971
AA-		5,002	939,739		944,741
A+			549,352		549,352
A			355,619		355,619
A-		6,211	573,486		579,697
BBB+		1,744,749	55,584,506	8,305,902	65,635,157
BBB	150,072	35,221	1,960,310		2,145,603
BBB-		2,223	1,264,583		1,266,806
Investment grade	**155,917**	**1,793,406**	**61,707,199**	**8,305,902**	**71,962,424**
	27.8%	99.8%	99.3%	100.0%	98.9%
BB+		3,526	164,473		167,999
BB			61,493		61,493
BB-			91,716		91,716
B+			1,491		1,491
B					0
B-					0
CCC+			68,553		68,553
CCC	1,325				1,325
CC					0
C	11,586				11,586
D	45,550				45,550
No rating	346,761		36,018		382,779
Non-investment grade	**405,222**	**3,526**	**423,744**	**0**	**832,492**
	72.2%	0.2%	0.7%	0.0%	1.1%
Balance at 31.12.2016	**561,139**	**1,796,932**	**62,130,943**	**8,305,902**	**72,794,916**

31.12.2015

(Thousands of euros)	Loans and receivables (Note 14.1)	Financial assets held for trading (Note 11)	Available-for-sale financial assets (Note 13)	Held-to-maturity investments (Note 15)	TOTAL
AAA			319,149		319,149
AA+			3,326		3,326
AA	7,801	52,547	848,735		909,083
AA-		7,754	126,626		134,380
A+		23,445	510,163		533,608
A		14,742	376,288		391,030
A-		20,183	403,582		423,765
BBB+	403,185	3,100,023	42,307,701	3,586,019	49,396,928
BBB		11,582	12,640,126		12,651,708
BBB-		25,068	704,905		729,973
Investment grade	**410,986**	**3,255,344**	**58,240,601**	**3,586,019**	**65,492,950**
	44.3%	100.0%	97.7%	93.9%	96.9%
BB+		142	65,706		65,848
BB			209,682		209,682
BB-			6,287		6,287
B+			1,040		1,040
B			2,215		2,215
B-					0
CCC+			71,851		71,851
CCC					0
CC					0
C	13,099				13,099
D	45,562				45,562
No rating	458,008		1,020,580	234,095	1,712,683
Non-investment grade	**516,669**	**142**	**1,377,361**	**234,095**	**2,128,267**
	55.7%	0.0%	2.3%	6.1%	3.1%
Balance at 31.12.2015	**927,655**	**3,255,486**	**59,617,962**	**3,820,114**	**67,621,217**

Standard & Poor's sovereign ratings for the Kingdom of Spain at 31 December 2016 and 2015 was BBB+.

The methodology applied to assign credit ratings to fixed income issues is based on 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.

The following table details CaixaBank's credit exposure (excluding fixed income securities, as indicated above) in accordance with internal levels for 2016 and 2015, respectively:

Quality of credit exposure (excluding fixed income securities)
(Percentage)

	31.12.2016	31.12.2015
AAA/AA+/AA/AA-	24.0%	23.5%
A+/A/A-	21.8%	22.0%
BBB+/BBB/BBB-	20.0%	17.9%
BB+/BB/BB-	21.5%	20.0%
B+/B/B-	9.9%	12.8%
CCC+/CCC/CCC-	2.8%	3.8%
Total	**100.0%**	**100.0%**

3.3.5. Sovereign risk

The Group's position in sovereign debt, concentrated mainly in CaixaBank and the insurance group, is subject to the Company's general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile.

First, 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 from being taken that could increase the credit risk on names or countries in which the Company has 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 geographical location of all of the Group's fixed-income issuances (e.g. bonds, private fixed-income, public debt, preference shares) 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 also subject to the framework for market risk control and limits established for the treasury positions (see section on market risk).

In addition to these controls, a report is drawn up monthly showing all the positions of the Consolidated Group, and of guaranteed mutual and pension funds. The report looks at portfolio performance by product type, category, country risk and issuer/counterparty risk.

The carrying amounts of the main items related to sovereign risk exposure at 31 December 2016 and 2015 are shown below.

31.12.2016 (CaixaBank Group, excluding the insurance group)

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Spain	Less than 3 months	178,366		2,885,559	967,533	
	Between 3 months and 1 year	681,289	(37,430)	874,544	4,030,415	514,137
	Between 1 and 2 years	164,461	(41,225)	537,292	350,381	
	Between 2 and 3 years	38,156	(44,864)	4,460,214	1,065,573	
	Between 3 and 5 years	350,651	(303,341)	228,716	1,458,765	6,083,828
	Between 5 and 10 years	88,943	(359,813)	3,464,955	2,889,429	259,036
	Over 10 years	64,044	(73,424)	8,061	1,656,078	
	Total	1,565,910	(860,097)	12,459,341	12,418,174	6,857,001
Italy	Less than 3 months	2,999				
	Between 3 months and 1 year	96,863	(27,750)			
	Between 1 and 2 years	2,561				
	Between 2 and 3 years	6,623				
	Between 3 and 5 years	19,370	(9,892)			
	Between 5 and 10 years	50,048		261,844		
	Total	178,464	(37,642)	261,844	0	0
Rest	Less than 3 months			351,136	1,885	
	Between 3 months and 1 year			150,390	28,106	
	Between 1 and 2 years				9,875	
	Between 3 and 5 years				6,333	
	Between 5 and 10 years				67,834	
	Total	0	0	501,526	114,033	0
Total countries		**1,744,374**	**(897,739)**	**13,222,711**	**12,532,207**	**6,857,001**

31.12.2016 (Insurance group)

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Spain	Less than 3 months			133,649		
	Between 3 months and 1 year			861,061		
	Between 1 and 2 years			871,245		
	Between 2 and 3 years			959,768		
	Between 3 and 5 years			2,188,740		
	Between 5 and 10 years			8,875,922		
	Over 10 years			26,571,415		
	Total	**0**	**0**	**40,461,800**	**0**	**0**
Belgium	Between 3 months and 1 year			140		
	Between 1 and 2 years			3,049		
	Between 2 and 3 years			682		
	Between 3 and 5 years			10,556		
	Between 5 and 10 years			168		
	Over 10 years			143		
	Total	**0**	**0**	**14,738**	**0**	**0**
Ireland	Between 3 and 5 years			1,795		
	Total	**0**	**0**	**1,795**	**0**	**0**
Italy	Less than 3 months			16,810		
	Between 3 months and 1 year			5,798		
	Between 1 and 2 years			8,717		
	Between 2 and 3 years			129,828		
	Between 3 and 5 years			224,297		
	Between 5 and 10 years			773,191		
	Over 10 years			1,331,604		
	Total	**0**	**0**	**2,490,245**	**0**	**0**
Rest	Between 3 months and 1 year			2,198		
	Between 1 and 2 years			109		
	Between 2 and 3 years			3,077		
	Between 3 and 5 years			4,518		
	Between 5 and 10 years			5,628		
	Over 10 years			45,299		
	Total	**0**	**0**	**60,829**	**0**	**0**
Total countries		**0**	**0**	**43,029,407**	**0**	**0**
Total Group (CaixaBank + insurance group)		**1,744,374**	**(897,739)**	**56,252,118**	**12,532,207**	**6,857,001**

31.12.2015 (CaixaBank Group, excluding the insurance group)
(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Spain	Less than 3 months	381,417	0	356,521	1,346,568	102,898
	Between 3 months and 1 year	1,378,601	(346,472)	1,054,186	4,056,199	1,028,459
	Between 1 and 2 years	222,237	(128,526)	1,215,721	585,245	514,230
	Between 2 and 3 years	87,525	(148,744)	548,929	501,447	0
	Between 3 and 5 years	192,649	(727,214)	4,658,262	1,723,869	50,576
	Between 5 and 10 years	196,487	(962,551)	5,128,868	3,973,599	344,631
	Over 10 years	195,044	(269,472)	7,748	1,929,559	0
	Total	2,653,960	(2,582,979)	12,970,235	14,116,486	2,040,794
Italy	Less than 3 months	67,751				
	Between 3 months and 1 year	150,667	(34,136)			
	Between 1 and 2 years	100,363	(18,099)			
	Between 2 and 3 years	8,595	(66,469)			
	Between 3 and 5 years	12,903				
	Between 5 and 10 years	5,917		2,288,619		
	Total	346,196	(118,704)	2,288,619	0	0
Rest	Less than 3 months	50,025		256,109	36,191	
	Between 3 months and 1 year			561,818		
	Between 1 and 2 years	1,172				
	Between 3 and 5 years	456				
	Total	51,653	0	817,927	36,191	0
Total countries		**3,051,809**	**(2,701,683)**	**16,076,781**	**14,152,677**	**2,040,794**

31.12.2015 (insurance group)

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Spain	Less than 3 months			124,619		
	Between 3 months and 1 year			866,870		
	Between 1 and 2 years			1,098,343		
	Between 2 and 3 years			895,820		
	Between 3 and 5 years			1,153,450		
	Between 5 and 10 years			6,658,815		
	Over 10 years			24,240,000		
	Total	**0**	**0**	**35,037,917**	**0**	**0**
Belgium	Between 3 months and 1 year			551		
	Between 1 and 2 years			147		
	Between 2 and 3 years			3,156		
	Between 3 and 5 years			700		
	Between 5 and 10 years			10,795		
	Over 10 years			121		
	Total	**0**	**0**	**15,470**	**0**	**0**
Ireland	Between 3 and 5 years			1,827		
	Total	**0**	**0**	**1,827**	**0**	**0**
Italy	Less than 3 months			6,306		
	Between 3 months and 1 year			13,109		
	Between 1 and 2 years			22,300		
	Between 2 and 3 years			8,302		
	Between 3 and 5 years			14,769		
	Between 5 and 10 years			182,390		
	Over 10 years			1,303,498		
	Total	**0**	**0**	**1,550,674**	**0**	**0**
Rest	Less than 3 months			41		
	Between 3 months and 1 year			1,436		
	Between 1 and 2 years			2,285		
	Between 2 and 3 years			113		
	Between 3 and 5 years			7,352		
	Between 5 and 10 years			5,265		
	Over 10 years			44,407		
	Total	**0**	**0**	**60,899**	**0**	**0**
Total countries		**0**	**0**	**36,666,787**	**0**	**0**
Total Group (CaixaBank + insurance group)		**3,051,809**	**(2,701,683)**	**52,743,568**	**14,152,677**	**2,040,794**

Short positions in debt securities mainly include hedges to manage long positions in Spanish public debt classified in the held-for-trading portfolio and available-for-sale financial assets.

Country risk

Country risk is the probability of a financial loss occurring as a result of macroeconomic, political or social factors or a natural disaster in a specific country. It is therefore a component of credit risk, that includes all cross-border credit transactions, due to circumstance other than usual commercial risk.

The objective of country risk is to reduce exposure and protect an entity in face of potential non-compliance. Its main features are as follows:

- Sovereign risk: the risk that a sovereign entity could default on its debt, and that repayment cannot be enforced by any court.
- Transfer risk: the risk that assets, such the principal on loans, interest or dividend capital may not be sent out of a country, as a result of restrictions on the free movement of capital.
- Lastly, other risks involving exposures in other countries, the value of which depends on the political and economic risk factors in the country in question. Specifically, these include the country’s liquidity, market and correlation risk, in addition to its credit risk in the event of a systemic shock. In other words, the risk of a sharp deterioration in the country’s lending profile.

With regard to country risk exposure, particular attention is given to sovereign risk, understood to be public debt and state guarantees. Therefore, exposure is only authorised for countries with the highest credit ratings.

The limits marking the maximum permitted exposure to a country are calculated using qualitative and quantitative variables. However, the Risks Division has the power to assign lower limits if it considers this to be warranted by a country’s economic and political climate.

Country risk approval principles follow the same lines of prudence as those of the Entity, only selecting transactions that help our customers to develop their international relations.

As a result, total country risk exposure remains low, and is also widely diversified, as no one country accounts for more than 1% of the CaixaBank Group’s total assets (with the exception of Group 1, classified by the Bank of Spain as the lowest risk group).

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

The main data at 31 December 2016 and 2015 regarding financing for property development, home purchasing and foreclosed assets are discussed below.

Financing for real estate development

The tables below show financing for real estate developers and developments, including development carried out by non-developers, at 31 December 2016 and 2015.

31.12.2016

(Thousands of euros)	Gross amount	Allowances for impairment losses	Carrying amount	Excess over the value of collateral
Financing for real estate construction and development (including land)	**8,023,602**	**(1,061,631)**	**6,961,971**	**2,063,420**
Of which: Non-performing	2,434,777	(953,625)	1,481,152	988,580
Memorandum items:				
Asset write-offs	4,410,756			

Memorandum items: Public consolidated balance sheet	Amount
Loans and advances to customers excluding public sector (carrying amount)	187,984,625
Total assets (total businesses)	347,927,262
Impairment and provisions for performing exposures	(1,471,859)

31.12.2015

(Thousands of euros)	Gross amount	Allowances for impairment losses	Carrying amount	Excess over the value of collateral
Financing for real estate construction and development (including land)	**9,825,444**	**(2,375,004)**	**7,450,440**	**2,733,252**
Of which: Non-performing	4,337,149	(2,208,925)	2,128,224	1,630,638
Memorandum items:				
Asset write-offs	4,302,292			

Memorandum items: Public consolidated balance sheet	Amount
Loans and advances to customers excluding public sector (carrying amount)	188,619,485
Total assets (total businesses)	344,255,475
Impairment and provisions for performing exposures	(1,882,316)

The amounts shown in the preceding tables do not include the loans extended by the CaixaBank Group to the CriteriaCaixa Group's real estate companies, which at 31 December 2016 and 2015 amounted to EUR 638 million and EUR 657 million, respectively.

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 Bank could have to pay if the guarantee is called on) at 31 December 2016 and 2015.

Financial guarantees

(Thousands of euros)

	Carrying amount	
	31.12.2016	31.12.2015
Financial guarantees given related to real estate construction and development	**171,223**	**204,640**
Amount recognised under liabilities	*6,166*	*12,164*

The table below provides information on guarantees received from real estate development loans at 31 December 2016 and 2015 by classification of customer insolvency risk:

Guarantees received for real estate development transactions (*)

(Thousands of euros)

	31.12.2016	31.12.2015
Value of collateral	**16,710,954**	**20,508,183**
Of which: Guarantees non-performing risks	4,616,097	8,224,681
Value of other guarantees	**162,334**	**118,456**
Of which: Guarantees non-performing risks	13,240	8,263
Total	**16,873,288**	**20,626,639**

(*) The value of the guarantee is the lower amount of the collateral and the loan value, except for non-performing loans, in which it is fair value.

The tables below show 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)

	Carrying amount	
	31.12.2016	31.12.2015
Not real estate mortgage secured	**1,188,212**	**1,082,542**
Real estate mortgage secured	**6,835,390**	**8,742,902**
Buildings and other completed constructions	5,187,722	6,534,443
Homes	*3,390,538*	*4,322,162*
Rest	*1,797,184*	*2,212,281*
Buildings and other constructions under construction	668,262	643,015
Homes	*598,002*	*540,809*
Rest	*70,260*	*102,206*
Land	979,406	1,565,444
Consolidated urban land	*696,961*	*1,186,723*
Other land	*282,445*	*378,721*
Total	**8,023,602**	**9,825,444**

Financing for home purchases

The breakdown of home purchase loans at 31 December 2016 and 2015 is as follows:

Home purchase loans

(Thousands of euros)	Gross amount 31.12.2016	Gross amount 31.12.2015
Not real estate mortgage secured	745,922	785,033
Of which: Non-performing	*5,771*	*16,740*
Real estate mortgage secured	85,853,616	88,881,789
Of which: Non-performing	*3,554,446*	*3,359,947*
Total home loans	**86,599,538**	**89,666,822**

Note: Includes financing for home purchases granted by investee Unión de Créditos para la Financiación Inmobiliaria, EFC, SAU (Credifimo).

Real estate loans granted in 2016 and 2015 to buyers of foreclosed homes sold by CaixaBank amounted to EUR 504 million and EUR 487 million, respectively, while the average percentages financed were 82% and 87%, respectively.

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)	31.12.2016		31.12.2015	
LTV ranges (*)	**Gross amount**	***Of which: Non-performing***	**Gross amount**	***Of which: Non-performing***
LTV ≤ 40%	20,871,387	*278,267*	20,295,267	*244,861*
40% < LTV ≤ 60%	33,305,676	*918,962*	32,932,773	*789,609*
60% < LTV ≤ 80%	26,648,797	*1,633,109*	29,526,924	*1,548,651*
80% < LTV ≤ 100%	4,329,456	*532,990*	5,255,027	*540,140*
LTV > 100%	698,300	*191,118*	871,798	*236,686*
Total home loans	**85,853,616**	***3,554,446***	**88,881,789**	**3,359,947**

(*) LTV calculated based on appraisals available at the grant date. The ranges are updated for doubtful transactions in accordance with prevailing regulations.

Foreclosed assets

The table below shows foreclosed assets by source and type of property at 31 December 2016 and 2015:

31.12.2016

Foreclosed real estate assets (*)

(Thousands of euros)

	Gross carrying amount	Allowances for impairment of assets (**)	*Of which: Allowances for impairment of assets from foreclosure*	Net carrying amount
Property acquired from loans to real estate constructors and developers	**9,103,128**	**(4,819,323)**	***(2,701,044)***	**4,283,805**
Buildings and other completed constructions	3,887,167	(1,634,838)	*(752,300)*	2,252,329
Homes	*2,794,739*	*(1,188,241)*	*(516,283)*	*1,606,498*
Rest	*1,092,428*	*(446,597)*	*(236,017)*	*645,831*
Buildings and other constructions under construction	840,434	(478,528)	*(168,736)*	361,906
Homes	*797,160*	*(453,611)*	*(154,805)*	*343,549*
Rest	*43,274*	*(24,917)*	*(13,931)*	*18,357*
Land	4,375,527	(2,705,957)	*(1,780,008)*	1,669,570
Consolidated urban land	*2,069,470*	*(1,198,973)*	*(668,240)*	*870,497*
Other land	*2,306,057*	*(1,506,984)*	*(1,111,768)*	*799,073*
Property acquired from mortgage loans to homebuyers	**2,791,270**	**(1,019,676)**	***(462,651)***	**1,771,594**
Other foreclosed real estate assets or received in lieu of payment of debt	**1,337,773**	**(580,817)**	***(232,669)***	**756,956**
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	**63,963**			**63,963**
Total	**13,296,134**	**(6,419,816)**	***(3,396,364)***	**6,876,318**

(*) Does not include foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 3,078 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 556 million, net.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 16,504 million and total write-downs of this portfolio amounted to EUR 9,691 million, EUR 6,420 million of which are allowances for impairment recognised in the balance sheet.

31.12.2015

Foreclosed real estate assets (*)

(Thousands of euros)

	Gross carrying amount	Allowances for impairment of assets (**)	*Of which: Allowances for impairment of assets from foreclosure*	Net carrying amount
Property acquired from loans to real estate constructors and developers	**9,651,226**	**(4,351,929)**	***(2,234,180)***	**5,299,297**
Buildings and other completed constructions	4,428,026	(1,516,923)	*(587,845)*	2,911,103
Homes	*3,229,937*	*(1,097,180)*	*(378,856)*	*2,132,757*
Rest	*1,198,089*	*(419,743)*	*(208,989)*	*778,346*
Buildings and other constructions under construction	810,821	(430,797)	*(145,432)*	380,024
Homes	*741,698*	*(396,929)*	*(128,137)*	*344,769*
Rest	*69,123*	*(33,868)*	*(17,295)*	*35,255*
Land	4,412,379	(2,404,209)	*(1,500,903)*	2,008,170
Consolidated urban land	*2,080,809*	*(1,032,770)*	*(534,431)*	*1,048,039*
Other land	*2,331,570*	*(1,371,439)*	*(966,472)*	*960,131*
Property acquired from mortgage loans to homebuyers	**2,688,088**	**(854,113)**	***(357,376)***	**1,833,975**
Other foreclosed real estate assets or received in lieu of payment of debt	**1,367,690**	**(550,761)**	***(207,832)***	**816,929**
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	**64,896**			**64,896**
Total	**13,771,900**	**(5,756,803)**	**(2,799,388)**	**8,015,097**

(*) Does not include foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 2,966 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 692 million, net.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 18,552 million and total write-downs of this portfolio amounted to EUR 10,602 million, EUR 5,757 million of which are allowances for impairment recognised in the balance sheet.

3.3.7 Counterparty risk generated by transactions with derivatives, repos and securities lending

Quantification and management of counterparty risk originating from trading in derivatives, repos and securities lending show certain peculiarities, basically as a result of the type of financial instruments used and of the expediency and flexibility required primarily for treasury transactions.

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 for 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 in accordance with their compliance with the assigned risk limit (and included in the corresponding derivatives risk line) or their individual assessment by the risk areas in charge of analysis and approval.

Virtually all exposures are with European and US counterparties. Additionally, the distribution by ratings of banking counterparties reflects the significance of operations with counterparties assessed as "investment grade," i.e. those which international rating agencies have considered to be safe due to their high payment capacity.

The Executive Global Risk Management Division is responsible for integrating these risks within the Entity's overall exposure management framework, although specific responsibility for managing and approving exposure to counterparty risk arising from activity with the financial sector lies with the Executive Risk

Analysis and Approval Division, which draws up the proposals for approval of risk lines, and analyses operations.

Within the Group, counterparty risk with credit institutions is controlled by CaixaBank through an integrated real-time system that provides information at any given time on the available limit for any counterparty, by 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).

Furthermore, as part of the monitoring process for credit risks assumed by market operations, the Executive Risk Analysis and Approval Division and the Executive Legal Advisory Division actively manage and monitor the adequacy of the related contractual documentation. To mitigate exposure to counterparty risk, CaixaBank has a solid base of collateral agreements. Virtually all the risks undertaken in connection with derivative instruments are covered by standardised ISDA and/or CMOF contracts, which provide for the possibility of offsetting the outstanding collection and payment flows between the parties.

Meanwhile, CaixaBank has signed collateral agreements (CSA or Appendix III of the ISDA) with interbank counterparties, which provide a guarantee of the market value of derivative transactions. In addition, CaixaBank's policy requires collateralisation of all its derivatives transactions with financial corporations, and the same applies to repo transactions hedged with Global Master Repurchase Agreements (GMRAs) or similar.

Moreover, following the entry into force of EMIR regulations, the counterparty risk of trading in OTC derivatives contracts arranged with financial corporations is being mitigated through clearance of market positions using Central Counterparties. Moreover, to mitigate settlement risk with an interbank counterparty, delivery-versus-payment (DVP) settlement systems are used, whereby clearing and settlement of a transaction occur simultaneously and inseparably.

3.3.8 Risk associated with the investee portfolio

At the CaixaBank Group, equity holdings are subject to monitoring and specialist analysis.

The risk relating to the CaixaBank Group's investee portfolio is the risk associated with the possibility of incurring losses due to changes in market prices and/or losses on the positions composing the investment portfolio at medium to long term.

The Executive Global Risk Management Division measures the risk of these positions, and calculates the related capital charge.

For investments not classified as available for sale, i.e. intended to be held on a long-term basis, the most significant risk is default risk, and, therefore, the PD/LGD approached is used where possible. For investments classified as available for sale, the calculation is carried out using the internal Value at Risk model, as the most significant risk is market risk. The Risk in Market Operations Division calculates the risk inherent in market price volatility using a statistical estimate of maximum potential losses by reference to historical price data. If the requirements for applying the aforementioned methods are not met, the simple risk-weighting method under Basel III is applied.

The Executive Global Risk Management Division monitors these indicators on an ongoing basis to ensure that the most appropriate decisions are always taken on the basis of the market performance observed and predicted and of the CaixaBank Group's strategy.

Controlling and financial analysis of the main investees are also performed through specialists responsible exclusively 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. The International Banking area (responsible for banking stakes), the Financial area (for industrial stakes) and the Holding Companies Control area (for subsidiaries) gather and share information on these stakes.

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

These financial analysts also liaise with listed investees' investor relations departments and gather information, including reports from third parties (e.g., investment banks, rating agencies) needed for an overview of possible risks to the value of the shareholdings.

The Risk in Market Operations Department, moreover, studies derivatives and the foreign currency risk associated with the investee portfolio, and monitors risk in relation to finance markets associated with investees on an ongoing basis.

All these measures and their implementation are necessary to monitor management of the investee portfolio and enable CaixaBank Group Senior Management to take strategic decisions on portfolio composition.

3.4. Market risk

3.4.1. Exposure

The financial activity of credit institutions involves assuming market risk, which includes exposures from various sources: risk in the banking book from interest rate and exchange rate fluctuations, the risk caused by taking up treasury positions, and the risk associated with equity investments which form part of CaixaBank's diversification business. Although in all instances, risk refers to the potential loss of profitability or portfolio value as a result of adverse fluctuations in market rates or prices, below we refer specifically to market risk linked to treasury and trading activities.

3.4.2. Overview

Subject to the methodological specifications and the additional comments set out below to provide a specific practice of the various exposure groups, there are two concepts which constitute common denominators and market standards for measurement of this risk: sensitivity and Value at Risk (VaR).

These sensitivity analyses provide information concerning the impact on the economic value of positions of a rise in interest rates, exchange rates, prices or volatility in the value of positions, but do not provide any assumptions as to the likelihood of such changes.

In order to standardise risk measurement across the entire portfolio, and to include certain assumptions regarding the extent of changes in market risk factors, VaR methodology (statistical estimate of potential losses from historical data on price fluctuations) is used with a one-day time horizon and a statistical confidence level of 99% (i.e. under normal market conditions, 99 out of 100 times, the actual daily losses would be less than the losses estimated under the VaR method).

The main factors affecting market risk are as follows:

- Interest rate risk: risk that changes in the level of interest rate curves will affect the value of instruments in portfolio, including but not limited to bonds, deposits, repos and derivatives.
- Foreign currency risk: risk that changes in exchange rates will affect the value of instruments in portfolio, including mainly any product with cash flows in a currency other than the euro and foreign exchange derivatives.
- Share price risk: risk that changes in share prices and equity indices will affect the value of the instruments in portfolio.
- Inflation risk: risk that changes in expected inflation will affect the value of the instruments in portfolio, including inflation derivatives.
- Commodity price risk: risk that changes in prices of commodities will affect the value of the instruments in portfolio, including commodity derivatives.
- Credit spread risk: risk that changes in credit spreads will affect the value of the instruments in portfolio, including mainly private fixed-income issuances.
- Volatility risk: risk that changes in the volatility of the underlyings will affect the value of the instruments in portfolio, including options.

In addition, there are other, more complex types of market risks, including:

- Correlation risk: risk that changes in the correlation between risk factors will affect the value of the instruments in portfolio, including options on baskets of underlying assets.
- Dividend risk: risk that changes in expected future dividends will affect the value of the instruments in portfolio, including mainly equity derivatives.

3.4.3. Mitigation of market risk

The RAF approved by the Board of Directors sets a limit for VaR with a one-day time horizon and confidence level of 99% for all trading activities of EUR 20 million, excluding the market risk hedging derivatives of the *Credit Valuation Adjustment*, recognised for accounting purposes in the held-for-trading portfolio.

As part of the required monitoring and control of the market risks taken, Management approves a structure of overall VaR limits in line with the Risk Appetite Framework, complemented by the definition of VaR sublimits, stressed VaR and incremental default and migration risk, stress test results, maximum losses and sensitivities for the various management units that could assume market risk. The risk factors are managed by CaixaBank's Executive Finance Division using economic hedges as appropriate within the scope of its responsibility on the basis of the return/risk ratio determined by market conditions and expectations, always within the assigned limits.

The Risk in Market Operations Division is in charge of monitoring compliance with these thresholds and the risks assumed, and reporting excesses to the areas in charge of their resolution and subsequent monitoring. To do so, it produces 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 and the Internal Audit division.

Beyond the trading portfolio, noteworthy for accounting purposes is the use of tools such as fair value micro and macro hedges to eliminate 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 macro hedge are established and monitored, expressed as ratios between total risk and the risk of the hedged items.

3.4.4. Market risk cycle

The Risk in Market Operations Division, in the Executive Global Risk Management Division within CaixaBank's General Risks Division, is responsible for valuing financial instruments in addition to measuring, monitoring and following up on associated risks and estimating the counterparty risk and operational risk associated with financial market activities. To perform its functions, on a daily basis this division monitors the contracts traded, calculates how changes in the market will affect the positions held (daily *marked*-to-*market* result), quantifies the market risk assumed, monitors compliance with the thresholds, and analyses the ratio of actual returns to the assumed risk.

In addition to tasks performed by the Risk in Market Operations Division, the CaixaBank Risk Models Validation Division conducts internal validations of the models and methodologies used to quantify and monitor market risk.

The initial version of the internal model for estimating capital for market risk in trading activities was approved by the Bank of Spain in 2006 (Circular 3/2003). This circular has been repealed for those purposes by Regulation (EU) 575/2013 (CRR). The model includes almost all CaixaBank's trading portfolio and the asset and liability are reflected in the balance sheet under "Financial assets held for trading" and "Financial liabilities held for trading", shown in Note 11. Deposits and repos arranged by trading desks are also included for management of market risk. Credit default swaps (CDS) in the Credit Valuation Adjustment are excluded from the internal model. Therefore, the standardised approach is used to calculate the charge for regulatory capital requirements.

Two methodologies are used to obtain this measurement:

- 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.
- Historic VaR: which calculates the impact on the value of the current portfolio of historical changes in risk factors. Daily changes over the last year are taken into account and, with a confidence level 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.

A downgrade in the credit rating of asset issuers can also give rise to adverse changes in quoted market prices. Accordingly, the quantification of market risk is completed with an estimate of the losses arising from changes in the volatility of the credit spread on private fixed-income positions (Spread VaR) using a historical approach, which constitutes an estimate of the specific risk attributable to issuers of securities.

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.

In 2016, the average 1-day VaR at 99% for trading activities was EUR 2.7 million. The highest market risk levels, up to EUR 8.1 million, were reached in June, in the wake of Brexit, mainly as VaR anticipates a potentially negative movement in the daily market value of equity positions (mainly transactions with equity derivatives).

Decomposition of relevant risk factors

The table below shows the average 1-day VaR at 99% attributable to the various risk factors. As can be observed, the consumption levels are of moderate significance and are mainly concentrated on the interest rate curve and share price risks. The risk amounts in relation to inflation, exchange rates, and interest and exchange rate volatility are of marginal significance. Exposure to credit spread risk decreased compared to the previous year due to the reduction of the position in private fixed income.

Parametric VaR by risk factors

(Thousands 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 2015	**3,280**	1,775	133	716	186	0	1,141	129	51	366
Average VaR 2016	**2,739**	1,252	131	752	318	0	391	76	111	413

Additional measures to VaR

Since January 2012, VaR measures are complemented by two risk metrics related to the new regulatory requirements of Circular 4/2011 (repealed for these purposes by Regulation (EU) 575/2013 (CRR)) and approved by the Bank of Spain following validation: stressed VaR and incremental default and migration risk.

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 calculation of historical VaR for VaR, with the only significant difference being the historical window selected.

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 Montecarlo simulation of possible future states of external rating of the issuer and the issuance, based on transition matrices published by the main rating 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 during 2016, as well as their value at the close of the period of reference, are shown in the following table.

Summary of Risk Measurements - 2016

(Thousands of euros)

	High	Low	Average	Last
1-day VaR	8,142	1,284	2,739	1,708
1-day Stressed VaR	13,575	3,247	7,231	5,535
Incremental risk	91,940	9,439	39,349	26,001

Regulatory capital using internal market risk models

Regulatory capital for market risk using internal models is the sum of three charges associated with each of the aforementioned measurements: VaR, Stressed VaR and Incremental Default and Migration Risk. In contrast to the foregoing, both regulatory VaR and regulatory Stressed VaR are calculated with a 10 market days' time horizon, for which values obtained with the one-day horizon are scaled by multiplying them by the square root of 10.

The different elements that appear in the determination of the final charges using the internal market risk model for each of the aforementioned measurements are shown below. 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 and Migration Risk is the maximum of the last value and the arithmetic mean of the preceding 12 weeks.

Regulatory capital at 31 December 2016

(Thousands of euros)

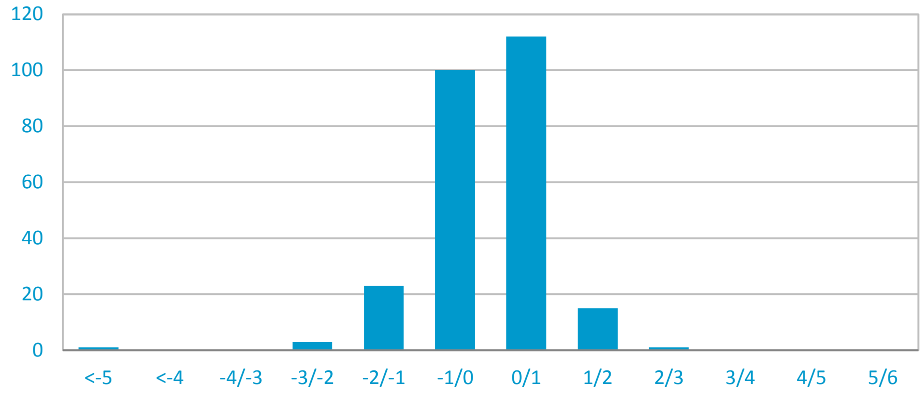
	Last value	60 day average	Exceeded	Multiplier	Capital
10 day VaR	5,401	7,418	3	3	**22,254**
10 day Stressed VaR	17,502	19,269	3	3	**57,806**
Incremental risk	26,001	29,091	-	-	**29,091**
Total					**109,151**

VaR and daily gains and losses

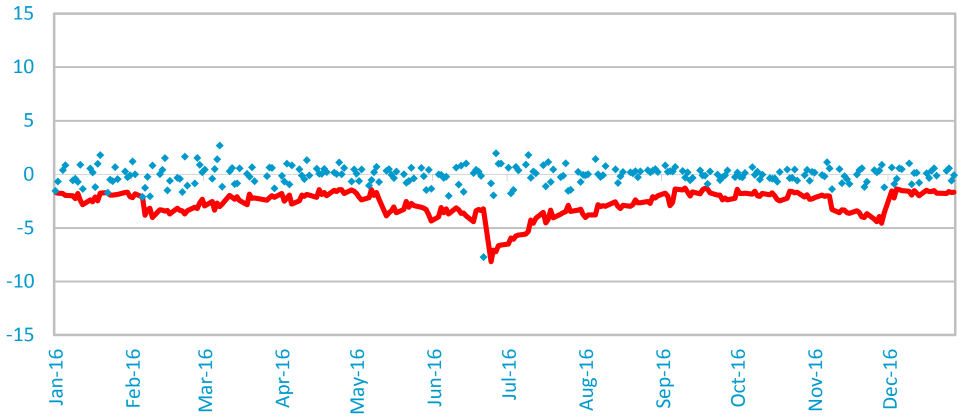
To confirm the suitability of the risk estimates, daily results are compared against the losses estimated under the VaR technique (backtesting). As required by bank regulators, the risk estimate model is checked in two ways:

- Net backtesting (or hypothetical), which relates the portion of the daily marked-to-market result of open positions at the close of the previous session to the estimated VaR for a time horizon of one day, 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 used to quantify risk.
- Gross backtesting (or actual), which compares the total result obtained during the day (therefore including any 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 calculating the total risk of the portfolio.

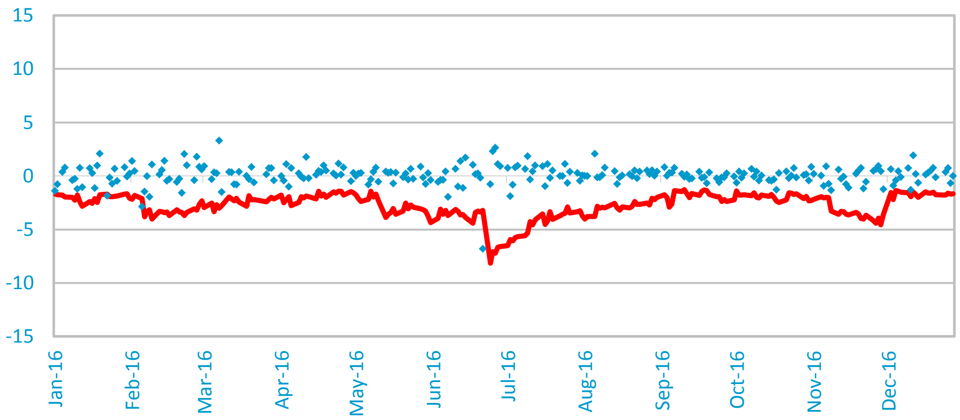
Distribution of net income from trading activities in 2016
(no. days, million euros)



Distribution of daily net income vs. daily VaR
(Million euros)



Distribution of daily gross income vs. VaR
(Million euros)



During the year, there were three excesses in the net backtesting exercise (number of times net losses on the portfolio are higher than the estimated VaR) and three excesses in the gross backtesting exercise due mainly to the volatility of the government debt and equity markets amid widespread political and economic uncertainty.

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 testing: 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), increased and decreased spread between the instruments subject to credit risk and government debt securities (swap spread), parallel shifts in the dollar and euro curves, higher and lower volatility of interest rates, appreciation and depreciation of the euro with respect to the dollar, the yen and sterling, increases and decreases in exchange rate volatility, increases and decreases in share prices, and higher and lower volatility of shares and commodities.
- Historical scenario analysis: this technique addresses the potential impact of actual past situations on the value of the positions held, such as the collapse of the Nikkei in 1990, the US debt and the Mexican peso crisis in 1994, the 1997 Asian crisis, the 1998 Russian debt crisis, the growth of the technology bubble in 1999 and its collapse in the year 2000, the terrorist attacks that have caused the most severe effects on finance markets in recent years, the credit crunch of the summer of 2007, the liquidity and confidence crisis triggered by the failure of Lehman Brothers in September 2008, and the increase in credit differentials in peripheral euro-zone countries by contagion of the financial crisis in Greece and Ireland in 2010 and concerns surrounding Spanish sovereign debt in 2011 and 2012.

To complete these analyses of risk in extreme situations, a “worst-case scenario” is determined for the Treasury Desk 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,” i.e. 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, management of market risk on trading positions in CaixaBank’s markets is in accordance with the methodological and monitoring guidelines set out in prevailing legislation.

3.5. Risks in the banking book

3.5.1 Interest rate risk in the banking book

Interest rate risk in the banking book is managed and controlled directly by CaixaBank management through the Asset and Liability Committee (ALCO). Under the scope of the Risk Appetite Framework (RAF), the competent bodies monitor and validate that the interest rate risk metrics defined are commensurate with the established risk tolerance levels.

CaixaBank manages this risk with a two-fold objective:

- Optimise the Entity's net interest income within the volatility limits of the RAF.
- Preserve the economic value of the balance sheet at all times within the range established in the RAF.

To attain these objectives, risk is actively managed by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet as a result of the complementary nature of the sensitivity to interest rate fluctuations of the deposits and lending transactions arranged with customers or other counterparties.

The Executive Finance Division is responsible for analysing and managing this risk, and proposing hedging transactions, management of the fixed-income portfolio or other appropriate actions to the Asset and Liability Committee to achieve this dual objective.

At 31 December 2016, CaixaBank used fair value macro-hedges as a strategy to mitigate its exposure to interest-rate risk and to preserve the economic value of its balance sheet (see Note 14). In 2016, CaixaBank arranged hedges for new fixed-rate loans and purchases of the long-term fixed income portfolio.

The table below shows, using a static gap, the breakdown of maturities and interest rate resets at 31 December 2016 of sensitive items on the CaixaBank Group balance sheet.

Matrix of maturities and revaluations of the sensitive balance sheet at 31 December 2016

(Thousands of euros)

	1 year	2 years	3 years	4 years	5 years	> 5 years	TOTAL
ASSETS							
Mortgage collateral	99,247,342	13,533,945	1,280,064	1,000,023	918,976	9,588,461	125,568,811
Other guarantees	51,325,994	3,024,802	1,772,221	858,281	761,066	2,659,598	60,401,962
Debt securities	7,246,814	522,214	4,064,468	2,473,386	3,851,800	4,189,484	22,348,166
Total assets	**157,820,150**	**17,080,961**	**7,116,753**	**4,331,690**	**5,531,842**	**16,437,543**	**208,318,939**
LIABILITIES							
Customer funds	110,801,175	14,348,576	6,641,697	6,051,597	6,128,048	30,123,556	174,094,649
Issuances	10,015,847	4,282,222	2,163,959	1,506,058	2,641,300	12,085,095	32,694,481
Money market, net	5,466,814	101,843	79,197	26,843,211	20,135	199,209	32,710,409
Total liabilities	**126,283,836**	**18,732,641**	**8,884,853**	**34,400,866**	**8,789,483**	**42,407,860**	**239,499,539**
Assets less liabilities	**31,536,314**	**(1,651,680)**	**(1,768,100)**	**(30,069,176)**	**(3,257,641)**	**(25,970,317)**	**(31,180,600)**
Hedges	**(4,450,735)**	**4,378,835**	**974,331**	**(716,919)**	**1,701,746**	**(1,887,258)**	**0**
Total difference	**27,085,579**	**2,727,155**	**(793,769)**	**(30,786,095)**	**(1,555,895)**	**(27,857,575)**	**(31,180,600)**

The sensitivity to interest rates – explained 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 (such as 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 products.

For other products, in order to define the assumptions for early termination, internal models that capture behavioural variables of customers, own products and seasonal variables are used, and that also consider macro-economic variables to ascertain the future operations of customers.

Interest rate risk in the banking book is subject to specific control and includes various risk measures, such as analysis of the sensitivity to interest rates of net interest income and the economic value of the balance sheet.

The sensitivity of net interest income shows the impact on the review of balance sheet transactions caused by changes in the interest rate curve. This sensitivity is determined by comparing a net interest income simulation, at one or two years, on the basis of 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, is compared with other scenarios of rising or falling interest rates and parallel and non-parallel movements in the slope of the curve. The one-year sensitivity of net interest income to sensitive balance sheet assets and liabilities, taking account of scenarios of rising and falling interest rates of 100 basis points each, is approximately +6.46% on the rising scenario and -2.35% on the falling scenario.

The sensitivity of equity to interest rates measures the effect of interest rate fluctuations on economic value. The one-year sensitivity of equity to sensitive balance sheet assets and liabilities, taking account of scenarios of rising and falling interest rates of 100 basis points each, is approximately +3.76% on the rising scenario and -1.25% on the falling scenario, compared to the economic value in the baseline scenario.

Given the current level of interest rates, it should be pointed out that the stress scenario of a 100bp fall does not imply the application of negative interest rates.

The sensitivities of net interest income and equity are measurements that complement each other and provide an overview of structural 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.

As a supplement to these measurements of sensitivity of equity, VaR measures are applied in accordance with treasury-specific methodology.

In accordance with current regulations, the CaixaBank Group does not avail itself of its own funds for the interest rate risk in the banking book undertaken, in view of the low risk profile of its balance sheet. The balance sheet interest rate risk assumed by the CaixaBank Group is substantially below levels considered significant (outliers) under current regulations.

CaixaBank continues to carry out a series of actions designed to strengthen the monitoring and management of balance sheet interest rate risk.

3.5.2 Currency risk in the banking book

CaixaBank has foreign currency assets and liabilities in its balance sheet as a result of its commercial activity, in addition to the foreign currency assets and liabilities deriving from the entity's measures to mitigate foreign currency. The equivalent euro value of all foreign currency assets and liabilities in CaixaBank's balance sheet at 31 December 2016 and 2015 is as follows:

(Thousands of euros)

	31.12.2016	31.12.2015
Foreign currency assets		
Cash and cash balances at central banks	1,244,140	784,511
Financial assets held for trading	1,797,646	887,446
Loans and receivables	*6,262,541*	4,949,625
Investments (1)	*17,741*	2,216,111
Other assets	*56,385*	16,954
Total foreign currency assets	**9,378,453**	**8,854,647**
Foreign currency liabilities		
Financial liabilities measured at amortised cost	5,560,452	7,952,032
Deposits	*5,256,794*	*7,627,579*
Central banks	*2,608,793*	*4,818,326*
Credit institutions	*272,257*	*540,634*
Customers	*2,375,744*	*2,268,619*
Debt securities issued	*241,092*	*233,149*
Other financial liabilities	62,566	91,304
Other liabilities	1,898,906	929,554
Total foreign currency liabilities	**7,459,358**	**8,881,586**

1) At 31 December 2015, there was exposure in Hong Kong dollars and Mexican pesos for its ownership interests in BEA and Inbursa, respectively (see Note 1 – "Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa")

The Executive Treasury and Capital Markets Division at CaixaBank is responsible for managing the foreign currency risk arising from balance sheet positions denominated in foreign currency, a task performed through the market risk hedging activity undertaken by the Treasury Area. Different financial instruments available on the market are used for this purpose. The hedging of foreign currency risk involves the arrangement of cash transactions such as active deposits or foreign currency liabilities, which are recognised in the entity's balance sheet. 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. The management approach aims to minimise assumed foreign currency risks, which explains why the CaixaBank Group is hardly or virtually not exposed to this type of market risk.

The remaining minor foreign currency positions are chiefly held with credit institutions in major currencies (e.g. dollars, sterling and Swiss francs). 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)

	31.12.2016	31.12.2015
Loans and receivables		
US dollar	66	63
Japanese yen	10	13
Pound sterling	8	8
Swiss franc	4	5
Polish zloty	4	3
Mexican peso	2	2
Moroccan dirham	1	2
Canadian dollar	2	1
Rest	3	3
Total loans and receivables	**100**	**100**
Investments		
Mexican peso (1)		33
Hong Kong dollar (1)		67
US dollar	68	
Brazilian real	32	
Total investments	**100**	**100**
Financial liabilities measured at amortised cost		
US dollar	77	76
Pound sterling	18	19
Rest	5	5
Total financial liabilities measured at amortised cost	**100**	**100**

1) At 31 December 2015, there was a position in Hong Kong dollars and Mexican pesos for the ownership interests in BEA and GF Inbursa, respectively (see Note 1 – "Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa")

3.6. Liquidity risk

3.6.1 Overview

The CaixaBank Group manages liquidity to maintain sufficient levels so that it can comfortably meet all its payment obligations on time and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the Risk Appetite Framework.

To achieve these objectives, it:

- Has a centralised liquidity management system that includes a segregation of duties to ensure optimum control and monitoring of risks.
- Maintains an efficient level of liquid funds to meet obligations assumed, fund business plans and comply with regulatory requirements.
- Actively manages liquidity; this entails continuous monitoring of liquid assets and the balance sheet structure.
- Considers sustainability and stability as core principles of its funding sources strategy, based on:
  - A fund structure that entails mainly customer deposits
  - Funding in capital markets to complement the funding structure

The CaixaBank Group's ALCO is in charge of managing, monitoring and controlling liquidity risk. To do so, it monitors, on a monthly basis, compliance with the Risk Appetite Framework (RAF), the Entity's long-term funding plan, trends in liquidity, expected gaps in the balance sheet structure, indicators and alerts to anticipate a liquidity crisis so that it can take corrective measures in accordance with the Liquidity Contingency Plan. It also analyses the potential liquidity levels under each of the hypothetical crisis scenarios, with different stress models integrated into management.

The ALM (Asset and Liability Management) Division, which reports to the Executive Finance Division, is responsible for management liquidity risk, ensuring that liquid assets are permanently available in the balance sheet, i.e. minimising the liquidity risk in the banking book inherent to banking business under the guidelines established by the ALCO.

The Balance Sheet Analysis and Monitoring Division, which reports to the Executive Finance Division, oversees the analysis and monitoring of liquidity risk. The analysis is performed under both normal or business-as-usual market situations and under stress situations.

On the basis of the analyses, a Contingency Plan has been drawn up and approved by the CaixaBank Board of Directors, defining an action plan for each of the crisis scenarios (systemic, specific and combined), with the measures to be taken on the commercial, institutional and disclosure level to deal with this kind of situation, including the possibility of using a number of stand-by reserves or extraordinary sources of finance.

Available liquid assets are under the operational control of the liquidity management function, which is the responsibility of the ALM. These include the liquid assets that ALM manages as part of its responsibility for managing balance sheet portfolios, and those managed by the Markets area, which oversees investment in fixed-income portfolios arising from the market making and trading activities.

In the event of a situation of stress, the liquid asset buffer will be managed with the sole objective of minimising liquidity risk.

3.6.2 Residual maturity periods

The detail, by contractual term to maturity of the balances of certain items on the CaixaBank balance sheets at 31 December 2016 and 2015, excluding in some cases valuation adjustments, in a scenario of normal market conditions, is as follows:

31.12.2016

(Millions of euros)

	Demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Assets							
Cash and cash balances at central banks	12,974						12,974
Financial assets held for trading – Derivatives		558	133	774	2,270	12,269	16,004
Financial assets held for trading – Debt securities		59	136	785	601	216	1,797
Available-for-sale financial assets – Debt securities		1,247	1,989	1,823	5,526	3,967	14,552
Loans and receivables	17,630	7,246	6,762	19,245	68,416	104,161	223,460
Loans and advances	*17,630*	*7,246*	*6,349*	*19,170*	*68,125*	*103,907*	*222,427*
Debt securities			*413*	*75*	*291*	*254*	*1,033*
Held-to-maturity investments				1,034	7,027	245	8,306
Derivatives – Hedge accounting		87	35	26	1,171	1,782	3,101
Total assets	**30,604**	**9,197**	**9,055**	**23,687**	**85,011**	**122,640**	**280,194**
Liabilities							
Financial liabilities held for trading – Derivatives		455	73	408	2,007	12,880	15,823
Financial liabilities measured at amortised cost	126,175	32,413	17,187	27,200	43,364	12,295	258,634
Deposits	125,858	29,835	15,002	25,348	34,020	626	230,689
Central banks		*1,309*	*896*	*1,044*	*26,819*		*30,068*
Credit institutions		*3,817*	*1,076*	*134*	*478*	*269*	*5,774*
Customers	*125,858*	*24,709*	*13,030*	*24,170*	*6,723*	*357*	*194,847*
Debt securities issued		2,016	1,108	1,423	9,344	11,314	25,205
Other financial liabilities	317	562	1,077	429		352	2,737
Derivatives – Hedge accounting		2	1	2	162	459	626
Total liabilities	**126,175**	**32,870**	**17,261**	**27,610**	**45,533**	**25,634**	**275,083**
Assets less liabilities	**(95,571)**	**(23,673)**	**(8,206)**	**(3,923)**	**39,478**	**97,006**	**5,111**

31.12.2015

(Millions of euros)

	Demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Assets							
Cash and cash balances at central banks	6,284						6,284
Financial assets held for trading – Derivatives		949	75	441	2,950	9,555	13,970
Financial assets held for trading – Debt securities		155	350	1,540	755	455	3,255
Available-for-sale financial assets – Debt securities		348	271	2,014	6,956	7,685	17,274
Loans and receivables	20,862	12,022	19,759	28,181	54,652	104,842	240,318
Loans and advances	*20,862*	*12,022*	*19,603*	*28,173*	*53,869*	*104,646*	*239,175*
Debt securities			*156*	*8*	*783*	*196*	*1,143*
Held-to-maturity investments		103		2,246	892	579	3,820
Derivatives – Hedge accounting		24	80	340	1,255	2,232	3,931
Total assets	**27,146**	**13,601**	**20,535**	**34,762**	**67,460**	**125,348**	**288,852**
Liabilities							
Financial liabilities held for trading – Derivatives		942	75	432	2,069	10,144	13,662
Financial liabilities measured at amortised cost	104,969	28,416	31,688	50,421	37,704	14,862	268,060
Deposits	104,336	27,254	27,894	47,025	26,177	3,038	235,724
Central banks		*643*	*3,672*	*1,099*	*18,320*		*23,734*
Credit institutions		*3,031*	*3,995*	*2,316*	*382*	*355*	*10,079*
Customers	*104,336*	*23,580*	*20,227*	*43,610*	*7,475*	*2,683*	*201,911*
Debt securities issued		837	3,113	2,355	11,527	11,628	29,460
Other financial liabilities	633	325	681	1,041		196	2,876
Derivatives – Hedge accounting		8		1	278	469	756
Total liabilities	**104,969**	**29,366**	**31,763**	**50,854**	**40,051**	**25,475**	**282,478**
Assets less liabilities	**(77,823)**	**(15,765)**	**(11,228)**	**(16,092)**	**27,409**	**99,873**	**6,374**

Bear in mind that the calculation of the gap in the total balance included in the previous tables projects transaction maturities according to their contractual and residual maturity, irrespective of any assumption that the assets and/or liabilities will be renewed. At a financial entity with a high degree of retail financing, assets have a longer average maturity than liabilities, which produces a negative gap in the short term. The tables also indicate a high degree of stability in customers' demand accounts. Meanwhile, given the current liquidity climate, the analysis must keep in mind the influence exerted on this calculation by maturities of repurchase agreements and of deposits obtained through guarantees pledged on the loan with the European Central Bank. In conclusion, a large portion of the liabilities is stable and others are very likely to be renewed, while 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. In addition, the Group has access to liquid assets allowing it to immediately obtain liquidity. Also worth noting is the fact that the calculation does not consider growth assumptions, and consequently disregards internal strategies for raising net liquidity, which are especially important in the retail market.

For the insurance business, liquidity that emerges from commitments (liabilities) arising from insurance contracts, mainly life savings insurance, sold by the CaixaBank Group through VidaCaixa, 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 consolidated 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 not presented in the matrix of maturities.

Detailed below are the maturities of VidaCaixa's portfolio by carrying amounts after eliminating balances held with Group companies. In addition, Note 3.3.5 details the Insurance Group's sovereign risk maturities.

Maturities of the insurance group's portfolio of financial assets

(Thousands of euros)

	31.12.2016	31.12.2015
Less than 1 month	684,954	285,153
Between 1 and 3 months	183,509	200,230
Between 3 and 12 months	1,160,155	1,248,781
Between 1 and 5 years	5,890,890	5,301,285
Over 5 years	39,287,493	34,925,667
Total	**47,207,001**	**41,961,116**

Financial instruments that include accelerated repayment terms

At 31 December 2016, CaixaBank had instruments containing terms that could trigger accelerated repayment if one or more of the events set out in the agreements occurred. The balance of transactions including accelerated repayment terms stood at EUR 699.7 million, with the entire amount related to transactions in which downgrades in credit rating could trigger accelerated repayment. Details of these operations, by nature of the agreement, are as follows:

Instruments with accelerated repayment terms

(Thousands of euros)

	31.12.2016	31.12.2015
Loans received (1)	699,692	999,692

(1) These loans are recognised under "Financial liabilities measured at amortised cost – Deposits from credit institutions" (see Note 23.1).

In addition, master agreements with financial counterparties for trading in derivatives (CSA agreements) had a balance of EUR 36 million at 31 December 2016 subject to accelerated repayment terms.

3.6.3 Composition of liquid assets, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio)

The following table presents a breakdown of the CaixaBank Group's liquid assets at 31 December 2016 and 2015 based on the criteria established for determining High Quality Liquid Assets (HQLA) to calculate the LCR:

Liquid assets (1)

(Thousands of euros)

	31.12.2016		31.12.2015	
	Market value	Applicable weighted amount	Market value	Applicable weighted amount
Level 1 assets	34,231,671	34,231,671	39,653,030	39,652,967
Level 2A assets	80,962	68,818	77,945	66,253
Level 2B assets	4,629,488	2,669,560	3,778,867	2,030,134
Total liquid assets	**38,942,121**	**36,970,049**	**43,509,842**	**41,749,354**

(1) Criteria established to determine the LCR (liquidity coverage ratio)

Banking liquidity, as shown by high quality liquid assets (HQLA) used to calculate the LCR in addition to the balance that can be drawn on the credit facility with the European Central Bank that does not comprise the aforementioned assets, amounted to EUR 50,408 million and EUR 62,705 million at 31 December 2016 and 2015, respectively.

The LCR, which came into force on 1 October 2015, has been complied with since 1 January 2016, with a ratio of 70%. This involves maintaining an adequate level of high-quality liquid assets (HQLA) available to meet liquidity needs for a 30 calendar day stress scenario which considers a combined financial sector-wide and entity-specific crisis. The regulatory limit established is 70% from 1 January 2016, rising to 80% from 1 January 2017 and 100% from 1 January 2018. The data for this ratio for the CaixaBank Group are:

LCR (*)

(Thousands of euros)

	31.12.2016	31.12.2015
High quality liquid assets (numerator)	36,970,049	41,749,353
Total net cash outflows (denominator)	23,116,298	24,253,890
Cash outflows	28,322,907	28,293,577
Cash inflows	5,206,609	4,039,687
LCR (%)	**160%**	**172%**

(*) 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.

In 2016, the LCR held steady above 130%, which is the target in the Strategic Plan. Accordingly, it was above the regulatory limit applicable in 2016 (70%) and the requirement from 2018 (100%).

Regarding the NSFR (Net Stable Funding Ratio), the definition was approved by the Basel Committee in October of 2014. In November 2016, the European Union, 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 pending.

Regarding this ratio, the large weight of (more stable) customer deposits on CaixaBank's funding structure and limited use of wholesale markets for short-term funding results in a balanced funding structure. Indeed, the NSFR ratio remained about 100% in 2016, even though this is not required until January 2018.

3.6.4 Liquidity strategy

The liquidity risk strategy and appetite for liquidity risk and financing involves:

a. identifying significant liquidity risks for the Entity;
b. formulating the strategic principles the Group must observe when managing each of these risks;
c. defining significant metrics for each risk;
d. setting appetite, alert, tolerance and, as the case may be, stress levels within the Risk Appetite Framework (RAF);
e. establishing management and control procedures for each of the risks, including mechanisms of systematic internal and external reporting;
f. 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
g. a Recovery Planning framework, in which scenarios and measures are devised for stress conditions.

The liquidity strategy can be summarised as follows:

a. general liquidity strategy: maintaining liquidity levels within the Risk Appetite Framework (RAF) so that payment obligations can comfortably be met on time and without harming investment activity owing to a lack of lendable funds.

b. specific strategy: there are specific strategies for the following areas:
    - management of intraday liquidity risk
    - management of short-term liquidity risk
    - management of sources of financing
    - management of liquid assets
    - management of collateralised assets

c. liquidity management strategy under crisis conditions, which pursues three main objectives:
    - early detection of a possible liquidity crisis
    - minimisation of negative impact on the initial liquidity position in a crisis situation
    - liquidity management focused on overcoming potential crisis in liquidity

CaixaBank, as part of this approach to managing liquidity risk and to allow it to anticipate potential needs for lendable funds, has various mechanisms in place to afford it access to the market and expedite the financing process. These are:

a. securities placement programmes registered at the CNMV so as to expedite the formalisation of securities issuances on the market.
b. authority from the Annual General Meeting to issue securities.

c. 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)

d. CaixaBank has several lines in effect with:
    - The Spanish Instituto de Crédito Oficial (ICO) in order to facilitate lending facilities offered by the Institute under its intermediation credit line.
    - The European Investment Bank (EIB) and the Council of Europe Development Bank (CEB).

e. public sector covered bond issuance capacity.

f. financing instruments with the European Central Bank for which a number of guarantees have been posted to ensure that high liquidity can be obtained immediately.

g. the Group's Liquidity 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.

Financing obtained from the European Central Bank through various monetary policy instruments was EUR 26,819 million at 31 December 2016, compared to EUR 18,319 million at 31 December 2015. The amount at 31 December 2016 relates to the extraordinary liquidity auctions, known as TLTRO II (Targeted Longer-Term Refinancing Operations II) maturing in 2020 (a balance of EUR 24,319 million in June and EUR 2,500 million in December), while the balance drawn down at 31 December 2015 corresponded to the TLTRO extraordinary auctions (maturity in September 2018). In 2016, TLTRO was replaced by TLTRO II with a longer maturity and better financing terms and conditions, and the position taken was increased by EUR 8,500 million.

The scope of the CaixaBank Group’s issuance programme at 31 December 2016 is shown in the tables below:

Debt issuance capacity

(Thousands of euros)

	Total issuance capacity	Nominal used at 31.12.2016
Promissory notes programme (1)	3,000,000	24,775
Fixed-income programme (2)	15,000,000	4,024,600
EMTN (Euro Medium Term Note) programme (3)	10,000,000	0

(1) Promissory notes programme registered with the CNMV on 14.7.2016.

(2) Base prospectus for non-participating securities registered with the CNMV on 21.7.2016.

(3) Registered with the Irish Stock Exchange on 13.6.2016

Covered bond issuance capacity

(Thousands of euros)

	31.12.2016	31.12.2015
Mortgage covered bond issuance capacity	4,000,171	2,799,489
Public sector covered bond issuance capacity	1,493,769	1,206,060

Wholesale financing maturities (net of own securities acquired) are as follows:

Wholesale financing maturities (net of own securities acquired)
(Thousands of euros)

	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Promissory notes	0	0	0	0	0	0
Mortgage covered bonds	1,959,550	1,323,900	608,000	10,279,039	8,831,090	23,001,579
Public sector covered bonds	0	0	0	87,800	0	87,800
Senior debt	0	0	871,400	780,019	103,519	1,754,939
Subordinated debt and preference shares	0	0	0	0	793,056	793,056
Convertible bonds	0	0	0	0	0	0
Total wholesale issuance maturities	**1,959,550**	**1,323,900**	**1,479,400**	**11,146,859**	**9,727,665**	**25,637,374**

The Group's financing policies take into account a balanced distribution of issue maturities, preventing concentrations and diversifying financing instruments. In addition, its reliance on wholesale markets is limited.

3.7. Operational risk

3.7.1 Introduction

Operational risk is defined as: "The risk of loss arising from inadequate or failed internal processes, people and systems or from external events". Operational risk includes legal and regulatory risk, but excludes strategic, reputational and business risk. Operational risk management addresses losses relating to credit risk or market risk triggered by operational risk.

The overall objective is to improve 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 that form the basis for the organisation and working methodology applicable to managing operational risk. These objectives are:

- 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 structure of existing controls.
- to exploit operational risk management synergies at the Group level.
- 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.

3.7.2 Corporate governance

Overall control and oversight of operational risk is carried out by the Executive Global Risk Management Division, which materialises the independence functions required by the Basel Committee on Banking Supervision. Its responsibilities include the control and oversight of operational risk.

Business areas and Group companies: responsible for the daily management of operational risk within their respective areas. This implies identifying, assessing, managing, controlling and reporting the operational risks of their activity and helping the Operational Risk Division to implement the management model. This division is part of the Global Risk Management Information Department, which reports to the Corporate Risk Models and Policies Division, which in turn reports to the Executive Global Risk Management Division.

The Corporate Business Control Division is the specific control unit of the General Business Division and oversees monitoring of the control environment in the first line of defence. The Operational Risk Division is responsible for defining, standardising, and implementing the model for the management, measurement and control of operational risk. It also provides back-up to areas and consolidates information on operational risk throughout the Group for the purposes of reporting to Senior Management and to the risk management committees involved.

The Risk Models Validation area is in charge of validating the international operational risk model if an internal approach to quantifying capital is available.

According to the 3 lines of defence model implemented in CaixaBank, Internal Audit is the third line of defence. It oversees the activities of the first and second lines, providing support to Senior Management and the governance bodies so as to provide reasonable certainty with regard to, *inter alia*, regulatory compliance and the appropriate application of the internal policies and regulations regarding operational risk management.

3.7.3 Operational risk cycle

There was a joint effort in 2016 to further integrate operational risk management, provide training across all levels of the organisation, and prepare for the introduction of the future Standardised Measurement Approach (SMA) for calculating regulatory capital.

Although the method used to calculate regulatory capital is the standard method, the operational risk measurement and management model used by the Group is designed to support management with risk-sensitive approaches, in line with market best practices. The two main objectives are as follows: To establish an operational risk model based on policies, processes, tools and methodologies that improve operational risk management in the companies; and to help ultimately to reduce operational risk.

The operational risk model has two main pillars to achieve these two objectives:

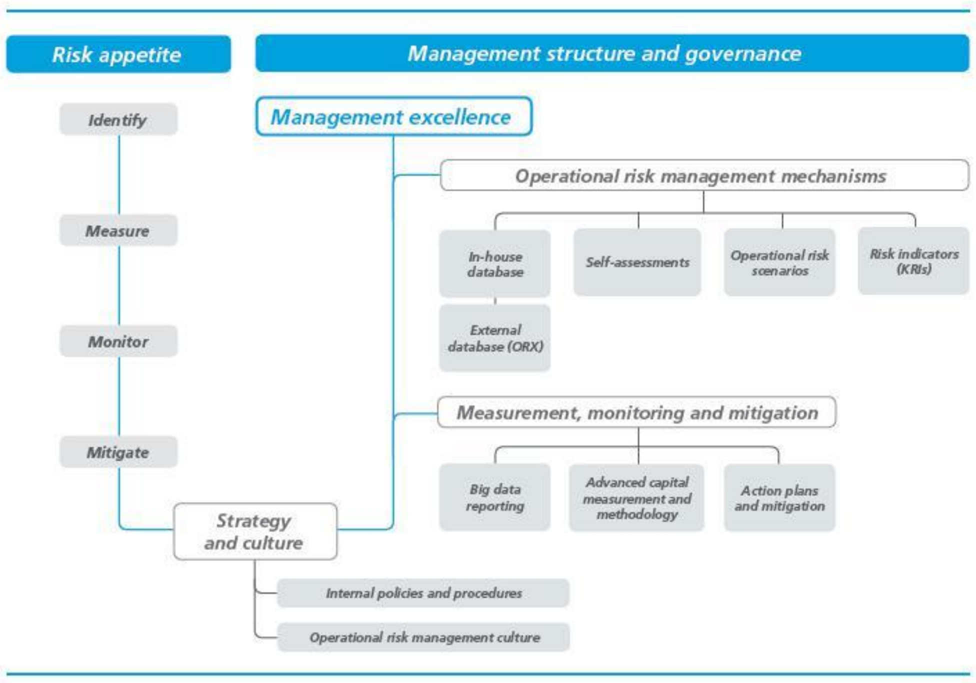
Operational Risk Management Framework (ORMF)

This is the Governance Framework and Management Structure for the operational risk model set out in the Operational Risk Management Framework and the documents implementing it. This structure defines the Operational Risk Measurement System, based on the policies, procedures and processes used to manage operational risk, in line with the Group's general risk policies.

Operational Risk Measurement System (ORMS)

This is defined as the system, processes and data the Bank uses to measure its operational risk. It is a system that integrates operational risk management into the Group's day-to-day activities, and is based on the combination and interaction of qualitative and quantitative methodologies.

The current operational risk model has the following structure:



The methodologies implemented through operational risk management mechanisms and the measurement, monitoring and mitigation tools and procedures form part of the set of basic operational risk identification, measurement and evaluation tools, representing best practice in the sector.

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.

The main system is supported by an integrated tool, which has been customised to the Bank's needs. This component provides most of the functionality required for day-to-day operational risk management. More than 400 users have access to it.

The tool is fed by multiple data sources from the transactional systems (of the Bank itself and some CaixaBank Group companies) on a daily basis to capture key events, losses and operational risk indicators; it also offers interfaces for updating the organisational structure and the other firms in the data model.

All risk self-assessment processes, loss enrichments, KRI management, identification of weaknesses, action plans, etc. are carried out through work flows managed and controlled by the product itself, keeping the persons responsible for pending tasks up-to-date with what is happening.

The system also generates automatic interfaces to report losses to the international Operational Risk data eXchange (ORX).

Finally, it is also important to note the integration with the bank's information system: multiple interfaces have been designed for downloading all information from the system and uploading into the Big Data environment to provide an analytical environment.

3.7.4 Operational risk management levers

The main operational risk management levers illustrated in previous diagram are discussed below.

Qualitative measurement. Self-assessments of operational risks

The qualitative measurement of operational risk is based on the operational risk self-assessment methodology. This methodology provides more knowledge of the operational risk profile, improves interaction with the centres involved in the management of the operational risk and effectively integrates the management of operational risks.

The operational risk internal assessment (over 600 risks) was updated in 2016, accompanied by a training campaign specifically for the contact persons involved and designed to reduce gaps found in the backtest on completion of the 2015 campaign.

Quantitative measurement. Internal Operational Risk Database

Quantitative techniques based on internal operational loss data provide one of the foundations for measuring operational risk in both the Group's operational risk management and the calculation of operational risk using internal models.

The operational event is the most important and central concept in the Internal Database model.

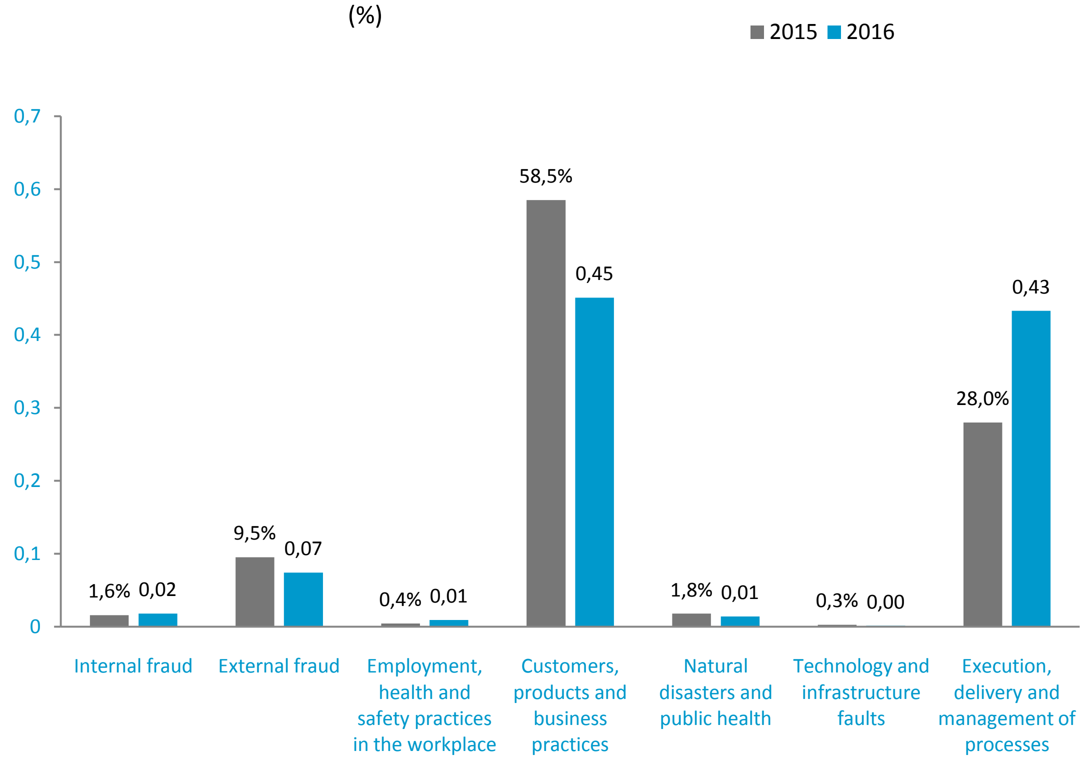
An operational event is defined as an event in which an identified operational risk is materialised. The concept of effect is derived from -and closely related to- the concept of event which, in turn, is defined as each individual economic impact related to an operational loss or recovery resulting from an operational event.

Therefore, an operational event may result in one, several or no operational effects, which may in turn be identified in one or several areas.

The distribution of gross operational losses in 2016 and 2015 is shown in the following chart:

Distribution of gross losses by operational risk category

(%)



Quantitative measurement. External Database

The implementation of quantitative methodology based on operational loss data complements historic internal information on operating losses.

The CaixaBank Group has signed up to the ORX (Operational Riskdata eXchange) consortium, which provides information on operating losses for banks worldwide, to implement a quantitative methodology.

The ORX consortium groups banks by geographic areas, dividing these into subgroups to provide more useful and realistic information.

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, ORX permits the use of other services provided by the consortium, which are designed to manage operational risk: ORX News service, working group on operational risk scenarios, methodological initiatives on internal models, etc.

Qualitative measurement. Operational risk scenarios

One of the foundations of the management of operational risk is identification through qualitative techniques. To this end, it has implemented a methodology for generating operational risk scenarios that allows it to:

- obtain greater knowledge of the operational risk profile.
- improve the level of interaction with areas involved in managing operational risk.
- effectively integrate operational risk management.

The scenario generation process is a qualitative, recurring process carried out annually. It entails a series of workshops and meetings with experts to generate operational risk scenarios for use in the own funds calculation methodology by internal models to detect areas of improvement.

The scenario generation process involves five recurrent stages: scope setting, scenario identification, scenario workshops, determination of scenarios, and monitoring and reporting.

The extreme operational loss scenarios were updated for the third time in 2016, making further efforts to detect drivers for quantifying losses and probability of occurrence, and providing experts with new proposals for scenarios obtained from the ORX scenario library.

Operational risk indicators (KRIs)

Application of operational risk indicators (KRIs) is one of the main qualitative/quantitative operational risk measurement methodologies. These:

- enable us to anticipate the development of operational risks, taking a forward-looking approach to their management.
- provide information on development of the operational risk profile and the reasons for this.

A KRI is a metric, index or measure that detects and anticipates changes in operational risk levels. 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.

The KRI methodology is supported by the corporate management tool.

Over 400 KRIs were studied during 2016, specifically to assess their suitability, predictive capability, usefulness for managing operational risk, and importance in global monitoring.

Moreover, as part of the set of operational risk metrics in the RAF (risk appetite framework), two new level 2 indicators were started, one for conduct risk and one for IT risk.

3.7.5 Action and mitigation plans

The generation of action and mitigation plans is one of the links in the operational risk management chain. To this end, it has implemented an action and mitigation plan methodology that allows it to:

- effectively mitigate operational risks by reducing the likelihood of them occurring and cushioning the impact if they do arise, or both at the same time.
- have in place a solid control structure based on policies, methodologies, processes and systems.
- effectively integrate operational risk management.

The action and mitigation plans may originate from any of the operational risk management tools or other sources: self-evaluations, scenarios, external sources (ORX, specialist press), KRIs, losses on operational events, and internal audit and internal validation reports.

Standard action plan content entails appointing a centre to be in charge, and setting out the actions to be undertaken to mitigate the risk covered by the plan, the percentage or degree of progress, which is updated regularly, and the final commitment date.

Risk transfer (insurance)

The corporate insurance programme for dealing with operational risk is designed to cover and counterbalance certain risks, and, therefore, mitigate their impact. Risk transfer depends on risk exposure, tolerance and appetite at any given time.

Each year, an action plan is drawn up for the risk and insurance management system. The plan is predicated on the review and update of the risk management system, the identification and assessment of operational and calamity risks, the analysis of risk tolerance, and the reduction of the total cost of risk (retention + transfer). The enables risk management and coverage to be integrated and streamlined as efficiently as possible, at the lowest cost possible, and with optimal security in accordance with the defined standards.

3.7.6 Business continuity plan

Business continuity refers to the capability of an organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident. In other words, this means planning how to react to an expected or unexpected event or to the possibility of an event materialising.

Business continuity management is a holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause. 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.

Business continuity is another factor to consider in assessing our daily performance, and conceiving and modifying business processes.

Ingraining business continuity in a company's culture allows for the continuous improvement of the organisation, ensuring that it can recover for actual and future incidents.

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.

The Business Continuity Plan forms part of the Group's Business Continuity Management System.

The methodology according to the ISO 22301:2012 standard consists of a management system involving a cyclical planning, adoption, review and improvement process for the Group's business continuity procedures and activities that ensures it can deliver the objectives set by management.

The Group's Business Continuity Plan has four main elements:

- a specific plan for Central Services;
- a specific plan for the regional network;
- a specific plan for international banking; and
- specific plans for Group companies.

CaixaBank was designated a critical infrastructure operator under the provisions of Act 8/2011, on the protection of critical infrastructure. The National Centre for the Protection of Critical Infrastructure is responsible for promoting, coordinating and supervising all activities delegated to the Interior Ministry's Security Secretariat.

3.7.7 Technology contingency plan, emergency plans and security measures

Technological contingency plan

To correctly manage and control technological infrastructure, a technology contingency governance framework must be in place. Technology infrastructure is essential to guarantee the continuity of the Bank's operations.

The governance framework is based on the international ISO 27031:2011 standard.

This governance framework ensures compliance with the recommendations of regulators (e.g. Bank of Spain, ECB) and shows customers, regulators and other stakeholders:

- CaixaBank's commitment to technology contingency.
- The implementation and operation of a technology contingency management system in accordance with an internationally renowned standard.
- Best practices in technology contingency management.
- The existence of a process based on continuous improvement.

The result is a regulatory body for technology contingency governance, audited by Ernst & Young, which issued a certificate of Certified ISO 27031.

Emergency plans and security measures

There are several internal regulations on security measures in the different areas of the Entity, in addition to a general Emergency Plan.

- Security in central offices
- Information security
- Personal data processing and confidentiality

Moreover, efforts are put into developing and continuously improving protection and defence capabilities on the organisational, compliance and IT fronts by designing and carrying out projects pooled together in security programmes (169 projects in 22 programmes for 2016). The main lines established are:

- Cybersecurity strategy:
    - Adaptation of the cybersecurity strategy to the constant changes required by the complicated global cybercrime scene, resulting in an innovative strategy aligned with best practices and standards in the market.
    - The Group has a team of IT security specialists working daily to ensure it has the best tools for combating cybercrime, backed by a team of cybersecurity specialists (Cyber Security Response Team), which is trained and ready 24/7 to address the most advanced threats. The importance of cybersecurity at present and its relationship with operational and reputational risk management pose a huge responsibility for the organisation as a whole. Therefore, the Group encourages informing and raising awareness about information security among everyone related to the Bank (employees, customers, collaborators) as a core element of its cybersecurity strategy, raising knowledge and applying best practices.

- Customer fraud: Improved controls to fight customer fraud, with tools that can detect and protect, at source, increasingly sophisticated banking malware bearing in mind the new digital banking models.

- Internal fraud: Prevention of information, money or identity theft by in-house staff.

- Information protection: Further efforts in encryption and verification of compliance with security requirements in the outsourcing of services.

- Security awareness raising: Making employees aware of security, as a key to reinforcing security at CaixaBank, group companies and suppliers.

- Security governance: Compliance with new regulatory requirements and continuous review of controls implemented.
- Supplier security: Review and implementation of actions to achieve the level of security required by the Group of its service providers.

3.8. Compliance risk

Compliance risk is defined as risk arising from deficient procedures that generate actions or omissions that are not aligned with the legal, regulatory framework, or with the internal codes and rules, and which could result in administrative sanctions or reputational damage.

The CaixaBank Group's objective is to minimise the probability of occurrence of compliance risk and, if it occurs, to detect, report and address the weaknesses promptly.

The management of regulatory compliance risk is not limited to any specific area, but rather the entire CaixaBank Group. All employees must ensure compliance with prevailing regulations, applying procedures that capture regulations in their activity.

In order to manage compliance risk, the management and governing bodies encourages the dissemination and promotion of the values and principles set out in the Code of Business Conduct and Ethics, and its members, as well as other employees and Senior Management must ensure their compliance as a core criteria guiding their day-to-day activities. Therefore, as the first line of defence, the areas whose business is subject to compliance risk implement and manage a first level of indicators and controls to detect potential sources of risk and act effectively to mitigate them. As a second line of defence, the Regulatory Compliance Area reviews internal procedures to verify that they are up-to-date and, as appropriate, to identify situations of risk, in which case it calls upon the affected areas to develop and implement the improvement actions necessary.

3.9. Reputational risk

Reputational risk is the risk of loss of competitiveness due to the loss of trust in the CaixaBank Group 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.

The CaixaBank Group's Corporate Social Responsibility and Corporate Reputation Area, under the supervision of the CaixaBank Corporate Responsibility and Corporate Reputation Committee, is entrusted with monitoring any reputational risk which, should it arise, could adversely affect the CaixaBank Group's reputation.

The responsibilities of the Group's Corporate Responsibility and Reputation Committee, composed of areas whose management has the greatest impact on reputation, include analysing the risks that may affect the Entity's reputation and proposing actions to manage the risks detected.

The Committee reports on the monitoring of reputational risks to the Board Risk Committee through the Global Risk Committee. It also reports to the Board Appointments Committee, whose functions include the duty to: "Supervise the activities of the organisation in relation to corporate social responsibility issues and submit to the Board those proposals it deems appropriate in this matter".

Reputational Risk Map

One of the main tools used to manage and mitigate risks that may potentially affect the Group's reputation is the Reputational Risk Map, which identifies the risks with the greatest potential impact on its reputation and ranks them by criticality based on the potential damage to reputation and the degree of coverage of preventative policies. Indicators are established for the most relevant risks to allow for periodic monitoring of the effectiveness of the preventive measures implemented. These indicators are integrated in a scorecard and periodically presented to CaixaBank's Corporate Responsibility and Reputation Committee.

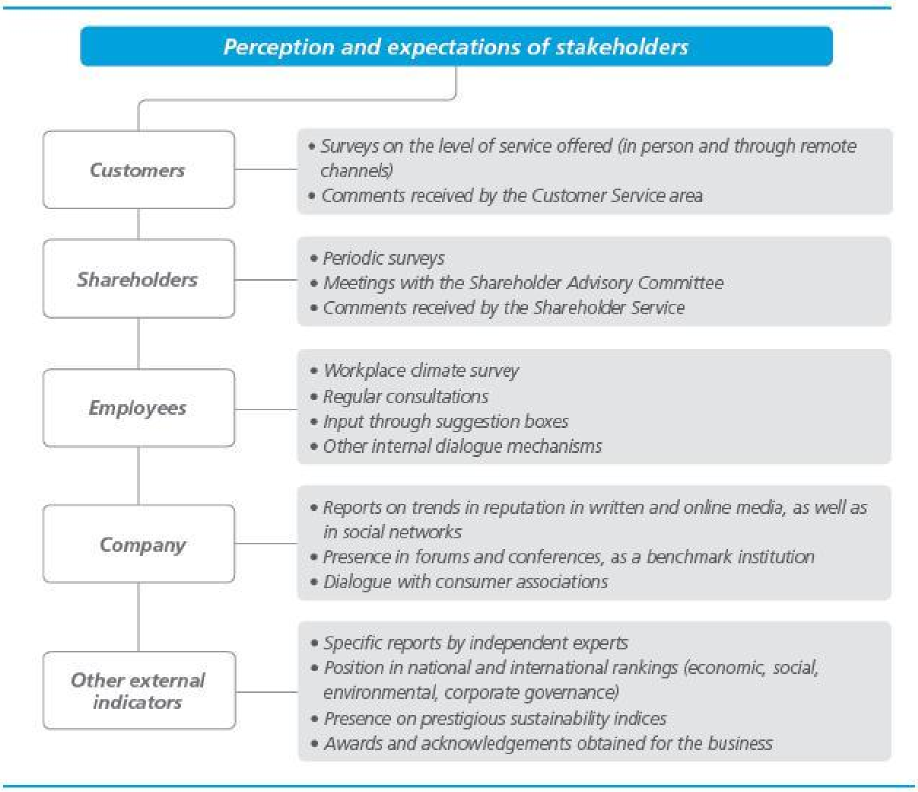
For 2017, a review and, as appropriate, an update of the risk map and its measurement indicators is planned for 2017 to adapt them to changes in the environment, as well as internal changes in the organisation.

Reputation scorecard

The Group's reputation is measured using the Reputation Scorecard, which includes various internal and external indicators on the Entity's reputation. The scorecard sets out who the Group's stakeholders are and key reputational values, weighting them according to their importance to the Entity. This measurement provides a Global Reputation Index: a global metric enabling data to be compared over time and benchmarked against peers.

New indicators were added to the scorecard in 2016 to reinforce the multistakeholder view of the reputation index. A tool was also developed to calculate, analyse and internally monitor the results of the global reputation indicator.

The CaixaBank Group also has several tools and initiatives in place to measure its reputation among the different stakeholder groups:



Key highlights in the management of reputation in 2016

In 2016, the Board approved the policy on defence, which sets out the criteria guiding CaixaBank with respect to this industry. Implementation of the policy will be completed over the course of 2017.

Another highlight in 2016 was the adherence of CaixaBank Asset Management, CaixaBank's fund management company, to the United Nations Principles for Responsible Investment (PRI), marking progress in the consideration of social, environmental and corporate governance issues in the company's investment decisions.

Actions carried out in 2016 to reinforce aspects where reputation could be threatened included maintaining contact with consumer associations and activating a protocol to explain the issues customers and society are most concerned about (e.g. floor clauses, ATM fees for non-customers) and disseminate the Mortgage Customer Service Policy and other services CaixaBank offers its customers (e.g. assistance plans, subsidised housing).

The Corporate Responsibility and Reputation Committee launched a review of the protocol governing relations with politically exposed persons.

All forms of media were targeted intensely to disseminate CaixaBank's main achievements. The Group's presence on social media was also ramped up. In both cases, news and mentions of the Entity regarding the main reputational attributes were monitored continuously.

3.10. Actuarial risk and risk relating to the insurance business

3.10.1 Overview

In general, risk of the insurance business is managed in accordance with Spanish insurance law. In particular, as per Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance entities ("LOSSEAR" for its initials in Spanish) and Royal Decree-Law 1060/2015, of 20 November, on the regulation, supervision and solvency of insurance and reinsurance entities ("ROSSEAR" for its initials in Spanish) and other Directorate-General of Insurance and Pension Funds ("DGSFP" for its initials in Spanish) provisions.

This regulation establishes, *inter alia*, the framework for managing the credit and liquidity risk of the insurance business, determining credit quality and the level of diversification. 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.

In particular, Note 3.3.4 provides information relating to the credit risk associated with financial assets acquired to manage the commitments arising from the insurance contracts. Note 3.3.5 provides additional quantitative information regarding credit ratings based on Standard&Poor's rating scale. Note 3.3.5 also describes the Group's policies regarding exposure to sovereign risk. The quantitative information on the exposure of the insurance activity in sovereign debt is also detailed by portfolio, country and residual maturity. Note 3.4 includes information on liquidity risk in the insurance activity.

The insurance business is exposed to subscription or actuarial risk.

According to the EC Solvency II Directive, underwriting or actuarial risk reflects the risk relating to underwriting life and non-life insurance contracts, attending to claims covered and the processes deployed in the exercise of this activity, with the following breakdown.

- 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.

Therefore, in the life insurance business, the main variables determining actuarial risk are mortality, survival, disability, lapse and expense rates, while the key variable in the other business lines is the claims rate.

3.10.2 Actuarial risk cycle

Actuarial risk management is guided by the regulations established by Solvency II (European Union – EIOPA) and the Directorate-General of Insurance and Pension Funds (DGSFP). The policies are based on these regulations. This entails monitoring technical trends in products, which fundamentally depend on the actuarial factors indicated previously.

This stable, long-term management is reflected in the actuarial risk management policies:

The policies have been updated and are as follows:

- Underwriting and provision of reserves: for each line of business, various parameters are identified 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.

- Reinsurance: 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.

These policies have been updated and approved by the VidaCaixa Global Risk Committee, the VidaCaixa Board, and the CaixaBank Global Risk Committee.

Insurance companies assume risk towards policyholders and mitigate these risks by taking out insurance with reinsurance companies. 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.

Handling claims and ensuring the adequacy of the provisions are basic principles of insurance management. The definition and follow-up of the aforementioned policies enables them to be changed, if required, to adapt risks to the Group's global strategy.

3.10.3 Tools

Technical provisions are estimated using specific procedures and tools and are quantified and tested for adequacy on an individual policy basis.

Technological support

The Group operates in an environment of highly-mechanised processes and integrated systems. All 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.

Under the framework of these integrated and automated systems, there are also a number of applications that perform management support duties, including the treatment and preparation of reporting and risk management information. 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.

Reports drafted

As indicated previously, technical monitoring of products allows for monitoring and control of the Group's actuarial risk.

The position and control of the Insurance Group's risks are monitored regularly by VicaCaixa's Management, Investment and Global Risk Committee and CaixaBank's Global Risk Committee and ALCO.

Solvency II

Directive 2009/138/EC, of the European Parliament and of the Council, of 25 November 2009, on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), came into effect on 1 January 2016. This Directive is complemented by Directive 2014/51/EU, of the European Parliament and of the Council, of 16 April 2014 (also known as Omnibus).

The Directive was transposed into Spanish law through Act 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance entities (LOSSEAR), and Royal Decree 1060/2015, of 20 November (ROSSEAR).

The Solvency II Directive was developed through Commission Delegated Regulation (EU) 2015/35, of 10 October 2014, completing the Solvency II Directive, which is directly applicable.

The Solvency Directive is also completed by two types of regulations: technical standards approved by the European Commission (ITS), which are directly applicable, and the EIOPA guidelines. Through a resolution of 18 December 2015), the DGSFP adopted the recommendations set out in the EIOPA guidelines.

In order to comply with the new regulations, the Insurance Group has been making adaptations in recent years, working actively on implementing Solvency II since the project began, participating in insurance sector working groups and in quantitative and qualitative impact studies conducted by the supervisors, making the necessary adaptations and improvements to its systems and operation.

The Solvency II opening balance sheet and definitive periodic quarterly QRTs (Quantitative Reporting Templates) were sent to the supervisor in 2016. The first ORSA (Own Risk and Solvency Assessment) in the final phase of Solvency II was also sent to the supervisor.

3.11. Legal and regulatory risk

Legal and regulatory risk is defined as the probability of losses or decrease in the CaixaBank Group's profitability as a result of changes to the regulatory framework or unfavourable court rulings. It includes two risks types:

(i) risks arising from legislative or regulatory changes; i.e. from amendments to the general legal framework or to specific sector regulations (banking, insurance, and asset management) that cause a loss or decrease in the Group's profitability.

(ii) risk arising from judicial or administrative claims; i.e. claims by public administrations, customers, investors, suppliers or employees alleging non-compliance or illegal actions, violation of contractual clauses, or a lack of transparency in the products marketed by the Group.

Aware of the influence that the regulatory framework can have on the Entity's activities and its potential impact on its long-term sustainability, the CaixaBank Group regularly monitors all regulatory changes. Senior Management, especially through the Regulation Committee set up as an offshoot of the Management Committee, carefully considers the transcendence and scope of new regulatory measures.

The Regulation Division, which belongs to the Legal Advisory Area, is tasked with continuously monitoring regulatory changes and handling regulatory alerts, in coordination with the different areas.

The regulatory agenda continued to advance considerably in 2016. In addition to further developments in the prudential framework and crisis management, regulation also increased in terms of customer and investor protection. Among others, the Entity participated in:

- Basel Committee consultative processes over revisions to its proposals for the standardised approach (SA) for capital charges for credit, market and operational risks.
- Consultative processes on crisis management, by contributing to the ECB's consultation on the interim report for the European Commission (EC) on the future proposed legislation on application of Total Loss-Absorbing Capacity (TLAC) in the EU and the review of the Minimum Requirement of Eligible Liabilities (MREL).
- Monitoring of international accounting standards, specifically the interaction of IFRS 9 *Financial Instruments* and IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* (see Note 1).
- Monitoring of European Securities and Markets Authority (ESMA) and European Commission developments of the Directive on markets in financial instruments ("MIFID II") and the Regulation on financial markets amending Regulation 648/2012 EMIR ("MIFIR").
- The review of EBA consultations on regulatory developments of the Directive on Payment Services (PSD2), in particular on strong customer authentication and secure communication.
- Monitoring of the inclusion of various European Directives in Spanish regulations, specifically the Draft Law governing real estate loan contracts.

In addition, the Entity worked actively on implementing the various rules and decisions taken by the Supreme Court:

- Regulation (EU) No. 1286/2014 on key information documents for Packaged Retail and Insurance-based Investment Products (PRIIPs).
- Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II).
- Law 5/2015, of 27 April, on the promotion of business financing. Impact assessment and implementation.
- Law 3/2016, of 9 June, of the Andalusian Parliament on the protection of consumer and user rights in arranging home mortgage loans and credits. Impact assessment and implementation.
- Implementation of Supreme Court verdicts on abusive clauses and usury interest rates in consumer loan transactions contained in: Supreme Court Ruling STS 23/12/2015 on the distribution of mortgage arrangement expenses; STS 25/11/2015 declaring ordinary interest on consumer financing that is more than double the market rate as usury; STS 3/6/2016 declaring late-payment interest on consumer mortgages in excess of 2 points above the agreed-upon ordinary interest rate as abusive.
- Implementation of the Dodd-Frank Act for trading in derivatives in the US as Financial End User.

Further, the importance extended to the regulatory framework for **tax risk management** in Spain and abroad, in addition to the growing interest of stakeholders and society in general in corporate tax management, led the Tax Division, in coordination with the corresponding business areas, to continue rolling out a series of measures in 2016 to improve tax risk management and the effectiveness of the control measures in place. These include:

- Approval by the CaixaBank Board of Directors in 2016 of the Group's Tax Risk Control and Management Policy as the last key component in the CaixaBank Group's tax governance after preliminary approval in 2015 of CaixaBank's adherence to the Code of Best Tax Practices and the approval of the CaixaBank Group's Fiscal Strategy.

- In 2016, CaixaBank continued with the recurring review and update of the standard procedures in place, and began implementing new solutions for data management and automated processing in compliance with existing tax obligations and new tax obligations that must be addressed in 2017.

3.12. Capital adequacy

As stated in the Risk Appetite Framework, the CaixaBank Group has set an objective of maintaining a medium-low risk profile and a comfortable level of capital to strengthen its position as one of the healthiest entities in the European banking market.

Capital adequacy to cover eventual unexpected losses is measured from two different perspectives and using different methodologies: regulatory capital and economic capital.

In general, the banking sector mainly uses regulatory capital (increasingly during the financial crisis of the past few years) as this is the metric required by regulators and that which investors and analysts can use to compare financial entities. However, the CaixaBank Group has developed and uses economic capital as an additional reference as it provides a more accurate view of its risk aggregation and diversification policy.

Regulatory capital

Since 1 January 2014, the capital adequacy 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, both dated 26 June 2013, which implement the Basel III regulatory framework (BIS III) in the European Union.

Additionally, 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 CaixaBank 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.

As stipulated in the regulation, the Group is subject to minimum eligible capital and disclosure requirements at individual and sub-consolidated level.

Economic capital

The economic capital model forms the basis of the internal estimate of capital requirements which acts as a supplement to the regulatory view of capital adequacy. This is an internal estimate which the Entity adjusts according to its level of tolerance to risk, volume, and type of business activity.

Therefore, CaixaBank's Board of Directors and Management are responsible for ensuring that it has sufficient capital at all times to deal with any incident, with a high level of confidence.

With this objective, CaixaBank uses the same level of confidence 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.

Hence, economic capital is not a substitute for regulatory capital, but a supplement which is used to better offset the actual risk assumed by the CaixaBank 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 interest rate risk in the banking book, liquidity risk and other risks (business, reputational, concentration, concentration and actuarial).

The economic capital model is used in Pillar 2 of Basel III reporting by the CaixaBank Group to the supervisor as it measures, based on its own criteria, the group of risks to which the Group's activity is exposed.

4. Capital adequacy management

Regulatory framework

In 2010, the Basel Committee on Banking Supervision approved the reform of the global regulatory framework known as Basel III in the aftermath of the international financial crisis. The package of legislation transposing this framework came into force in the European Union with effect from 1 January. It comprised Regulation 575/2013 (CRR) and Directive 2013/36 (CRD IV). These modifications sought to improve the banking sector's ability to absorb the impact of economic and financial crises, whilst enhancing risk management and governance, transparency and information disclosure. Specifically, these improvements called for stricter requirements for the quantity and quality of capital, and the introduction of liquidity and leverage measures. The CRR was applied directly in Spain and CRD IV was implemented through Royal Decree-Law 14/2013, Law 10/2014 and Royal Decree 84/2015, in addition to other lower level provisions such as Bank of Spain Circular 2/2016. The CRR establishes a progressive implementation schedule for the new requirements in the European Union. Bank of Spain Circular 2/2014, partially repealed by Circular 2/2016, and Circular 3/2014 implemented the regulatory options applicable during the Basel III phase-in period. However, on 1 October 2016 these Circulars were replaced by European Regulation 2016/445 of the ECB, that sought to standardise various significant national discretions and options.

In 2014, the ECB took responsibility for supervision of the euro area, following Regulation 1024/2013 of the Council and ECB regulation 468/2014 coming into effect, giving rise to the creation of the Single Supervisory Mechanism (SSM). Under the SSM, the ECB takes direct responsibility for supervision of the most significant entities, including CaixaBank, and indirect responsibility for other entities, which are supervised directly by national authorities.

In 2015, the ECB completed the first annual cycle of the supervisory review evaluation process (SREP) since the creation of the SSM, in implementation of Pillar 2 of the Basel regulatory framework.

The SREP was designed as 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 European Banking Authority (EBA). The guidelines may require additional capital or liquidity, or other qualitative measures in response to the risks and any weaknesses detected by the supervisor in each of the entities. The SREP seeks to assess the viability of entities on an individual basis, also considering comparisons against their peers. Any additional capital requirements under the SREP process ("Pillar 2" requirements) may also be complemented by combined Capital Buffer Requirements (CBR), comprising capital conservation, anti-cyclical capital and systemic risk buffers.

In addition to the supervisory actions mentioned above, in 2014 Directive 2014/59/EU was approved, known as the BRRD (Bank Recovery and Resolution Directive), which established a framework for the restructuring and resolution of credit institutions, In 2015, the BRRD was transposed into the Spanish regulatory framework through Law 11/2015 and others legislation. The BRRD, together with Directive 2014/49, on the Deposit Guarantee System, enhances the capacity of the banking sector to absorb the impact of economic and financial crises, and the capacity of entities to wind up their business in an orderly fashion, while maintaining financial stability, protecting depositors and avoiding the need for public bail-outs.

The Directive requires Member States to ensure that institutions prepare and regularly update a recovery plan that set out measures that may be taken by those institutions for the restoration of their financial position following a significant deterioration thereof. In addition to the BRRD and national legislation, the EBA has issued several guidelines on the definition of a recovery plan.

The CaixaBank Group drew up its first Recovery Plan 2014, based on data from year-end 2013. The 2016 Recovery Plan (based on 2015 data) is the third edition and was approved by the Board of Directors in September 2016.

CaixaBank's Recovery Plan has been fully incorporated into the company's internal risk and capital management and governance policies, and the involvement of Senior Management in the Recovery ad Resolution Plans Committee should be noted, in addition to the inclusion of recovery indicators in the risk appetite framework and in the entity's regular monitoring reports.

The BRRD also introduced the framework to create a Single Resolution Mechanism (SRM), which was subsequently developed through Regulation EU 806/2014. Under the SRM decisions are taken by the Single Resolution Board and executed by the National Resolution Authority (FROB and Bank of Spain in Spain), which also prepare the resolution plan in collaboration with each entity (which provides the information required). The BRRD also introduces a new Minimum Requirement of Eligible Liabilities (MREL) ratio. The SRM came into effect on 1 January 2016 and will set MREL requirements for entities, probably in 2017, following assessment of their resolution plans. The MREL requirements must be covered by eligible own funds and other eligible liabilities.

On 23 November 2016, the European Commission put forward a package of reforms to address a series of banking regulations that will be submitted to the European Parliament and to the Council for approval. The objective of these reforms is to supplement the current prudential and resolution framework for the banking sector through a series of measures to reduce entities' risk in a situation of shock, in accordance with the conclusions of the ECOFIN meeting in June 2016 and G-20 international standards. The reforms factor in the size, complexity and business profile of the banks. Measures are also included to support SME financing and boost investment in infrastructure. The process to make changes in applicable regulations is expected to continue throughout 2017, with the exception of the amendment to the BRRD relating to the hierarchy of lenders, which will be transposed into the legislation of member states in the first half of 2017, coming into force in July 2017.

A number of international regulatory developments are also expected in 2017, emanating from both the Basel Committee and the EBA. These include: further progress on the review of capital consumption requirements for credit, market and operational risk; the treatment of sovereign debt in a prudential framework; review of Credit Valuation Adjustment (CVA) risk in the development of IFRS 9 and IFRS 16, among other initiatives.

CaixaBank Group solvency

At 31 December 2016, the CaixaBank Group had a Common Equity Tier 1 (CET1) ratio of 13.2% (+30 basis points versus 31 December 2015, of which 97 basis points corresponded to the ABO (*Accelerated Bookbuilding Offering*) (see Note 1 - Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa) and a Total Capital ratio of 16.2% (15.9% at 31 December 2015).

Risk-weighted assets (RWA) at 31 December 2016 stood at EUR 134,864 million, down EUR 8,448 million (-5.9%) from the end of the previous year, partly due to the asset swap with CriteriaCaixa (see Note 1).

Applying the criteria expected for the end of the transitional period (fully loaded), CaixaBank had a CET1 ratio of 12.4% and a Total Capital ratio of 15.4% at 31 December 2016.

The ECB’s minimum regulatory capital requirements mean that CaixaBank must maintain a regulatory CET1 ratio of 9.25% in 2016. This includes the general minimum CET1 requirement of Pillar 1 of 4.5% plus 4.75% for the specific requirements of Pillar 2 and a capital conservation buffer of 2.5% that will imply an add-on of 0.625% in 2016. The current transposition of CRD IV into applicable legislation in Spain envisages that these buffers will be applied progressively over four years from 2016. In 2015, CaixaBank also received the Bank of Spain's decision on the capital buffer required due its status as an O-SII from 1 January 2016 (0.25% of be phased in over a period of four years, to 2019). Together, these decisions required CaixaBank to maintain a CET1 ratio of 9.3125% in 2016.

For 2017, the European Central Bank (ECB) requires CaixaBank to maintain a CET1 regulatory ratio of 7.375%, entailing: the minimum requirement of Pillar 1 of 4.5%; the requirement of Pillar II (supervisory review process) of 1.5%; the capital conservation buffer of 1.25% (2.5% phased-in over four years, to 2019) and the O-SII (Other Systemically Important Institution) buffer of 0.125% (0.25% phased-in over four years, to 2019). On a fully loaded basis, the minimum CET1 requirement would be 8.75%.

Similarly, taking the 8% Pillar 1 requirement, the minimum Total Capital requirements would be 10.875% (phase-in) and 12.25% (fully loaded).

This requirement, compared to the current CET1 ratio, indicate that the requirements applicable to CaixaBank would not give rise to any limitation to those referred to in solvency regulations regarding distributions of dividends, variable remuneration and interest to holders of additional Tier 1 capital instruments.

The leverage ratio remains at 5.7%. This non-risk sensitive measure aims to limit the excessive growth of the balance respect to available capital or Tier 1. Although the minimum level has not yet been defined, the Basel Committee and the European Commission have proposed setting the regulatory minimum in the 3 %.

The composition of the CaixaBank Group's eligible own funds at 31 December 2016 and 2015 is as follows:

Eligible own funds

(Thousands of euros)

	31.12.2016		31.12.2015	
	Amount	%	Amount	%
Net equity	**23,555,562**		**25,204,550**	
Shareholders' equity	23,399,819		23,688,634	
Capital	*5,981,438*		*5,823,990*	
Profit/(loss)	*1,047,004*		*814,460*	
Reserves and other	*16,371,377*		*17,050,184*	
Minority interests and valuation adjustments	*155,743*		1,515,916	
Other CET1 instruments	**(632,187)**		**(1,220,107)**	
Adjustments applied to the eligibility of minority interests and valuation adjustments	(111,629)		(916,652)	
Other adjustments (1)	(520,558)		(303,455)	
CET1 instruments	**22,923,375**		**23,984,443**	
Deductions from CET1	**(5,134,157)**		**(5,499,031)**	
Intangible assets	(4,026,071)		(4,905,186)	
Financial investments	0		(238,215)	
Deferred tax assets	(685,185)		(210,748)	
Other deductions from CET1	(422,901)		(144,882)	
CET1	**17,789,218**	**13.2%**	**18,485,412**	**12.9%**
TIER1	**17,789,218**	**13.2%**	**18,485,412**	**12.9%**
T2 instruments	**4,087,736**		**4,444,175**	
Subordinated financing	4,087,736		4,147,222	
General allowances and excess IRB provisions			296,953	
Deductions from T2	**(85,079)**		**(102,092)**	
TIER 2	**4,002,657**	**3.0%**	**4,342,083**	**3.0%**
TOTAL CAPITAL	**21,791,875**	**16.2%**	**22,827,495**	**15.9%**
Memorandum items: Risk-weighted assets	**134,863,962**		**143,311,652**	
Credit risk	*98,190,228*		*99,295,285*	
Shareholder risk	*23,703,136*		*28,559,485*	
Market risk	*1,688,891*		*4,125,919*	
Operational risk	*11,281,707*		*11,330,963*	

(1) Mainly the forecast for dividends payable.

Leverage ratio

(Thousands of euros)

	31.12.2016	31.12.2015
Exposure (*)	309,678,048	321,503,823
Leverage ratio	5.7%	5.7%

(*) Total assets, including off-balance sheet items, derivatives and securities financing transactions, less Tier 1 deductions.

The table below shows the changes in regulatory capital in 2016 and 2015:

Changes in regulatory capital
(Thousands of euros)

	31.12.2016		31.12.2015	
	Amount	%	Amount	%
CET1 at 1 January	**18,485,412**	**12.9%**	**18,094,935**	**13.0%**
Changes in CET1 instruments	**(1,061,068)**		**716,944**	
Profit	1,047,004		814,460	
Dividend	(536,066)		(468,555)	
Reserves	(1,169,301)		(6,294)	
Valuation adjustments and other	(402,705)		377,333	
Changes in deductions from CET1	**364,874**		**(326,467)**	
Intangible assets	879,115		(25,532)	
Financial investments	238,215		(106,936)	
Deferred tax assets	(474,437)		(210,748)	
Other deductions from CET1	(278,019)		16,749	
CET1 at 31 December	**17,789,218**	**13.2%**	**18,485,412**	**12.9%**
TIER 2 at 1 January	**4,342,083**	**3.1%**	**4,355,136**	**3.1%**
Changes in Tier 2 instruments	**(356,439)**		**(73,169)**	
Eligibility and redemption of subordinated debt	(59,486)		(49,602)	
Surplus IRB provision	(296,953)		(23,567)	
Changes in Tier 2 deductions	**17,013**		**60,116**	
TIER 2 at 31 December	**4,002,657**	**3.0%**	**4,342,083**	**3.0%**

Information on capital requirements by risk calculation method for 2016 and 2015 is presented below:

Detail of risk-weighted assets by method
(Thousands of euros)

	31.12.2016		31.12.2015	
	Risk-weighted assets	%	Risk-weighted assets	%
Credit risk	**98,190,228**	**72.8%**	**99,295,285**	**69.3%**
Standardised approach	48,815,577	36.2%	45,852,946	32.0%
IRB approach	49,374,651	38.4%	53,442,342	37.3%
Shareholder risk	**23,703,136**	**17.6%**	**28,559,485**	**19.9%**
PD/LGD method	14,111,263	10.5%	19,468,229	13.6%
Simple method	9,426,977	7.0%	8,841,129	6.2%
VaR method	164,896	0.1%	250,127	0.2%
Market risk	**1,688,891**	**1.3%**	**4,125,916**	**2.9%**
Internal models (IMM)	1,688,891	1.3%	4,125,916	2.9%
Operational risk	**11,281,707**	**8.4%**	**11,330,963**	**7.9%**
Standardised approach	11,281,707	8.4%	11,330,963	7.9%
Total	**134,863,962**	**100.0%**	**143,311,653**	**100.0%**

Lastly, in 2016, la EBA carried out a stress test. The test covered 70% of the European banking sector's assets and assessed the ability of the main European banks, including CaixaBank through the CriteriaCaixa Group, to withstand an adverse macroeconomic scenario during the period 2016 to 2018. The EBA published the results on 29 July 2016. Although there was no common equity threshold that had to be exceeded, the projection is crucial to the ECB's decisions on capital requirements in the context of the Supervisory Review and Evaluation Process (SREP). CaixaBank, as part of the CriteriaCaixa Group, shows a comfortable capital position in the two proposed scenarios.

In an internal exercise, the methodology was applied in an adverse macroeconomic scenario to CaixaBank, resulting in a CET1 ratio of 9.8% in December 2018 in the regulatory view (8.5% fully loaded). The asset swap between CaixaBank and CriteriaCaixa, completed in the first half of 2016, would have strengthened these CET1 ratios of 10.1% in the regulatory view (9.1% fully loaded).

The European authorities took into account the whole CriteriaCaixa Group, including, in addition to CaixaBank, the industrial stakes and real estate assets of CriteriaCaixa, based on the maximum prudential consolidation level at 31 December 2015. Under this scope, the CriteriaCaixa Group obtained a regulatory CET1 ratio of 9.0% at the end of the adverse scenario (7.8% fully loaded).

5. Appropriation of profit

The appropriation of profit of CaixaBank in 2016, 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)

	2016
Basis of appropriation	
Profit/(loss) for the year	1,035,077
Distribution:	
To dividends (1)	**536,066**
To interim dividends (September 2016)	177,180
To final dividend (2)	358,886
To reserves (3)	**499,011**
Legal reserve (4)	31,490
Voluntary reserves (5)	467,521
Net profit for the year	**1,035,077**

(1) Maximum estimated amount (see Note 2 below).

(2) The Board of Directors will submit a proposal at the Annual General Meeting to approve a final dividend of EUR 0.06 per share each, to be paid from April 2017. The total amount to be distributed is the maximum estimated amount. The amount will be reduced in accordance with the number of treasury shares held by CaixaBank at the date of payment of the divided as, in accordance with the Spanish Corporate Enterprises Act, treasury shares are not eligible to receive dividends.

(3) Estimated amount (see Note 5 below).

(4) Amount that allows to reach 20% of the amount of share capital as of 31 December2016. Therefore, it is not necessary to allocate an amount equivalent to 10% of the profit (article 274 of the Capital Companies Act).

(5) Estimated amount to be appropriated to voluntary reserves. This amount will increase by the same amount that the amounts earmarked for payment of the final dividend decreases (see Notes 1 and 2 above).

The table below shows the provisional liquidity statements indicating there is sufficient profit and liquidity to pay the interim dividend against 2016 profits approved by the Board of Directors on 22 September 2016 and published by means of a Significant Event notice issued at that date:

2016

(Thousands of euros)

Date of resolution to pay interim dividend	22.09.2016
Applicable balance sheet date	31.08.2016
Profit from 1 January 2016	946,575
Maximum dividend (*)	**946,575**
Maximum interim dividend payout	177,307
Remainder	**769,268**
Available in current accounts	4,106,953
Maximum interim dividend payout	177,307
Remaining liquidity at dividend payment date	**3,929,646**

(*) Except for required appropriation to the legal reserve.

6. Shareholder remuneration and earnings per share

Shareholder remuneration

The shareholder remuneration in 2016 was as follows:

Distribution of dividends paid in 2016

(Thousands of euros)

	Euro per share	Maximum amount (*)	Amount paid in cash	Date of announcement	Payment date
Scrip dividend programme, equivalent to the third interim dividend against 2015 results (*)	0.04	232,960	15,604	25.02.2016	18.03.2016
Cash dividend, equivalent to the final dividend against 2015 results	0.04	N/A	236,233	28.04.2016	01.06.2016
Cash dividend, equivalent to the first interim dividend against 2016 results	0.03	N/A	177,180	22.09.2016	30.09.2016
Scrip dividend programme, equivalent to the second interim dividend against 2016 results (*)	0.04	236,410	31,367	17.11.2016	08.12.2016
Total distributed	**0.15**		**460,384**		

(*) Includes cash paid to shareholders and the fair value of the shares delivered.

On 25 February 2016, the Board of Directors proposed that the remuneration related to the second capital increase approved at the Ordinary Annual General Meeting of 23 April 2015 would be EUR 0.04 per share under the scrip dividend programme. The period for trading the bonus subscription rights ended on 15 March with the payment in cash of EUR 15,604 thousand to shareholders choosing to sell their rights. The remaining shareholders opted to receive newly issued shares of CaixaBank. The definitive number of ordinary shares of EUR 1 par value each issued in the scrip issue was 86,252,367 shares out of the restricted reserve set up for this purpose.

The distribution of a final 2015 cash dividend of EUR 0.04 per share was green-lighted at the Ordinary Annual General Meeting held on 28 April 2016. The dividend was paid on 1 June 2016.

At its meeting of 22 September 2016, the Board of Directors approved the distribution of an interim dividend against 2016 net profits. This dividend, which is part of the dividend policy approved in 2016, entailed the payment in cash of EUR 0.03 per share and was paid on 30 September 2016.

Additionally, on 17 November 2016, the Board of Directors approved the payment of a scrip dividend, equivalent to the second interim dividend charged to profit for 2016 under the scrip dividend programme, thus resulting in the cash payment to those shareholders who opted to sell their rights to CaixaBank at a fixed price of EUR 0.04 per right for a total pay-out of EUR 31,368 thousand. The remaining shareholders opted to receive shares under a scrip issue, which was effected on 16 December 2016 through the issuance of 71,195,347 shares, each of a par value of EUR 1.

In line with the 2015-2018 Strategic Plan, CaixaBank reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit.

CaixaBank paid its majority shareholder EUR 460,580 thousand in dividends in 2016 (EUR 533,964 thousand in 2015).

Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit or loss for the period attributable to equity holders of the Parent by the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding less treasury shares after adjusting for dilutive potential ordinary shares (share options, warrants and convertible bonds). At 31 December 2016, commitments to employees based on shares registered under equity totalled EUR 7,499 million.

Basic and diluted earnings per share in 2016 and 2015, as per the consolidated profit of the CaixaBank Group attributable to the Parent, are as follows:

Calculation of basic and diluted earnings per share

	2016	2015
Numerator		
Profit attributable to the Parent (thousands of euros)	**1,047,004**	**814,460**
Denominator (thousands of shares)		
Average number of shares outstanding (*)	5,841,965	5,711,768
Adjustment for issuance of mandatory convertible instruments		
Adjusted number of shares (Basic earnings per share denominator)	**5,841,965**	**5,711,768**
Basic earnings per share (in euros) (**)	**0.18**	**0.14**
Diluted earnings per share (euro) (***)	**0.18**	**0.14**

(*) Number of shares outstanding at the beginning of the period, excluding the average number of treasury shares held during the period. Includes the retrospective adjustments set out in IAS 33.

(**) Including CaixaBank's 2016 individual profit, basic earnings per share would be EUR 0.18.

(***) Potentially dilutive shares did not have any impact on the calculation of diluted earnings per share.

7. Business combinations, acquisition and disposal of ownership interests in subsidiaries

Business combinations and the main changes during 2016 and 2015 in ownership interests in subsidiaries were as follows:

Business combinations - 2016

There were no business combinations in 2016.

Business combinations - 2015

Acquisition of Barclays Bank, SAU

On 31 August 2014, CaixaBank and Barclays Bank PLC reached an agreement whereby CaixaBank would acquire Barclays Bank, SAU.

On 2 January 2015, CaixaBank successfully acquired the entire capital of Barclays Bank, SAU, after securing the necessary clearance from the regulatory authorities. The provisional price paid in cash at that date amounted to EUR 820 million. On 23 April 2015, the parties agreed a final price for the transaction of EUR 815.7 million. On 30 March 2015, the Boards of Directors of CaixaBank and Barclays Bank, SAU approved the Joint Merger Project between CaixaBank (absorbing company) and Barclays Bank, SAU (absorbed company). The merger deed was placed on file at the Companies' Registry on 14 May 2015, and the technological and operational integration of Barclays Bank, SAU in CaixaBank took place thereafter.

CaixaBank assumed control of Barclays Bank, SAU on 2 January 2015. The purchase price allocation then began as required to report the transaction in the accounts, with negative merger goodwill of EUR 602 million being reported. Non-recurring restructuring costs stemming from the transaction totalled approximately EUR 323 million (EUR 226 million, after tax). This included: EUR 190 million associated with the early retirement scheme; EUR 67 of transactions costs; EUR 64 million of impairment losses on assets that are in disuse; and EUR 2 million for depreciation.

Transactions with subsidiaries – 2016

Appendix 1 provides the key data, percentage of ownership, share capital, reserves, results and the cost of the direct stake of subsidiaries.

Transactions with subsidiaries did not have any impact on the consolidated financial information. The main transactions in 2016 were as follows:

BuildingCenter, SAU

In April 2016, the sole shareholder made two contributions: a non-refundable cash contribution of EUR 753,700 thousand and a non-monetary contribution of loans of EUR 446,300 thousand.

In July 2016, a contribution of 1,150 properties valued at EUR 70,789 thousand was contributed to BuildingCenter's balance sheet.

These transactions had no impact on the Group's financial information as they were between subsidiaries.

VipCartera, SL, El Monte Participaciones Preferentes, SAU, Guatazal, SL, Leucanto Inversiones 1, SL, Iniciativas Turísticas de Cajas, SA, Viajes Cajasol, SA, Cajasol Participaciones Preferentes, SAU, Naviera Argos, AIE, Saldañuela Residencial, SA, CaixaPreference, SAU y Tenedora de Vehículos, SA.

These companies were liquidated in 2016.

Changes to company name of subsidiaries:

- ***CaixaRenting, SAU*** now called CaixaBank Equipment Finance, SAU.
- ***e-la Caixa, SA*** now called CaixaBank Digital Business, SA.
- ***Caixa Card 1 EFC, SAU*** now called CaixaBank Payments, E.F.C E.P., SAU.

8. Segment information

Segment reporting is carried out on the basis of internal control, monitoring and management of the CaixaBank Group's activity and results, and developed in accordance with the various areas of business established with regard to the Group's structure and organisation. The Board of Directors is the highest operational decision-making body of each business.

The business segments are defined bearing in mind the inherent risks and management characteristics of each. For the purposes of business segment reporting of activities and income, the core business units on which accounting and management figures are available are taken as a reference. The same general principles are applied as those used in Group management information, and the measurement, valuation bases and accounting principles applied are basically the same as those used to prepare the financial statements, with no asymmetric allocations.

Based on these criteria, segment reporting was historically presented for two different businesses: the banking and insurance business and the investments business

During the first quarter of 2015, the developer loan management model was redefined by setting up a team and centres manned by managers who specialise in developer loans that require special monitoring and management. Based on this model, the results of the non-core real estate business started to be reported separately within the banking and insurance business for 2015.

This model is now fully in place more than a year after it was introduced. In order to reflect the true nature of management and avail of the information needed to present like-for-like interannual comparisons, the results by business segment are now therefore presented for **three business segments**:

Banking and insurance: the CaixaBank Group's core business and includes the entire 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 encompasses the activity and the profits generated from the Group's customers, whether individuals, companies or institutions. It also incorporates the liquidity management and the Assets and Liabilities Committee (ALCO), and income from the financing of the other businesses.

This segment includes the result of the Group's insurance companies, mainly VidaCaixa, whose retail products are distributed to the same customer base and through the CaixaBank branch office network.

Non-core real estate activity: includes the results, net of the related financing charge, of non-core real estate assets, which include:

- Non-core developer lending.
- Foreclosed real estate assets (available for sale and rental) mainly owned by the real estate subsidiary BuildingCenter, SA.
- Other real estate assets and holdings.

Investments: includes the significant holdings in the area of the Group's international diversification or services.

- International banking stakes: reflects the results of Erste Group Bank, Banco BPI and (until May 2016) the Bank of East Asia and Grupo Financiero Inbursa (see Note 1 – "Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa").

- Stakes in services companies: includes the results of Repsol, SA and Telefónica, SA, as well as the other material impacts on profit or loss of other significant holdings in the area of sector diversification in the Group's latest acquisitions.

The gross income of the investments business includes, essentially, income from the equity accounting of the respective investments and from dividends, net of the related financing charge.

Segment operating expenses include both direct and indirect expenses, which are allocated in accordance with internal distribution methods.

In 2016, the allocation of capital to the non-core real estate and investments businesses is in line with the corporate objective of maintaining a Common Equity Tier 1 (CET1) BIS III fully loaded ratio of between 11% and 12%. The capital allocated to these businesses takes into account both the consumption of capital by risk-weighted assets of 11% and all applicable deductions. As the CaixaBank Group’s entire capital is distributed, the difference between shareholders' equity and regulatory capital allocated to these businesses is allocated to the banking and insurance business.

The performance of the CaixaBank Group by business segment in 2016 and 2015 is shown below:

Profit/(loss) attributable to the Group

(Thousands of euros)	January - December	
	2016	**2015**
Banking and insurance	1,979,027	1,606,452
Non-core real estate activity	(1,124,602)	(1,198,458)
Investments (*)	192,579	406,466
Total profit/(loss) attributable to reporting segments	**1,047,004**	**814,460**
Plus: Other results (including result attributable to minority interest)	7,931	2,042
Plus: Income tax and/or gains/(losses) on discontinued operations	483,127	(178,398)
Total profit/(loss) before tax	**1,538,062**	**638,104**

(*) The investments segment includes the result of Grupo Financiero Inbursa and The Bank of East Asia until the materialisation of the swap agreement.

Consolidated statement of profit or loss of the CaixaBank Group - By business segment

(Millions of euros)

	Banking and insurance		Non-core real estate activity		Investments (**)	
	2016	2015	2016	2015	2016	2015
Net interest income	**4,387**	**4,658**	**(66)**	**(89)**	**(164)**	**(216)**
Dividend income and share of the profit or loss of entities accounted for using the equity method	159	122	18	21	651	435
Net fee and commission income	2,089	2,113	1	2		
Gains/(losses) on financial assets and liabilities and others	846	742		5	2	116
Income and expenses under insurance and reinsurance contracts	311	214				
Other operating income and expenses	(156)	(81)	(251)	(218)		
Gross income/(loss)	**7,636**	**7,768**	**(298)**	**(279)**	**489**	**335**
Administrative expenses	(3,687)	(4,187)	(55)	(49)	(4)	(4)
Depreciation	(309)	(310)	(61)	(56)		
Pre-impairment income	**3,640**	**3,271**	**(414)**	**(384)**	**485**	**331**
Impairment losses on financial assets and other provisions	(769)	(1,698)	(136)	(655)	(164)	(163)
Net operating income/(loss)	**2,871**	**1,573**	**(550)**	**(1,039)**	**321**	**168**
Gains/(losses) on disposal of assets and other	21	446	(1,034)	(680)	(91)	170
Profit/(loss) before tax from continuing operations	**2,892**	**2,019**	**(1,584)**	**(1,719)**	**230**	**338**
Income tax	(904)	(408)	459	521	(37)	68
Profit/(loss) after tax from continuing operations	**1,988**	**1,611**	**(1,125)**	**(1,198)**	**193**	**406**
Profit/(loss) attributable to minority interests	9	5				
Profit/(loss) attributable to the Group	**1,979**	**1,606**	**(1,125)**	**(1,198)**	**193**	**406**
Equity (*)	*19,071*	*18,161*	*1,579*	*1,651*	*2,434*	*4,151*
Total assets	*327,606*	*317,780*	*12,949*	*15,317*	*7,372*	*11,158*
Risk-weighted assets	*108,143*	*107,920*	*13,310*	*13,819*	*13,500*	*21,573*

(*) Average equity in the period allocated to the businesses.

(**) The investments segment also includes the result of Grupo Financiero Inbursa and The Bank of East Asia until the materialisation of the swap agreement in May 2017.

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 CaixaBank Group sells insurance products, which complement the other financial products, through the CaixaBank commercial network to the same customer base. Sales are managed in an integrated manner because the majority of the insurance products offer savings alternatives (life-savings and pensions) to the banking products (deposits and investment funds).

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.

Details of the contribution to the CaixaBank Group of the revenues from the insurance and pension plan management business are as follows:

Contribution of insurance and pensions to the Group's revenues

(Millions of euros)

	2016	2015
Net interest income	297	285
Share of profit/(loss) of entities accounted for using the equity method	125	100
Net fee and commission income	367	302
Gains/(losses) on other financial assets and liabilities and others	88	2
Income and expenses of assets and liabilities under insurance and reinsurance contracts	311	214
Other operating income and expenses	13	16
Total income	**1,201**	**919**

CaixaBank also holds a 100% stake in VidaCaixa, SA, which also has an ownership interest in SegurCaixa Adeslas, SA (49.92%).

The VidaCaixa Group posted an after-tax profit of EUR 492 million in 2016 (EUR 340 million in 2015). The insurance group also generated EUR 9,492 million of accrued premiums in 2016 (EUR 7,189 million in 2015).

The main items in the VidaCaixa Group's balance sheet at 31 December 2016 and comparative figures for the previous year are as follows:

Key items in the VidaCaixa Group's balance sheet

(Millions of euros)

	2016	2015
Total assets	**55,352**	**59,835**
Of which: position in sovereign debt ***(Note 3.3.5)***	*43,029*	*36,667*
Technical provisions	**51,287**	**44,586**

The income of the CaixaBank Group for 2016 and 2015 by segment and geographical area is as follows:

Distribution of interest and similar income by geographical area

(Thousands of euros)	January - December			
	CaixaBank		CaixaBank Group	
	2016	2015	2016	2015
Domestic market	4,570,701	5,774,018	6,741,035	8,365,032
Export	12,017	8,036	12,017	8,036
a) European Union	7,286	3,375	7,286	3,375
b) OECD countries				
c) Other countries	4,731	4,661	4,731	4,661
Total	**4,582,718**	**5,782,054**	**6,753,052**	**8,373,068**

Distribution of ordinary income (*)

(Thousands of euros)	January - December					
	Ordinary income from customers		Ordinary income between segments (**)		Total ordinary income	
	2016	2015	2016	2015	2016	2015
Banking and insurance	11,113,628	12,379,756			11,113,628	12,379,756
Spain	*11,086,109*	*12,363,121*			*11,086,109*	*12,363,121*
Other countries	*27,519*	*16,635*			*27,519*	*16,635*
Non-core real estate activity	288,533	321,442			288,533	321,442
Spain	*288,533*	*321,442*			*288,533*	*321,442*
Other countries					*0*	*0*
Investments	652,564	550,504			652,564	550,504
Spain	*385,072*	*165,833*			*385,072*	*165,833*
Other countries	*267,492*	*384,671*			*267,492*	*384,671*
Total	**12,054,725**	**13,251,702**	**0**	**0**	**12,054,725**	**13,251,702**

(*) Correspond to the following line items 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 financial assets and liabilities
6. Gains/(losses) from hedge accounting
7. Other operating income
8. Income from assets under insurance and reinsurance contracts

(**) No ordinary income between segments. Banking and insurance income generated from financing of the rest of the businesses has not been recognised as this segment's ordinary income.

9. Remuneration of key management personnel

Under the provisions of Bank of Spain Circular 4/2004 and applicable international accounting regulations, key management personnel at CaixaBank are those persons having authority and responsibility for planning, directing and controlling the activities of the Entity, directly or indirectly, including all members of the Board of Directors (executive or other) and Senior Management. Given their posts, each member of key management personnel is a "related party" of CaixaBank. Therefore, CaixaBank must disclose, among other transactions, the information provided in this Note.

Also considered CaixaBank related parties are family members close to "key management personnel" and 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. The transactions carried out by the CaixaBank Group with the aforementioned parties and other related parties are disclosed in Note 41.

Remuneration of the Board of Directors

At the Annual General Meeting of CaixaBank held on 23 April 2015, the Directors' remuneration policy was approved for 2015-2018, inclusive, in accordance with Article 529.9 of the Corporate Enterprises Act, introduced by Law 31/2014 of 3 December to improve corporate governance.

The remuneration policy for the Board of Directors is in line with the remuneration scheme set out in the By-laws and the Regulations of the Board of Directors in conformity with the Corporate Enterprises Act and Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions (LOSS).

Non-executive director remuneration only comprises fixed component, with the exception of variable components, pension schemes, remuneration in kind of systems based on shares or instruments linked to its share price described below. Non-executive Directors have a purely organic working relationship with CaixaBank, and as such do not hold contracts with the Company nor are they entitled to any form of payment should they be dismissed from their position as Director.

Article 34 of CaixaBank's By-laws, amended pursuant to a resolution adopted at the Annual General Meeting held 25 April 2013, 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, which 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, within the maximum limit 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. This compensation must be reported and ratified by the Annual General Meeting. The resolution will specify, if applicable, the maximum number of shares that can be assigned in each year to this remuneration system, the strike price for the options or the system for calculating the strike price for the options, if applicable, taken as a reference and the term for duration of the plan.

Independently of the above, Directors carrying out executive duties at the Company, whatever the nature of their legal relationship, are entitled to receive remuneration for these duties to be determined by the Board of Directors on the basis of a proposal submitted by the Remuneration Committee. This remuneration may be either a fixed amount, a variable amount in addition to incentive schemes and benefits which may include pension plans and insurance and, where appropriate, social security payments. In addition, providing execution functions may be remunerated by granting Company shares or shares in another publicly traded Group company, options or other share-based instruments or by other remuneration referenced to the value of the shares. In the event of departure not caused by a breach of their functions, directors may be entitled to compensation.

In addition, according to article 34.6 of the Bylaws and given the enormous practical issues involving an individual policy, Executive Directors are covered by the civil liability policy for Directors and executives of the CaixaBank 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 in 2016 and 2015 by the members of the Board of Directors of CaixaBank for their membership in that body those years (by item in 2016), including remuneration received by Directors in their condition as such, and for the Chief Executive and Deputy Chairman, the amounts received in relation to their executive duties, are as follows:

2016

(Thousands of euros)

	Position	Type of director	Board of Directors	Other board committees	Non-variable remuneration	Variable remuneration (1)	Other long-term benefits (2)	Other items (3)	Other positions in Group companies	Total 2016	Total 2015
Jordi Gual Solé (4)	Chairman	Proprietary	318	18				4		340	
Isidre Fainé Casas (4)			545	30				4		579	1,158
Antonio Lavilla Massanell	Deputy Chairman	Executive	90	50	960	275	100	62		1,537	1,586
Gonzalo Gortázar Rotaeche	Chief Executive Officer	Executive	90	50	764	709	255	54	894	2,816	2,862
Aurín Pardo, Eva (5)			90					4	75	169	185
Maria Teresa Bassons Boncompte	Director	Proprietary	90	30				4		124	125
Fundación Caja Navarra, represented by Juan Franco Pueyo (6)			75					1		76	93
Fundación de Carácter Especial Monte San Fernando, represented by Guillermo Sierra Molina (7)										0	42
Fundación Privada Monte de Piedad y Caja de Ahorros San Fernando de Huelva, Jerez y Sevilla (Fundación Cajasol), represented by Guillermo Sierra Molina (8)	Director	Proprietary	90					1		91	8
M. Verónica Fisas Vergés (9)	Director	Independent	83					4		87	
Salvador Gabarró Serra	Director	Proprietary	90	80				4		174	175
Javier Ibarz Alegría	Director	Proprietary	90	100				4	90	284	285
Arthur K. C. Li (10)										0	94
María Dolors Llobet María (11)			45	25				2	45	117	250
Juan José López Burniol (11)			45	50				2		97	195
Alain Minc	Director	Independent	90	90				4		184	180
Maria Amparo Moraleda Martínez	Director	Independent	90	166				4		260	261
John S. Reed	Director	Independent	90					4		94	94
Leopoldo Rodés Castañé (12)										0	62
Juan Rosell Lastortras	Director	Independent	90	50				4	15	159	145
Antonio Sáinz de Vicuña y Barroso	Director	Independent	90	146				4		240	241
José Serna Masía (13)	Director	Proprietary	45					2		47	
Koro Usarraga Unsain (14)	Director	Independent	38	8				2		48	
Francesc Xavier Vives Torrents	Director	Independent	90	50				4		144	148
Total			**2,364**	**943**	**1,724**	**984**	**355**	**178**	**1,119**	**7,667**	**8,189**

(1) Variable remuneration corresponds to the amount received by the Director in 2016. Half of this amount is received in shares and half in cash, and a portion is deferred over three years. It also includes the portion received under the long-term share-based variable remuneration scheme approved at the Annual General Meeting of 23 April 2015.

(2) Includes contributions to pension insurance premium plans and discretionary pension benefits, according to Bank of Spain Circular 2/2016.

(3) Includes remuneration in kind (premiums of the group civil liability policy for all directors and health and life insurance premiums paid in favour of executive Directors), interest and dividends accrued on deferred variable remuneration, other insurance premiums paid and other benefits. In cases where the director is a legal person, remuneration in kind for the civil liability insurance premium includes the amount corresponding to the insurance premium of the natural person representative. The amount for civil liability insurance premiums is EUR 79 thousand.

(4) On 30 June 2016, Isidre Fainé stepped down as Chairman and Jordi Gual was appointed to this position. Jordi Gual accepted the post on 14 September 2016.

(5) Departure on 15 December 2016.

(6) The Caja Navarra Foundation stood down as director on 27 October 2016, within the framework of the amendment to the Integration Agreement between CaixaBank and Banca Cívica, and the Shareholders' Agreement.

(7) Departure of Fundación de Carácter Especial Monte San Fernando on 18 June 2015 after the foundation was wound up following its merger and takeover by Fundación Privada Monte de Piedad y Caja de Ahorros San Fernando de Huelva, Jerez y Sevilla.

(8) Appointment of Fundación Cajasol as director of CaixaBank on 19 November 2015, which took up the post on 1 December.

(9) Appointed on 25 February 2016.

(10) Departure on 31 December 2015.

(11) Departure on 30 June 2016.

(12) Departure due to death on 8 July 2015.

(13) Appointed as director of CaixaBank on 30 June 2016, and took up the post on 8 July.

(14) Appointed as director of CaixaBank on 30 June 2016, and took up the post on 4 August.

At the 30 June 2016 Board of Directors' meeting it was resolved to accept the resignations of Isidro Fainé Casas, Juan José López Burniol and María Dolors Llobet María as Board members – the first two for incompatibility on reaching the end of the term of office established in Second Transitional Provision of Law 26/2013 governing savings banks and banking foundations, and the third for completing a six-year tenure as Board member and therefore approaching the end of her term of office. As proposed by the Appointments Committee, it was resolved to appoint Jordi Gual Solé and José Serna Masiá as proprietary directors, and Koro Usarraga Unsain as independent director. Jordi Gual Solé was also appointed non-executive Chairman of the Board of Directors as proposed by the Appointments Committee and subject to first becoming a Board member. These appointments were accepted after receiving notifications of suitability for the exercise of their duties by the European Central Bank. Jordi Gual Solé was also appointed as a member of the Executive Committee of the CaixaBank Board of Directors.

On 15 December 2016, Eva Aurín Pardo stepped down as member of the Board of Directors. Additionally, the Board of Directors, subject to a report from the Appointments Committee and after receiving ECB approval for his suitability for the post of director, resolved to appoint Alejandro García-Bragado Dalmau as member of the Board of Directors as a proprietary director, at the proposal of "la Caixa" Banking Foundation. He accepted with effect from 1 January 2017. On the same day, Alejandro Garcia-Bragado tendered his resignation as Board Secretary from 31 December 2016, and the Board of Directors, subject to a report in favour from the Appointments Committee, appointed Oscar Calderón de Oya, currently General Secretary and First Deputy Secretary to the Board, to this post. From 1 January 2017, Mr Calderón will hold the post of General and Board Secretary.

At the 28 April 2016 Ordinary Annual General Meeting, shareholders voted to set the number of Board members at 18. At 31 December 2016, the Board of Directors had 16 members (31 December 2015: 17 members), with two vacant posts.

Remuneration received in 2016 by members of Board of Directors of CaixaBank in connection with their duties as representatives of the Entity on the Boards of listed companies and of other companies in which CaixaBank has a significant presence or representation and that are CaixaBank consolidated companies (excluding Group companies) amounted to EUR 1,113 thousand (EUR 1,217 thousand in 2015), recognised in the companies' respective statements of profit or loss.

CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such. Note 41 provides the balances of contingent risks and commitments, as well as defined benefit post-employment obligations accrued with Executive Directors and Senior Management.

There are no termination benefits agreed in the event of termination of the appointment as Director for their duties as such, except for those agreed with the Executive Deputy Chairman and the Chief Executive as executive directors.

Remuneration of Senior Management

CaixaBank's Senior Management at 31 December 2016 comprised 12 people (10 people at 31 December 2015), holding the following positions: General Managers (5), Deputy General Managers (1), Executive Managers (5) and the General and Board Secretary (1). On 31 December 2015, there were four General Managers and Executive Managers respectively.

Total remuneration received by members of CaixaBank's Senior Management in 2016 and 2015 is shown below. This remuneration is recognised in "Staff expenses" in CaixaBank's statement of profit or loss.

Detail of remuneration of Senior Management

(Thousands of euros)

	2016	2015
Salary (*)	9,170	8,340
Post-employment benefits	1,140	1,033
Other long-term benefits	89	65
Total	**10,399**	**9,438**

(*) Includes total non-variable remuneration, remuneration in kind and variable remuneration received by Senior Management, in cash or shares, as well as the part of the deferred variable remuneration (cash and shares) receivable on a straight-line basis over the next three years. It also includes the portion received under the long-term share-based variable remuneration scheme approved at the Annual General Meeting of 23 April 2015.

NOTE: To ensure a correct comparison of the remuneration received by Senior Management in 2016 and 2015, the differences in the composition of this body must be taken into account.

The remuneration paid in 2016 to Senior Management at CaixaBank in connection with their activities as representatives of the Parent on the Boards of listed companies and other companies in which it has a significant presence or representation and that are CaixaBank consolidated companies was EUR 715 thousand (EUR 577 thousand in 2015), recognised in the income statements of these companies.

There are agreements with members of the Management Committee regarding termination benefits for early termination or rescission of contracts.

Other disclosures concerning the Board of Directors

Article 229.3 of the Corporate Enterprises Act establishes 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 at 31 December 2016:

Conflicts of interest

Director	Conflict of interest
Antonio Massanell Lavilla	- Abstention from the deliberation and voting on the resolution regarding the terms and conditions of the termination of the contract between CaixaBank and the Slim family on Grupo Financiero Inbursa. - Abstention from the deliberation and voting on the resolution regarding the implementation of the asset swap (shares in Inbursa and BEA in exchange for CaixaBank treasury shares) agreed on 3 December 2015 between CaixaBank and Criteria. - Abstention from the deliberation and voting on resolutions regarding the provision of services and the terms and conditions of executive director remuneration. - Abstention from the deliberation and voting on the resolution regarding the proposed appointment of Repsol, SA as a member of the Board of Directors. - Abstention from the deliberation and voting on the resolution regarding the extension of financing to related parties.

Conflicts of interest

Director	Conflict of interest
Gonzalo Gortázar Rotaeche	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to related parties. - Abstention from the deliberation and voting on resolutions regarding the provision of services and the terms and conditions of executive director remuneration.
Guillermo Sierra Molina (natural person representative of Fundación Cajasol)	- Approval of the terms and conditions for the termination of the contract between CaixaBank and the Slim family on Grupo Financiero Inbursa. - Resolution regarding CaixaBank's negotiations with the Foundations, former shareholders, of Banca Cívica, on the amendment of the Shareholders' Agreement and resolution to appoint shareholders.
Mª Teresa Bassons Boncompte	- Approval of the terms and conditions for the termination of the contract between CaixaBank and the Slim family on Grupo Financiero Inbursa. - Approval of the implementation of the asset swap (shares in Inbursa and BEA in exchange for CaixaBank treasury shares) agreed on 3 December 2015 between CaixaBank and Criteria. - Abstention from the deliberation and voting on the resolution regarding the extension of financing to related parties.
Mª Verónica Fisas Vergés	- Abstention from the deliberation and voting on the resolution on the suitability report for her proposed ratification and appointment as Director. - Abstention from the deliberation and voting on the resolution on her proposed ratification and appointment to be submitted to the Annual General Meeting. - Abstention from the deliberation and voting on the resolution regarding leasing contracts and the extension of financing to related parties.
Salvador Gabarró Serra	- Approval of the terms and conditions for the termination of the contract between CaixaBank and the Slim family on Grupo Financiero Inbursa. - Approval of the implementation of the asset swap (shares in Inbursa and BEA in exchange for CaixaBank treasury shares) agreed on 3 December 2015 between CaixaBank and Criteria.
Javier Ibarz Alegría	- Approval of the terms and conditions for the termination of the contract between CaixaBank and the Slim family on Grupo Financiero Inbursa. - Approval of the implementation of the asset swap (shares in Inbursa and BEA in exchange for CaixaBank treasury shares) agreed on 3 December 2015 between CaixaBank and Criteria.
María Amparo Moraleda Martínez	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to related parties. - Abstention from the deliberation and voting on the resolution on the proposal to appoint new auditors to be submitted to the Annual General Meeting.
Juan Rosell Lastortras	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to related parties.
Antonio Sáinz de Vicuña y Barroso	- Abstention from the deliberation and voting on the resolution on the proposal to appoint new auditors to be submitted to the Annual General Meeting.
José Serna Masía	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to related parties.
Koro Usarraga Unsain	- Abstention from the deliberation and voting on the resolution regarding his appointment as member of the Executive Committee of the Company's Board of Directors.
Francesc Xavier Vives	- Abstention from the deliberation and voting on the resolution regarding his appointment as member of the Executive Committee of the Company's Board of Directors.

Pursuant to article 229.1 of the Corporate Enterprises Act, Board members may not carry out for their own account or the account of others 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 the Company can lift this prohibition 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.

CaixaBank shares held by Board members

At 31 December 2016, the (direct and indirect) stakes held by members of the Board of Directors in the share capital of the Company are as follows:

CaixaBank shares held by Board members

	Direct	Indirect	Total shares held	Percentage (*)
Jordi Gual Solé	44,226		44,226	0.001%
Antonio Massanell Lavilla	106,912		106,912	0.002%
Gonzalo Gortázar Rotaeche	568,998		568,998	0.010%
Mª Teresa Bassons Boncompte	19,369		19,369	0.000%
Fundación Cajasol	53,742,911		53,742,911	0.898%
Salvador Gabarró Serra	9,053		9,053	0.000%
Javier Ibarz Alegría	10,808		10,808	0.000%
Alain Minc	12,932		12,932	0.000%
John S. Reed	12,564		12,564	0.000%
Joan Rosell Lastortras	0	42,031	42,031	0.001%
Antonio Sainz de Vicuña y Barroso	609		609	0.000%
José Serna Masiá	2,040	10,462	12,502	0.000%
Francesc Xavier Vives Torrents	3,345		3,345	0.000%
Total	**54,533,767**	**52,493**	**54,586,260**	**0.913%**

(*) % calculated on issued capital at 31 December 2016.

10. Cash and cash balances at central banks

The breakdown of this item in the balance sheet is as follows:

Detail of cash and cash balances at central banks
(Thousands of euros)

	31.12.2016	31.12.2015
Cash on hand	1,584,407	1,796,141
Cash balances at central banks	10,909,339	3,975,426
Other demand deposits	766,211	843,605
Total	**13,259,957**	**6,615,172**

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

The detail of the balance of these headings in the balance sheet is as follows:

Breakdown of financial assets and liabilities held for trading

(Thousands of euros)	31.12.2016		31.12.2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	9,575,832	9,394,559	9,806,191	9,498,607
Equity instruments	294,923		250,543	
Debt securities	1,796,932		3,255,486	
Short positions		897,739		2,701,683
Total	**11,667,687**	**10,292,298**	**13,312,220**	**12,200,290**

Derivatives

The detail, by type of product, of the fair value of the Group's derivatives arranged at 31 December 2016 and 2015 is as follows:

Fair value by product

(Thousands of euros)	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Unmatured foreign currency purchases and sales	**513,005**	**400,586**	**891,899**	**818,893**
Purchases of foreign currencies against euros	332,869	35,583	610,909	97,506
Purchases of foreign currencies against foreign currencies	127,120	111,224	173,973	185,942
Sales of foreign currencies against euros	53,016	253,779	107,017	535,445
Acquisitions and sales of financial assets	**7,283**	**2,954**	**33,176**	**905**
Acquisitions	3,521	2,881	31,992	111
Sales	3,762	73	1,184	794
Financial futures on shares and interest rates	**0**	**0**	**0**	**0**
Share options	**150,989**	**131,769**	**111,598**	**141,764**
Bought	150,989		111,598	
Issued		131,769		141,764
Interest rate options	**297,705**	**308,680**	**342,339**	**349,648**
Bought	297,705		342,339	
Issued		308,680		349,648
Foreign currency options	**73,263**	**110,824**	**21,407**	**36,679**
Bought	73,263		21,407	
Issued		110,824		36,679
Other share and interest rate transactions	**6,075,235**	**6,211,164**	**6,800,079**	**6,639,042**
Share swaps	112,939	106,648	318,747	290,505
Future rate agreements (FRAs)	728	758	3,830	1,246
Interest rate swaps	5,961,568	6,103,758	6,477,502	6,347,291
Credit derivatives	**0**	**15,842**	**0**	**0**
Bought				
Sold		15,842		
Commodity derivatives and other risks	**2,458,352**	**2,212,740**	**1,605,693**	**1,511,676**
Swaps	2,452,481	2,205,761	1,595,505	1,501,115
Bought	5,871	215	10,188	
Sold		6,764		10,561
Total	**9,575,832**	**9,394,559**	**9,806,191**	**9,498,607**

The detail by counterparty of the fair value of financial derivatives is as follows:

Fair value by counterparty

(Thousands of euros)

	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Organised markets	**14,693**	**46,435**	**9,195**	**83,985**
OTC markets	**9,561,139**	**9,348,124**	**9,796,996**	**9,414,622**
Credit institutions	3,872,936	4,149,794	3,944,557	4,823,163
Other financial entities	2,782,356	4,579,157	2,456,326	3,581,505
Other sectors	2,905,847	619,173	3,396,113	1,009,954
Total	**9,575,832**	**9,394,559**	**9,806,191**	**9,498,607**

Equity instruments

The detail of this item is as follows:

Breakdown of equity instruments

(Thousands of euros)

	31.12.2016	31.12.2015
Shares in Spanish companies	293,434	248,905
Shares in foreign companies	1,489	1,638
Total	**294,923**	**250,543**

Debt securities

The detail, by counterparty, of the balance of this item is as follows:

Detail of assets held for trading - debt securities (**)

(Thousands of euros)

	31.12.2016	31.12.2015
Spanish government debt securities (*)	1,565,910	2,653,961
Treasury bills	*691,001*	*1,554,818*
Government bonds and debentures	*546,439*	*439,492*
Other issuances	*328,470*	*659,651*
Foreign government debt securities (*)	178,465	397,848
Issued by credit institutions	11,409	113,931
Other Spanish issuers	27,363	27,668
Other foreign issuers	13,785	62,078
Total	**1,796,932**	**3,255,486**

(**) See Note 3.3.5 “Information relating to sovereign risk exposure”.

(**) See ratings classification in Note 3.3.4, ‘Risk associated with debt securities’.

Short positions

The detail, by product type, of short positions is as follows:

(Thousands of euros)

	31.12.2016	31.12.2015
On securities lending agreements	**0**	**0**
Equity instruments	0	0
On overdrafts on repurchase agreements (*)	**897,739**	**2,701,683**
Debt securities **(Note 2.5)**	897,739	2,701,683
Total	**897,739**	**2,701,683**

(**) See Note 3.3.5 "Information relating to sovereign risk exposure".

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 and liabilities designated at value through profit and loss

The breakdown of these items in the consolidated balance sheets at 31 December 2016 and 2015 is as follows:

Detail of assets and liabilities designated at fair value through profit or loss

(Thousands of euros)

	31.12.2016	31.12.2015
Assets	**3,139,646**	**1,785,804**
Equity instruments	1,806,976	816,728
Debt securities	1,332,670	969,076
Liabilities	**3,763,976**	**2,359,517**
Deposits	3,763,976	2,359,517
Customers	*3,763,976*	*2,359,517*

Other financial assets at fair value through profit or loss

This line item includes investments linked to life-insurance products where the investment risk is borne by the policyholder; i.e. unit links. This product is marketed through VidaCaixa, SAU de Seguros y Reaseguros.

Other financial liabilities at fair value through profit or loss

This item includes only mathematical reserves for unit-linked life insurance products.

13. Available-for-sale financial assets

The breakdown, by type of transaction, of the balance of this item in the balance sheet is as follows:

Breakdown of available-for-sale financial assets

(Thousands of euros)

	31.12.2016	31.12.2015
Equity instruments	**2,946,030**	**3,379,273**
Shares in listed companies	2,288,453	2,553,453
Shares in non-listed companies	570,452	680,346
Ownership interests in mutual funds and other listed investments	87,125	145,474
Debt securities (*)	**62,130,943**	**59,617,962**
Spanish government debt securities (**)	52,935,106	48,008,151
Treasury bills	*2,337,234*	*11,520*
Government bonds and debentures	*47,655,781*	*46,162,857*
Other issuances	*2,942,091*	*1,833,774*
Foreign government debt securities (**)	3,317,012	4,735,417
Issued by credit institutions	3,813,610	4,681,035
Other Spanish issuers	338,081	611,957
Other foreign issuers	1,727,134	1,581,402
Subtotal	**65,076,973**	**62,997,235**
Total	**65,076,973**	**62,997,235**

(*) See ratings classification in Note 3.3.4 "Risk associated with debt securities".

(**) See Note 3.3.5 "Information relating to sovereign risk exposure".

In 2016, the CaixaBank Group sold assets included under this heading in the fixed income market, tapping market opportunities and realising gains amounting to EUR 608 million gross, which were recognised under "Gains or losses on financial assets and liabilities designated at fair value through profit or loss" in the accompanying statement of profit or loss (see Note 33).

The table below presents a breakdown of the percentage of ownership interests and market value of the main listed companies classified as available-for-sale equity instruments as it is considered that the CaixaBank Group does not exercise significant influence over them.

Market value of listed companies

(Thousands of euros)	31.12.2016		31.12.2015	
Company	% interest	Market value	% interest	Market value
Telefónica, SA	5.15%	2,288,453	5.01%	2,553,453
Market value		**2,288,453**		**2,553,453**

The tables below show the main variations in “Equity instruments” in 2016 and 2015:

Movements in available-for-sale financial assets – equity instruments - 2016

(Thousands of euros)

	Acquisitions and capital increases	Sales	Transferred to profit or loss	Adjustments to market value	Other	Total
Total balance at 31.12.2015						**3,379,273**
Telefónica, SA	80,179			(345,179)		(265,000)
Sociedad de gestión de Activos procedentes de la Restructuración Bancaria, SA (Sareb) (*)					243.765	243.765
Visa Europe Ltd.			(165,074)	32,489		(132,585)
Visa Inc				2,088	37.979	40,067
Other	10,340	(61,492)	(32,041)	17,874	(21.123))	(86.442)
Changes in 2016	**90,519**	**(61,492)**	**(197,115)**	**(292,728)**	**260.621**	**(200,195)**
Impairment losses (Note 37)						**(233.048)**
Balance at 31.12.2016						**2,946,030**

(*) Transfer from “Held-to-maturity investments” due to reconversion of subordinated debt to shares om June 2016 (see Note 15).

(Thousands of euros)

	Additions due to business combinations (Note 7)	Acquisitions and capital increases	Sales	Transferred to profit or loss	Adjustments to market value	Other	Total
Total balance at 31.12.2014							**3,895,450**
Telefónica, SA		569,130	(470,411)	(98,618)	(358,808)		(358,707)
Other	2,946	38,581	(54,305)	(45,470)	187,884	(19,918)	109.718
Changes in 2015	**2.946**	**607,711**	**(524,716)**	**(144,088)**	**(170,924)**	**(19,918)**	**(248.989)**
Impairment losses (Note 37)							**(267.188)**
Balance at 31.12.2015							**3,379,273**

Impairment tests were carried out on equity instruments classified as “Available-for-sale financial assets” (see Note 2.9), uncovering the need to recognise a charge to profit for 2016 of EUR 233 million under “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss” (see Note 37).

The most significant changes in 2016 in available-for-sale equity instruments were as follows:

Visa Europe Ltd.

The process to acquire Visa Europe Ltd, which began in November 2015, was completed on 21 June 2016. Given the CaixaBank Group's stake in Visa Europe Ltd. through its direct stake classified as available-for-sale and indirect stake through ServiRed, this transaction involved recognising a gross gain of EUR 165 million (EUR 115 million, net) in the Group's consolidated statement of profit or loss for 2016 and the addition of Visa Inc securities to the portfolio.

Key data on the main investments classified as available-for-sale financial assets are as follows:

(Millions of euros)

Corporate name	Registered office	% interest	% voting rights	Equity	Latest published profit/(loss)
Telefónica, SA (1)	Gran Vía, 28 28013 Madrid	5.15%	5.15%	27,093	2,225
Sociedad de gestión de Activos Procedentes de la Reestructuración Bancaria, SA (Sareb) (2)	Paseo de la Castellana, 89 28046 Madrid	12.24%	12.24%	(3,161)	0
Caser, Compañía de Seguros y Reaseguros, SA (2)	Avenida de Burgos, 109 28050 Madrid	11.51%	11.51%	1,100	65

(1) Listed company. Information on equity and latest published profit/(loss) is at 30.9.2016.

(2) Non-listed companies. Information on equity and latest published profit/(loss) is as at 31.12.2015.

The tables below show the main variations in "Debt securities" in the accompanying balance sheet:

Movement in available-for-sale financial assets – debt securities

(Thousands of euros)

	2016	2015
Opening balance	**59,617,962**	**67,205,087**
Plus:		
Additions due to business combinations **(Note 7)**		7,740
Acquisitions	23,439,630	26,249,106
Gains/(losses) recognised with adjustments to equity **(Note 25.2)**	97,169	48,722
Amounts transferred to statement of profit or loss **(Note 33)**	607,525	616,833
Less:		
Sales and redemptions	20,892,740	34,183,021
Implicit accrued interest	634,322	326,492
Reclassifications and transfers	104,281	
Impairment losses **(Note 37)**	0	13
Closing balance	**62,130,943**	**59,617,962**

14. Loans and receivables

The breakdown of the balance of this item in the accompanying balance sheet, based on the nature of the related financial instruments, is as follows:

Breakdown of loans and receivables

(Thousands of euros)

	31.12.2016	31.12.2015
Debt securities (*)	561,139	927,655
Loans and advances	207,079,798	209,545,745
Credit institutions	6,741,354	6,649,545
Customers	200,338,444	202,896,200
Total	**207,640,937**	**210,473,400**

(*) See ratings classification in Note 3.3.4 “Risk associated with debt securities”.

The detail of the main valuation adjustments included in each of the asset categories classified under “Loans and receivables” is as follows:

31.12.2016

(Thousands of euros)

		Valuation adjustments				
	Gross balance	Impairment allowances	Accrued interest	Fees and commissions	Other	Balance
Debt securities	561,036	(1,198)	1,301			561,139
Loans and advances	213,591,405	(6,688,507)	463,440	(286,540)		207,079,798
Credit institutions	6,738,721	0	2,641	(8)		6,741,354
Customers	206,852,684	(6,688,507)	460,799	(286,532)		200,338,444
Total	**214,152,441**	**(6,689,705)**	**464,741**	**(286,540)**	**0**	**207,640,937**

31.12.2015

(Thousands of euros)

		Valuation adjustments				
	Gross balance	Impairment allowances	Accrued interest	Fees and commissions	Other	Balance
Debt securities	926,928		727			927,655
Loans and advances	218,553,485	(9,171,536)	473,226	(309,430)		209,545,745
Credit institutions	6,649,504	(5)	117	(71)		6,649,545
Customers	211,903,981	(9,171,531)	473,109	(309,359)		202,896,200
Total	**219,480,413**	**(9,171,536)**	**473,953**	**(309,430)**	**0**	**210,473,400**

Credit quality of loans and receivables

Details of loans and receivables in terms of their creditworthiness at 31 December 2016 and 2015:

31.12.2016

(Thousands of euros)

	Gross amount	Allowances for impairment losses	Carrying amount
Performing	199,801,043	(1.471.859)	198.329.184
Non-performing	14,351,398	(5.217.846)	9.133.552
Total	**214,152,441**	**(6,689,705)**	**207,462,736**

31.12.2015

(Thousands of euros)

	Gross amount	Allowances for impairment losses	Carrying amount
Performing	202,873,746	(1.882.316)	200.991.430
Non-performing	16,606,667	(7.289.220)	9.317.447
Total	**219,480,413**	**(9,171,536)**	**210,308,877**

Guarantees received

The detail of guarantees received in the approval of lending transactions at CaixaBank at 31 December 2016 and 2015 is as follows:

Guarantees received

(Thousands of euros)

	31.12.2016	31.12.2015
Value of collateral	**343,466,181**	**359,226,844**
Of which: Guarantees non-performing risks	22,671,881	27,970,675
Value of other guarantees	**3,276,490**	**2,853,904**
Of which: Guarantees non-performing risks	229,645	155,107
Total	**346,742,671**	**362,080,748**

(*) The value of the guarantee is the lower amount of the collateral and the loan value, except for non-performing loans, in which it is fair value.

14.1. Debt securities

The detail of the balance of this heading in the balance sheet is as follows:

Breakdown of loans and receivables - debt securities

(Thousands of euros)

	31.12.2016	31.12.2015
Other Spanish issuers	118,009	626,910
Other foreign issuers	443,027	300,018
Total	**561,036**	**926,928**

At 31 December 2015, the amount of debt securities issued by other Spanish issuers of private fixed-income securities included bonds for nominal amounts of EUR 700 million, issued by multi-seller securitisation funds to which Banca Cívica contributed covered bonds it issued over the course of several years. These bonds were reclassified to "Available-for-sale financial assets" in 2016 (see Note 2.4).

14.2. Loans and advances

Loans and advances – Credit institutions

The detail of the balance of this item by loan type and credit status excluding valuation adjustments is as follows:

Breakdown of loans and advances to credit institutions

(Thousands of euros)

	31.12.2016	31.12.2015
Demand	**4,837,695**	**3,293,728**
Other accounts	4,837,695	3,293,728
Time	**1,901,026**	**3,355,776**
Deposits with agreed maturity	928,490	459,476
Reverse repurchase agreement	972,521	2,896,295
Non-performing assets	15	5
Total	**6,738,721**	**6,649,504**

Loans and advances - Loans and advances to customers

The detail of the balance of this item by loan type and credit status excluding valuation adjustments is as follows:

Loans and advances - Loans and advances to customers by type

(Thousands of euros)

	31.12.2016	31.12.2015
Loan type and status	**206,852,684**	**211,903,981**
Public administrations	12,305,908	14,046,653
Commercial loans	8,094,858	7,118,857
Secured loans	118,732,831	123,253,645
Reverse repurchase agreement	1,440,504	4,559,764
Other term loans	42,426,782	37,953,455
Finance leases	2,700,690	2,438,482
Receivables on demand and others	6,799,713	5,926,458
Non-performing assets	14,351,398	16,606,667
By counterparty	**206,852,684**	**211,903,981**
Public sector: Spanish public sector	12,829,892	14,562,185
Public sector: Other countries	113,145	268,413
Private sector: Resident	183,594,101	188,830,940
Private sector: Non-resident	10,315,546	8,242,443
By interest rate type	**206,852,684**	**211,903,981**
Fixed	36,224,915	44,736,793
Floating	170,627,769	167,167,188

The balance of “Receivables on demand and others” included the asset recognised under the scope of the business combination with Banco de Valencia. Within the context of the award to CaixaBank of Banco de Valencia, a protocol of financial support measures implemented through an Asset Protection Scheme was signed, whereby the Fund for Orderly Bank Restructuring (FROB) will assume, over a period of 10 years, 72.5% of any losses from Banco de Valencia’s SME/self-employed professionals portfolio and contingent liabilities, once all existing provisions covering these assets have been exhausted. In the purchase price allocation process, an asset was recognised to reflect the 72.5% of the expected loss for the protected portfolio. The total expected loss, less provisions, at Banco de Valencia was recognised as a fair value adjustment with an increase in impairment allowances for loans and receivables.

Net losses are calculated and settled yearly. CaixaBank must submit, prior to 28 February of each year, a list of losses, gains and recoveries pertaining to the previous year. The FROB will make payments, if applicable, provided that the net loss is above the agreed-upon threshold and prior to 30 June of each year. The characteristics of the guaranteed assets and the long term of the agreement, which is 10 years, makes it difficult to estimate the effective timetable of the settlements to be made by the FROB, which will depend on the actual loss incurred each year with regard to the guaranteed assets, and once the threshold of the first loss assumed by CaixaBank is exceeded. In 2016 there has been no liquidation by the FROB of the realized losses calculation, gains and recoveries for the year 2015. At the date of these notes, the Group is preparing the calculation for 2016.

Finance lease

In all types of finance leases marketed by the CaixaBank Group for capital goods or real estate, the risks and rewards are transferred to the lessee. The lease arrangements always contain a purchase option for a value below the fair value of the asset on the market. Where the value of the purchase option is similar to fair value, a repurchase agreement available to the supplier of the asset is added to the lease.

Assets leased under finance leases are recognised at the present value of the lease payments payable by the lessee, plus the guaranteed and non-guaranteed residual value, excluding interest expenses and value-added tax. The detail is as follows:

Finance leases
(Thousands of euros)

	31.12.2016	31.12.2015
Lease payments payable by the lessee	2,469,007	2,207,964
Third-party guarantees	29,778	16,560
Unguaranteed residual value	201,905	213,958
Total	**2,700,690**	**2,438,482**

The following table provides a detail, by term, of finance lease payments receivable (capital and interest, excluding tax and residual values) from both the public and private sector:

Minimum lease payments receivable from finance leases at 31 December 2016
(Thousands of euros)

	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum lease payments receivable	794,401	1,946,314	873,661	3,614,376

Impaired and past-due but not impaired assets

The detail of the past-due principal and interest not impaired at 31 December 2016 and 2015, by type of financial instrument, is as follows:

31.12.2016

Past-due and not impaired

(Thousands of euros)

	< 1 month	1-2 months	2-3 months	Total
Loans and advances to customers	**245,043**	**92,252**	**54,632**	**391,927**
Spanish public sector	28,440	301	376	29,117
Other resident sectors	185,814	86,823	53,647	326,284
Other non-resident sectors	30,789	5,128	609	36,526
Total	**245,043**	**92,252**	**54,632**	**391,927**

31.12.2015

Past-due and not impaired

(Thousands of euros)

	< 1 month	1-2 months	2-3 months	Total
Loans and advances to customers	**99,743**	**47,425**	**33,696**	**180,864**
Spanish public sector	9,120	1,810	323	11,253
Other resident sectors	84,375	42,162	30,569	157,106
Other non-resident sectors	6,248	3,453	2,804	12,505
Total	**99,743**	**47,425**	**33,696**	**180,864**

The detail of non-performing assets, by loan type and counterparty, is as follows:

(Thousands of euros)

	31.12.2016	31.12.2015
Public sector	**190,262**	**71,368**
Private sector	**14,161,136**	**16,535,299**
Mortgage loans	9,716,884	11,591,862
Other loans	1,350,269	1,545,330
Credit accounts	2,332,534	2,674,187
Factoring	56,349	26,312
Commercial loans	16,211	46,998
Other loans	688,889	650,610
Total	**14,351,398**	**16,606,667**

NOTE: Includes EUR 5,304 million and EUR 5,819 million at 31 December 2016 and 2015, respectively, of non-performing assets for reasons other than arrears.

The changes in the balance of "Non-performing loans" in 2016 and 2015 were as follows:

Non-performing assets

(Thousands of euros)

	2016	2015
Opening balance	**16,606,667**	**19,683,870**
Plus:		
Additions due to business combinations **(Note 7)**		2,127,641
Additions	6,502,547	8,669,430
Less:		
Assets foreclosed and acquired from developers and individuals	(1,366,279)	(2,959,665)
Standardised and other assets	(4,927,773)	(7,185,841)
Assets derecognised due to disposal	(988,091)	(1,246,924)
Other assets written-off	(1,475,673)	(2,481,844)
Closing balance	**14,351,398**	**16,606,667**

In 2016, CaixaBank sold several portfolio assets (mainly non-performing assets and assets written off the balance sheet due to impairment) for the gross sum of EUR 2,005 million (see Note 28.4). The pre-tax capital gain from these transactions totalled EUR 64 million, recognised under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Loans and receivables" in the statement of profit or loss (see Note 37).

Past-due receivables on non-performing assets at 31 December 2016 and 2015 were EUR 1,137 million and EUR 1,659 million, respectively, recognised under "other memorandum accounts" supplementing those in the balance sheet.

The detail, by collateral provided for the asset, of the age of the balances of non-performing assets at 31 December 2016 and 2015, is as follows:

31.12.2016

Terms by guarantee

(Thousands of euros)

	< 6 months	6-9 months	9-12 months	>12 months	Total
Completed homes, primary residence of the borrower	506,479	213,690	113,235	1,682,900	2,516,304
Other completed homes	115,734	36,683	27,796	669,208	849,421
Rural buildings in use, and completed multi-purpose facilities, premises and offices	176,436	52,553	51,616	1,479,559	1,760,164
Land, lots and other real estate assets	1,107,942	576,788	318,722	3,419,588	5,423,040
Transactions with mortgage collateral	**1,906,591**	**879,714**	**511,369**	**7,251,255**	**10,548,929**
Other guarantees	737,669	577,219	118,751	1,882,786	3,316,425
Negligible-risk transactions	90,215	44,222	28,163	323,444	486,044
Other guarantees	**827,884**	**621,441**	**146,914**	**2,206,230**	**3,802,469**
Total	**2,734,475**	**1,501,155**	**658,283**	**9,457,485**	**14,351,398**

31.12.2015

Terms by guarantee

(Thousands of euros)

	< 6 months	6-9 months	9-12 months	>12 months	Total
Completed homes, primary residence of the borrower	992,015	423,790	406,343	3,570,641	5,392,789
Other completed homes	214,342	142,412	113,209	1,825,779	2,295,742
Rural buildings in use, and completed multi-purpose facilities, premises and offices	304,002	150,424	157,766	1,989,679	2,601,871
Land, lots and other real estate assets	306,221	223,017	106,491	1,846,166	2,481,895
Transactions with mortgage collateral	**1,816,580**	**939,643**	**783,809**	**9,232,265**	**12,772,297**
Other guarantees	917,054	446,008	153,057	1,972,382	3,488,501
Negligible-risk transactions	59,848	32,905	24,573	228,543	345,869
Other guarantees	**976,902**	**478,913**	**177,630**	**2,200,925**	**3,834,370**
Total	**2,793,482**	**1,418,556**	**961,439**	**11,433,190**	**16,606,667**

14.3. Impairment allowances

Changes in the balance of allowances for impairment losses on assets comprising "Loans and receivables" in 2016 and 2015 were as follows:

2016

(Thousands of euros)

	Balance at 31.12.2015	Net impairment allowances (Note 37)	Amount used (Note 28.4)	Transfers and other	Balance at 31.12.2016
Credit risk allowance of the borrower	**9,168,386**	**334,195**	**(1,727,575)**	**(1,095,133)**	**6,679,873**
Debt securities		1,198			1,198
Loans and advances	9,168,386	332,997	(1,727,575)	(1,095,133)	6,678,675
Credit institutions	5	(375)		370	0
Public sector	10,535	(10,009)	(2,400)	5,627	3,753
Other sectors (*)	9,157,846	343,381	(1,725,175)	(1,101,130)	6,674,922
Country risk allowance	**3,150**	**6,682**	**0**	**0**	**9,832**
Loans and advances to customers	3,150	6,682			9,832
Total	**9,171,536**	**340,877**	**(1,727,575)**	**(1,095,133)**	**6,689,705**

(*) At 31 December 2016 and 2015, includes allowances for other financial assets, amounting to EUR 4,675 thousand and EUR 7,166 thousand, respectively.

2015

(Thousands of euros)

	Balance at 31.12.2014	Additions due to business combinations (Note 7)	Net impairment allowances (Note 37)	Amount used (Note 28.4)	Transfers and other	Balance at 31.12.2015
Credit risk allowance of the borrower	**10,592,686**	**1,564,443**	**1,387,625**	**(2,728,936)**	**(1,647,432)**	**9,168,386**
Loans and advances	10,592,686	1,564,443	1,387,625	(2,728,936)	(1,647,432)	9,168,386
Credit institutions	4	88	(104)		17	5
Public sector	1,012		(666)	34	10,155	10,535
Other sectors (*)	10,591,670	1,564,355	1,388,395	(2,728,970)	(1,657,604)	9,157,846
Country risk allowance	**1,886**	**569**	**835**	**0**	**(140)**	**3,150**
Loans and advances to customers	1,886	569	835		(140)	3,150
Total	**10,594,572**	**1,565,012**	**1,388,460**	**(2,728,936)**	**(1,647,572)**	**9,171,536**

(*) At 31 December 2015 and 2014, includes allowances for other financial assets, amounting to EUR 8,545 thousand and EUR 7,166 thousand, respectively.

At 31 December 2016 and 2015, considering the provisions for contingent liabilities (see Note 24), the total provisions for loans and advances to customers and contingent liabilities were EUR 6,880 million and EUR 9,512 million, respectively. Provisions for contingent liabilities at 31 December 2016 and 2015 amounted to EUR 196 million and EUR 349 million (see Note 24), recognised under "Provisions" on the liabilities side of the accompanying consolidated balance sheet. Coverage stood at 47%.

The breakdown of provisions to cover credit risk, according to how they are identified, is as shown:

Provisions for credit risk according to how they are identified

(Thousands of euros)

	31.12.2016	31.12.2015
Specific allowance identified individually	2,336,687	2,880,757
Specific allowance identified collectively	2,881,159	4,408,463
Collective allowance for losses incurred but not reported (*IBNR)*	1,471,859	1,882,316
Total	**6.689.705**	**9.171.536**

The breakdown of provisions to cover credit risk, according to the status of the asset, is as shown:

Provision according to situation of the asset

(Thousands of euros)

	31.12.2016	31.12.2015
NPL coverage for reasons of arrears	3,192,554	5,089,099
NPL coverage for reasons other than arrears	2,025,292	2,200,121
Closing balance	**5,217,846**	**7,289,220**

15. Held-to-maturity investments

The breakdown, by type of transaction, of the balance of this item in the balance sheet is as follows:

(Thousands of euros)

	31.12.2016	31.12.2015
Debt securities (*)	**8,305,902**	**3,820,114**
Spanish government debt securities (**)	6,857,001	2,040,794
Government bonds and debentures	*6,857,001*	*2,040,794*
Other issuances	*0*	*0*
Issued by credit institutions	0	24,116
Other Spanish issuers	1,448,901	1,755,204
Other foreign issuers	0	0
Total	**8,305,902**	**3,820,114**

(*) See ratings classification in Note 3.3.4 "Risk associated with debt securities".

(**) See Note 3.3.5 "Information relating to sovereign risk exposure".

"Held-to-maturity investments" includes, *inter alia*, SAREB bonds backed by an irrevocable guarantee of the Spanish government, with a nominal amount at 31 December 2016 of EUR 1,448 million (EUR 1,962 million at 31 December 2015). Subordinated debt of SAREB (the Management Company for Assets Arising from the Banking Sector Reorganisation) was reconverted to shares in June 2016. After the conversion, CaixaBank held a net accounting capital investment of EUR 244 million, recognised under "Available-for-sale financial assets – Equity instruments", and subordinated debt of EUR 110 million recognised under "Loans and receivables".

At 31 December 2016 and 2015, "Held-to-maturity investments" also included several bonds related to the cancellation in 2013 of the loan granted from the Fund to Finance Payments to Suppliers (Fondo para la Financiación de los Pagos a Proveedores), for a total amount of EUR 762 million and EUR 1,786 million, respectively, with maturities between 31 May 2017 and 31 January 2022.

In 2016, there were purchases of both Spanish public debt issuances, mainly short- and long-term government bonds for a nominal value of EUR 5,649 million, and maturities for a nominal value of EUR 1,124 million, in addition to debt issuances for a nominal value of EUR 24.1 million matured.

Impairment tests conducted revealed the need to release the sum of EUR 119 million against 2016 profit in relation to financial investments in debt instruments reported under this heading (see Note 37).

16. Derivatives – Hedge accounting (assets and liabilities)

The detail, by type of product, of the fair value of derivatives designated as hedges at 31 December 2016 and 2015, is as follows:

Fair value by product

(Thousands of euros)

	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Share options	**0**	**0**	**261,099**	**0**
Bought (*)	0		261,099	
Issued				
Interest rate options	**0**	**42,363**	**0**	**50,112**
Bought				
Issued		42,363		50,112
Foreign currency options	**0**	**0**	**0**	**0**
Bought	0		0	
Issued				
Other share and interest rate transactions	**2,954,811**	**376,113**	**3,504,255**	**470,206**
Share swaps				
Future rate agreements (FRAs)				
Interest rate swaps	2,954,811	376,113	3,504,255	470,206
Commodity derivatives and other risks	**135,664**	**207,068**	**152,108**	**235,845**
Swaps	135,664	206,304	152,108	231,027
Sold		764		4,818
Total	**3,090,475**	**625,544**	**3,917,462**	**756,163**

(*) Includes the embedded derivative in the November 2013 issue of bonds exchangeable for Repsol shares – held at 31.12.2015 – cancelled on early redemption of the bonds (see Note 23.3).

The detail, by type of market and counterparty, of the fair value of derivatives designated as hedging derivatives is as follows:

Fair value by counterparty

(Thousands of euros)

	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Organised markets				
OTC markets	**3,090,475**	**625,544**	**3,917,462**	**756,163**
Credit institutions	1,993,090	502,466	2,454,824	676,014
Other financial entities	1,091,284	115,345	266,971	29,001
Other sectors	6,101	7,733	1,195,667	51,148
Total	**3,090,475**	**625,544**	**3,917,462**	**756,163**

The detail, by type of hedge, of the fair value of derivatives designated as hedging derivatives is as follows:

Fair value by type of hedge

(Thousands of euros)

	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges	**2,897,579**	**420,278**	**3,448,337**	**521,718**
Micro-hedges	*18,983*	*2,780*	*868*	*2,015*
Macro-hedges	*2,878,596*	*417,498*	*3,447,469*	*519,703*
Cash flow hedges	**192,896**	**205,266**	**469,125**	**234,445**
Micro-hedges	*148,207*	*205,266*	*419,036*	*234,242*
Macro-hedges	*44,689*	*0*	*50,089*	*203*
Total	**3,090,475**	**625,544**	**3,917,462**	**756,163**

At 31 December 2016 and 2015, the main exposures and the derivatives designated to hedge them were as follows:

- Fair value hedges:
    - Fair value macro-hedges: cover balance sheet positions exposed to interest rate risk. Specifically fixed-rate issuances and certain loan groups.

      There follows a brief description of the nature of the risks hedged and of the instruments used, classifying them according to the various management objectives:

        - Fair value macro-hedges, mainly for issuances:
          The hedge is effected by converting the covered financial instrument from fixed to floating rate, wherein the interest rate is the substance of the hedged risk. Hedging instruments used are mainly interest rate swaps that change the rate of the hedged item from fixed to floating rate.
          The value of the hedging instruments recognised on the asset and liability sides of the balance sheet at 31 December 2016 amounted to EUR 2,769.2 and 331.9 million, respectively.

        - Fair value macro-hedges for fixed rate loans:
          The hedge is effected by converting the loans from fixed rate to floating rate, whereby the interest rate is the substance of the hedged risk. There is a hedge for a closed loan book and another for an open loan book covering fixed rate loans arranged before 1 January 2016. Hedging instruments used are mainly interest rate swaps that change the rate of the hedged item from fixed to floating rate.
          The value of the hedging instruments under liabilities in the balance sheet at 31 December 2016 for the closed and open loan books was EUR 85.4 million.

      The value of adjustments to the hedging instruments recognised under “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” and “Liabilities – “Fair value changes of the hedged items in portfolio hedge of interest rate risk” in the balance sheet at 31 December 2016 was EUR 134.6 million and EUR 1,984.9 million, respectively.

- Fair value micro-hedges: the objective of these hedges is to mitigate the impact of changes in the value of the hedged item caused by the risks it is hedged against. At 31 December 2016, these included certain fixed-income positions of public administrations classified as available for sale.

    - Fair value micro-hedges for fixed income to fixed rate securities: The hedge is effected by converting the covered financial instrument from fixed to floating rate, wherein the interest rate is the substance of the hedged risk. Hedging instruments used are mainly interest rate swaps that change the rate of the hedged item from fixed to floating rate.
      The value of the hedging instruments recognised on the asset and liability sides of the balance sheet at 31 December 2016 amounted to EUR 17.0 and 1.2 million, respectively.

- Cash flow hedges:

  - Cash flow macro-hedges: These aim to cover, for a group of balance sheet items, exposure to fluctuations in cash flows resulting from the hedged risks.

    There follows a brief description of the nature of the risks hedged and of the instruments used, classifying them according to the various management objectives:

    - Macro-hedges for floating rate loans:

      The general objectives and specific strategy for this kind of hedging are to protect CaixaBank from fluctuations in the flows of the hedged assets due to movements in the market rates curve.

      This protects the bank from income volatility.
      To hedge the risk, interest rate swaps have been arranged on the market to change the floating rate to fixed rate.

      The value of the hedging instruments recognised on the asset side of the balance sheet at 31 December 2016 amounted to EUR 31.8 million.

  - The purpose of the cash flow micro-hedges is to hedge the exposure of the item being hedged to variations in cash flow caused by the risks against which it is covered.

    There follows a brief description of the nature of the risks hedged and of the instruments used, classifying them according to the various management objectives:

    - Micro-hedges of inflation-indexed public debt:

      The purpose of this micro-hedge is to stabilise the impact on net interest income of interest associated with inflation-indexed public debt, eliminating the underlying risk of the benchmark index.

      To hedge this risk, interest rate swaps and inflation swaps and options have been arranged on the market that change the inflation-indexed rate of the issue from floating to fixed.

The value of the hedging instruments recognised on the asset and liability sides of the balance sheet at 31 December 2016 amounted to EUR 146.2 million and EUR 205.2 million, respectively.

In 2016, the corresponding effectiveness tests on these hedges were performed. Any ineffective portions of the hedges were recognised under “Gains/(losses) from hedge accounting, net” in the statement of profit or loss (see Note 33).

17. Investments in associates and joint ventures

The breakdown of the cost of investments in associates and joint ventures is as follows:

Breakdown of investments in associates and joint ventures
(Thousands of euros)

	31.12.2016	31.12.2015
Investments in associates	**5,777,723**	**9,151,876**
Repsol, SA	2,903,712	3,308,050
Erste Group Bank AG	1,272,003	1,161,620
Banco BPI, SA	1,445,812	1,381,218
The Bank of East Asia, Ltd (*)		2,316,146
Grupo Financiero Inbursa, SAB de CV (*)		872,839
Other companies	156,196	112,003
Investments in joint ventures	**1,193,999**	**1,142,809**
SegurCaixa Adeslas, SA de Seguros Generales y Reaseguros	1,052,668	1,017,413
Comercia Global Payments, Entidad de Pago, SL	91,459	90,471
Other companies	49,872	34,925
Subtotal	**6,971,722**	**10,294,685**
Less:		
Impairment allowances	(551,012)	(620,991)
Total	**6,420,710**	**9,673,694**

(*) See Note 1 – “Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa”.

The detail of goodwill included in the cost of investments in associates and joint ventures at 31 December 2016 and 2015 is as follows:

Breakdown of goodwill
(Thousands of euros)

	31.12.2016	31.12.2015
Banco BPI, SA	350,198	350,198
SegurCaixa Adeslas, SA de Seguros Generales y Reaseguros	299,618	299,618
The Bank of East Asia, LTD (*)		746,167
Grupo Financiero Inbursa (*)		282,210
Other	17,965	1,497
Total	**667,781**	**1,679,690**

(*) See Note 1 – “Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa”.

The tables below show the changes in "Investments in joint ventures and associates" in 2016 and 2015:

Changes in investments - 2016

(Thousands of euros)

	Underlying carrying amount	Goodwill	Impairment allowances	Total
Balance at 31.12.2015	**8,614,995**	**1,679,690**	**(620,991)**	**9,673,694**
Acquisitions and capital increases	123,688	7,354	(15,821)	115,221
Disposals and capital reductions	(2,673,753)	(984,608)	119,827	(3,538,534)
Profit/(loss) for the period	628,518			628,518
Dividends declared	(274,536)			(274,536)
Translation differences	(89,201)	(43,384)		(132,585)
Changes in consolidation method	11,279	14,807		26,086
Valuation adjustments - investees	(25,460)			(25,460)
Reclassifications and others	(11,589)	(6,078)	(34,027)	(51,694)
Balance at 31.12.2016	**6,303,941**	**667,781**	**(551,012)**	**6,420,710**

Changes in investments - 2015

(Thousands of euros)

	Underlying carrying amount	Goodwill	Impairment allowances	Total
Balance at 31.12.2014	**8,240,324**	**1,700,514**	**(674,441)**	**9,266,397**
Acquisitions and capital increases	188,713			188,713
Disposals and capital reductions	(178,925)	(70,010)	11,732	(237,203)
Profit/(loss) for the period	375,135			375,135
Dividends declared	(334,046)			(334,046)
Translation differences	137,788	59,440		197,228
Valuation adjustments - investees	133,509			133,509
Reclassifications and others	52,497	(10,254)	41,718	83,961
Balance at 31.12.2015	**8,614,995**	**1,679,690**	**(620,991)**	**9,673,694**

Acquisitions and disposals in 2016 and 2015 excluding impairment losses are as follows:

Breakdown of acquisitions and disposals - 2016

(Thousands of euros)

	Underlying carrying amount	Goodwill	Total
Acquisitions and capital increases			
Repsol, SA	61,840		61,840
The Bank of East Asia, Ltd	26,152		26,152
Banco BPI, SA	22,463		22,463
GP Brasil-Serviços Pagamento			0
Other	13,233	7,354	20,587
	123,688	**7,354**	**131,042**
Disposals and capital reductions			
The Bank of East Asia, Ltd	(1,525,553)	(711,670)	(2,237,223)
Grupo Financiero Inbursa, SAB de CV	(561,094)	(272,938)	(834,032)
Repsol, SA	(575,864)		(575,864)
Other	(11,242)		(11,242)
	(2,673,753)	**(984,608)**	**(3,658,361)**

Breakdown of acquisitions and disposals - 2015

(Thousands of euros)

	Underlying carrying amount	Goodwill	Total
Acquisitions and capital increases			
Repsol, SA	100,887		100,887
The Bank of East Asia, Ltd	53,995		53,995
Brillance-Bea Auto Finance	22,773		22,773
GP Brasil-Serviços Pagamento	6,067		6,067
Other	4,991		4,991
	188,713	**0**	**188,713**
Disposals and capital reductions			
Boursorama, SA	(113,084)	(66,306)	(179,390)
Self Trade Bank, SA	(38,629)		(38,629)
Investbya Holding, SL	(11,056)		(11,056)
GDS-Risk Solutions, Correduria de Seguros, SL	(331)	(3,704)	(4,035)
Other	(15,825)		(15,825)
	(178,925)	**(70,010)**	**(248,935)**

The main changes in 2016 are as follows:

Repsol, SA

At 31 December 2016, CaixaBank's stake in Repsol, SA stood at 10.05% (12.14% at 31 December 2015). The variation in the Repsol stake primarily stems from the delivery of a total of 29,824,636 shares representing 2.07% of Repsol's capital for the early redemption of the bond convertible into shares in the company (see Note 23). The stake was also diluted by 0.51% due to the scrip dividend in 2016, while shares representing 0.49% of Repsol's capital were purchased during the period. These acquisitions resulted in an immaterial difference arising on first-time consolidation, recognised under "Negative goodwill recognised in profit or loss" in the accompanying statement of profit or loss.

The Bank of East Asia and Grupo Financiero Inbursa

As commented in Note 1, CaixaBank transferred to Criteria its stake in BEA, representing approximately 17.24% of the latter's capital, and in GFI, representing approximately 9.01% of this company's capital. Meanwhile, Criteria transferred to CaixaBank a number of CaixaBank treasury shares representing approximately 9.89% of its share capital and a cash amount set at EUR 678 million.

The market value of listed companies classified as associates and the percentage stake held at 31 December 2016 and 2015 are shown in the table below:

Main listed companies

(Thousands of euros)	31.12.2016		31.12.2015	
	% interest	Market value	% interest	Market value
Repsol, SA	10.05%	1,976,047	12.14%	1,720,158
Erste Group Bank, AG	9.92%	1,186,298	9.92%	1,232,556
Banco BPI, SA (*)	45.50%	749,727	44.10%	700,927
The Bank of East Asia, LTD (**)			17.24%	1,556,516
Grupo Financiero Inbursa (**)			9.01%	987,801
Market value		**3,912,072**		**6,197,958**

(*) See Note 1 – "Takeover bid for Banco BPI".
(**) See Note 1 – "Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa".

Impairment of equity investments

For the purpose of assessing the recoverable amount of equity investments in associates and jointly-controlled entities, the CaixaBank Group has a methodology in place for performing a quarterly assessment of potential indicators of impairment in the carrying amount of these investments. Specifically, it assesses investees' business performance and, where applicable, the companies' share prices throughout the period and the target prices published by renowned independent analysts. The Group uses the data to determine the recoverable value of the investment and, if this exceeds the carrying amount, it considers that there are no indications of impairment.

The CaixaBank Group carried out impairment tests to assess the recoverable amount of its investments and verify the valuation adjustments recognised. It used generally accepted valuation methods such as Discounted Cash Flows (DCF), regression curves, Dividend Discount Models (DDM) and others. It did not consider potential control premiums in any of the valuations.

Balance sheet and statement of profit or loss projections were made, as a base reference, for five years, as these investments are long-term. They are updated and adjusted on a half-yearly basis.

The assumptions used are based on macroeconomic data on each country and sector obtained from renowned external sources and published strategic plans of listed companies or internal strategic plans in the case of non-listed entities. The same methodology has been applied for associates and joint ventures. The main assumptions used are as follows:

- Individual discount rates for each activity and country, ranging from 10.1% to 10.9% for banking stakes and from 7.6% and 10% for other qualifying holdings (between 9.4% and 13.8%, and 8.1% and 10%, respectively, in the stress tests carried out at 31 December 2015).

- Growth rates to calculate residual value beyond the projected period of between 1% to 2.5% for banking stakes and from 0.5% to 2% for other qualifying holdings (between 2.5% and 4.3%, and 0.5% and 2%, respectively, in the stress tests carried out at 31 December 2015). These growth rates were estimated based on the data of the latest projected period and never exceed nominal GDP growth estimated for the country or countries in which the investees operate.

Given the uncertainty inherent in these assumptions, sensitivity analyses are performed using reasonable changes in the key assumptions on which the recoverable amount of the investments analysed is based to confirm whether this continues to exceed the amount to be recovered. In this respect, possible variations in the main assumptions used in the models were calculated and a sensitivity analysis carried out for the most significant variables, including the various business drivers and statements of profit or loss of investees, to assess the resistance of the value of these investments to more adverse scenarios.

The following sensitivity analyses were carried out:

- For banking investees: possible variations in the main assumptions used in the model were calculated, including the discount rate: -0.5%, + 0.5%, growth rate: -0.5%, +0.5%, net interest income: -0.05% +0.05% and credit risk: -0.05% 0.05%
- For investments in the insurance business: possible variations in the main assumptions used in the model were calculated, including the discount rate: -0.5%, + 0.5%, and growth rate: -0.5%, +0.5%.
- For Repsol: possible variations in the main assumptions used in the model: Brent prices: -5$/bbl, +5$/bbl.

The results of sensitivity analysis indicated that there is no need to recognise any significant impairment losses.

The tables below show the changes in impairment allowances for investments in associates in 2016 and 2015:

(Thousands of euros)	2016	2015
Opening balance	**620,991**	**674,441**
Plus:		
Allowances recognised in profit or loss	3,986	65
Transfers and other	45,862	91,004
Less:		
Funds available in prior years		(132,787)
Amounts used	(119,827)	(11,732)
Closing balance	**551,012**	**620,991**

Financial information on companies accounted for using the equity method

Appendices 2 and 3 disclose the percentage of ownership, share capital, reserves, results, ordinary income, total comprehensive income, profit/(loss) from discontinued operations, net cost and dividends paid by each of the investments in associates and joint ventures.

Summarised financial information on significant associates accounted for using the equity method, based on the latest information available at the date of preparation of these annual financial statements, is as follows:

Summarised financial information of associates

(figures in millions of euros or the corresponding local currency)	Banco BPI	Erste Group Bank	Repsol
Nature of the company's activities	Note (1)	Note (2)	Note (3)
Country of incorporation and countries of operation	Portugal, Angola	Austria, the Czech Republic, Hungary, Croatia, Slovakia, Romania and Serbia	Spain, North America, Canada, Brazil, Indonesia, Libya and T&T
Ownership interest (voting rights)	45.50%	9.92%	10.05%
Dividends received from investee		21	92
Reconciliation of financial information related to fair value adjustments at the time of acquisition and adjustments due to changes in accounting policy			Treatment of issued perpetual bonds as a financial liability
Summarised financial information for the last available period	**30.9.2016**	**30.9.2016**	**30.9.2016**
Current assets			13,685
Non-current assets	38,718	206,811	47,790
Current liabilities			13,245
Non-current liabilities	35,906	190,282	19,048
Ordinary income	908	6,254	26,719
(Attributable) profit/(loss) from continuing operations	183	1,179	1,120
Profit/(loss) from discontinued operations (after tax)			
Other comprehensive income	-203	74	
Total comprehensive income	-20	1,183	1,120
Summarised financial information at 31.12.2015			
Current assets			12,751
Non-current assets	40,673	199,743	50,326
Current liabilities			14,477
Non-current liabilities	37,838	184,936	19,911
Ordinary income	1,182	9,333	41,741
(Attributable) profit/(loss) from continuing operations	236	968	(1,227)
Profit/(loss) from discontinued operations (after tax)			
Other comprehensive income	56	135	
Total comprehensive income	292	1,181	(1,227)

(1) Banco BPI is a financial group focused on retail and corporate banking, and investment management services. It has a strong competitive position in Portugal.
(2) Erste Group Bank AG has a strong deposits business and offers retail and corporate banking products and investment banking services.
(3) Repsol is an integrated global energy company that develops upstream and downstream across the world. CaixaBank is Repsol's leading shareholder.

Summarised financial information on significant joint ventures accounted for using the equity method, based on the latest information available at the date of preparation of these annual financial statements, is as follows:

Summarised financial information of joint ventures

(Millions of euros)

	Comercia Global Payments	SegurCaixa Adeslas
Nature of the company's activities	Note (1)	Note (2)
Country of incorporation and countries of operation	Spain	Spain
% of voting rights (if different from the % stake)		
Restrictions on dividend payments		Note (3)
Dividends received	16	85
Reconciliation of financial information related to fair value adjustments at the time of acquisition and adjustments due to changes in accounting policy		
Summarised financial information for the last available period	**30112.2016 (7 months)**	**30.9.2016**
Current assets	208	
Non-current assets	165	3,800
Current liabilities	(191)	
Non-current liabilities	(2)	2,232
Ordinary income	8	2,208
Profit/(loss) from continuing operations	23	167
Other comprehensive income		26
Total comprehensive income	17	192
Cash and cash equivalents	24	406
Current financial liabilities	(64)	
Depreciation	(12)	71
Interest income	0	25
Interest expenses	(0)	(6)
Income tax expense/revenue	(6)	(54)
Summarised financial information for:	**31.5.2016 (12 months)**	**31.12.2015**
Current assets	150	
Non-current assets	177	3,320
Current liabilities	(137)	
Non-current liabilities	(3)	1,945
Ordinary income	122	2,798
Profit/(loss) from continuing operations	45	191
Other comprehensive income		(11)
Total comprehensive income	32	180
Cash and cash equivalents	64	621
Current financial liabilities		
Depreciation	(10)	(62)
Interest income	0	28
Interest expenses	(0)	(7)
Income tax expense/revenue	(13)	(68)

(1) Provision of the payment service (acquiring).

(2) Strategic alliance for the development, sale and distribution of non-life general insurance of SegurCaixa Adeslas. The company is 50%-owned by Mutua Madrileña Automovilista, SA Sociedad de Seguros a Prima Fija and 49.92% by VidaCaixa, SA de Seguros y Reaseguros Sociedad Unipersonal, with 0.08% held by minority shareholders.

(3) There are 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.

18. Assets and liabilities under insurance and reinsurance contracts

The breakdown of these balances in the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Breakdown of assets and liabilities under insurance and reinsurance contracts
(Thousands of euros)

	Assets under insurance and reinsurance contracts		Liabilities under insurance contracts	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Unearned premiums	2,585	1,824	4,412	2,962
Mathematical provisions	323,125	381,274	45,223,258	39,759,975
Claims	18,434	8,127	526,592	461,680
Bonuses and rebates			49,317	65,906
Total	**344,144**	**391,225**	**45,803,579**	**40,290,523**

Assets under insurance and reinsurance contracts

This balance sheet heading includes mainly 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 portfolio.

The table below shows the changes to this item in 2016 and 2015:

Changes in assets under insurance and reinsurance contracts
(Thousands of euros)

	31.12.2016	**31.12.2015**
Balance at 1 January	391,225	451,652
Provision	344,144	391,225
Amounts used	(391,225)	(451,652)
Settlements and others		
Closing balance	**344,144**	**391,225**

Liabilities under insurance contracts

The Group performs insurance and reinsurance transactions directly through VidaCaixa, SAU de Seguros y Reaseguros.

The majority of liabilities under insurance contracts at 31 December 2016 and 2015 basically relate to life-savings products with guaranteed returns valued in accordance with prevailing insurance regulations and the technical specifications of each product.

Note 2.23 “Insurance transactions” describes the accounting policies applied to insurance contracts, indicating that these comply with the guidance of IFRS 4 *Insurance Contracts*.

In this regard, and as envisaged in IFRS 4, the Group determines the provisions for insurance contracts in accordance with Spanish accounting law for insurance companies and, in particular, with Regulations on the

Organisation and Supervision of Private Insurance (ROSSP) and other implementing provisions, and other applicable legislation.

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. The future estimated cash flows arising from insurance contracts and the derivatives of the financial assets subject to a yield curve of assets with high credit quality are therefore discounted (the "Government" curve for Spain has been used as the valuation curve). 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 are taken into consideration.

In addition, a sensitivity analysis is 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.

As a result of the liability adequacy test, capital gains/(losses) on assets covered by insurance contracts previously recognised in Group equity are reclassified to "Provisions for insurance contracts" (i.e. shadow accounting). Reclassified capital gains/(losses) at 31 December 2016 amounted to EUR 2,357 million, net.

The table below shows the changes to this item in the consolidated balance sheet for 2016 and 2015:

Increase in liabilities under insurance contracts.

(Thousands of euros)

	31.12.2016	31.12.2015
Balance at 1 January	40,290,523	40,434,093
Provision	45,803,579	40,574,638
Amounts used	(40,290,523)	(40,718,208)
Closing balance	**45,803,579**	**40,290,523**

The following table presents the flows of mathematical provisions recorded under insurance contracts:

Residual maturities of mathematical provisions

(Thousands of euros)

	Less than one year	1 to 3 years	From 3 to 5 years	Over 5 years	Total
Liabilities under insurance contracts	2,718,853	3,760,463	3,509,724	35,234,218	45,223,258

19. Tangible assets

Changes in items of “Tangible assets” and of the related accumulated depreciation in 2016 and 2015 are as follows:

(1 / 2)

(Thousands of euros)	31.12.2016			31.12.2015		
	Land and buildings	**Furniture, facilities and other**	**Total**	**Land and buildings**	**Furniture, facilities and other**	**Total**
Cost						
Opening balance	2,805,518	3,514,768	6,320,286	2,813,637	3,679,576	6,493,213
Additions due to business combinations **(Note 7)**			0	28,808	94,029	122,837
Additions	29,155	224,619	253,774	52,871	172,338	225,209
Disposals	(26,375)	(203,697)	(230,072)	(2,904)	(421,227)	(424,131)
Transfers	(188,644)	32,604	(156,040)	(86,894)	(9,948)	(96,842)
Closing balance	**2,619,654**	**3,568,294**	**6,187,948**	**2,805,518**	**3,514,768**	**6,320,286**
Accumulated amortisation						
Opening balance	(499,048)	(2,751,842)	(3,250,890)	(480,778)	(2,867,616)	(3,348,394)
Additions due to business combinations **(Note 7)**			0	(10,354)	(60,081)	(70,435)
Additions	(24,262)	(121,388)	(145,650)	(33,590)	(138,669)	(172,259)
Disposals	21,386	182,916	204,302	2,626	281,781	284,407
Transfers	29,193	3,380	32,573	23,048	32,743	55,791
Closing balance	**(472,731)**	**(2,686,934)**	**(3,159,665)**	**(499,048)**	**(2,751,842)**	**(3,250,890)**
Impairment allowances						
Opening balance	(17,481)	(12,092)	(29,573)	(3,249)		(3,249)
Additions due to business combinations **(Note 7)**			0			0
Allowances **(Note 38)**	(5,689)	(167)	(5,856)	(8,151)		(8,151)
Reversals **(Note 38)**	10,150	1,281	11,431			0
Transfers	(52)	(383)	(435)	(6,081)	(12,092)	(18,173)
Amounts used	812		812			0
Closing balance	**(12,260)**	**(11,361)**	**(23,621)**	**(17,481)**	**(12,092)**	**(29,573)**
Own use, net	**2,134,663**	**869,999**	**3,004,662**	**2,288,989**	**750,834**	**3,039,823**

(Thousands of euros)	31.12.2016			31.12.2015		
	Land and buildings	Furniture, facilities and other	Total	Land and buildings	Furniture, facilities and other	Total
Cost						
Opening balance	4,229,060	62,839	4,291,899	3,985,455	70,941	4,056,396
Additions due to business combinations **(Note 7)**			0	26,926		26,926
Additions	199,622	6,098	205,720	190,518	6,010	196,528
Disposals	(196,756)	(9,684)	(206,440)	(194,061)	(8,709)	(202,770)
Transfers	394,402	30,753	425,155	220,222	(5,403)	214,819
Closing balance	**4,626,328**	**90,006**	**4,716,334**	**4,229,060**	**62,839**	**4,291,899**
Accumulated amortisation						
Opening balance	(126,104)	(10,078)	(136,182)	(172,640)	(32,398)	(205,038)
Additions due to business combinations **(Note 7)**			0	(66)		(66)
Additions	(54,096)	(7,356)	(61,452)	(50,046)	(3,701)	(53,747)
Disposals	11,945	2,995	14,940	10,145	4,622	14,767
Transfers	(3,781)	(805)	(4,586)	86,503	21,399	107,902
Closing balance	**(172,036)**	**(15,244)**	**(187,280)**	**(126,104)**	**(10,078)**	**(136,182)**
Impairment allowances						
Opening balance	(902,221)	0	(902,221)	(590,213)	(1,548)	(591,761)
Additions due to business combinations **(Note 7)**			0	(11,794)		(11,794)
Allowances **(Note 38)**	(248,547)		(248,547)	(488,285)		(488,285)
Reversals **(Note 38)**	214,175		214,175	294,527		294,527
Transfers	(219,914)		(219,914)	(180,330)	1,548	(178,782)
Amounts used	59,699		59,699	73,874		73,874
Closing balance	**(1,096,808)**	**0**	**(1,096,808)**	**(902,221)**	**0**	**(902,221)**
Investment property	**3,357,484**	**74,762**	**3,432,246**	**3,200,735**	**52,761**	**3,253,496**
Total tangible assets	**5,492,147**	**944,761**	**6,436,908**	**5,489,724**	**803,595**	**6,293,319**

Transfers to “Investment property” in 2016 and 2015 reflect mainly the value of the properties reclassified from “Own use” when an office was closed or from “Non-current assets and disposal groups classified as held for sale” when they were rented out (see Note 22).

At 31 December 2016 and 2015, there were no restrictions on the realisation of tangible assets and the collection of the proceeds.

At 31 December 2016, the Group had fully depreciated items of property, plant and equipment for own use amounting to EUR 2,198 million.

Property, plant and equipment for own use

Property, plant and equipment for own use are allocated to the Banking Business CGU. At 31 December 2016 and 2015, impairment tests were performed on the net amount of the assets associated with the Banking Business CGU. The results of the tests carried out did not uncover any need to make allowances for the assets included under this heading (see Note 20).

However, the Entity carries out regular valuations of property for own use classified as "Land and buildings". The market value of these assets at 31 December 2016 did not differ significantly from their carrying amounts.

The CaixaBank Group does not have significant commitments to acquire items of property, plant and equipment. Sales made in previous years with sale and leaseback agreements include buy options that may be exercised by CaixaBank 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 36).

Investment property

Investment property is appraised annually using statistical methods, except for those over two years' old and special assets or assets not affected by repeat production. The appraisals led to the recognition of an impairment loss on investment property at 31 December 2016 and 2015 of EUR -34,372 thousand and EUR -197,115 thousand, respectively.

On the basis of the appraisals available at 31 December 2016, the fair value of the portfolio of investment properties does not differ significantly from its carrying amount.

The fair value of property assets classified as investment property, based on the fair value hierarchy, is classified as Level 2.

The net carrying amount of investment property generating rental income in 2016 was EUR 3,261 million.

Rental income accrued on the operation of investment property is recognised under "Other operating income" in the statement of profit or loss (see Note 34), totalling EUR 148.6 million in 2016, and operating expenses under "Other operating expenses", totalling EUR 42 million in 2016 (see Note 34).

The table below shows the appraisers that carried out valuations of investment property in 2016:

Appraisers of investment property

(Percentage)

	31.12.2016	31.12.2015
Tasaciones Inmobiliarias, SA	36%	28%
Sociedad de Tasación, SA	30%	23%
Gesvalt, SA	8%	11%
JLL Valoraciones, SA	7%	0%
Ibertasa, SA	6%	15%
CBRE Valuation Advisory, SA	6%	0%
Valtecnic, SA	4%	13%
Valoraciones y Tasaciones Hipotecarias, SA	2%	8%
Tecnitasa, SA	1%	0%
Krata, SA	0%	1%
Other	0%	1%
Total	**100%**	**100%**

20. Intangible assets

Goodwill

The table below shows the composition of goodwill at 31 December 2016 and 2015:

Goodwill
(Thousands of euros)

	CGU	31.12.2016	31.12.2015
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 (1)	402,055	402,055
Acquisition of Bankpime, SA	Banking	39,406	39,406
Acquisition of VidaCaixa, SA de Seguros y Reaseguros (VidaCaixa Grupo, SA Group)	Insurance	330,929	330,929
Total		**3,050,845**	**3,050,845**

(1) Of which EUR 3.7 million are allocated to the Insurance CGU and the remainder to the Banking CGU.

Other intangible assets

The breakdown of “Other intangible assets” at 31 December 2016 and 2015 is as follows:

Breakdown of other intangible assets
(Thousands of euros)

	31.12.2016	31.12.2015
Other intangible assets		
Cost	1.422.512	1.307.848
Accumulated amortisation	(773.422)	(674.222)
Impairment	(12,583)	(12,883)
Total	**636,507**	**620,743**

Breakdown of other intangible assets

(Thousands of euros)

	CGU	Useful life	Remaining useful life	31.12.2016	31.12.2015
Customer relationships (Core Deposits) of Barclays Bank	Banking	9 years	8 years	18,320	20,937
Customer relationships (Core Deposits) of Banca Cívica	Banking	4 to 9.5 years	1 to 5 years	89,777	107,743
Trademarks identified in the acquisition of Banco de Valencia	Banking	Indefinite		0	8,000
Customer relations (core deposits) of Banco de Valencia	Banking	6.2 years	3.2 years	11,645	16,939
Insurance portfolio of Banca Cívica Vida y Pensiones	Insurance	10 years	6.5 years	42,698	50,124
Insurance portfolio of CajaSol Vida y Pensiones	Insurance	10 years	6.5 years	8,694	10,086
Insurance portfolio of CajaCanarias Vida y Pensiones	Insurance	10 years	6.5 years	5,356	6,213
Customer funds of Banco de Valencia	Insurance	10 years	7 years	1,171	1,334
Customer funds of Barclays	Insurance	10 years	9.5 years	20,256	
Software and others		4 years	1 to 4 years	390,113	318,056
Life insurance portfolios of VidaCaixa, SA (1)	Insurance	10 years	2 years	18,191	36,380
Contracts with Morgan Stanley customers (1)	Banking/ Insurance	11 years	3 years	13,251	24,738
Contracts with Banca Cívica Gestión de Activos customers		10 years	6.5 years	4,357	5,299
Contracts with Barclays Gestión de Activos customers		9 years	8 years	5,716	6,532
Contracts with Bankpime customers and others (1)	Banking	10 years	6 years	6,962	8,362
Total				**636,507**	**620,743**

(1) The residual useful lives are three years for the insurance portfolio, four years for contracts with Morgan Stanley customers, and seven years for contracts with Bankpime customers.

The changes to this item in the balance sheet in 2016 and 2015 are as follows:

Changes in other intangible assets

(Thousands of euros)

	2016	2015
Opening balance	**620,743**	**583,721**
Plus:		
Additions due to business combinations **(Note 7)**		89,452
Additions due to additions of software and others	179,367	136,163
Less:		
Disposals due to sale		(600)
Amortisation recognised in profit or loss	(163,100)	(139,917)
Write-downs taken to profit or loss **(Note 38)**	(503)	(48,076)
Closing balance	**636,507**	**620,743**

(*) In addition to the amortisation charge, fully amortised intangible assets totalling EUR 63,900 thousand have been derecognised.

In 2016, research and development expenditure by the CaixaBank Group amounted to EUR 84.1 million.

At 31 December 2016 and 2015, there were no intangible assets with restrictions on ownership or used as guarantee or collateral of debts.

Additionally, at 31 December 2016 and 2015, there were no significant commitments to acquire intangible assets.

At 31 December 2016 and 2015, the CaixaBank Group had fully amortised intangible assets still in use amounting to a gross EUR 251 million and EUR 266 million, respectively.

Impairment test of the banking CGU

The amount to be recovered from the Banking Business CGU was determined from the allocation of the CaixaBank 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 CaixaBank Group estimates recoverable amount based on value in use, which was determined by discounting the estimated dividends over the medium term according to the Group's budgets and extrapolated to 2021 (five annual financial periods). The Group also updates the projected cash flows every six months to factor in any potential deviations in the recoverable amount estimation model. The test carried out at 31 December 2016 confirmed that the projections used in the previous impairment test and actual figures would not have affected the conclusions of that test.

The main assumptions used in the cash flow projections were based on estimates for the main macroeconomic variables affecting the Group's business activities, including net interest income of between 1.23% and 1.45% of average total assets (between 1.28% and 1.55% in the previous test), credit risk of between 0.47% and 0.30% of the gross lending portfolio (between 0.74% and 0.40% in the previous test), and a growth rate of 2% (the same as that used in the previous test), intended to include the effects of inflation. The discount rate applied for the projections was 9.2% (8.8% under the previous test), calculated on the rate of interest of the German 10-year bond, plus a risk premium associated with the banking business and the entity.

The CaixaBank Group performs a sensitivity analysis on the most significant variables. In this respect, in addition to the baseline scenario, possible variations in the main assumptions used in the model have been calculated, including the discount rate: -1.5%, + 1.5%, growth rate: -0.5%, +0.5%, net interest income: -0.05%, + 0.05%, and credit risk: -0.1% + 0.1%, to confirm that recoverable amount still exceeds the amount to be recovered. The results of the sensitivity analysis, including adverse assumptions, did not uncover the need to recognise any impairment of the goodwill assigned to the Banking Business CGU in 2016. The analysis also showed that the value of the CGU in an adverse scenario is still substantially higher than the value of its equity operations.

In addition, there were no reasonably likely changes in the assumptions or projections that could result in the recognition of impairment allowances for goodwill and intangible assets assigned to this CGU at the end of 2016.

Impairment test of the Insurance CGU

The amount to be recovered from the Insurance Business CGU was determined from the allocation of the CaixaBank 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 of the Insurance Business CGU is based on value in use. A calculation was made of the cash flows expected over the next five years on the life business acquired, assuming a subsequent growth rate of 2% (intended to include the effects of inflation). These expected flows were discounted at a rate of 9.07% (9.05% in the previous test). The CaixaBank Group also updates the projected cash flows every six months to factor in any potential deviations to the recoverable amount estimation model. The test carried out at 31 December 2016 confirmed that the projections used in the previous impairment test were fairly accurate and that the deviations would not have affected the conclusions of that test.

The CaixaBank Group performs a sensitivity analysis on the most significant variables. In this respect, in addition to the baseline scenario, possible variations in the main assumptions used in the model have been calculated, including the discount rate: -0.5%, +0.5%, growth rate: -0.5%, + 0.5%, to confirm that recoverable amount still exceeds the amount to be recovered. The results of the sensitivity analysis, including adverse assumptions, did not uncover the need to recognise any impairment of the goodwill assigned to the Insurance Business CGU in 2016. The analysis also showed that the value of the CGU in an adverse scenario is still substantially higher than the value of its equity operations.

In addition, there were no reasonably likely changes in the assumptions or projections that could result in the recognition of impairment allowances for goodwill and other intangible assets assigned to this CGU at the end of 2016.

21. Other assets and liabilities

The breakdown of these items in the balance sheet is as follows:

Breakdown of other assets and liabilities
(Thousands of euros)

	31.12.2016	31.12.2015
Inventories	1,012,896	1,135,337
Other assets	782,827	1,081,820
Prepayments and accrued income	575,799	627,527
Of which: Accrued expenses payable	*383,932*	*364,639*
Of which: Shortfall in the Deposit Guarantee Fund to be settled over the next five years	*176,109*	*209,169*
Ongoing transactions	42,006	220,375
Dividends on equity securities accrued and receivable	51,682	150,821
Other	113,340	83,097
Total other assets	**1,795,723**	**2,217,157**
Accrued expenses and deferred income	976,384	1,070,098
Of which: Accrued general expenses payable	*186,190*	*191,801*
Ongoing transactions	657,611	270,979
Other	171,640	158,561
Total other liabilities	**1,805,635**	**1,499,638**

“Other assets” includes the fair value of insurance policies associated with defined-benefit obligations assured through policies arranged with entities not considered related parties and eligible to be considered plan assets after deducting the present value of the obligations. If the value of the obligations is higher, it is recognised in “Provisions – Pensions and other post-employment defined benefit obligations” (see Note 24).

“Inventories,” which consists mainly of land and property under construction, are measured at the lower of cost, including financial charges, and realisable value, understood to be the estimated net selling price less the estimated production and marketing costs.

Changes in “Inventories” in 2016 and 2015 are as follows:

Changes in inventories

(Thousands of euros)

	2016		2015	
	Foreclosed assets	**Other assets**	**Foreclosed assets**	**Other assets**
Gross cost, inventories				
Opening balance	**2,631,700**	**97,641**	**2,277,549**	**308,177**
Plus:				
Additions due to business combinations **(Note 7)**			234,637	
Acquisitions	125,686	18,178	202,903	41,004
Transfers and other	49,894	17	83,992	
Less:				
Cost of sales (1)	(185,320)	(3,549)	(167,381)	(7,045)
Transfers and other		(50,100)		(244,495)
Subtotal	**2,621,960**	**62,187**	**2,631,700**	**97,641**
Impairment allowances, inventories				
Opening balance	**(1,531,755)**	**(62,249)**	**(1,231,360)**	**(157,331)**
Plus:				
Additions due to business combinations **(Note 7)**			(194,512)	
Net allowances **(Note 38)**	(177,605)	41	(66,831)	(4,219)
Transfers and other	(42,899)	(1,612)	(123,655)	99,301
Less:				
Amounts used	98,502	181	84,603	
Transfers		46,145		
Subtotal	**(1,653,757)**	**(17,494)**	**(1,531,755)**	**(62,249)**
Closing balance	**968,203**	**44,693**	**1,099,945**	**35,392**

(1) Includes the costs attributable to sales and income from the provision of non-financial services.

“Transfers and other” in 2016 and 2015 basically include reclassifications from “Non-current assets and disposal groups classified as held for sale” and “Investment property” to this item (see Notes 22 and 19).

Foreclosed assets are measured using internal models for calculating recoverable amounts, which are used as inputs for revised appraisals in accordance with Ministerial Order ECO/805/2003. The method for measuring these assets is described in Note 2.18. The fair value thereof, calculated using the Group’s internal models at 31 December 2016, total EUR 1,302 million.

The table below shows the companies and agencies that carried out appraisals in 2016:

Appraisers of inventories

(Percentage)

	31.12.2016	31.12.2015
Tasaciones Inmobiliarias, SA	18%	25%
Tecnitasa, SA	14%	12%
Sociedad de Tasación, SA	13%	11%
Ibertasa, SA	12%	8%
Gesvalt, SA	11%	12%
Krata, SA	9%	5%
JLL Valoraciones, SA	8%	0%
CBRE Valuation Advisory, SA	6%	0%
Valoraciones Mediterráneo, SA	5%	7%
Valtecnic, SA	3%	13%
Valoraciones y Tasaciones Hipotecarias, SA	1%	5%
Other	0%	2%
Total	**100%**	**100%**

22. Non-current assets and disposal groups classified as held for sale

This item in the balance sheet includes assets from purchases and foreclosures in payment of loans which are not included as assets for own use, investment property or inventories, and assets initially classified as investment property, once the decision to sell them has been made.

Movements in this heading in 2016 and 2015 were as follows:

2016

(Thousands of euros)

	Foreclosed assets			
	Foreclosure rights (1)	**Other foreclosed assets**	**Other assets (2)**	**Total**
Cost				
Opening balance	889,582	10,185,722	1,353,986	12,429,290
Additions due to business combinations **(Note 7)**				0
Additions in the period	781,127	347,485	35,160	1,163,772
Transfers (3)	(989,768)	892,798	(477,016)	(573,986)
Reductions in the period		(1,496,735)	(133,512)	(1,630,247)
Closing balance	680,941	9,929,270	778,618	11,388,829
Impairment allowances				
Opening balance	(197,899)	(4,027,149)	(243,579)	(4,468,627)
Additions due to business combinations **(Note 7)**				0
Allowances **(Note 40)**	(15,669)	(2,188,679)	(58,251)	(2,262,599)
Provisions **(Note 40)**	20,614	1,367,795	45,805	1,434,214
Transfers (4)	68,217	(369,112)	37,803	(263,092)
Amounts used		575,823	312	576,135
Closing balance	(124,737)	(4,641,322)	(217,910)	(4,983,969)
Total	**556,204**	**5,287,948**	**560,708**	**6,404,860**

(1) Foreclosure rights are measured initially at the net value at which the asset will be recognised when the definitive foreclosure occurs.

(2) Mostly 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 19).

(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.

2015

(Thousands of euros)

	Foreclosed assets			
	Foreclosure rights (1)	Foreclosed assets	Other assets (2)	Total
Cost				
Opening balance	799,095	8,996,454	931,071	10,726,620
Additions due to business combinations **(Note 7)**		363,307	6,635	369,942
Additions in the period	1,358,236	1,321,419	162,512	2,842,167
Transfers (3)	(1,267,749)	1,090,840	368,901	191,992
Disposals due to sale		(1,586,298)	(115,133)	(1,701,431)
Closing balance	889,582	10,185,722	1,353,986	12,429,290
Impairment allowances				
Opening balance	(54,497)	(3,324,115)	(100,067)	(3,478,679)
Additions due to business combinations **(Note 7)**		(178,360)	(228)	(178,588)
Allowances **(Note 40)**	(12,105)	(1,657,433)	(111,697)	(1,781,235)
Provisions **(Note 40)**	41,056	1,381,828	61,639	1,484,523
Transfers (4)	(172,353)	(695,787)	(96,119)	(964,259)
Amounts used		446,718	2,893	449,611
Closing balance	(197,899)	(4,027,149)	(243,579)	(4,468,627)
Total	**691,683**	**6,158,573**	**1,110,407**	**7,960,663**

(1) Foreclosure rights are measured initially at the net value at which the asset will be recognised when the definitive foreclosure occurs.
(2) Mostly 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 to "Tangible assets - Investment property" when the properties are put up for lease (see Note 19) and additions of foreclosed assets arising from foreclosure rights.

(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 at 31 December 2016 and 2015, excluding impairment allowances, determined on the basis of the foreclosure date, is as follows:

Age of foreclosed assets

	31.12.2016		31.12.2015	
	No. of assets	Thousands of	No. of assets	Thousands of
Up to 1 year	15,536	1,502,570	29,556	2,737,958
Between 1 and 2 years	21,946	2,100,296	26,025	2,661,452
Between 2 and 5 years	54,975	5,505,383	50,978	4,894,308
Over 5 years	11,568	1,501,962	4,846	781,586
Total	**104,025**	**10,610,211**	**111,405**	**11,075,304**

The breakdown by sector of foreclosed assets at 31 December 2016 and 2015 is as follows:

Type of sector

(Percentage of value of assets)

	31.12.2016	31.12.2015
Residential	93.0%	86.9%
Industrial	5.1%	11.6%
Farming	1.9%	1.5%
Total	**100%**	**100%**

Foreclosed assets are measured using internal models for calculating recoverable amounts, which are used as inputs for revised appraisals in accordance with Ministerial Order ECO/805/2003. The method for measuring these assets is described in Note 2.19. The fair value thereof, calculated using the Group's internal models at 31 December 2016, total EUR 6,889 million.

The table below shows the companies and agencies that carried out appraisals in 2016:

Appraisers of non-current assets held for sale

(Percentage)

	31.12.2016	31.12.2015
Tasaciones Inmobiliarias, SA	26.0%	29.6%
Sociedad de Tasación, SA	19.2%	23.1%
Ibertasa, SA	12.0%	9.2%
Gesvalt, SA	11.0%	7.6%
JLL Valoraciones, SA	8.8%	0.0%
Valtecnic, SA	7.1%	17.7%
CBRE Valuation Advisory, SA	7.0%	0.0%
Valoraciones y Tasaciones Hipotecarias, SA	4.4%	8.2%
Tecnitasa	2.1%	1.1%
Krata, SA	1.3%	0.0%
Valoraciones Mediterráneo, SA	0.9%	0.9%
Other	0.2%	2.6%
Total	**100.0%**	**100.0%**

23. Financial liabilities measured at amortised cost

The breakdown of this item in the balance sheet, by type of financial instrument, is as follows:

(Thousands of euros)	2016	2015
Deposits	223,511,848	218,372,716
Central banks	30,029,382	23,753,214
Credit institutions	6,315,758	10,509,238
Customers	187,166,708	184,110,264
Debt securities issued	27,708,015	32,336,159
Other financial liabilities	2,873,432	2,789,945
Total	**254,093,295**	**253,498,820**

The detail of the main valuation adjustments included in each of the liability categories is as follows:

31.12.2016

(Thousands of euros)		Valuation adjustments				
	Gross balance	Accrued interest	Micro-hedges	Transaction costs	Premiums and discounts	Balance at.
Deposits	224,059,423	156,242	6,277	(21,545)	(688,549)	223,511,848
Central banks	30,067,713	(38,331)				30,029,382
Credit institutions	6,300,522	8,964	6,277	0	(5)	6,315,758
Customers (1)	187,691,188	185,609	0	(21,545)	(688,544)	187,166,708
Debt securities issued	27,334,347	448,886	1,755	(14,376)	(62,597)	27,708,015
Other financial liabilities	2,873,432					2,873,432
Total	**254,267,202**	**605,128**	**8,032**	**(35,921)**	**(751,146)**	**254,093,295**

31.12.2015

(Thousands of euros)		Valuation adjustments				
	Gross balance	Accrued interest	Micro-hedges	Transaction costs	Premiums and discounts	Balance at
Deposits	218,808,954	432,300	6,161	(24,933)	(849,766)	218,372,716
Central banks	23,733,615	19,599				23,753,214
Credit institutions	10,486,901	16,183	6,161	0	(7)	10,509,238
Customers (1)	184,588,438	396,518	0	(24,933)	(849,759)	184,110,264
Debt securities issued	31,914,167	598,970	2,206	(22,621)	(156,563)	32,336,159
Other financial liabilities	2,789,945					2,789,945
Total	**253,513,066**	**1,031,270**	**8,367**	**(47,554)**	**(1,006,329)**	**253,498,820**

(1) "Premiums and discounts" includes the fair-value adjustments made to customer deposits contributed by Banca Cívica and Banco de Valencia at the date of integration, mainly single covered bonds.

23.1. Deposits from credit institutions

The breakdown, by type of deposit, of this item in the accompanying balance sheet excluding valuation adjustments is as follows:

Breakdown of deposits from credit institutions

(Thousands of euros)

	31.12.2016	31.12.2015
Demand	**2,122,486**	**2,054,115**
Reciprocal accounts	62	5
Other accounts	2,122,424	2,054,110
Time or at notice	**4,178,036**	**8,432,786**
Deposits with agreed maturity	3,163,748	5,454,875
of which: registered mortgage covered bonds **(Note 23.3)**	*20,000*	*220,000*
Hybrid financial liabilities	2,200	2,280
Repurchase agreement	1,012,088	2,975,631
Total	**6,300,522**	**10,486,901**

23.2. Customer deposits

The breakdown, by sector and type of deposit, of this item in the accompanying balance sheet excluding valuation adjustments is as follows:

(Thousands of euros)

	31.12.2016	31.12.2015
By type	**187,691,188**	**184,588,438**
Current accounts and other demand deposits	79,946,463	73,470,470
Savings accounts	52,744,693	43,370,629
Deposits with agreed maturity	42,461,394	63,433,788
of which: registered mortgage covered bonds **(Note 23.3)**	*5,019,367*	*6,013,255*
of which: subordinated deposits	*16,898*	*98,627*
Hybrid financial liabilities	1,607,734	3,214,655
Repurchase agreements (*)	10,930,904	1,098,896
By sector	**187,691,188**	**184,588,438**
Public administrations	8,172,053	12,698,912
Private sector (*)	179,519,135	171,889,526

(*) Includes repurchase agreements under money market transactions through counterparty entities of EUR 9,841 million and EUR 58 million at 31 December 2016 and 31 December 2015, respectively.

23.3. Debt securities issued

The detail of this heading in the accompanying balance sheet excluding valuation adjustments is as follows:

Breakdown of debt securities issued

(Thousands of euros)	Outstanding amount	
	31.12.2016	**31.12.2015**
Mortgage covered bonds	18,555,198	21,266,734
Public sector covered bonds	50,000	50,000
Plain vanilla bonds	1,693,058	2,602,854
Securitisation bonds	2,342,742	2,749,260
Hybrid instruments	530,000	893,600
Structured notes	*530,000*	*349,300*
Bonds exchangeable for Repsol, SA shares		*544,300*
Promissory notes	63,687	37,184
Subordinated liabilities	4,099,662	4,314,535
Total	**27,334,347**	**31,914,167**

Bonds exchangeable for Repsol, SA shares

In November 2013, CaixaBank issued bonds exchangeable for Repsol shares named "*Unsecured Mandatory Exchangeable Bonds due 2016*" among institutional and qualified investors for a total nominal amount of EUR 594.3 million and maturing on 22 November 2016 (Exchangeable Bonds). This issue included a basket of embedded derivatives to ensure a maximum and minimum exchange price which, pursuant to international accounting standards, was stripped out and valued separately in equity as it comprises a cash flow hedge.

On 10 March 2016, the issue of these bonds was redeemed in full, with the delivery for every EUR 100,000 of principal of:

i) 5,479.45 Repsol shares;
ii) EUR 3,048.90 in cash as Make-whole Amount; and
iii) EUR 1,340.16 in cash as Accrued Interest.

On the same day, the exchangeable bonds were delisted from the Irish Stock Exchange. The bond was cancelled early by CaixaBank delivering 29,824,636 shares representing 2.069% of Repsol's share capital and paying an amount of EUR 23.9 million in cash. The Group recognised a loss on cancelling the bond of EUR 147 million (gross) which chiefly included the result of delivering the Repsol shares and the result from cancelling the embedded hedging derivative recognised under "Gains/(losses) on derecognition of non-financial assets and investments, net" in the accompanying statement of profit or loss (see Note 39).

Mortgage covered bonds

Details of mortgage covered bond issuances are as follows:

Mortgage covered bonds (1 / 2)

(Thousands of euros) Date		Initial nominal amount in currency	Nominal interest rate	Redemption date	Outstanding amount 31.12.2016	31.12.2015
31.10.2003		750,000	4.75%	31.10.2018	750,000	750,000
4.2.2004		250,000	4.75%	31.10.2018	250,000	250,000
17.2.2005		2,500,000	3.88%	17.2.2025	2,500,000	2,500,000
9.1.2006		1,000,000	E3M+0.075	9. 1.2018	1,000,000	1,000,000
18.1.2006		2,500,000	3.63%	18.1.2021	2,500,000	2,500,000
16.6.2006		150,000	E3M+0.06	16.6.2016		150,000
20.6.2006	(1)	1,000,000	E3M+0.1	30.6.2016		10,646
28.6.2006		2,000,000	4.25%	26.1.2017	2,000,000	2,000,000
28.6.2006		1,000,000	4.50%	26.1.2022	1,000,000	1,000,000
17.10.2006	(1)	1,000,000	E3M+0.1	30.9.2016		7,982
1.11.2006		255,000	Lib 3M	2.2.2037	241,912	234,225
28.11.2006		250,000	E3M+0.06	28.11.2016		250,000
7.2.2007	(1)	1,000,000	E3M	30.3.2017	6,380	6,380
30.3.2007		227,500	E3M+0.045	20.3.2017	227,500	227,500
4.6.2007		2,500,000	4.63%	4.6.2019	2,500,000	2,500,000
12.6.2007	(1)	1,500,000	E3M+0.1	30.9.2017	13,462	13,462
13.7.2007		25,000	E3M+0.045	20.3.2017	25,000	25,000
13.6.2008		100,000	5.43%	13.6.2038	100,000	100,000
27.4.2009		1,000,000	E1A+0.15%	27.3.2016		1,000,000
27.4.2009		1,000,000	E1A+0.20%	27.6.2019	1,000,000	1,000,000
27.4.2009		390,000	E1A+0.25%	27.9.2022	390,000	390,000
14.5.2009		175,000	E3M+1.00	14.5.2021	175,000	175,000
22.9.2009		150,000	E3M+1.50	22.9.2017	150,000	150,000
31.3.2010		1,000,000	3.50%	31.3.2016		1,000,000
7.5.2010		100,000	E3M+0.95	7.5.2019	100,000	100,000
2.7.2010		300,000	E3M+1.75	2.7.2010	300,000	300,000
22.2.2011		2,200,000	5.00%	22.2.2016		2,200,000
27.4.2011		1,250,000	5.13%	27.4.2016		1,250,000
2.8.2011		150,000	E3M+3.85	2.8.2027	150,000	150,000
14.11.2011		250,000	4.25%	26.1.2017	250,000	250,000
16.2.2012		1,000,000	4.00%	16.2.2017	1,000,000	1,000,000
7.6.2012		2,000,000	E6M+3.85	7.6.2022	2,000,000	2,000,000
7.6.2012		4,000,000	E6M+3.80	7.6.2023	1,000,000	1,000,000
7.6.2012		3,500,000	E6M+3.80	7.6.2024	2,900,000	2,900,000
7.6.2012		1,000,000	E6M+3.75	7.6.2025	1,000,000	1,000,000
19.6.2012		4,250,000	E6M+3.75	19.6.2026	3,000,000	3,000,000
3.7.2012		1,000,000	E6M+4.00	3.7.2027	1,000,000	1,000,000
17.7.2012		750,000	E6M+4.25	17.7.2027	750,000	750,000
17.7.2012		3,000,000	E6M+4.25	17.7.2028	2,800,000	2,800,000
26.7.2012		500,000	E6M+4.70	26.7.2020	175,000	175,000
22.3.2013		2,000,000	3.00%	22.3.2018	1,000,000	1,000,000
21.3.2014		1,000,000	2.63%	21.3.2024	1,000,000	1,000,000
10.7.2014		1,000,000	E1A+0.82%	10.7.2024	1,000,000	1,000,000
30.7.2014		300,000	E3M+0.50	30.7.2017	300,000	300,000
27.3.2015		1,000,000	0.63%	27.3.2025)	1,000,000	1,000,000
12.11.2015		1,000,000	0.63%	12.11.2020	1,000,000	1,000,000
8.2.2016		1,500,000	1.00%	8.2.2023	1,500,000	

Mortgage covered bonds (2 / 2)

(Thousands of euros)

Date	Initial nominal amount in currency	Nominal interest rate	Redemption date	Outstanding amount 31.12.2016	31.12.2015
22.12.2016	4,000,000	E6M+0.55	22.12.2022	4,000,000	
Mortgage covered bonds				**42,054,254**	**42,415,195**
Own mortgage covered bonds bought				**(23,499,056)**	**(21,148,461)**
Acquired by				(23,344,856)	(20,903,461)
Acquired by Group companies				(154,200)	(245,000)
Total				**18,555,198**	**21,266,734**

(1) Issuances placed on the retail market. The remainder was placed on the institutional market.

In accordance with current legislation, CaixaBank expressly assigns the mortgages registered in its name as collateral for the principal and interest of mortgage covered bond issuances.

CaixaBank has registered mortgage covered bonds (*cédulas hipotecarias nominativas*) issued and outstanding which, depending on the counterparty, are recognised under "Deposits from credit institutions" or "Customer deposits" in the accompanying balance sheet (see Notes 23.1 and 23.2).

The degree of collateralisation and overcollateralisation of the mortgage covered bonds issued at 31 December 2016 and 2015 is as follows:

Collateralisation and overcollateralisation

(Thousands of euros)

		31.12.2016	31.12.2015
Non-registered mortgage covered bonds		42,054,255	42,415,195
Registered mortgage covered bonds placed as customer deposits **(Note 23.2)**		4,999,367	6,013,255
Registered mortgage covered bonds issued by credit institutions **(Note 23.1)**		20,000	220,000
Mortgage covered bonds issued	**(A)**	**47,073,622**	**48,648,450**
Total outstanding mortgage loans and credits (*)		127,609,257	134,168,382
Mortgage participations issued		(6,578,652)	(7,346,393)
Mortgage transfer certificates issued		(18,880,674)	(4,949,862)
Mortgage bonds issued			
Portfolio of loan and credit collateral for mortgage covered bonds	**(B)**	**102,149,931**	**121,872,127**
Collateralisation:	**(B)/(A)**	**217%**	**251%**
Overcollateralisation:	**[(B)/(A)]-1**	**117%**	**151%**

(*) Includes on and off balance sheet portfolio

Disclosures required by the Mortgage Market Law are contained in the 2016 annual accounts of CaixaBank, SA.

Public sector covered bonds

Details of public sector covered bond issuances are as follows:

Public sector covered bonds

Date (Thousands of euros)	Initial nominal amount in currency	Nominal interest rate	Redemption date	Outstanding amount 31.12.2016	Outstanding amount 31.12.2015
27.1.2012	250,000 EUR	6.000%	27.1.2016		250,000
1.2.2012	250,000 EUR	6.500%	1.2.2017	250,000	250,000
24.5.2012	500,000 EUR	4.900%	24.5.2018	500,000	500,000
24.5.2012	500,000 EUR	5.200%	24.5.2019	500,000	500,000
7.6.2013	1,300,000 EUR	3.000%	7.6.2018	1,300,000	1,300,000
26.3.2014	1,500,000 EUR	E6M+0.95	26.3.2020	1,500,000	1,500,000
19.6.2015	1,500,000 EUR	E6M+0.20	19.6.2019	1,500,000	1,500,000
19.6.2015	1,500,000 EUR	E6M+0.25	19.6.2021	1,500,000	1,500,000
Public sector covered bonds				**7,050,000**	**7,300,000**
Own public sector covered bonds bought				**(7,000,000)**	**(7,250,000)**
Acquired by CaixaBank				(6,962,200)	(7,212,200)
Acquired by Group companies				(37,800)	(37,800)
Total				**50,000**	**50,000**

The public sector covered bonds are issued using as collateral loans and advances to the central government, regional communities, local bodies, autonomous community organisations and dependent public business entities and other such institutions in the European Economic Area.

Plain vanilla bonds

Details of plain vanilla bond issuances are as follows:

Plain vanilla bonds **(1/2)**

Date (Thousands of euros)		Initial nominal amount in currency	Nominal interest rate	Redemption date	Early redemption	Outstanding amount 31.12.2016	Outstanding amount 31.12.2015
24.1.2007		40,157 EUR	0.212%	24.1.2022		40,019	40,027
15.6.2007		30,000 EUR	2.500%	17.6.2019		30,000	30,000
22.11.2007		100,000 EUR	E12M+0.25	22.11.2027		100,000	100,000
31.3.2011		10,000 EUR	5.362%	31.3.2016			10,000
22.1.2013		1,000,000 EUR	3.250%	22.1.2016			1,000,000
30.1.2013		300,000 EUR	3.964%	30.1.2018		300,000	300,000
11.4.2013		250,000 EUR	4.358%	31.10.2019		250,000	250,000
14.5.2013		1,000,000 EUR	3.125%	14.5.2018		1,000,000	1,000,000
18.10.2013		1,000,000 EUR	2.500%	18.4.2017		1,000,000	1,000,000
10.3.2014	(1)	3,350 EUR	E6M+2.30	10.3.2016			838
10.4.2014	(1)	5,650 EUR	E6M+2.30	10.4.2016			1,413
10.4.2014	(1)	3,175 EUR	4.400%	10.4.2018		1,256	2,049

Plain vanilla bonds (2/2)

(Thousands of euros)

Date		Initial nominal amount in currency	Nominal interest rate	Redemption date	Early redemption	Outstanding amount 31.12.2016	31.12.2015
10.4.2014	(1)	5,525 EUR	E6M + 3.50	10.4.2018		2,072	3,453
12.5.2014	(1)	7,975 EUR	E6M + 2.30	10.5.2016			1,880
12.5.2014	(1)	7,875 EUR	E6M + 3.50	10.5.2018		2,812	4,687
10.6.2014	(1)	4,200 EUR	2.310%	10.6.2016			1,068
10.6.2014	(1)	9,575 EUR	E6M + 1.85	10.6.2016			2,394
10.6.2014	(1)	3,375 EUR	E6M + 2.10	10.6.2016			844
10.6.2014	(1)	3,325 EUR	3.630%	10.6.2018		1,303	2,134
10.6.2014	(1)	4,400 EUR	E6M + 3.00	10.6.2018		1,294	2,750
10.6.2014	(1)	6,825 EUR	E6M + 2.75	10.6.2018		2,533	4,266
10.7.2014	(1)	3,875 EUR	2.470%	10.7.2016			1,961
10.7.2014	(1)	11,175 EUR	E6M + 1.85	10.7.2016			5,588
10.7.2014	(1)	3,400 EUR	3.609%	10.7.2018		1,761	2,595
10.7.2014	(1)	10,025 EUR	E6M + 2.75	10.7.2018		5,013	7,519
10.7.2014	(1)	4,525 EUR	E6M + 3.25	10.7.2023		3,519	4,022
10.8.2014	(1)	4,900 EUR	2.497%	10.8.2016			2,480
10.8.2014	(1)	14,425 EUR	E6M + 1.85	10.8.2016			6,746
10.8.2014	(1)	3,450 EUR	3.644%	10.8.2018		1,787	2,634
10.8.2014	(1)	7,725 EUR	E6M + 2.75	10.8.2018		3,863	5,794
10.8.2014	(1)	4,450 EUR	E6M + 2.75	10.8.2020		1,400	3,683
10.9.2014	(1)	3,275 EUR	2.531%	10.9.2016			1,658
10.9.2014	(1)	12,075 EUR	E6M + 1.85	10.9.2016			3,681
10.9.2014	(1)	6,275 EUR	E6M + 2.75	10.9.2018		3,138	4,706
10.9.2014	(1)	5,000 EUR	E6M + 2.75	10.9.2020		3,333	4,167
10.10.2014	(1)	3,775 EUR	2.266%	10.10.2016			1,909
10.10.2014	(1)	5,375 EUR	E6M + 1.85	10.10.2016			2,688
10.10.2014	(1)	7,400 EUR	E6M + 1.55	10.10.2016			3,700
10.10.2014	(1)	4,825 EUR	E6M + 2.75	10.10.2018		2,413	3,619
10.10.2014	(1)	11,850 EUR	E6M + 2.35	10.10.2020		3,367	6,542
10.10.2014	(1)	5,675 EUR	E6M + 2.75	10.10.2020		1,283	1,603
10.11.2014	(1)	4,225 EUR	2.287%	10.11.2016			2,137
10.11.2014	(1)	3,650 EUR	2.257%	10.11.2016			1,845
10.11.2014	(1)	3,775 EUR	2.239%	10.11.2016			1,909
10.11.2014	(1)	15,700 EUR	E6M + 1.55	10.11.2016			7,850
10.11.2014	(1)	7,950 EUR	E6M + 2.35	10.11.2018		3,410	5,352
10.12.2014	(1)	11,650 EUR	E6M + 1.55	10.12.2016			5,825
10.12.2014	(1)	4,875 EUR	2.127%	10.12.2016			2,463
10.12.2014	(1)	7,550 EUR	E6M + 2.35	10.12.2018		3,380	5,662
10.12.2014	(1)	3,300 EUR	3.191%	10.12.2018		1,702	2,513
Total issued						**2,770,658**	**3,870,654**
Own plain vanilla bonds bought						**(1,077,600)**	**(1,267,800)**
Acquired by CaixaBank						(1,015,700)	(1,195,100)
Acquired by Group companies						(61,900)	(72,700)
Total						**1,693,058**	**2,602,854**

(1) ICO issuances for a total amount of EUR 51 million.

Securitisation bonds

The detail of outstanding bonds issued by the securitisation vehicles placed with third parties at 31 December 2016 and 2015, respectively, is as follows:

Securitisation bonds
(Thousands of euros)

	Outstanding amount	
	31.12.2016	31.12.2015
FonCaixa FTGENCAT 3, FTA	45,380	59,808
FonCaixa FTGENCAT 4, FTA	84,460	106,377
FonCaixa FTGENCAT 5, FTA	245,680	293,256
FonCaixa FTGENCAT 6, FTA	182,044	215,120
Valencia Hipotecario 1, FTA	63,156	78,629
Valencia Hipotecario 2, FTA	173,412	217,292
Valencia Hipotecario 3, FTA	185,414	220,893
Pyme Valencia 1, FTA		6,776
AyT Hipotecario Mixto II, FTA	19,736	24,340
AyT FTPYMES II, FTA (series F2) - A3		4,973
TDA 22 Mixto, FTH	11,901	12,620
AyT Hipotecario Mixto IV FTA	23,321	26,647
AyT Hipotecario Mixto V FTA	12,564	13,090
AyT Génova Hipotecario II, FTH	87,472	101,723
AyT Génova Hipotecario III, FTH	106,408	123,921
AyT Génova Hipotecario IV, FTH	147,613	170,071
AyT Génova Hipotecario VI, FTH	77,171	88,138
AyT Génova Hipotecario VII, FTH	295,292	332,370
AyT Génova Hipotecario VIII, FTH	312,154	354,088
AyT Génova Hipotecario IX, FTH	269,564	299,128
Total	**2,342,742**	**2,749,260**

These issuances are repaid periodically according to the amortisation of the underlying assets.

Structured notes

Details of structured note issuances are as follows:

Structured notes **(1/2)**
(Thousands of euros)

Issuance date	Initial nominal amount in currency		Redemption date	Outstanding amount 31.12.2016	Outstanding amount 31.12.2015
25.3.2013	7,600	EUR	24.3.2016		7,600
23.4.2013	800	EUR	22.4.2016		800
29.5.2013	4,600	EUR	27.5.2016		4,600
22.10.2013	32,000	EUR	24.10.2016		32,000
17.12.2013	21,600	EUR	18.12.2017	21,600	21,600
11.2.2014	53,500	EUR	13.8.2018	53,500	53,500
13.6.2014	28,300	EUR	13.6.2019	28,300	28,300
13.6.2014	38,000	EUR	13.6.2016		38,000
7.8.2014	13,500	EUR	7.8.2019	13,500	13,500
7.8.2014	9,600	EUR	8.8.2016		9,600
7.8.2014	9,400	EUR	7.8.2017	9,400	9,400
15.10.2014	6,200	EUR	15.10.2019	6,200	6,200

Structured notes (2/2)

(Thousands of euros)

Issuance date	Initial nominal amount in currency		Redemption date	Outstanding amount 31.12.2016	Outstanding amount 31.12.2015
15.10.2014	9,700	EUR	17.10.2016		9,700
5.12.2014	8,000	EUR	5.12.2019	8,000	8,000
5.12.2014	14,000	EUR	5.12.2016		14,000
16.2.2015	9,000	EUR	17.2.2020	9,000	9,000
16.2.2015	3,700	EUR	16.2.2017	3,700	3,700
1.4.2015	22,000	EUR	1.4.2020	22,000	22,000
19.5.2015	36,700	EUR	19.5.2020	36,700	36,700
19.6.2015	15,200	EUR	19.6.2020	15,200	15,200
31.7.2015	9,900	EUR	31.7.2020	9,900	9,900
23.10.2015	55,100	EUR	23.10.2018	55,100	55,100
5.2.2016	38,000	EUR	5.2.2020	38,000	
18.3.2016	86,400	EUR	18.3.2019	86,400	
18.3.2016	40,000	EUR	18.3.2022	40,000	
6.5.2016	85,000	EUR	6.5.2022	85,000	
14.10.2016	12,900	EUR	14.10.2022	12,900	
29.12.2016	11,700	EUR	31.12.2018	11,700	
Structured notes				**566,100**	**408,400**
Own structured notes bought				**(36,100)**	**(59,100)**
Total				**530,000**	**349,300**

Promissory notes

The detail, by remaining term to maturity, of the outstanding amount of promissory notes issued in euros at 31 December 2016 and 2015 is as follows:

Promissory notes

(Thousands of euros)

	31.12.2016	31.12.2015
Up to 3 months	7,180	
Between 3 and 6 months	48,498	
Between 6 months and 1 year	8,009	37,184
Total	**63,687**	**37,184**

23.4. 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)

	31.12.2016	31.12.2015
Payment obligations	1,528,149	1,656,463
Guarantees received	24,427	42,149
Clearing houses	346,525	43,059
Tax collection accounts	262,764	549,755
Special accounts	450,787	367,730
Other	260,780	130,789
Total	**2,873,432**	**2,789,945**

Payment obligations at 31 December 2016 and 2015 include EUR 363 million and EUR 512 million, respectively, corresponding to contributions and shortfalls pending payment to the Deposit Guarantee fund (see Note 1).

23.5. Subordinated liabilities

The detail of this type of financial liability in the accompanying balance sheet excluding valuation adjustments is as follows:

Breakdown of issuances
(Thousands of euros)

	Outstanding amount	
	31.12.2016	31.12.2015
Preference shares	10,000	30,871
Subordinated debt	4,122,716	4,376,718
Total	**4,132,716**	**4,407,589**

Details of outstanding preference share issuances at 31 December 2016 and 2015 are as follows:

Preference shares

(Thousands of euros)

Issuance date	Maturity	Nominal amount	Nominal interest rate	Outstanding amount 31.12.2016	Outstanding amount 31.12.2015
June 2007	Perpetual	20,000	E6M+1.750%		20,000
December 2007	Perpetual	30,000	E6M+3.000 %	30,000	30,000
February 2011	Perpetual	2,099	E6M+6.74		2,099
Issued by CaixaBank				**30,000**	**52,099**
December 2006	Perpetual	20,000	E3M+1.400 %		20,000
Issued by other companies				**0**	**20,000**
Total issued				**30,000**	**72,099**
Own preference shares bought				**(20,000)**	**(41,228)**
Total				**10,000**	**30,871**

Details of subordinated debt issuances are as follows:

Subordinated debt

(Thousands of euros)

Issuance date	Maturity	Nominal amount	Nominal interest rate	Outstanding amount 31.12.2016	Outstanding amount 31.12.2015
1.12.1990	PERPETUAL	18,030	-	18,030	18,030
26.6.1994	26.6.2093	15,025	-	15,025	15,025
1.12.2005	PERPETUAL	148,900	E3M+1.100%		148,900
16.6.2006	16.6.2016	85,300	E3M+0.890%		85,300
21.9.2006	21.9.2016	100,000	E3M+0.980%		100,000
8.11.2006	8.11.2016	60,000	E3M+0.457%		60,000
9.2.2012 (1)	9.2.2022	2,072,363	Fixed	2,072,363	2,072,363
9.2.2012 (1)	9.2.2022	1,301,502	Fixed	1,301,502	1,301,502
14.11.2013	14.11.2023	750,000	Fixed	750,000	750,000
Subordinated debt				**4,156,920**	**4,551,120**
Own subordinated debt bought				**(34,204)**	**(174,402)**
Total				**4,122,716**	**4,376,718**

(1) Issuances made to cover the repurchase and cancellation of preference shares.

24. Provisions

The changes in 2016 and 2015 in this item and the nature of the provisions recognised in the accompanying balance sheet are as follows:

Changes in provisions - 2016

(Thousands of euros)

	Balance at 31.12.2015	Provisions net of releases charged to income (**)	Other charges (*)	Actuarial (gains)/losses	Amounts used	Transfers and other	Balance at 31.12.2016
Provisions for pensions and other post-employment defined benefit obligations	**1,958,334**	**0**	**44,180**	**114,673**	**(110,367)**	**21,792**	**2,028,612**
Provisions for other long-term employee benefits	**900,311**	**161,250**	**124,069**	**0**	**(209,621)**	**(3,242)**	**972,767**
Provisions for pending legal issues and tax litigation	**514,206**	**335,765**	**0**	**0**	**(220,503)**	**3,756**	**633,224**
Legal contingencies	169,742	235,091	0	0	(65,799)	4,499	343,533
Tax litigation	344,464	100,674	0	0	(154,704)	(743)	289,691
Provisions for commitments and guarantees given	**381,477**	**(136,862)**	**0**	**0**	**0**	**(16,062)**	**228,553**
Country risk allowance	7,278	1,425					8,703
Allowance for identified losses	374,199	(138,287)	0	0	0	(16,062)	219,850
Contingent liabilities	*341,513*	*(154,302)*	*0*	*0*	*0*	*342*	*187,553*
Contingent commitments	*32,686*	*16,015*	*0*	*0*	*0*	*(16,404)*	*32,297*
Other provisions	**843,412**	**126,379**	**0**	**0**	**(104,540)**	**1,864**	**867,115**
Losses from agreements not formalised and other risks	775,218	91,210	0	0	(60,536)	1,583	807,475
Ongoing legal proceedings	19,633	11,643	0	0	(13,388)	(125)	17,763
Other	48,561	23,526	0	0	(30,616)	406	41,877
Total provisions	**4,597,740**	**486,532**	**168,249**	**114,673**	**(645,031)**	**8,108**	**4,730,271**

(*)	Interest cost of pension fund (Note 30)	45,186
	Staff expenses	123,063
	Total other provisions	168,249

(**) Of which:

(Thousands of euros)	Provisions for legal contingencies	Provisions for taxes	Other provisions
Allowances recognised in profit or loss	276,598	102,081	181,780
Releases charged to profit or loss	(41,507)	(1,407)	(55,401)
Total	**235,091**	**100,674**	**126,379**

Changes in provisions - 2015

(Thousands of euros)

	Balance at 31.12.2014	Additions due to business combinations (Note 7)	Provisions net of releases charged to income (**)	Other charges (*)	Actuarial (gains)/losses	Amounts used	Transfers and other	Balance at 31.12.2015
Provisions for pensions and other post-employment defined benefit obligations	**2,043,412**	**41,358**		**38,194**	**(119,822)**	**(120,599)**	**75,791**	**1,958,334**
Provisions for other long-term employee benefits	**921,045**	**79,375**	**(31,722)**	**475,196**	**0**	**(639,671)**	**96,088**	**900,311**
Provisions for pending legal issues and tax litigation	**396,589**	**35,728**	**103,196**	**0**	**0**	**(25,662)**	**4,355**	**514,206**
Legal contingencies	102,823	29,504	54,224			(16,113)	(696)	169,742
Tax litigation	293,766	6,224	48,972			(9,549)	5,051	344,464
Provisions for commitments and guarantees given	**563,597**	**93,765**	**(61,312)**	**0**	**0**	**0**	**(214,573)**	**381,477**
Country risk allowance	1,361	1	5,917				(1)	7,278
Allowance for identified losses	562,236	92,678	(66,365)	0	0	0	(214,350)	374,199
Contingent liabilities	*531,973*	*92,678*	*(68,794)*				*(214,344)*	*341,513*
Contingent commitments	*30,263*		*2,429*				*(6)*	*32,686*
Allowance for inherent losses		1,086	(864)				(222)	0
Other provisions	**445,864**	**45,890**	**412,153**	**0**	**0**	**(163,274)**	**102,779**	**843,412**
Losses from agreements not formalised and other risks	329,341	45,881	434,700			(136,986)	102,282	775,218
Ongoing legal proceedings	70,188		(49,271)			(1,284)		19,633
Other	46,335	9	26,724			(25,004)	497	48,561
Total provisions	**4,370,507**	**296,116**	**422,315**	**513,390**	**(119,822)**	**(949,206)**	**64,440**	**4,597,740**

(*)	Interest cost of pension fund (Note 30)	41,009
	Staff expenses	471,169
	Other	1,212
	Total other provisions	513,390

(**) Of which:

(Thousands of euros)	Provisions for legal contingencies	Provisions for taxes	Other provisions
Allowances recognised in	85,118	57,101	779,995
Releases charged to profit or	(30,894)	(8,129)	(367,842)
Total	**54,224**	**48,972**	**412,153**

24.1. Pensions and other post-employment defined benefit obligations

Provisions for pensions and similar obligations – Defined benefit post-employment plans

The CaixaBank Group has undertakings with certain employees or their right holders to supplement public social security benefits for retirement, permanent disability, death of spouse or death of parents. These obligations were basically assumed by CaixaBank.

At 31 December 2016 and 2015, details of the present value of the undertakings assumed by the CaixaBank Group regarding post-employment benefits pursuant to the form in which the commitments are covered and the fair value of the plan assets earmarked to cover these undertakings are as follows:

Breakdown of the present value of post-employment benefit obligations

(Thousands of euros)

	31.12.2016	31.12.2015
Present value of obligations	**2,103,959**	**1,982,663**
Vested obligations	2,018,114	1,888,194
Non-vested obligations	83,900	92,537
Obligations with Group companies	1,945	1,932
Less:		
Fair value of plan assets	75,347	29,578
Other assets **(Note 21)**	0	(5,249)
Provisions - Pension funds	**2,028,612**	**1,958,334**

A reconciliation of the opening and closing balances of the present value of the liability (asset) for defined benefit post-employment benefits are as follows:

2016

(Thousands of euros)

	Defined benefit obligations	Fair value of plan assets	Other assets	Net (asset)/ liability for defined benefit obligations
Opening balance	**1,982,663**	**29,578**	**(5,249)**	**1,958,334**
Included in profit or loss				
Service cost for the current year	2,102			2,102
Past service cost				0
Interest cost (income)	44,163	2,085		42,078
Components of cost of defined benefit recognised in profit or loss	**46,265**	**2,085**	**0**	**44,180**
Revaluations included in the statement of other comprehensive income				
Actuarial (gains)/losses arising from changes in financial assumptions	112,417	(283)	(1,973)	114,673
Components of cost of defined benefit recognised in equity	**112,417**	**(283)**	**(1,973)**	**114,673**
Other				
Plan payments	(111,472)	(1,105)		(110,367)
Settlements	(16,996)	(18,640)		1,644
Transactions	91,082	63,712	7,222	20,148
Total others	**(37,386)**	**43,967**	**7,222**	**(88,575)**
Closing balance	**2,103,959**	**75,347**	**0**	**2,028,612**

“Settlements” relates mainly to certain arrangements (with unrelated parties) considered to date as defined-benefit obligations which, due to constant vesting of benefits, were reconsidered as defined-contribution obligations.

2015

(Thousands of euros)

	Defined benefit obligations	Fair value of plan assets	Other assets	Net (asset)/ liability for defined benefit obligations
Opening balance	**2,141,392**	**103,283**	**(5,303)**	**2,043,412**
Included in profit or loss				
Service cost for the current year	205			205
Interest cost (income)	36,435	547	(92)	35,980
Components of cost of defined benefit recognised in profit or loss	**36,640**	**547**	**(92)**	**36,185**
Revaluations included in the statement of other comprehensive income				
Actuarial (gains)/losses arising from changes in financial assumptions	(121,424)			(121,424)
Return on plan assets (excluding net interest expense)		(1,770)		1,770
Other			168	(168)
Components of cost of defined benefit recognised in equity	**(121,424)**	**(1,770)**	**168**	**(119,822)**
Other				
Plan contributions		22	(22)	0
Plan payments	(122,485)	(1,886)		(120,599)
Settlements	(92,600)	(70,618)		(21,982)
Additions due to business combinations (**Note 7)**	41,358			41,358
Transactions	99,782			99,782
Total others	**(73,945)**	**(72,482)**	**(22)**	**(1,441)**
Closing balance	**1,982,663**	**29,578**	**(5,249)**	**1,958,334**

1% of CaixaBank’s defined-benefit post-employment benefit obligations with serving and former employees is covered with insurance contracts covering the obligations. These obligations are covered with insurance policies. Therefore, the Entity is not exposed to unusual market risks, nor does it need to apply asset-liability matching strategies or longevity swaps. The fair value of plan assets at the year-end corresponds to the insurance policies of companies not belonging to the Group. Asset-liability matching techniques are not applied to the rest of CaixaBank’s defined-benefit post-employment benefit obligations as there are no qualifying plan assets for them.

Most of the obligations arise from the “Pensions Caixa 30” Pension Fund, the CaixaBank employee pension plan, which mostly covers its risks in Group entities. The Entity has a duty to oversee the plan, which it exercises through its membership of the plan’s Control Committee. For insurance contracts not taken out by the pension plan, but with third parties outside the Group, CaixaBank is the policyholder, and the contracts are managed by each insurance company, which also assumes the risks.

At the end of the year, no transferrable own financial instrument, building occupied by the Entity or other assets used by it are held as plan assets.

The value of defined benefit obligations was calculated using the following criteria:

a) 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.

b) The actuarial assumptions used are unbiased and mutually compatible. The main assumptions used in the calculations were as follows:

Actuarial assumptions

	2016	2015
Long-term discount rate (1)	1.68%	2.24%
Short-term discount rate (1)	0.14%	0.30%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
Annual cumulative CPI	1.5% 2017 onwards	1.6% 2016; 1.5% 2017 and onwards
Annual salary increase rate	1.75% 2017; 2% 2018; CPI+0.5% 2019 and onwards	1% 2016; CPI+0.5% 2017 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.

(2) Depending on each obligation.

Until 31 December 2015, CaixaBank used the Iboxx Corporate AA 10+ ("iboxx 10+") curve as the benchmark curve for determining the discount rate applicable to pension obligations. Although the curve factors in a very buoyant market in the eurozone for AA-rated corporate bonds with maturities of up to 10 years, the level of activity for those with maturities approaching or exceeding 15 years is lower. The extent to which the curve is representative for the purpose of measuring CaixaBank's pension obligations (which have a maturity of around 15 years) is therefore lower. At 31 December 2016, CaixaBank therefore used a curve developed in house that is more representative of the reality of the Group's pension obligations. If the Iboxx Corporate Financial AA 10+ curve had been used, the discount rate applied at 31 December 2016 would have been 1.49%, with obligations for pensions and assets, and redemption rights, where applicable, rising by EUR 50 million.

c) 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.

Reasonably possible changes at the year-end in one of the key assumptions, holding all other assumptions constant, would have the following impact on the value of the obligations at the year-end:

2016

	Defined benefit obligations	
	Increase	Decrease
Discount rate (0.5%)	(123,124)	(134,784)
Annual pension review rate (0.5%)	100,930	(91,989)

Changes in the value of the obligations presented in the sensitivity analyses for 2016 and 2015 have been calculated 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.

No changes in the methods and assumptions used to prepare the sensitivity analysis were made in 2016 compared to the previous year.

The fair value of the insurance contracts linked to pensions and the fair value of the plan assets were calculated taking into account the value of the future payments guaranteed discounted at the discount rate, 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, reasonably possible changes at the year-end in the discount rate assumed would have the same impact on the fair value of the insurance contracts linked to pensions and the fair value of the plan assets.

The Group estimates that contributions to defined-benefit post-employment plans for 2017 will be similar to the amount in 2016.

The average weighted duration of defined-benefit obligations at the end of the year was 15 years. Estimated payments of post-employment benefits for the various defined-benefit plans for the next 10 years are as follows:

Estimated payments of post-employment benefits
(Thousands of euros)

	2017	2018	2019	2020	2021	2022-2026
Estimated payments of post-employment benefits	160,760	157,977	148,315	140,344	131,835	560,461

24.2. Provisions for other long-term employee benefits and termination benefits

The CaixaBank Group has pension funds covering the obligations assumed under its early retirement schemes. The funds cover the obligations with personnel who retire early – with regard to salaries and other welfare charges – from the date of early retirement to their actual retirement date. Funds are also in place covering obligations with personnel who are partially retired, and obligations assumed in relation to length of service bonuses and other obligations with existing personnel.

On 17 July 2014, a new labour agreement was signed under which CaixaBank could allocate specific amounts in 2014 to the employee restructuring plan. The associated cost of this labour agreement amounted to EUR 182 million, all intended for employees born before 1 January 1958. These retirements took place over the course of 2015.

A labour restructuring agreement was reached in the first half of 2015 with trade union representatives. The deal envisages an adjustment in the workforce coming from Barclays Bank, affecting a total of 968 individuals of the 975 initially covered by the agreement, through voluntary redundancies, repostings in Group companies, internal reassignments and compulsory redundancies. The associated extraordinary restructuring cost was recognised under this item in 2015 and amounted to EUR 187 million.

On 29 June 2015, CaixaBank and trade union representatives signed a new labour agreement to set out a raft of measures aimed at restructuring and rebalancing the existing geographical distribution of the workforce and the associated costs. The plan affected 700 people (voluntary redundancies). The restructuring cost was EUR 284 million, which was recognised under this Fund in 2015.

CaixaBank approved a paid early retirement scheme on 16 April 2016. The scheme targeted individuals born before 1 January 1959 and affected 371 people at a cost of EUR 160 million, recognised under this item. Practically all these retirements took place on 1 June 2016.

On 29 July 2016, CaixaBank and trade union representatives signed a labour agreement designed to optimise the geographical distribution of the workforce. The agreement affected 386 employees, for a cost of EUR 121 million.

At 31 December 2016 and 2015, the present value of these obligations is as follows:

Breakdown of the present value of pension funds

(Thousands of euros)

	31.12.2016	31.12.2015
Present value of obligations	**972,767**	**900,311**
With pre-retired personnel	411,852	399,223
Termination benefits	272,021	177,321
Supplementary guarantees for partial retirement programme and special agreements	159,826	193,271
Length of service bonuses and other	55,382	53,045
Other commitments from Banca Cívica and Banco de Valencia	9,304	9,298
Other commitments deriving from Barclays Bank, SAU.	63,916	67,964
Other obligations of Group companies	466	189
Provisions for pensions and similar obligations	**972,767**	**900,311**

A reconciliation of the opening and closing balances of the present value of the long-term defined benefit obligations are as follows:

Reconciliation of balances of other long-term employee benefits

(Thousands of euros)

	Net (asset)/liability for defined benefit obligations	
	2016	2015
Opening balance	**900,311**	**921,045**
Included in profit or loss		
Past service cost	283,216	470,220
Interest cost (income)	3,133	5,029
Revaluations (gains)/losses	(1,030)	(8,244)
Components of cost of defined benefit recognised in profit or loss	**285,319**	**467,005**
Other		
Plan contributions		
Plan payments	(209,621)	(448,620)
Additions due to business combinations (**Note 7**)		79,375
Transactions	(3,242)	(118,494)
Total others	**(212,863)**	**(487,739)**
Closing balance	**972,767**	**900,311**

24.3. Provisions for pending legal issues and tax litigation

Provisions for pending legal issues

CaixaBank and the other Group companies are subject to claims. Therefore, they are party to certain legal proceedings arising from the normal course of their business, including claims in connection with lending activities, relationships with employees and other commercial or tax matters.

Accordingly, the outcome of court proceedings must be considered uncertain.

Based on available information, the CaixaBank Group considers that at 31 December 2016 and 2015, 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 procedures 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 "Provisions – Pending tax litigation" in the balance sheet at 31 December 2016 and 2015 is as follows:

(Thousands of euros)	31.12.2016	31.12.2015
Income tax assessments for years 2004 to 2006 **(Note 26)**	33,171	33,171
Income tax assessments for years 2007 to 2009 **(Note 26)**	11,354	11,174
Tax on deposits (*)	116,131	202,252
Other	129,035	97,867
Total	**289,691**	**344,464**

(*) In accordance with the terms of Law 18/2014 of 15 October, which establishes a 0.03% tax on deposits (note 2.22).

24.4. Provisions for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given detailed in Note 27.

24.5. Other provisions

The main provisions recognised under "Provisions – Other provisions" are as follows:

Losses from agreements not formalised and other risks

Other provisions includes the estimate of present obligations that could give rise to a loss which are considered likely to occur. Given the nature of these obligations, the expected timing of outflows of resources embodying economic benefits, should they arise, is unknown.

A class action was filed resulting in an injunction on the application of floor causes in certain mortgage loans in the Group's portfolio.

A judgement was issued on 7 April 2016 rendering null and void the floor clauses in the general terms and conditions of the mortgage loan agreements entered into with consumers that were identical to those affected by the class action, due to a lack of transparency, with banks having to: eliminate said clauses from loan agreements; (ii) stop using them in an non-transparent manner; and (iii) repay to affected consumers the amounts unduly charged as a result of applying the null and void clauses as from the date of the Supreme Court judgement of 9 May 2013, plus any applicable interest payable by law. The Group eliminated these floor clauses in 2015, with an annual estimated impact on net interest income of EUR -220 million.

This judgement is not final, as it has been appealed against by several parties including CaixaBank. In its appeal, the ADICAE consumer association called for reimbursements not to be limited to the amounts collected since 9 May 2013 but include, in each case, all amounts collected since each mortgage loan was arranged. The Public Prosecutor has opposed this request (unless the European Court of Justice rules otherwise). For the CaixaBank Group this means a maximum estimated total exposure of approximately EUR 1,250 million, including all concepts (cancelled transactions, non-performing transactions and legal interest).

Further, on 13 July 2016, the Advocate General of the European Union, which issues its opinion prior to the ruling handed down by the Court of Justice of the European Union (CJEU), decided in favour of the Supreme Court's decision to limit repayments to 9 May 2013 (the doctrine applied by Mercantile Court 11, Nevertheless, on 21 December 2016 the sentence handed down by the CJEU did not endorse the reports issued by the Advocate General, in contrast to the usual procedure, and it upheld full retroactive reimbursement in relation to floor clauses.

Based on the above, in 2015 the Group made a total provision under “Other provisions - Losses from agreements not formalised and other risk” of EUR 515 million to cover the estimated value of disbursements that it was expected could derive from this case, based on what the Group deemed to be the most probable outcome of claims at the current time. Given how the case is unfolding, uncertainty surrounding the outcome, and drawing on the views of an independent expert, an additional provision of EUR 110 million was recognised at year-end 2016 to cover any reasonably expected payouts. The provision therefore totals EUR 625 million.

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 entity has implemented a code of best practices, 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 three months. Customers have been informed of this service.

Ongoing legal proceedings

The unit value of the provision covering the obligations that may derive from the various ongoing legal proceedings is not material at 31 December 2016. Given the nature of these obligations, the expected timing of outflows of resources embodying economic benefits, should they arise, is unknown.

25. Equity

The movement in equity in 2016 and 2015 is shown in the statement of total changes in equity. The following sections provide key data on certain equity items during the year.

25.1. Shareholders’ equity

Share capital

CaixaBank’s share capital at 31 December 2016 consisted of 5,981,438,031 fully subscribed and paid shares. All the shares are in book-entry form, with a par value of EUR 1 each.

Changes in share capital in 2016 were the result of the following:

Share capital increases - 2016

Redemption	Purpose	No. of shares	Date of first listing	Par value (thousands of euros)
Balance at 31.12.2015		**5,823,990,317**		**5,823,990**
22.3.2016	Scrip dividend programme	86,252,367	31.3.2016	86,253
21.11.2016	Scrip dividend programme	71,195,347	16.12.2017	71,195
Total		**5,981,438,031**		**5,981,438**

CaixaBank’s shares are traded on the four official stock exchanges in Spain and on the continuous electronic trading system, forming part of the Ibex-35. The share price at 31 December 2016 was EUR 3,140 (EUR 3,214 at 31 December 2015).

Share premium

The balance of the share premium was the result of the capital increase carried out on 31 July 2000, for EUR 7,288 million.

The Spanish Corporate Enterprises Act expressly permits use of the share premium account balance to increase capital and does not establish any restriction as to its use. Therefore, in subsequent years, approval was given at successive Annual General Meetings to pay dividends with a charge to the share premium following the total or partial disposal of the investments contributed during the incorporation of CaixaBank.

The balance of this heading at 31 December 2015 stood at EUR 12,033 million. During 2016 no asset exchange transactions occurred.

Retained earnings, revaluation reserves and other reserves

The detail of "Retained earnings", "Revaluation reserves" and "Other reserves" at 31 December 2016 and 2015 is as follows:

Detail of retained earnings and other reserves

(Thousands of euros)

	31.12.2016	31.12.2015
Reserves attributable to the parent company of the CaixaBank Group	8,892,437	7,665,968
Legal reserve	*1,164,798*	*1,142,991*
Restricted reserves related to the scrip dividend programme	*0*	*72,926*
Restricted reserves for financing the acquisition of treasury shares	*6,732*	*9,909*
Other restricted reserves	*508,801*	*388,316*
Unrestricted reserves	*836,820*	*1,898,739*
Other consolidation reserves assigned to the Parent	*6,375,286*	*4,153,087*
Reserves of fully-consolidated subsidiaries (*)	(4,875,280)	(3,309,682)
Reserves of companies accounted for using the equity method (**)	505,437	908,443
Total	**4,522,594**	**5,264,729**

(*) Most of the negative reserves related to losses at BuildingCenter, SAU

(**) Reserves generated using the equity method primarily correspond to SegurCaixa Adeslas, SA de Seguros Generales y Reaseguros, Repsol, SA and Banco BPI, SA

Legal reserve

According to the consolidated text of the Corporate Enterprises Act, companies must earmark an amount equal to 10% of profit for the year for the legal reserve until such reserve represents at least 20% of capital. The legal reserve may not be used to offset losses unless it exceeds 20% of the capital and no other sufficient reserves are available for such purpose.

The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the balance of share capital after the increase.

In 2016, this reserve increased by EUR 21,807 thousand following the appropriation of 2015 profit.

Restricted reserves

Restricted reserves at 31 December 2015 included EUR 72,926 thousand earmarked for voluntary reserves to cover the scrip issues carried out for the CaixaBank scrip dividend programme allowing shareholders to choose whether to be compensated in shares or cash. At 31 December 2016 there were no restricted reserves relating to this programme.

Restricted reserves at 31 December 2016 included EUR 6,732 thousand elating to finance provided to customers to acquire shares, and EUR 508,801 thousand for transactions with a tax impact, of which EUR 508,736 thousand relate to goodwill generated on the acquisitions of Morgan Stanley, Bankpime and Banca Cívica.

Unrestricted reserves

Changes in this heading in 2016 include the impact of the GFI/BEA share swap and the subsequent sale of treasury shares received in that transaction (see Note 1).

Other equity instruments

This item includes the accrued portion of the value of shares included in variable share-based remuneration plans not delivered, which at 31 December 2016 stood at EUR 7,499 thousand (EUR 5,120 thousand at 31 December 2015).

Treasury shares

At the Annual General Meeting on 28 April 2016, the Board of Directors was granted, as provided for in Articles 146 and 509 of the Corporate Enterprises Act, power for the derivative acquisition of treasury shares, directly and indirectly, through subsidiaries, under the following terms:

- The acquisition may be in the form of a trade, swap, dation in payment or any other form allowed by law, in one or more instalments, provided that the nominal amount of the shares acquired do not amount to more than 10% of the share capital when added to those already owned by CaixaBank.
- When the acquisition is for consideration, the price or equivalent value shall be the price of CaixaBank shares on the Continuous Market at the close of the day prior to the acquisition, +/-15%.

This authorisation is valid for five years from the date of approval at CaixaBank's Annual General Meeting. In addition, 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 Enterprise Act.

The Board of Directors exercised the authority granted at the Annual General Meeting held on 28 April 2016 and agreed to sell 585,000,000 treasury shares, representing 9.9% of CaixaBank's share capital, in a private placement among qualified investors to shore up its regulatory capital ratio in light of the takeover bid for Banco BPI shares (see Note 1- Takeover bid for BPI). The treasury shares were mostly acquired by CaixaBank for its shareholder Criteria through the swap of stakes in GFI and BEA (see Note 1- Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa). The price per treasury share was set at EUR 2.26, implying a discount of 3.67% to the closing price of CaixaBank shares on the sale date. The book value of treasury stock sold amounted to EUR 2,013 million. Proceeds for CaixaBank from the sale amounted to EUR 1,322 million.

Changes in treasury shares during 2016 and 2015 are as follows:

Changes in treasury shares - 2016

(Thousands of euros)	2015	Acquisitions (**) and other	Disposals and other (**)	2016
Number of treasury shares	5,150,471	585,037,348	(585,851,954)	4,335,865
% of share capital (*)	0.087%	9.781%	(9.795%)	0.073%
Cost	19,713	2,008,803	(2,014,177)	14,339

(*) percentage calculated on the basis of the total number of CaixaBank shares at 31 December 2016.

(**) See Note 1 – "Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa".

Changes in treasury shares - 2015

(Thousands of euros)

	2014	Acquisitions and other	Disposals and other	2015
Number of treasury shares	2,656,651	9,817,863	(7,324,043)	5,150,471
% of share capital (*)	0.046%	0.167%	(0.126%)	0.087%
Cost	11,013	38,587	(29,887)	19,713

(*) percentage calculated on the basis of the total number of CaixaBank shares at 31 December 2015.

25.2. Accumulated other comprehensive income

Available-for-sale financial assets

This item in the consolidated balance sheet includes the amount, net of the related tax effect, of the differences between the market value and acquisition cost (net gains/losses) of assets classified as available for sale. These differences are recognised in the statement of profit or loss when the assets that give rise to them are sold or when there is objective evidence of impairment.

The changes to this item in 2016 and 2015 were as follows:

31.12.2016

(Thousands of euros)

	Balance at 31.12.2015	Amounts transferred to the statement of profit or loss (after tax)	Amounts transferred to reserves	Deferred tax assets/ liabilities	Valuation gains/(losses) (before tax)	Balance at 31.12.2016
Attributable to the Group						
Available-for-sale financial assets	816,586	(399,665)		307	(443,722)	(26,494)
Equity instruments	54,809	25,603		67,170	(540,891)	(393,309)
Debt securities **(Note 13)**	761,777	(425,268)		(66,863)	97,169	366,815
Cash flow hedges	85,622	(17,289)		24,987	(68,004)	25,316
Exchange differences	378,102	(244,661)		(635)	(130,474)	2,332
Entities accounted for using the equity method	199,980				(74,513)	125,467
Actuarial gains/(losses) on pension plans (*)	0		78,889		(78,889)	0
Total	**1,480,290**	**(661,615)**	**78,889**	**24,659**	**(795,602)**	**126,621**

(*) Actuarial (gains)/losses **(Note 24.1)**	(114.673)
Other actuarial gains/losses	1.382
Tax effect	34.402
	(78.889)

31.12.2015

(Thousands of euros)

	Balance at 31.12.2014	Amounts transferred to the statement of profit or loss (after tax)	Amounts transferred to reserves	Deferred tax assets/ liabilities (*)	Valuation gains/(losses) (before tax)	Balance at 31.12.2015
Attributable to the Group						
Available-for-sale financial assets	1,601,142	(386,555)	0	10,610	(408,611)	816,586
Equity instruments	452,431	45,219		14,492	(457,333)	54,809
Debt securities **(Note 13)**	1,148,711	(431,774)		(3,882)	48,722	761,777
Cash flow hedges	(20,872)	(42,012)		(76,261)	224,767	85,622
Exchange differences	174,915	11,367		2,322	189,498	378,102
Entities accounted for using the equity method	66,471				133,509	199,980
Actuarial gains/(losses) on pension plans	0		(90,022)		90,022	0
Total	**1,821,656**	**(417,200)**	**(90,022)**	**(63,329)**	**229,185**	**1,480,290**

25.3 Minority interests

"Minority interests" represents the portion of equity of subsidiaries attributable to equity instruments not owned, directly or indirectly, by CaixaBank, including the share of profit for the period.

The breakdown of "Minority interests" in the consolidated balance sheet at 31 December 2016 and 2015 is as follows:

Details of minority interests

(Thousands of euros)

	31.12.2016	31.12.2015
Reserves of minority interests	21,741	33,054
Profit/(loss) attributable to minority interests	7,931	2,042
Interim dividends paid	(600)	
Valuation adjustments attributable to minority interests	50	530
Total	**29,122**	**35,626**

The following table shows the CaixaBank Group subsidiaries in which certain minority shareholders held a stake of 10% or more at 31 December 2016 and 2015.

Subsidiaries with minority shareholders with stakes greater than 10%

Subsidiary	Minority shareholder	Minority interests 31.12.2016	31.12.2015
Tenedora de Vehículos, SA (*)	BBVA Autorenting, SA	--	35%
Inversiones Inmobiliarias Oasis Resort, SL (*)	Metrópolis Inmobiliarias y Restauraciones, SL	--	40%
Inversiones Inmobiliarias Teguise Resort, SL	Metrópolis Inmobiliarias y Restauraciones, SL	40%	40%
Saldañuela Residencial, SA (*)	EDUSA	--	21%
	Cerro Murillo, SA	--	11%
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%
Caixabank Electronic Money, SA	Erste Group Bank AG	10%	10%
	Banco BPI, SA	10%	10%
Telefonica Consumer Finance, EFC, SA	Telefonica, SA	50%	50%

(*) Companies sold in 2016

26. Tax position

Tax consolidation

In accordance with prevailing tax legislation, the consolidated tax group includes CaixaBank, as the parent, and subsidiaries that comply with the requirements for inclusion under regulations. The other Group companies file taxes in accordance with applicable tax legislation.

Furthermore, CaixaBank and some its subsidiaries belong to a consolidated tax group for value added tax (VAT) since 2008, whose parent company has been CaixaBank since 1 January 2016.

Years open for review

On 24 July 2015, the tax authorities notified CaixaBank of the beginning of an inspection for the main taxes applicable to it for the years 2010 to 2012, inclusive. Accordingly, CaixaBank has the year 2013 and following open for review for the main taxes applicable.

The main tax proceedings ongoing at the close of the year are as follows:

- In 2011, the tax authorities began an inspection of "la Caixa" for the main taxes applicable between 2007 and 2009. This inspection was completed in 2013 and assessments were issued, mainly in relation to temporary differences arising from divergences between accounting and tax standards. Assessments signed in agreement were paid, while those signed under protest are still awaiting a ruling by the National High Court (Audiencia Nacional). For the latter, CaixaBank has recognised provisions amounting to EUR 11,354 thousand (see Note 24.3).
- In 2008, the tax authorities began an inspection of "la Caixa" for the main taxes applicable between 2004 and 2006. This inspection was completed in 2010 and assessments were issued, mainly in relation to temporary differences arising from divergences between accounting and tax standards. The Entity has allocated provisions for EUR 33,171 thousand to cover the maximum contingencies that may arise in relation to assessments signed under protest as yet unresolved by the National High Court (Audiencia Nacional) (see Note 24.3).

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.

The various interpretations which can be made of the tax regulations applicable to transactions carried out by financial institutions may give rise to certain contingent tax liabilities that cannot be objectively quantified. The Entity's management considers that the provision under "Provisions - Pending legal issues and tax litigation" in the balance sheet is sufficient to cover these contingent liabilities.

Tax credit for reinvestment of extraordinary profits

Appendix 4 presents the main magnitudes, pursuant to Article 42 of the consolidated text of the Corporation Tax Law approved by Royal Decree-Law 4/2004, of 5 March, and Transitional provision twenty-four of Corporation Tax Law 27/2014.

Accounting revaluations

In accordance with Transitional Provision One of Bank of Spain Circular 4/2004, whereby the cost of unrestricted tangible assets may be their fair value at 1 January 2004, "la Caixa" and the other credit entities absorbed by CaixaBank elected this option and restated the value of their property, plant and equipment for own use on the basis of the appraisals performed by appraisers approved by the Bank of Spain.

Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognised in the statement of profit or loss for 2016 and 2015 to the corresponding pre-tax profit for these years applying the prevailing rate in Spain is as follows:

Reconciliation of accounting profit to taxable profit
(Thousands of euros)

	2016	2015
Profit/(loss) before tax (A)	**1,538,062**	**638,104**
Adjustments to profit (loss)		
Return on equity instruments	(187,988)	(202,719)
Share of profit/(loss) of entities accounted for using the equity method	(628,544)	(375,135)
Negative goodwill	(66,925)	(602,183)
Taxable income/(tax loss)	**654,605**	**(541,933)**
Tax payable (taxable income * 30%)	**(196,381)**	**162,580**
Adjustments:	**(133,409)**	**30,531**
Changes in taxation of sales of portfolio assets	(47,349)	62,794
Changes in portfolio provisions excluding tax effect and other non-deductible expenses	(3,352)	(17,874)
Change in deferred tax assets and liabilities	(83,590)	(2,600)
Recognition of deferred tax assets and liabilities	4,300	
Withholdings from foreign dividends and other	(3,418)	(11,789)
Income tax (B)	**(482,183)**	**180,758**
Income tax for the year (revenue/(expense)) (D)	(329,790)	193,111
Tax rate (*)	50.4%	35.6%
Reform of Corporation Tax Law 3/2016	(148,923)	
Income tax adjustments (2015 / 2014)	(3,470)	(12,353)
Profit/(loss) after tax (A) + (B)	**1,055,879**	**818,862**

(*) The effective tax rate is calculated by dividing income tax for the year by taxable income

Practically all of CaixaBank's income and expense is taxed at the general rate of 30%. However, some income is exempt from tax because it has already been taxed at source. This includes dividends from investees and the share of profits of entities accounted for using the equity method. In addition, the income from the business combination is not included in taxable income/(tax loss).

Tax recognised in equity

In addition to the income tax recognised in the statement of profit or loss, in 2016 and 2015 CaixaBank recognised certain valuation adjustments in its equity net of tax, recognised as a deferred tax asset or liability (see Note 25.2).

Deferred tax assets/liabilities

Pursuant to current tax legislation, in 2016 and 2015 there were certain temporary differences which must be taken into account when quantifying the corresponding income tax expenditure. The sources and movements in deferred tax assets/liabilities recognised in the balance sheet at 31 December 2016 and 2015 are as follows:

Deferred tax assets

(Thousands of euros)

	31.12.2015	Reform of RDL 3/16	Regularisations	Increases due to movements in the year	Decreases due to movements in the year	31.12.2016
Pension plan contributions **(Note 24)**	407,042		62,706	1,060		470,808
Allowances for credit losses	4,035,286	(10,252)	182,618	109,377	(213,646)	4,103,383
Early retirement obligations **(Note 24)**	72,939		(1,594)	366	(29,201)	42,510
Provision for foreclosed property	1,070,595		37,338	111,913	(34,268)	1,185,578
Origination fees for loans and receivables	13,308		(2,342)		(222)	10,744
Unused tax credits	1,429,003	50,781	(259,526)	651		1,220,909
Tax loss carryforwards	1,777,044		250,206		(848,291)	1,178,959
Tax assets for adjustments to equity	31,075			1,680		32,755
Other deferred tax assets arising on business combinations (1)	449,043		(1,090)		(397,863)	50,090
Other (2)	807,875	(207,647)	(44,048)	1,228,460	(437,713)	1,346,927
Total	**10,093,210**	**(167,118)**	**224,268**	**1,453,507**	**(1,961,204)**	**9,642,663**

(1) Includes deferred tax assets from negative fair value adjustments to assets and liabilities of Banco Cívica, Banco de Valencia and Barclays, except those from adjustments to loans and receivables.

(2) Includes, *inter alia*, deferred tax assets deriving from impairment losses on investments, eliminations from intra-group operations and those corresponding to different provisions, and other adjustments due to differences between accounting and tax rules.

The Group does not have any significant unrecognised deferred tax assets.

Estimated monetisable deferred tax assets in accordance with Royal Decree-Law 14/2013, of 29 November, amount to EUR 5,802 million.

The Group assesses the recoverable amount of its recognised tax assets, whether monetisable or not, every six months.

To do so, it has developed a dynamic model that analyses the recoverability of the tax assets recognised for accounting purposes and those generated in subsequent periods up to the date covered by the model. The purpose of the model is to verify that the Group is able to offset all tax losses and other tax assets recognised in the balance sheet with future taxable profits; and the best estimate of the new tax assets that can be generated in the future.

The model uses the following as the most relevant estimates:

a) The forecast profit or loss for each year covered by the model. The estimates are consistent with the various reports used by the Entity for internal management and for supervisory information, including certain details regarding the composition thereof, and,
b) The reversible nature of the main tax assets recognised in the balance sheet.

The Group considers the information used in the model to be relevant and strategic.

The model is updated every six months with information provided by the Entity's various areas and an independent tax expert contracted by CaixaBank subsequently revises and validates the reasonableness of the working tax assumptions used therein.

At 31 December 2016, in light of the results of the model and back tests performed, it is estimated that the Group has sufficient options to recover the deferred tax assets.

In the current interest-rate environment, the nominal value of deferred tax assets does not different significantly from present value.

Details of deferred tax liabilities are as follows:

Deferred tax liabilities

(Thousands of euros)

	31.12.2015	Reform of RDL 3/16	Regularisations	Increases due to movements in the year	Decreases due to movements in the year	31.12.2016
Revaluation of property on first time application	254,740		(4,361)		(8,341)	242,038
Tax liabilities on measurement of available-for-sale financial assets	381,616				(158,444)	223,172
Tax liabilities relating to intangible assets generated in business combinations	75,033				(17,570)	57,463
Tax liabilities relating to an extraordinary allowance to the mathematical provision	271,329					271,329
Other tax liabilities arising on business combinations in the period (1)	311,181		3,392		(63,782)	250,791
Other	261,692	(18,195)	(22,414)	102,072	(181,957)	141,198
Total	**1,555,591**	**(18,195)**	**(23,383)**	**102,072**	**(430,094)**	**1,185,991**

(1) Includes mainly deferred tax liabilities from positive fair value adjustments to assets and liabilities acquired in business combinations.

Impact of the tax reform of Royal Decree-Law 3/2016

Pursuant to the amendments introduced by Royal-Decree Law 3/2016, which included limits on tax credits for losses on transfers of stakes, certain deferred tax assets and liabilities arising on impairment of investments were cancelled. This meant that in 2016 CaixaBank recognised a higher income tax expense due to the cancellation of deferred tax assets of EUR 149 thousand (see movements in deferred tax assets and liabilities).

27. Guarantees and contingent commitments given

The detail of “Guarantees and contingent commitments given” included as memorandum items in the balance sheet at 31 December 2016 and 2015 is as follows:

Off-balance sheet exposures

(Thousands of euros)

	31.12.2016	31.12.2015
Financial guarantees given	3,486,709	3,304,480
Of which: Classified as non-performing	*138,807*	*217,520*
Amount recognised under liabilities	*60,631*	*148,874*
Loan commitments given	56,189,582	54,782,856
Of which: Classified as non-performing	*321,693*	*105,348*
Amount recognised under liabilities	*23,778*	*32,536*
Other commitments given	19,461,523	10,591,668
Of which: Non-performing contingent liabilities	*263,384*	*275,891*
Amount recognised under liabilities	*144,144*	*200,067*
Total	**79,137,814**	**68,679,004**

The change in “Other commitments given” over 2016 chiefly derives from the higher number of receipts submitted to the clearing house that could be refunded, because the permitted term for repaying these receipts was extended from 10 to 60 days after file 32 was incorporated into the SEPA system in February 2016.

The detail of “Loan commitments given” included as memorandum items in the balance sheet at 31 December 2016 and 2015 is as follows:

Contingent commitments

(Thousands of euros)	31.12.2016		31.12.2015	
	Drawable	Limits	Drawable	Limits
Drawable by third parties	**56,189,582**	**108,987,609**	**54,782,856**	**111,168,320**
Credit institutions	47,913	85,827	54,405	173,464
Public administrations	1,538,644	2,096,039	3,914,799	4,817,151
Other sectors	54,603,025	106,805,743	50,813,652	106,177,705
Of which: conditionally drawable	*2,897,864*		*2,545,096*	
Total	**56,189,582**	**108,987,609**	**54,782,856**	**111,168,320**

The provisions relating to contingent liabilities and commitments are recognised under “Provisions” in the balance sheet (see Note 24).

The table below details the contractual maturities of the balances of loan commitments given at 31 December 2016:

Contractual maturities

(Thousands of euros)

	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Drawable by third parties	955,814	1,438,375	11,280,389	14,093,839	28,421,165	56,189,582

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. The CaixaBank Group 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 not all the drawables will be used by customers, and 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.

28. Other significant disclosures

28.1. Transactions for the account of third parties

The detail of off-balance sheet funds managed for the account of third parties is as follows:

(Thousands of euros)

	31.12.2016	31.12.2015
Assets under management	**81,889,259**	**74,499,900**
Mutual funds and SICAVs	56,673,671	51,320,869
Pension funds	25,215,588	23,179,031
Other (*)	**4,881,674**	**5,267,280**
Total	**86,770,933**	**79,767,180**

(*) Includes funds associated with the agreements to distribute pension funds and insurance products from Barclays Bank, SAU and subordinated debt issued by "la Caixa" (currently in CriteriaCaixa).

28.2. Transferred financial assets

The CaixaBank Group converted a portion of its homogeneous loan and credits into fixed-income securities by transferring the assets to various securitisation special purpose vehicles set up for this purpose, whose operators assume the risks inherent in the securitised assets. In accordance with current regulations, securitisations in which substantially all the risk is retained may not be derecognised.

Securitisations carried out after 1 January 2004 have not been derecognised from the balance sheet.

The carrying amounts of transferred financial assets, mainly securitisation funds, not derecognised, and the financial liabilities recognised at 31 December 2016 and 2015 are as follows:

31.12.2016

(Thousands of euros)

	Carrying amount of transferred assets (1)	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
Securitisation funds				
AyT Génova Hipotecario II, FTH	134,001	134,037	147,790	147,790
AyT Génova Hipotecario III, FTH	147,769	147,774	162,973	162,973
AyT Génova Hipotecario IV, FTH	171,172	171,183	188,784	188,784
Valencia Hipotecario 1, FTA	62,026	62,050	68,407	68,407
Ayt Hipotecario Mixto II, FTA	17,181	17,222	18,950	18,950
TDA 22 Mixto, FTH	37,540	37,943	41,443	41,443
AyT Hipotecario Mixto IV, FTA	46,223	46,224	50,978	50,978
AyT Génova Hipotecario VI, FTH	190,158	190,334	209,741	209,741
FonCaixa FTGENCAT 3, FTA	76,555	77,136	84,479	84,479
AyT Génova Hipotecario VII, FTH	444,269	444,848	490,036	490,036
Valencia Hipotecario 2, FTH	216,051	217,045	238,371	238,371
AyT Génova Hipotecario VIII, FTH	649,076	649,606	715,909	715,909
FonCaixa FTGENCAT 4, FTA	103,744	105,185	114,550	114,550
AyT Hipotecario Mixto V, FTA	92,661	92,762	102,204	102,204
Valencia Hipotecario 3, FTA	293,405	295,469	323,790	323,790
AyT Génova Hipotecario IX, FTH	399,156	399,681	440,276	440,276
AyT Génova Hipotecario X, FTH	448,464	449,392	494,700	494,700
FonCaixa FTGENCAT 5, FTA	280,251	285,716	309,605	309,605
AyT Génova Hipotecario XI, FTH	535,100	537,478	590,398	590,398
FonCaixa FTGENCAT 6, FTA	206,845	210,583	228,481	228,481
AyT Génova Hipotecario XII, FTH	382,938	384,463	422,493	422,493
Bancaja BVA-VPO 1, FTA	23,936	23,937	26,397	26,397
AyT ICO-FTVPO I, FTA	39,578	39,592	43,651	43,651
AyT Goya Hipotecario III, FTA	2,405,429	2,419,218	2,654,321	2,654,321
AyT Goya Hipotecario IV, FTA	790,554	794,435	872,285	872,285
Foncaixa Consumo 1, FTA	1,189,028	1,207,124	1,312,990	1,312,990
AyT Goya Hipotecario V, FTA	893,838	896,739	986,096	986,096
FonCaixa Leasings 2, FTA	365,042	380,028	404,238	404,238
FonCaixa PYMES 6, FTA	778,780	782,962	859,135	859,135
FonCaixa PYMES 7, FTA	1,514,124	1,528,617	1,670,914	1,670,914
CaixaBank RMBS 1, FT	13,469,704	13,540,545	14,861,675	14,861,675
CaixaBank Consumo 2, FT	1,086,260	1,095,160	1,198,309	1,198,309
CaixaBank Pymes 8, FT	2,168,615	2,175,723	2,391,984	2,391,984
AyT Hipotecario Mixto, FTA (*)	21,933	21,404	21,933	21,404
Total	**29,681,406**	**29,861,615**	**32,748,286**	**32,747,757**

(*) Fund from Credifimo.

(1) Includes capital, interest accrued and asset provisions.

31.12.2015

(Thousands of euros)

	Carrying amount of transferred assets (1)	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities
Securitisation funds				
AyT Génova Hipotecario II, FTH	155,793	155,835	170,089	170,089
AyT Génova Hipotecario III, FTH	172,100	172,201	187,880	187,880
AyT Génova Hipotecario IV, FTH	198,446	198,555	216,636	216,636
Valencia Hipotecario 1, FTA	77,353	77,472	84,469	84,469
Ayt Hipotecario Mixto II, FTA	27,088	27,188	29,606	29,606
TDA 22 Mixto, FTH	40,938	41,269	44,725	44,725
AyT FTPYME II, FTA	9,721	10,721	10,680	10,680
AyT Hipotecario Mixto IV, FTA	53,557	53,561	58,470	58,470
AyT Génova Hipotecario VI, FTH	216,699	217,279	236,605	236,605
FonCaixa FTGENCAT 3, FTA	91,769	92,819	100,359	100,359
AyT Génova Hipotecario VII, FTH	500,080	501,070	545,987	545,987
Valencia Hipotecario 2, FTH	265,352	266,798	289,857	289,857
AyT Génova Hipotecario VIII, FTH	734,479	736,459	801,971	801,971
FonCaixa FTGENCAT 4, FTA	125,108	126,777	136,829	136,829
AyT Hipotecario Mixto V, FTA	103,759	103,886	113,290	113,290
Valencia Hipotecario 3, FTA	340,599	342,813	372,122	372,122
AyT Génova Hipotecario IX, FTH	441,208	442,246	481,720	481,720
AyT Génova Hipotecario X, FTH	493,039	495,166	538,393	538,393
PYME Valencia 1, FTA	77,817	86,692	85,658	85,658
FonCaixa FTGENCAT 5, FTA	326,782	334,339	357,631	357,631
AyT Génova Hipotecario XI, FTH	589,783	594,762	644,246	644,246
FonCaixa FTGENCAT 6, FTA	238,698	243,145	261,193	261,193
AyT Génova Hipotecario XII, FTH	419,453	422,209	458,118	458,118
Bancaja BVA-VPO 1, FTA	28,361	28,361	30,981	30,981
AyT ICO-FTVPO I, FTA	46,397	46,402	50,659	50,659
AyT Goya Hipotecario III, FTA	2,621,738	2,648,043	2,864,274	2,864,274
AyT Goya Hipotecario IV, FTA	866,475	874,144	946,540	946,540
Foncaixa Consumo 1, FTA	1,397,592	1,413,298	1,529,318	1,529,318
AyT Goya Hipotecario V, FTA	975,096	981,371	1,064,991	1,064,991
FonCaixa Leasings 2, FTA	491,645	515,060	538,694	538,694
FonCaixa PYMES 6, FTA	1,060,999	1,061,060	1,161,044	1,161,044
FonCaixa PYMES 7, FTA	2,410,957	2,411,140	2,638,943	2,638,943
AyT Hipotecario Mixto, FTA (*)	23,777	23,258	23,777	23,258
Total	**15,622,658**	**15,745,399**	**17,075,755**	**17,075,236**

(*) Fund from Credifimo.

(1) Includes capital, interest accrued and asset provisions.

"Loans and advances to customers" at 31 December 2016 and 2015 includes the following amounts, corresponding to the outstanding amounts of loans securitised:

Breakdown of securitised assets

(Thousands of euros)

	31.12.2016	31.12.2015
Securitised mortgage loans	25,451,151	12,262,120
Other securitised loans	4,372,866	3,482,514
Loans to companies	3,180,638	2,876,248
Leasing arrangements	379,783	514,993
Consumer financing	804,321	77,007
Rest	8,124	14,266
Total	**29,824,017**	**15,744,634**

Details of the securitisations with the initial amounts of each and the amounts outstanding at 31 December 2016 and 2015 are provided below.

Asset securitisations

(Thousands of euros)

Issuance date		Acquired by:	Initial amount	Outstanding balance 31.12.2016	31.12.2015
December	2000	TDA 13 Mixto, FTA	40,268	1,840	2,620
June	2001	TDA 14 Mixto, FTA	122,005	5,310	7,509
June	2002	AyT 7 Promociones Inmobiliarias 1, FTA	269,133	2,665	5,066
May	2003	TDA 16 Mixto, FTA	100,000	6,708	10,111
June	2003	AyT Hipotecario III, FTH	130,000	12,458	15,591
October	2002	AyT 11, FTH (*)	120,055	13,666	15,132
March	2003	TDA 16 Mixto, FTA (*)	152,000	20,534	22,253
November	2004	TDA 22 Mixto, FTH (*)	150,000	28,699	31,441
April	2005	AyT Hipotecario Mixto III, FTH (*)	170,000	42,248	46,009
November	2005	TDA 24, FTA (*)	144,117	43,449	47,224
July	2006	TDA 25, FTA (*)	205,000	82,776	90,688
December	2006	TDA 27, FTA (*)	186,993	77,413	85,221
July	2007	TDA 28, FTA (*)	200,000	105,518	113,564
Transactions derecognised from balance sheet			**1,989,571**	**443,284**	**492,429**
June	2003	AyT Génova Hipotecario II, FTH	800,000	134,001	155,834
July	2003	AyT Génova Hipotecario III, FTH	800,000	147,743	172,198
February	2004	AyT Hipotecario Mixto, FTA (*)	140,000	21,933	23,777
March	2004	AyT Génova Hipotecario IV, FTH	800,000	171,149	198,552
April	2004	Valencia Hipotecario 1, FTA	472,015	62,013	77,465
June	2004	Ayt Hipotecario Mixto II, FTA	160,000	17,191	27,181
November	2004	TDA 22 Mixto, FTH	120,000	37,922	41,265
December	2004	AyT FTPYME II, FTA	132,000	0	10,695
June	2005	AyT Hipotecario Mixto IV, FTA	200,000	46,212	53,560
June	2005	AyT Génova Hipotecario VI, FTH	700,000	190,296	217,276
November	2005	FonCaixa FTGENCAT 3, FTA	649,998	77,006	92,795
November	2005	AyT Génova Hipotecario VII, FTH	1,400,000	444,759	501,064
December	2005	Valencia Hipotecario 2, FTH	940,243	216,896	266,760
June	2006	AyT Génova Hipotecario VIII, FTH	2,100,000	649,467	736,449
July	2006	FonCaixa FTGENCAT 4, FTA	599,999	105,014	126,734
July	2006	AyT Hipotecario Mixto V, FTA	317,733	92,734	103,884
November	2006	Valencia Hipotecario 3, FTA	900,711	295,272	342,776
November	2006	AyT Génova Hipotecario IX, FTH	1,000,000	399,598	442,236
June	2007	AyT Génova Hipotecario X, FTH	1,050,000	449,305	495,156
July	2007	PYME Valencia 1, FTA	850,023	0	86,570
November	2007	FonCaixa FTGENCAT 5, FTA	1,000,000	285,251	334,187
December	2007	AyT Génova Hipotecario XI, FTH	1,200,000	537,375	594,741
July	2008	FonCaixa FTGENCAT 6, FTA	750,015	210,250	243,075
July	2008	AyT Génova Hipotecario XII, FTH	800,000	384,388	422,198
April	2009	Bancaja BVA-VPO 1, FTA	55,000	23,917	28,360
March	2009	AyT ICO-FTVPO I, FTA	129,131	39,576	46,402
December	2010	AyT Goya Hipotecario III, FTA	4,000,000	2,418,672	2,647,937
April	2011	AyT Goya Hipotecario IV, FTA	1,300,000	794,244	874,105
December	2011	Foncaixa Consumo 1, FTA	3,080,000	1,204,636	1,412,975
December	2011	AyT Goya Hipotecario V, FTA	1,400,000	896,539	981,340
March	2013	FonCaixa Leasings 2, FTA	1,216,494	379,783	514,993
October	2015	FonCaixa PYMES 6, FTA	1,119,358	780,876	1,061,017
November	2015	FonCaixa PYMES 7, FTA	2,529,055	1,523,650	2,411,077
February	2016	CaixaBank RMBS 1, FT	14,200,000	13,526,835	0
June	2016	CaixaBank Consumo 2, FT	1,300,000	1,088,873	0
November	2016	CaixaBank Pymes 8, FT	2,250,000	2,170,641	0
Transactions kept in the balance sheet			**50,461,775**	**29,824,017**	**15,744,634**
Total			**52,451,346**	**30,267,301**	**16,237,063**

(*) Funds from Credifimo.

The assets securitised through securitisation funds prior to 2004, in accordance with the prospective application mentioned in paragraph 106 of IAS 39, which entered into force with the application of the International Accounting Standards, and in accordance with Transitional Provision One of Circular 4/2004, were not recognised in the balance sheet.

Securitisation funds set up before 1 January 2004 relate basically to the securitisation funds of investee Unión de Crédito para la Financiación Inmobiliaria (Credifimo), acquired in the business combination with Banca Cívica. These funds were derecognised when they were opened, all prior to the business combination with Banca Cívica, and this did not have any impact on profit or loss. In accordance with regulations, 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. All bonds issued by these securitisation funds were transferred to third parties, and the bondholder bore the majority of the losses arising from the securitised loans that were derecognised.

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.

The amounts of credit enhancements at 31 December 2016 and 2015 for securitisation funds are as follows:

Credit enhancements for securitisation funds

(Thousands of			31.12.2016		31.12.2015	
Issuance date		**Holder**	**Loans and credits (*)**	**Reserve fund bonds**	**Loans and credits (*)**	**Reserve fund bonds**
December	2000	TDA 13 Mixto, FTA	403		403	
June	2001	TDA 14 Mixto, FTA	1,382		1,382	
June	2002	AyT 7 Promociones Inmobiliarias 1, FTA	3,792		3,792	
October	2002	Ayt 11, FTH (**)	766		807	
May	2003	TDA 16 Mixto, FTA	1,294		1,294	
May	2003	TDA 16 Mixto, FTA (**)	2,668		2,668	
June	2003	AyT Hipotecario III, FTH	1,460		1,460	
June	2003	AyT Génova Hipotecario II, FTH	8,364		8,606	
July	2003	AyT Génova Hipotecario III, FTH	8,000		8,000	
February	2004	AyT Hipotecario Mixto, FTH (**)	8,317		8,317	
March	2004	AyT Génova Hipotecario IV, FTH	8,000		8,000	
April	2004	Valencia Hipotecario 1, FTA	4,720		4,720	
June	2004	AyT Hipotecario Mixto II, FTA	1,911		1,911	
November	2004	TDA 22 Mixto, FTA	2,292		2,292	
November	2004	TDA 22 Mixto, FTA (**)	749		749	
December	2004	AyT FTPYME II, FTA	0		3,719	
April	2005	AyT Hipotecario Mixto III, FTH (**)	297		297	
June	2005	AyT Hipotecario Mixto IV, FTA	2,600		2,808	
June	2005	AyT Génova Hipotecario VI, FTH	5,000		5,000	
November	2005	FonCaixa FTGENCAT 3, FTA	1,197	6,500	1,557	6,500
November	2005	AyT Génova Hipotecario VII, FTH	11,294		12,492	
November	2005	TDA 24, FTA (**)	520		520	
December	2005	Valencia Hipotecario 2, FTH		9,900		9,900
June	2006	AyT Génova Hipotecario VIII, FTH	11,179		12,656	
July	2006	FonCaixa FTGENCAT 4, FTA	1,828	5,043	2,271	5,043
July	2006	AyT Hipotecario Mixto V, FTA	1,937		1,937	
July	2006	TDA 25, FTA (**)	752		752	
November	2006	Valencia Hipotecario 3, FTA		10,400	504	10,400
November	2006	AyT Génova Hipotecario IX, FTH	9,089		11,104	
December	2006	TDA 27, FTA (**)	1,782		1,782	
June	2007	AyT Génova Hipotecario X, FTH	11,650		11,650	
July	2007	PYME Valencia 1, FTA			671	15,300
July	2007	TDA 28, FTA (**)	2,324		2,324	
November	2007	FonCaixa FTGENCAT 5, FTA		26,500		26,500
December	2007	AyT Génova Hipotecario XI, FTH	39,500		39,500	
July	2008	FonCaixa FTGENCAT 6, FTA		18,800		18,800
July	2008	AyT Génova Hipotecario XII, FTH	30,106		30,106	

Credit enhancements for securitisation funds

(Thousands of			31.12.2016		31.12.2015	
Issuance date		Holder	Loans and credits (*)	Reserve fund bonds	Loans and credits (*)	Reserve fund bonds
March	2009	AyT ICO-FTVPO I, FTA	4,695		4,695	
April	2009	Bancaja BVA-VPO 1, FTA	3,218		3,218	
December	2010	AyT Goya Hipotecario III, FTA	213,983		282,489	
April	2011	AyT Goya Hipotecario IV, FTA	66,555		66,555	
December	2011	FonCaixa Consumo 1, FTA	154,338		154,338	
December	2011	AyT Goya Hipotecario V, FTA	78,969		79,101	
March	2013	FonCaixa Leasings 2, FTA	181,268		184,103	
October	2015	FonCaixa PYMES 6, FTA	45,333		45,600	
November	2015	FonCaixa PYMES 7, FTA	101,733		102,000	
February	2016	CaixaBank RMBS 1,FT	568,750		0	
June	2016	CaixaBank Consumo 2, FT	52,825		0	
November	2016	CaixaBank Pymes 8, FT	93,150		0	
Total			**1,749,990**	**77,143**	**1,118,150**	**92,443**

(*) All the loans and credits are subordinated.

(**) Funds from Credifimo.

Details of the securitisation bonds initially acquired by CaixaBank and of the balances outstanding at 31 December 2016 and 2015 are as follows:

(Thousands of euros)				Outstanding amount	
Date		Issuance	Amount	31.12.2016	31.12.2015
June	2001	TDA 14 Mixto - FTA	720	544	991
May	2003	TDA 16 Mixto - FTA	2,095	342	433
December	2002	AyT Hipotecario III - FTH	8,333	5,822	7,575
Issued before 1.1.2004			**11,148**	**6,708**	**8,999**

(Thousands of euros)				Outstanding amount	
Date		Issuance	Amount	31.12.2016	31.12.2015
June	2003	AyT Génova Hipotecario II, FTH	135,045	47,573	55,228
July	2003	AyT Génova Hipotecario III, FTH	153,661	47,252	55,063
March	2004	AyT Génova Hipotecario IV, FTH	175,716	28,103	33,208
June	2004	AyT Hipotecario Mixto II, FTA	22,503	2,767	4,060
November	2004	TDA 22 Mixto - FTA	31,431	21,040	23,423
December	2004	AyT FTPYME II, FTA	0	0	5,290
June	2005	AyT Hipotecario Mixto IV, FTA	44,351	21,030	24,221
June	2005	AyT Génova Hipotecario VI, FTH	196,844	119,674	136,398
November	2005	FonCaixa FTGENCAT 3, FTA	74,957	28,380	29,446
November	2005	AyT Génova Hipotecario VII, FTH	450,439	155,147	174,627
December	2005	Valencia Hipotecario 2, FTH	220,086	46,674	53,756
June	2006	AyT Génova Hipotecario VIII, FTH	663,265	351,111	397,366
July	2006	FonCaixa FTGENCAT 4, FTA	104,611	20,151	20,597
July	2006	AyT Hipotecario Mixto V, FTA	85,622	73,058	83,853
November	2006	Valencia Hipotecario 3, FTA	291,342	105,928	117,210
November	2006	AyT Génova Hipotecario IX, FTH	408,468	138,905	154,140
June	2007	AyT Génova Hipotecario X, FTH	450,531	450,531	497,656
July	2007	PYME Valencia 1, FTA	0	0	86,252
November	2007	FonCaixa FTGENCAT 5, FTA	283,180	37,500	37,500
December	2007	AyT Génova Hipotecario XI, FTH	541,720	541,720	598,709
July	2008	FonCaixa FTGENCAT 6, FTA	204,544	22,500	22,500
July	2008	AyT Génova Hipotecario XII, FTH	385,206	385,206	421,901

(Thousands of euros)

Date		Issuance	Amount	Outstanding amount 31.12.2016	31.12.2015
March	2009	AyT ICO-FTVPO I, FTA	48,800	48,800	56,880
April	2009	Bancaja-BVA VPO 1, FTA	26,727	26,727	30,775
December	2010	AyT Goya Hipotecario III, FTA	2,412,646	2,412,646	2,640,997
July	2011	FonCaixa Autónomos 1, FTA	0	0	0
April	2011	AyT Goya Hipotecario IV, FTA	814,037	814,037	891,062
December	2011	FonCaixa Consumo 1, FTA	1,189,764	1,189,764	1,401,799
December	2011	AyT Goya Hipotecario V, FTA	917,857	917,857	998,894
October	2012	Foncaixa Pymes 3, FTA	0	0	
March	2013	FonCaixa Leasings 2, FTA	414,235	414,235	518,344
March	2013	FonCaixa PYMES 4, FTA	0	0	
November	2014	FonCaixa PYMES 5, FTA	0	0	
October	2015	FonCaixa PYMES 6, FTA	844,215	844,215	1,120,000
November	2015	FonCaixa PYMES 7, FTA	1,589,749	1,589,749	2,530,000
February	2016	CaixaBank RMBS 1, FT	13,607,489	*13,607,489*	
June	2016	CaixaBank Consumo 2, FT	1,191,177	*1,191,177*	
November	2016	CaixaBank Pymes 8, FT	2,250,000	*2,250,000*	
Issued after 1.1.2004			**30,230,218**	**27,950,946**	**13,221,155**
Total			**30,241,366**	**27,957,654**	**13,230,154**

Securitisation single-seller bonds placed in the market are recognised under “Financial liabilities measured at amortised cost - Debt securities issued” in the accompanying consolidated balance sheets (see Note 23.3).

28.3. Securities deposits and investment services

The detail, by type, of the securities deposited by customers with CaixaBank and third parties is as follows.

Securities deposited by third parties

(Thousands of euros)

	31.12.2016	31.12.2015
Book entries	**87,729,336**	**82,831,200**
Securities recorded in the market’s central book-entry office	61,470,559	60,018,019
Equity instruments. Quoted	*44,850,257*	*43,157,191*
Equity instruments. Non-quoted	*27,522*	*136,651*
Debt securities. Quoted	*16,592,780*	*16,724,177*
Securities registered at the Entity	0	0
Securities entrusted to other depositories	26,258,777	22,813,181
Equity instruments. Quoted	*14,936,954*	*12,534,038*
Equity instruments. Non-quoted	*561*	*4,078*
Debt securities. Quoted	*11,321,262*	*10,275,065*
Debt securities. Non-quoted	*0*	*0*
Securities	**436**	**6,469**
Held by the Entity	129	6,407
Equity instruments		*6,267*
Debt securities	*129*	*140*
Entrusted to other entities	307	62
Equity instruments	*307*	*62*
Other financial instruments	**154,104**	**151,303**
Total	**87,883,876**	**82,988,972**

28.4. Financial assets derecognised due to impairment

The changes in 2016 and 2015 to items derecognised from the balance sheet because recovery was deemed to be remote are summarised below. These financial assets are recognised under "Suspended assets" in the memorandum accounts supplementing the balance sheet.

(Thousands of euros)

	2016	2015
Opening balance	**14,603,686**	**11,602,052**
Additions:	**3,325,945**	**5,423,312**
With a charge to impairment losses **(Note 14.3)**	1,727,575	2,728,936
With a direct charge to the statement of profit or loss **(Note 37)**	542,427	720,220
Other reasons (1)	1,055,943	1,339,820
Business combinations **(Note 7)**		634,336
Disposals:	**2,472,549**	**2,421,678**
Cash recovery of principal **(Note 37)**	415,330	453,332
Cash recovery of past-due receivables	58,429	41,893
Disposal of written-off assets (2)	547,913	1,121,312
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	1,450,877	805,141
Closing balance	**15,457,082**	**14,603,686**

(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 (see Note 14.2).

The balance of items derecognised from the balance sheet because recovery was deemed to be remote includes EUR 4,622 million and EUR 4,082 million at 31 December 2016 and 2015, respectively, of interest accrued on the non-performing loans.

29. Interest income

This item in the statement of profit or loss includes the interest earned during the year on financial assets with implicit or explicit returns obtained by applying the effective interest method, along with the adjustments to income arising from hedging transactions.

The breakdown of this item in the accompanying statement of profit or loss is as follows:

Breakdown of interest income

(Thousands of euros)

	2016	2015
Central banks	**305**	**649**
Credit institutions	**16,230**	**16,264**
Money market transactions	**0**	**543**
Debt securities	**2,246,769**	**3,278,579**
Assets held for trading	45,550	73,648
Available-for-sale financial assets	2,090,493	2,875,164
Held-to-maturity investments	84,054	196,568
Loans and receivables	26,672	133,199
Loans and advances to customers and other finance income	**4,500,256**	**5,025,191**
Public administrations	163,236	277,888
Trade credits and bills	193,164	202,512
Mortgage loans	2,070,536	2,715,912
Personal loans	1,509,160	1,116,051
Credit accounts	312,575	365,930
Rest	251,585	346,898
Adjustments to income due to hedging transactions (Note 16)	**(10,508)**	**51,842**
Total	**6,753,052**	**8,373,068**

The average effective interest rate of the various financial liabilities categories in 2016 and 2015, respectively, calculated on average gross balances, is as shown below. This rate is the result of interest accrued in the year and does not include adjustments to income arising from hedging transactions:

Average effective interest rate

	2016	2015
Deposits at central banks	0.01%	0.03%
Financial assets held for trading - debt securities	1.41%	2.18%
Available-for-sale financial assets – debt securities	3.38%	4.77%
Loans and receivables		
Loans and advances to credit institutions	0.31%	0.28%
Loans and advances to customers (*)	2.20%	2.44%
Debt securities	3.70%	7.95%
Held-to-maturity - debt securities	1.65%	3.18%

(*) Does not include reverse repos

30. Interest expenses

This item in the accompanying statement of profit or loss includes interest accruing in the year on financial liabilities with implicit or explicit returns, including the interest arising from payments in kind, calculated by applying the effective interest method, along with the cost adjustments arising from hedging transactions and the cost due to interest attributable to existing pension funds.

The breakdowns of this item in the accompanying statement of profit or loss for 2016 and 2015, by types of financial transaction, are as follows:

Breakdown of interest expenses

(Thousands of euros)

	2016	2015
Central banks	(35,521)	(33,232)
Credit institutions	(111,235)	(192,717)
Money market transactions through counterparties	0	(3,146)
Customer deposits and other finance costs	(734,127)	(1,329,174)
Debt securities issued	(853,515)	(1,136,560)
Adjustments to expenses due to hedging transactions **(Note 16)**	665,377	778,775
Interest cost attributable to pension funds **(Note 24.1)**	(45,186)	(41,009)
Finance cost of insurance products	(1,444,605)	(2,063,355)
Asset interest expenses	(37,384)	
Total	**(2,596,196)**	**(4,020,418)**

The average effective interest rate of the various financial liabilities categories in 2016 and 2015, respectively, is shown below. This rate is the result of interest accrued in the year and does not include adjustments to income arising from hedging transactions.

Average effective interest rate

	2016	2015
Deposits from central banks	0.14%	0.17%
Deposits from credit institutions	0.77%	0.90%
Customer deposits	0.40%	0.73%
Marketable debt securities	2.70%	3.16%
Subordinated liabilities	4.46%	4.46%

31. Dividend income

The breakdown of this item in the accompanying statement of profit or loss for 2016 and 2015 is as follows:

Breakdown of dividend income
(Thousands of euros)

	2016	2015
Telefónica, SA	184,617	192,860
Other	14,001	9,859
Total	**198,618**	**202,719**

32. Fees and commissions

The main fee and commission income and expenses recognised in the accompanying statement of profit or loss for 2016 and 2015, by type of non-financial services, are as follows:

Fee and commission income

(Thousands of euros)

	2016	2015
Contingent liabilities	114,953	116,079
Credit facility drawdowns	54,609	60,987
Exchange of foreign currencies and banknotes	97,322	105,170
Collection and payment services	801,757	776,011
Of which: credit and debit cards	*371,377*	*340,149*
Securities services	78,638	95,502
Marketing of non-banking financial products	788,892	749,631
Other fees and commissions	325,739	354,790
Total	**2,261,910**	**2,258,170**

Fee and commission expenses

(Thousands of euros)

	2016	2015
Assigned to other entities and correspondents	(43,063)	(42,186)
Of which: transactions with cards and ATMs	*(38,935)*	*(34,167)*
Securities transactions	(14,074)	(14,930)
Other fees and commissions	(114,520)	(86,279)
Total	**(171,657)**	**(143,395)**

33. Gains/(losses) on financial assets and liabilities

The breakdown of these items in the accompanying statement of profit or loss is as follows:

Breakdown of gains/(losses) on financial assets and liabilities by line item
(Thousands of euros)

	2016	2015
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	786,714	772,543
Gains/(losses) on financial assets and liabilities held for trading, net	21,176	43,409
Gains/(losses) from hedge accounting, net	12,689	9,920
Total	**820,579**	**825,872**

The breakdown of the balance of this item by source for 2016 and 2015 is as follows:

Gains/(losses) on financial assets and liabilities
(Thousands of euros)

	2016	2015
Assets and liabilities held for trading	**21,176**	**43,409**
Debt securities	(2,886)	539
Equity instruments	6,398	(25,809)
Financial derivatives	17,664	68,679
of which: interest rate risk	*(41,040)*	*(26,190)*
of which: securities risk	*(62,722)*	*22,108*
of which: commodities risk and other	*1,996*	*2,653*
of which: credit risk ***(Note 2.2)***	*(30,563)*	*16,639*
of which: currency risk	*(20,265)*	*(26,085)*
of which: inflation risk	*170,258*	*79,554*
Available-for-sale financial assets	**823,549**	**764,235**
Debt securities **(Note 13)**	607,525	616,833
Equity instruments **(Note 13)**	216,024	147,402
Loans and receivables	**611**	**1,207**
Financial liabilities measured at amortised cost	**(37,446)**	**7,101**
Ineffective portions of hedging derivatives	**12,689**	**9,920**
Cash flow hedges	559	15,996
Fair value hedges	*12,130*	*(6,076)*
Valuation of hedging derivatives	*392,646*	*(1,096,730)*
Valuation of hedged items	*(380,516)*	*1,090,654*
Total	**820,579**	**825,872**

34. Other operating income and expenses and assets and liabilities under insurance and reinsurance contracts

The breakdown of these items in the accompanying statement of profit or loss for 2016 and 2015 is as follows:

Other operating income

(Thousands of euros)

	2016	2015
Financial fees and commissions offsetting direct costs	49,266	42,884
Income from investment property and other income	148,630	134,182
Sales and income from the provision of non-financial services	252,037	154,977
Other income	138,486	149,498
Total	**588,419**	**481,541**

Other operating expenses

(Thousands of euros)

	2016	2015
Contribution to the Deposit Guarantee Fund/National Resolution Fund	(263,159)	(278,996)
Operating expenses from investment property and other (1)	(333,753)	(293,694)
Changes to inventories and other expenses of non-financial activities	(228,140)	(131,740)
Other	(170,722)	(76,379)
Total	**(995,774)**	**(780,809)**

(1) Includes expenses related to leased investment property

Breakdown of income and expenses of assets and liabilities under insurance and reinsurance contracts

(Thousands of euros)

	2016	2015
Income		
Insurance and reinsurance premium income (*)	751,305	667,018
Reinsurance income	52,325	68,179
Total	**803,630**	**735,197**
Expenses		
Benefits paid (*)	(233,540)	(232,736)
Net technical provisions (*)	(76,670)	(62,936)
Insurance and reinsurance premiums paid	(182,919)	(225,029)
Total	**(493,129)**	**(520,701)**

(*) Net of the portion relating to finance costs.

35. Staff expenses

The breakdown of this item in the accompanying statement of profit or loss for 2016 and 2015 is as follows:

Breakdown by type of remuneration
(Thousands of euros)

	2016	2015
Wages and salaries	(1,850,345)	(1,915,495)
Social security contributions	(417,243)	(427,760)
Transfers to defined contribution plans	(127,969)	(132,441)
Transfers to defined benefit plans	(2,179)	(2,009)
Other staff expenses	(347,613)	(701,100)
Total	**(2,745,349)**	**(3,178,805)**

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. 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 Entity and other agreed terms and conditions. Specifically, a period of 60 months to standardise conditions has been established for Banco de Valencia, Banca Cívica 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, indemnities and other short term benefits.

In 2016, "Other staff expenses" included a geographical reorganisation and rebalancing charge of EUR 121 million. In 2015, this item included an expense of EUR 471 million, related to the labour agreements signed by CaixaBank during the year, as part of a restructuring plan involving adjustments to Barclays Bank, SAU's workforce on the one hand, and reorganising and rebalancing the regional distribution of the workforce on the other.

It also included EUR 15 million and EUR 20 million in 2016 and 2015, respectively, in non-monetary remuneration paid to CaixaBank employees through credit facilities, estimated as the difference between market rates and the rates agreed with employees. The applicable rates are set each year as the 1-year Euribor rate prevailing for October, applicable as of 1 January the following year.

The market rates were Euribor +0.50 points for loans to homebuyers and Euribor +1.40 points for other loans.

According to labour regulations, the interest rate agreed for mortgage loans is Euribor -2.50 points, with a clause stipulating a minimum rate of 0.10%, whereas the interest rate agreed for personal loans is equal to the Euribor rate.

The amounts recognised in this item correspond to share-based payments of little significance.

The average number of employees, by professional category and gender, in 2016 and 2015 is as follows:

Average number of employees (*)

(Number of employees)	2016		2015	
	CaixaBank Group		CaixaBank Group	
	Male	**Female**	**Male**	**Female**
Executives	199	60	202	59
Managers	8,647	6,059	8,786	5,999
Clerical staff	5,999	10,190	6,095	10,089
Assistants	135	92	137	91
Temporary employees	414	413	421	410
Total	**15,394**	**16,814**	**15,641**	**16,648**

(*) In 2016, there was 191 employees with a disability level of 33% or higher (120 clerks, 65 managers, 5 assistants and 1 temporary employee).

The distribution by professional category and gender at 31 December 2016 is not significantly different from that shown in the preceding table. At 31 December 2016 and 2015, the CaixaBank Group had 32,403 and 32,242 employees, respectively.

36. Other administrative expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

Breakdown of general administrative expenses
(Thousands of euros)

	2016	2015
IT and systems	(252,630)	(253,900)
Advertising and publicity (1)	(133,954)	(116,406)
Property and fixtures	(99,985)	(102,355)
Rentals	(147,975)	(174,048)
Communications	(48,380)	(48,040)
Outsourced administrative services	(104,932)	(114,318)
Taxes other than income tax	(39,101)	(40,267)
Surveillance and security carriage services	(30,202)	(35,250)
Representation and travel expenses	(41,643)	(42,141)
Printing and office materials	(12,806)	(15,684)
Technical reports	(25,874)	(41,262)
Legal and judicial	(6,062)	(12,309)
Governing and control bodies	(10,108)	(9,462)
Other expenses	(46,412)	(55,545)
Total	**(1,000,064)**	**(1,060,987)**

(1) Includes advertising in media, sponsorships, promotions and other commercial expenses

On 18 December 2012, CaixaBank sold 439 offices to Soinmob Inmobiliaria, SAU, subsidiary of the Mexican company Inmobiliaria Carso, SA de CV, for EUR 428.2 million. At the same time, an operating lease contract was signed with this company, with the lessee responsible for maintenance, insurance and taxes other than income tax, for a mandatory period of 25 years. During this time, lease income will be increased on a yearly basis in accordance with year-on-year change in the eurozone harmonised consumer price index times 1.4. In no circumstance, taking into consideration the insignificance of the value of adjustment factors and the associated economic characteristics and risks, it was not considered necessary to separate any embedded derivative under the terms envisaged in paragraph AG33(f) of IAS 39.

The Group confirmed, through the necessary tests, that the rents paid remain at market prices.

The agreement includes a purchase option that may be exercised by CaixaBank at the termination of the lease contract at the market value of the offices at that date (determined, where appropriate, by independent experts) and the right of first refusal in the event the lessor wishes to sell any of the offices subject to the lease. Additionally, as is commonplace in the operating lease market, the transfer of ownership of the properties to CaixaBank is not being considered at the termination of the agreement, with CaixaBank holding the right to not extend rentals beyond the minimum mandatory period. The lease expense recognised by CaixaBank in 2016 and 2015 in relation to these agreements totalled EUR 35.5 million and EUR 35.6 million, respectively, each year.

The value of the future minimum lease payments receivable by the CaixaBank Group during the mandatory period of the lease, excluding future rental increases are as follows:

Future payments on operating leases

(Thousands of euros)

	2016	2017 to 2020	2021 and beyond
Sales and leaseback agreement with Soinmob Inmobiliaria, SAU	35,531	142,124	568,494
Other operating leases	76,173	221,425	746,600
Total	**111,704**	**363,549**	**1,315,094**

Note: None of these amounts includes the related VAT.

In 2016, “Technical reports” relates to fees and expenses, excluding the related VAT, paid to the auditor, Deloitte, SL and related companies, broken down as follows:

Fees paid to the auditor

(Thousands of euros)

	2016	2015
Deloitte	**9,637**	**9,799**
Audit (1)	2,838	2,652
Audit-related services	4,010	3,777
Other services (2)	2,789	3,370
Other auditors	**8,312**	**10,953**
Audit	296	239
Other services	8,016	10,714
Total	**17,949**	**20,752**

(1) Includes fees for limited reviews of the interim consolidated financial statements and the audit of CaixaBank's separate balance sheet at 30 June.

(2) Includes EUR 53 thousand and EUR 166 thousand of tax advice in 2016 and 2015, respectively.

Information on the average payment period to suppliers: Additional provision three: Disclosure requirements under Law 15/2010, of 5 July

The entry into force of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, establishes the obligation for companies to expressly publish information on the payment periods to their suppliers in the notes to the financial statements. Pursuant to this disclosure obligation, on 04 February 2016, the corresponding resolution issued by the Spanish Accounting and Audit Institute (ICAC) was published in the Official State Gazette (BOE).

In accordance with Transitional Provision Two of this ruling, following is a breakdown of the information required relating to payments made and pending at the balance sheet date:

Payments made and outstanding at the reporting date

	Nominal	
(Thousands of euros)	2016	2015
Total payments made	1,787,848	1,666,547
Total payments outstanding	22,962	26,756
Total payments in the year	**1,810,810**	**1,693,303**

Average supplier payment period and ratios

(Days)

	Days	
	2016	**2015**
Average payment period to suppliers	27.16	24.45
Ratio of payments made	27.22	24.52
Ratio of outstanding payments	22.59	19.99

In 2016 and 2015, 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.

37. 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 for 2016 and 2015 is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss
(Thousands of euros)

	2016	2015
Loans and receivables	**(467,974)**	**(1,655,348)**
Net allowances **(Note 14.3) (*)**	(339,679)	(1,388,460)
Write-downs **(Note 28.4)**	(542,427)	(720,220)
Recovery of loans written off **(Note 28.4)**	415,330	453,332
Debt securities **(Note 14.3)**	(1,198)	0
Other financial instruments not measured at fair value through profit or loss	**(114,103)**	**(438,720)**
Write-downs	(114,103)	(438,720)
*Equity instruments **(Note 13)***	*(233,048)*	*(267,188)*
*Debt securities **(Notes 13 and 15)***	*118,945*	*(171,532)*
Total	**(582,077)**	**(2,094,068)**

(*) Lower allowances of EUR 676 million are included in 2016, as a result of the new impairment estimation (see Note 2.9 – Impairment of financial assets).

38. Impairment or reversal of impairment on non-financial assets

The breakdown of this item in the accompanying statement of profit or loss for 2016 and 2015 is as follows:

Impairment or reversal of impairment on non-financial assets
(Thousands of euros)

	2016	2015
Tangible assets	**(224,278)**	**(407,408)**
Property, plant and equipment for own use **(Note 19)**	(12,328)	(139,243)
Allowances	*(5,856)*	
Releases	*11,431*	
Write-downs	*(17,903)*	*(139,243)*
Investment property **(Note 19)**	(34,386)	(197,115)
Allowances	*(248,547)*	*(488,285)*
Releases	*214,175*	*294,527*
Write-downs	*(14)*	*(3,357)*
Inventories **(Note 21)**	(177,564)	(71,050)
Allowances	*(454,828)*	*(359,277)*
Releases	*277,264*	*288,227*
Intangible assets (Note 20)	**(503)**	**(48,076)**
Allowances	(805)	(46,300)
Releases	302	302
Write-downs	0	(2,078)
Other assets	**(3,632)**	**0**
Total	**(228,413)**	**(455,484)**

39. Gains/(losses) on derecognition of non-financial assets and investments, net

The detail and changes in this item in the accompanying statement of profit or loss for the years ended 31 December 2016 and 2015 are as follows:

Gains/(losses) on derecognition of non-financial assets and investments, net

(Thousands of euros)	2016			2015		
	Gains	**Losses**	**Net profit/(loss)**	**Gains**	**Losses**	**Net profit/(loss)**
On disposals of tangible assets	44,585	(55,373)	(10,788)	14,491	(38,030)	(23,539)
On disposals of investments	10,815	(158,713)	(147,898)	52,633	(6,661)	45,972
On disposals of other assets (*)	8,445	(1,511)	6,934	17,177	(5,815)	11,362
Total	**63,845**	**(215,597)**	**(151,752)**	**84,301**	**(50,506)**	**33,795**

(*) Corresponde a resultados por venta de activos inmobiliarios clasificados como Existencias (véase Nota 21).

A loss of EUR 147 million (gross) was recognised in 2016 due to the redemption of bonds exchangeable for Repsol, SA shares (see Note 23.3).

40. Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The detail and changes in this item in the accompanying statement of profit or loss for the years ended 31 December 2016 and 2015 are as follows:

Breakdown of profit/(loss) from non-current assets held for sale
(Thousands of euros)

	2016	2015
Impairment losses on non-current assets held for sale (**Note 22**) (*)	(828,385)	(296,712)
Gains/(losses) on disposal of non-current assets held for sale	41,365	(80,537)
Gains/(losses) on disposal of non-current property, plant and equipment held for sale	*41,365*	*(80,537)*
Total	**(787,020)**	**(377,249)**

(*) Allowances of EUR 656 million are included in 2016 due to the impact of enhancing the internal methods for calculating impairment of foreclosed assets (see Note 2.19 – Non-current assets and disposal groups classified as held for sale), and includes the release of EUR 24 million of provisions related to property sales by CaixaBank.

The total gains/(losses) on the disposal of non-current assets relate to property to satisfy loans, none of which were for significant amounts individually.

41. Related party transactions

Under the provisions of Bank of Spain Circular 4/2004, key management personnel at CaixaBank are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including all members of the Board of Directors (executive or other) and Senior Management. Given their posts, each member of key management personnel is a “related party” of CaixaBank. Therefore, CaixaBank must disclose, among other transactions, the information provided in this Note.

Also considered CaixaBank 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 Entity. These include: (i) that person’s spouse or partner through an analogous relationship; (ii) that person’s parents, children or siblings or the spouses or partners through an analogous relationship of these individuals; (iii) the parents, children or siblings of the person’s spouse or partner through an analogous relationship; and (iv) any individuals under the person’s care or that of the spouse or partner through an analogous relationship. They also include 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 performed pursuant to contracts with standardised conditions and applied en masse to a large number of clients; (ii) they are performed at market prices or rates, generally established by the party acting as the provider of the relevant good or service; and (iii) their amount does not exceed one per cent (1%) of the annual revenue of the Company.

Notwithstanding the above, according to prevailing legislation, express authorisation by the Bank of Spain is required for the grant of loans, credits or guarantees to the Chairman, Deputy Chairman, and other Directors and General Managers and similar.

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 the savings bank industry and the internal employment regulations which implement this agreement.

All other loan and deposit transactions or financial services arranged by CaixaBank with key management personnel (Board of Directors and Senior Management), which are not subject to employment regulations, were approved under normal market conditions. None of these transactions involves any material amounts affecting the correct interpretation of the annual financial statements.

CaixaBank also has service level agreements with related parties. These agreements form part of its ordinary course of business and are carried out under normal market conditions.

The most significant balances at 31 December 2016 and 2015 between CaixaBank and subsidiaries, joint ventures and associates, and with Directors, Senior Managers and other related parties (relatives and companies with links to members of the Board of Directors and Senior Management, to the best of the Entity’s knowledge), of CaixaBank and “la Caixa” Banking Foundation and Criteria, and those with other related parties such as the employee pension plan, etc., 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.

2016

(Thousands of euros)	With the majority shareholder, "la Caixa" Banking Foundation and its Group (1)	Associates and joint ventures	Directors and Senior Management (2)	Other related parties (3)	Employment pension plan
ASSETS					
Loans and advances to credit institutions		588			
Loans and advances	1,973,065	374,603	11,444	25,932	0
Reverse repurchase agreement					
Mortgage loans	424,456	3,775	10,992	17,667	
Other (4)	1,548,609	370,828	452	8,265	
of which: credit loss provisions	*(49)*	*(8,498)*	*(9)*	*(4,930)*	
Equity instruments					4,035
Debt securities	1,364,805	5,683			
Total	**3,337,870**	**380,874**	**11,444**	**25,932**	**4,035**
LIABILITIES					
Deposits from credit institutions	22,655	1,387	15		
Customer deposits	2,391,577	875,519	52,750	54,427	43,509
Debt securities issued					4,700
Off-balance sheet liabilities (5)			70,354	32,763	
Total	**2,414,232**	**876,906**	**123,119**	**87,190**	**48,209**
PROFIT OR LOSS					
Interest income	47,187	7,763	75	544	
Interest expenses (6)	(814)	(910)	(100)	(69)	(554)
Dividend income (7)					
Fee and commission income	5,407	172,575	9	20	
Fee and commission expenses			(4)		
Total	**51,780**	**179,428**	**(20)**	**495**	**(554)**
OTHER					
Guarantees given – Guarantees and others	160,000	82,666	10	97	
Contingent commitments given – Drawable by third parties and others (8)	1,743,269	457,657	6,344	11,108	
Accrued post-employment obligations			49,375		
Total	**1,903,269**	**540,323**	**55,729**	**11,205**	**0**

(1) Includes transactions with "la Caixa" Banking Foundation and its Group companies, joint ventures and associates.

(2) Directors and Senior Management of "la Caixa" Banking Foundation, CaixaBank and Criteria.

(3) Family members and entities related to members of the Boards of Directors and Senior Management of "la Caixa", CaixaBank and Criteria and other related parties.

(4) Includes other loans and receivables.

(5) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

(6) Does not include the finance cost relating to off-balance sheet liabilities.

(7) Set on an accrual basis.

(8) Includes amounts drawable against commercial risk lines.

2015

(Thousands of euros)

	With the majority shareholder, "la Caixa" Banking Foundation and its Group (1)	Associates and joint ventures	Directors and Senior Management (2)	Other related parties (3)	Employment pension plan
ASSETS					
Loans and advances to credit institutions		209			
Loans and advances	2,915,789	624,593	11,326	54,505	
Reverse repurchase agreement					
Mortgage loans	443,233	14,897	10,876	34,246	
Other (4)	2,472,556	609,696	450	20,259	
of which: credit loss provisions	(262)	*(126,362)*			
Equity instruments					2,665
Debt securities	1,114,976	2,494			
Total	**4,030,765**	**627,296**	**11,326**	**54,505**	**2,665**
LIABILITIES					
Deposits from credit institutions	10,450	33,014	15,923		
Customer deposits	1,276,440	848,508	66,535	28,039	17,114
Debt securities issued					40,198
Off-balance sheet liabilities (5)			82,383	31,211	
Total	**1,286,890**	**881,522**	**164,841**	**59,250**	**57,312**
PROFIT OR LOSS					
Interest income	50,609	10,536	106	922	
Interest expenses (6)	(16,040)	(2,515)	(703)	(133)	(1,473)
Dividend income (7)					
Fee and commission income	5,096	136,415	81	185	
Fee and commission expenses			(14)	(1)	
Total	**39,665**	**144,436**	**(530)**	**973**	**(1,473)**
OTHER					
Guarantees given – Guarantees and others	277,851	129,713	3,559	1,500	
Contingent commitments given – Drawable by third parties and others (8)	1,726,924	572,046	9,475	18,789	
Accrued post-employment obligations			45,696		
Total	**2,004,775**	**701,759**	**58,730**	**20,289**	**0**

(1) Includes transactions with "la Caixa" Banking Foundation and its Group companies, joint ventures and associates.

(2) Directors and Senior Management of "la Caixa" Banking Foundation, CaixaBank and Criteria.

(3) Family members and entities related to members of the Boards of Directors and Senior Management of "la Caixa" Banking Foundation, CaixaBank and Criteria and other related parties.

(4) Includes other loans and receivables.

(5) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

(6) Does not include the finance cost relating to off-balance sheet liabilities.

(7) Set on an accrual basis.

(8) Includes amounts drawable against commercial risk lines.

The most significant balances and transactions included in the aforementioned amounts, in addition to those described in the different notes, corresponding to 2016 are as follows:

- The balance at 31 December 2016 of financing provided by CaixaBank to "la Caixa" Banking Foundation stood at EUR 86 million (EUR 100 million at 31 December 2015). This loan corresponds to financing provided by the Council of Europe Bank to the Banking Foundation channelled through CaixaBank.

  Additionally, at 31 December 2016 "la Caixa" Banking Foundation held demand and time deposits at CaixaBank of EUR 27 million (EUR 7 million at 31 December 2015).

- At 31 December 2016, CaixaBank had extended finance of EUR 550 million to CriteriaCaixa (EUR 1,200 million at 31 December 2015).

  CriteriaCaixa has time and demand deposits amounting to EUR 1,667 million (EUR 80 million at 31 December 2015).

  In addition, CriteriaCaixa has a credit facility agreement for EUR 750 million, which was not drawn down at 31 December 2016 and 2015.

  Lastly, CriteriaCaixa arranged derivatives with CaixaBank to hedge interest rates on bilateral loans for a nominal amount of EUR 1,900 million at 31 December 2015, falling to EUR 1,100 million at 31 December 2016. The fair value of the outstanding derivatives at 31 December 2016 was a positive EUR 20 million (positive EUR 9 million at 31 December 2015).

- At 31 December 2016 financing granted by CaixaBank to CriteriaCaixa's real estate subsidiaries totalled EUR 588 million (EUR 657 million at 31 December 2015).

- At 31 December 2016, Gas Natural and Grupo Abertis Infraestructuras (CriteriaCaixa Group associates/joint ventures) have demand and time deposits at CaixaBank totalling EUR 499 million and EUR 74 million, respectively (EUR 770 million and EUR 307 million, respectively, at 31 December 2015).

  Meanwhile, at 31 December 2016, CaixaBank had extended finance to Gas Natural and Abertis Infraestructuras of EUR 221 million and EUR 348 million, respectively (EUR 474 million and EUR 163 million, respectively, at 31 December 2015).

- At 31 December 2016, VidaCaixa has invested in fixed-income securities of Abertis Infraestructuras for EUR 823 million (EUR 786 million at 31 December 2015).

- At 31 December 2016, Repsol (an associate of CaixaBank) has time and demand deposits at CaixaBank amounting to EUR 672 million (EUR 658 million at 31 December 2015).

  Meanwhile, at 31 December 2016, CaixaBank had extended finance of EUR 130 million to Repsol (EUR 259 million at 31 December 2015).

Transactions between Group companies form part of the ordinary course of business and are carried out under normal market conditions. The most significant transactions between Group companies in 2016, other than those covered in the following notes to the financial statements, were as follows:

- Transactions related to the swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa. This transaction is described in Note 1
- Transactions related to the sale of 10% of Gas Natural SDG, SA by CriteriaCaixa during the third quarter of 2016, for EUR 1,901 million. This amount was used for: (i) repayment of EUR 650 million in CriteriaCaixa loans in CaixaBank; and (ii) the deposit in CaixaBank of part of the cash received from the transaction.

At 31 December 2016 and 2015, there was no evidence of impairment to the value of the financial assets or the guarantees or contingent commitments held with key management personnel and executives.

The balances of loans at 31 December 2016 and 2015 arranged with Directors and Senior Management at these two dates had an average maturity of 21.05 and 22.70 years, respectively, bearing interest at an average rate of 0.57% and 0.79%, respectively.

Financing provided in 2016 to serving Directors and Senior Management at 31 December 2016 and 2015 amounted to EUR 2,526 thousand and EUR 3,133 thousand, respectively, with an average maturity period of 1 and 4.01 years, earning interest at an average rate of 1.90% and 1.74%, respectively.

Description of the relationship between "la Caixa" Banking Foundation and CaixaBank

In order to strengthen the Group's transparency, autonomy and good governance, as well as to limit and regulate conflicts of interest, "la Caixa" and CaixaBank signed an internal relations protocol on 1 July 2011. According to the Protocol, any new intragroup service or transaction shall always be made in writing and shall be governed by the general principles contained therein.

As a result of its transformation into a banking foundation and the conclusion of the indirect exercise of banking activity through CaixaBank, and in accordance with the provisions of Law 26/2013, of 27 December, governing savings banks and banking foundations, on 24 July 2014, amended on 31 March 2016, the foundation's Board of Trustees approved a protocol for managing its ownership interest in the financial corporation which primarily regulates the following aspects:

- The basic strategic lines governing "la Caixa" Foundation's management of its stake in CaixaBank.
- Relations between the Board of Trustees and CaixaBank's governing bodies
- The general criteria governing transactions between "la Caixa" Banking Foundation and CaixaBank, and the mechanisms to be introduced to prevent potential conflicts of interest.
- The mechanisms to avoid the emergence of conflicts of interest
- The basic criteria relating to the assignment and use of distinctive signs and domain names owned by "la Caixa" Banking Foundation by CaixaBank and the companies in its Group
- The provision for "la Caixa" Banking Foundation to have a right of pre-emptive acquisition in the event of transfer by CaixaBank of Monte de Piedad, which it owns
- The basic principles for a possible collaboration so that (a) CaixaBank may implement corporate social responsibility policies through "la Caixa" Banking Foundation, and, at the same time (b) "la Caixa" Banking Foundation may disseminate its welfare projects through the CaixaBank branch network, and where appropriate, through other material means
- The flow of adequate information to allow "la Caixa" Banking Foundation and CaixaBank to prepare their financial statements and to comply with periodic reporting and supervisory duties with the Bank of Spain and other regulatory bodies

In the framework of the management protocol, "la Caixa" Banking Foundation, Criteria and CaixaBank agreed to formalise a new internal relations protocol modifying the protocol of July 2011 in order to include management protocol aspects required by CaixaBank's role as a partner of "la Caixa" Banking Foundation and of Criteria.

On 19 December 2016, the Internal Protocol Governing Relations between "la Caixa" Banking Foundation, CriteriaCaixa and CaixaBank was signed, following approval by the "la Caixa" Banking Foundation Board of Trustees and the Boards of Directors of the latter two entities.

42. Other disclosure requirements

42.1. Environment

CaixaBank is committed to carrying out its business, projects, products and services in the most environmentally-friendly way possible. To that end, the Group encourages financing for projects that take environmental aspects into account, such as energy efficiency and long-term sustainability.

For further information see section 9 of the accompanying Management Report.

42.2. Customer service

Pursuant to Ministerial Order ECO/734/2004, of 11 March, during the first quarter of each year, Customer Service and the Customer Ombudsman must furnish the Board of Directors with a report on their performance. In compliance with this ministerial order, a summary of the report is provided below.

CaixaBank has a Customer Service team and Customer Ombudsman at its disposal, charged with handling and resolving customer complaints and claims. Customer Service is in-house, while the Customer Ombudsman is an independent institution. Both bodies are authorised to resolve customer complaints and claims independently.

These two bodies are supported by the Customer Service Office which is assigned to the task of resolving telephone claims or complaints not related to the products and services sold by CaixaBank.

If complaints are not resolved satisfactorily or two months have elapsed without obtaining a reply, claimants can contact the complaints services of the supervisors: Bank of Spain, CNMV and the Directorate General of Insurance and Pension Plans. Reports issued by the supervisors' complaints services are not binding and the entity against which a complaint has been lodged must decide whether any rectification is needed.

Claims and complaints handled by the Customer Care Service, the Customer Service team, and the Customer Ombudsman

	Number of complaints	
	2016	2015
Customer Service and Customer Service Office	31,224	31,494
Customer Ombudsman	2,506	4,105
Total	**33,730**	**35,599**

Telephone claims and complaints

	Number of complaints	
	2016	2015
Customer Service	5,641	9,238

Claims filed with the supervisors' claims services

	Number of complaints 2016	Number of complaints 2015
Bank of Spain	871	2,895
Spanish Securities Market Regulator (CNMV)	73	65
Directorate General of Insurance and Pension Plans	100	67
Total	**1,044**	**3,027**

In 2016, the number of complaints filed with the Bank of Spain was down 70% on 2015. This significant reduction was the result of the complaints handling and resolution policy put in place by the Customer Care Service, which is in line with the supervisor's criteria. It is having an impact on all types of complaints.

The number of reports or resolutions issued by customer services and the supervisors' complaints services was as follows:

Resolutions issued by the Customer Service, the Customer Service Office, and the Customer Ombudsman

	Customer Service and Customer Service Office		Customer Ombudsman	
Type of resolution	**2016**	**2015**	**2016**	**2015**
Resolved in favour of the claimant	11,901	18,246	324	724
Resolved in favour of the entity	18,765	21,147	1,526	2,149
Acceptance			377	514
Others (rejected/unresolved)	2,428	912	101	434
Total	**33,094**	**40,305**	**2,328**	**3,821**

Report issued by the supervisors' complaints services

	Bank of Spain		Spanish Securities Market Regulator (CNMV)		General Directorate of Insurance	
Type of resolution	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Resolved in favour of the claimant	395	2,222	33	59	15	8
Resolved in favour of the entity	229	818	17	17	17	59
Acceptance	230	1,403	6	7	0	0
Others (rejected/unresolved)	38	83	4	3	2	12
Total	**892**	**4,526**	**60**	**86**	**34**	**79**

A number of areas for improving policies, procedures and documents for marketing the products and services of CaixaBank and its group were identified through an exhaustive analysis of complaints received and, in particular, the reports issued by the supervisors' claims services throughout 2016. Customer Service has analysed 38 proposals to improve the procedures and documents for marketing the Entity's products and services, especially in the following areas:

- Procedures for charging a fee on instrumental credit balances.
- Improvement to the procedure for charging a fee for issuing claims for outstanding payments.
- Procedure for marketing related products.

- Improvement to the procedure for analysing adherence with the Code of Good Practices and communications with applicants.

Regulatory Compliance is responsible for ensuring the improvements with the greatest impact are acted upon, and reporting progress to the Management Committee.

Appendix 1 - CaixaBank investments in subsidiaries of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest Total	Share capital	Reserves	Profit/(loss)	Cost of direct ownership interest (net)
Aris Rosen, SAU Services	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	15	(37)	2,163	3,999
Arquitrabe activos, SL Holder of property assets	Av. Diagonal, 621-629 028 Barcelona	100.00	100.00	98,431	31,907	28,794	129,658
Barclays Factoring, SA, EFC Factoring	C/Mateo Inurria, 15 28036 Madrid	100.00	100.00	5,200	28,210	80	32,618
Barclays Finance Agente de Banca, SA Operating leases	C/Mateo Inurria, 15 28036 Madrid	99.98	99.98	61	161	-	222
Biodiesel Processing, SL Research, creation, development and sale of biofuel manufacturing projects Production and sale of biodiesel and all types of oils	Av. Diagonal, 621-629 08028 Barcelona	0.00	100.00	100	(4,613)	-	-
Bodega Sarría, SA Production and sale of wine	Finca Señorío de Sarría, s/n 31100 Navarra	0.00	100.00	5,745	14,200	910	-
BuildingCenter, SAU Real estate services	Provençals, 35 - 37 08019 Barcelona	100.00	100.00	2,000,060	1,797,570	(1,074,245)	3,689,088
Caixa Capital Biomed, SCR de Régimen Simplificado Venture capital company	Av. Diagonal, 613 3er A 08028 Barcelona	90.91	90.91	17,000	(4,511)	(3,861)	9,161

CaixaBank investments in subsidiaries of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest Total	Share capital	Reserves	Profit/(loss)	Cost of direct ownership interest (net)
Caixa Capital Fondos, SCR de Régimen Simplificado, SAU Venture capital company	Av. Diagonal, 613 3er A 08028 Barcelona	100.00	100.00	1,200	94,466	(585)	98,749
Caixa Capital Micro, SCR de Régimen Simplificado, SAU Venture capital company	Av. Diagonal, 613 3er A 08028 Barcelona	100.00	100.00	1,200	3,820	498	5,004
Caixa Capital TIC SCR de Régimen Simplificado, SA Venture capital company	Av. Diagonal, 613 3er A 08028 Barcelona	80.65	80.65	1,209	10,592	2,819	11,300
Caixa Corp, SA Holding company	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	361	349	(6)	585
Caixa Emprendedor XXI, SA Development of business and entrepreneurial initiatives	Av. Diagonal, 613 3er B 08028 Barcelona	0.00	100.00	1,007	23,481	(208)	-
CaixaBank Asset Management, SGIIC, SAU Management of collective investment institutions	Av. Diagonal, 609-615 Pl. 5 08028 Barcelona	100.00	100.00	81,910	45,623	62,531	89,350
CaixaBank Brasil Escritório de representaçao, LTDA (1) Money intermediation	Av. Presidente Juscelino Kubitschek, 1327 18º andar 04523-001 Sao Paulo Brazil	100.00	100.00	1,200	0	(237)	345
Caixabank Business Intelligence Development of digital projects	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	100	-	-	100
CaixaBank Consumer Finance, EFC, SAU Consumer finance	Gran Via Carles III, 87, baixos 1er. B 08028 Barcelona	100.00	100.00	135,156	48,579	58,146	132,391
CaixaBank Digital Business, SA Electronic channel management	Provençals, 35 08019 Barcelona	100.00	100.00	13,670	10,090	(221)	21,144

CaixaBank investments in subsidiaries of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest Total	Share capital	Reserves	Profit/(loss)	Cost of direct ownership interest (net)
CaixaBank Electronic Money, EDE, SL Payment entity	Gran Via Carles III, 84-98 Torre Est, pl. 1ª 08028 Barcelona	0.00	80.00	350	1,621	1,141	-
CaixaBank Equipment Finance, SAU Vehicle and machinery rentals	Gran Via Carles III, 87 08028 Barcelona	0.00	100.00	10,518	36,735	9,740	-
CaixaBank Payments 1 EFC, SA Finance	Gran Via Carles III, 94 entresol - Edifici Trade Oest 08028 Barcelona	100.00	100.00	261,803	57,475	280,355	261,980
Caja Guadalajara participaciones preferentes, SA Finance	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	61	249	(18)	309
Caja San Fernando Finance, SA Finance	Plaza San Francisco, 1 41004 Seville	100.00	100.00	60	21,417	(8,476)	18,397
Cestainmob, SL Property management	Av. Diagonal, 621-629 08028 Barcelona	0.00	100.00	120	746	(226)	-
Corporación Hipotecaria Mutual, EFC, SA Mortgage lending	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	3,005	77,611	3,999	80,666
Credifimo - Unión de crédito para la financiación mobiliaria e immobiliaria, EFC, SA Mortgage lending	Riera de Sant Miquel, 3 1er 08006 Barcelona	100.00	100.00	70,415	(73,710)	(2,949)	33,115
Estugest, SA Administrative activities and services	Av. Diagonal, 611 08028 Barcelona	100.00	100.00	661	1,716	18	2,381
GDS-CUSA, SA Services	Provençals, 39 (Torre Pujades) 08019 Barcelona	100.00	100.00	1,803	14,030	1,302	9,579
GestiCaixa, SGFT, SA Securitisation fund management	Pere i Pons, 9-11 9è 3ª Edifici Màsters 08034 Barcelona	91.00	100.00	1,502	2,281	(374)	4,723

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest Total	Share capital	Reserves	Profit/(loss)	Cost of direct ownership interest (net)
Grupo Aluminios de precisión, SL (*) Smelting	Merindad de Cuesta Urria, 26 09001 Burgos	100.00	100.00	3,000	3,656	1,390	3,360
Grupo Riberebro integral, SL (*) Vegetable processing	P.I. la Llaneda 26540 Alfaro La Rioja	0.00	60.00	-	-	1,594	0
Guadalcorchos, SA (L) Wood and cork industry	Plaza de Villasis, 2 41003 Seville	0.00	100.00	60	-	-	137
HipoteCaixa 2, SL Mortgage loan management company	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	3	184,024	3,870	173,843
Hiscan Patrimonio, SAU Holding company	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	46,867	364,028	(132,978)	254,560
Hodefi, SAS Holding company	176, Avenue Charles de Gaulle 92200 Neuilly-sur-Seine Paris France	0.00	100.00	136,110	7,980	(2,256)	-
Holret, SAU Real estate services	Av. Diagonal, 621-629 Torre II Pl. 5 08028 Barcelona	100.00	100.00	156,433	32,540	27,957	202,396
Inversiones corporativas digitales, SL Holding company	Av. Diagonal, 621-629 08028 Barcelona	0.00	100.00	3	(3,110)	44	-
Inversiones Inmobiliarias Teguise Resort, SL Services	Av. Del Jablillo, 1 (Hotel Teguise Playa) (Urbanización Costa 35509 Teguise-Lanzarote Las Palmas	60.00	60.00	7,898	6,051	6,605	11,218
Inversiones Valencia Capital, SA Holding company	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	10,557	(17,935)	(1,420)	2,105

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	Total	Share capital	Reserves	Profit/(loss)	Cost of direct ownership interest (net)
Inversiones vitivinícolas, SL Production and sale of wine	Av. Carlos III, 8 31002 Pamplona Navarra	0.00	100.00	3	(404)	(65)	-
Líderes de empresa Siglo XXI, SL Custody, security and protection services	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	378	401	1	753
Negocio de Finanzas e Inversiones II, SL Finance	Av. Diagonal, 621-629 08028 Barcelona	100.00	100.00	6	17,513	3,034	20,169
Nuevo MicroBank , SAU Financing of micro-credits	Alcalá, 27 28014 Madrid	100.00	100.00	90,186	119,271	52,720	90,186
PromoCaixa, SA Product marketing	Gran Via Carles III, 105 1ª pl. 08028 Barcelona	99.99	100.00	60	2,357	6,777	1,644
Puerto Triana, SA Real estate developer specialised in shopping centres	Gonzalo Jiménez de Quesada, 2 41092 Seville	100.00	100.00	64,290	103,205	(10,566)	140,385
Recouvrements Dulud, SA Finance	176, Avenue Charles de Gaulle 92200 Neuilly-sur-Seine Paris France	0.00	100.00	5,928	1,195	2	-
Sercapgu, SL Holding company	Av. Eduardo Guitián, 11 19002 Guadalajara	100.00	100.00	4,230	783	(492)	632
Servicio de Prevención Mancomunado del Grupo la Caixa, CB Health and safety advisory and prevention service and development of preventive activities at companies	Gran Via Carles III, 103 08028 Barcelona	70.00	83.33	30	-	-	21
Silc Immobles, SA Real estate management and administration	Sabino Arana, 54 08028 Barcelona	0.00	100.00	40,070	106,403	112	-

CaixaBank investments in subsidiaries of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest		Share capital	Reserves	Profit/(loss)	Cost of direct ownership interest (net)
		Direct	Total				
Silk Aplicaciones, SL Provision of IT services	Sabino Arana, 54 08028 Barcelona	100.00	100.00	15,003	100,202	1,813	176,211
Sociedad de gestión hotelera de Barcelona (formerly Sihabe Inversiones 2013) Real-estate operations	Av. Diagonal, 621-629 08028 Barcelona	0.00	100.00	8,144	9,439	(437)	-
Suministros Urbanos y Mantenimientos, SA Project management, maintenance, logistics and procurement	Provençals, 39 (Torre Pujades) 08019 Barcelona	100.00	100.00	1,803	1,963	4,446	2,053
Telefónica Consumer Finance, EFC, SA Consumer financing and financing for commercial transactions	Caleruega,102 planta 9 28033 Madrid	0.00	50.00	5,000	23,795	5,844	-
VidaCaixa Mediació, Sociedad de Agencia de Seguros Vinculada, SAU Insurance agency	Juan Gris, 2 - 8 08014 Barcelona	0.00	100.00	60	3,242	991	-
VidaCaixa, SA de Seguros y Reaseguros Sociedad Unipersonal Direct life insurance, reinsurance and pension fund management	Complex Torres Cerdà. Juan Gris, 20 - 26 08014 Barcelona	100.00	100.00	1,347,462	1,473,933	452,173	2,251,712

(L) Companies in liquidation.
(*) Companies classified as non-current assets held for sale
Note: 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.
(1) All data except cost are in local currency: Brazilian real (thousand).

Appendix 2 - CaixaBank investments in joint ventures of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Banco europeo de finanzas, SA Activities of a wholesale or investment bank	Bolsa, 4 Planta Baja 29015 Malaga	39.52	39.52	95,154	141	548	60,702	23,133	11,170	19	32,057	-
Cartera Perseidas, SL Holding company	Paseo de Recoletos, 29 28004 Madrid	40.54	40.54	1,861	608	35	12,339	13,854	(59,442)	(11,058)	-	-
Comercia Global Payments, Entidad de Pago, SL Payment entity	Gran Via Carles III, 98 entresol 08028 Barcelona	49.00	49.00	304,527	127,496	110,607	4,425	153,210	33,792	24,172	89,148	15,570
Global Payments South America, Brasil – Serviços de Pagamentos, SA (1) Payment methods	Rua dos Pinheiros, 610 - Cj. 83 05422-001 Sao Paulo Brazil	50.00	50.00	276,040	297,788	25,016	94,363	(84,460)	(31,652)	1,620	-	-
Inversiones Alaris, SA Holding company	Av. Carlos III, 8 31002 Pamplona Navarra	33.33	66.67	201	91	97	-	-	38,044	6	-	14,955
SegurCaixa Adeslas, SA de Seguros Generales y Non-life insurance	Complex Torres Cerdà. Juan Gris, 20 - 26 08014 Barcelona	0.00	49.92	3,850,188	2,293,082	2,709,611	469,670	948,703	254,650	181,685	-	85,029
Vivienda protegida y suelo de Andalucía, SA Real estate development	Exposición, 14 - 2 Polígono PISA 41927 Mairena del Aljarafe Seville	0.00	50.00	12,599	15,367	3,345	60	13	(1,046)	(1,046)	-	-

(1) All data except cost are in local currency: Brazilian real (thousand).

Note: 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 (jointly controlled entities)

(1 / 7)

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Abaco iniciativas inmobiliarias, SL Real estate acquisition, construction and	Lope de Vega, 67 41700 Dos Hermanas Seville	0.00	40.00	57,893	79,576	25	13,222	(13,222)	(1,877)	(1,877)	-	-
Aceitunas de mesa, SL Production and sale of table olives	Antiguo camino Sevilla, s/n 41840 Pilas Seville	0.00	30.00	2,790	1,580	4,384	902	308	42	41	-	-
Antilia Promociones Inmobiliarias, SA Property business	C/ Ingeniero Manuel Becerra, s/n piso 3 35008 Las Palmas de Gran Canaria Gran Canaria	0.00	50.00	-	-	-	600	-	-	-	-	-
Ape Software Components, SL Business Intelligence	Av. Parc Tecnològic del Vallès, 3 08290 Cerdanyola del Vallès Barcelona	0.00	24.27	2,147	229	956	11	1,907	(1)	61	-	-
Arena Comunicación audiovisual, SL Performing arts. Performing arts Cinema and video	San Blas, 2 31014 Pamplona Navarra	0.00	50.00	1,360	278	682	6	1,027	49	49	-	-
Banco BPI, SA (C) Banking	Rua Tenente Valadim, 284 4100-476 Porto Portugal	45.50	45.50	38,718,322	35,906,325	907,982	1,293,063	1,130,450	182,915	203,088	635,978	-
Best TV Labs Technical project for granting licenses	Casablanca Morocco	0.00	32.30	-	-	-	-	-	-	-	-	-

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
BIP & Drive Teletoll systems	Plaza Colón,2 - Torre 2, plt 19 28046 Madrid	0.00	25.00	18,073	11,861	153,862	4,613	4,578	(1,014)	(783)	-	-
Brilliance-Bea Auto Finance (1) Finance for vehicle purchases	19/F, Unit 04, No. 759 South Yanggao 200127 Pudong New Area Shanghai China	0.00	22.50	815,181	14,962	-	800,000	109	109	109	-	-
Celeris, servicios financieros, SA Financial services	Juan Esplandiu, 13 Planta C-1 28007 Madrid	26.99	26.99	32,838	29,101	99	10,710	(3,405)	(3,928)	(3,928)	-	-
Dermalumics, SL Manufacture of tomography systems	Ronda de poniente, 16 - Piso 1 E 28760 Tres Cantos Madrid	0.00	21.71	3,822	1,440	246	132	2,343	(92)	(908)	-	-
Drembul, SL Real estate development	Sagasta, 4 Bajo 26001 Logroño La Rioja	0.00	25.00	48,517	19,326	9,669	30	24,274	(13)	(13)	-	-
Ensanche Urbano, SA Real estate development	Santo Domingo, 5 12003 Castelló de la Plana	0.00	49.30	58,859	87,166	10,721	9,225	(9,225)	(351)	(351)	-	-
Erste Group Bank AG (C) Banking	Am Belvedere, 1 01100 Vienna Austria	9.92	9.92	206,811,336	190,281,965	6,254,000	859,600	10,106,414	1,179,177	1,499,237	1,088,032	21,317
Genmedica Therapeutics, SL Pharmaceutical development	Joan XXIII, 10 08950 Esplugues de Llobregat Barcelona	0.00	9.38	4,201	2,506	-	1,794	2,192	(2,291)	(1,720)	-	-
Geotexan, SA Production, sale, transport, storage, distribution,	Avenida Reino Unido, 1 Planta 1 41012 Seville	0.00	20.00	14,182	5,025	253	7,000	2,068	253	253	-	-

CaixaBank investments in associates of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Girona, SA Holding of investments in water collection,	Travesia del Carril, 2 6è 3ª 17001 Girona	34.22	34.22	6,387	242	927	1,200	4,597	349	349	1,642	115
Global Payments CaixaAcq. Cor. SARL SARL Payment methods	6 C, rue Gabriel Lippmann 05365 Luxembourg Luxembourg	49.00	49.00	-	-	-	-	28,825	(46)	(46)	14,709	-
Grupo Kiniluku Production and sale of headstones	Passeig de Gràcia, 12 1er 08007 Barcelona	0.00	1.67	2,013	1,523	353	1,940	(832)	(619)	(619)	-	-
Guadapelayo, SL Real estate development	Miguel Yuste, 16 5º D 28037 Madrid	0.00	40.00	7,321	4,189	43	1,980	(1,800)	41	41	-	-
Hispanergy del Cerrato (*) Production of vegetable oil and biodiesel	Av. Casado del Alisal, 26 34001 Palencia	0.00	33.12	17,383	15,877	(17)	4,611	(5,697)	(1,288)	(1,288)	-	-
Icinetic TIC, SL IT services	Av. Eduardo Dato, 69 41005 Seville	0.00	11.96	1,650	1,572	652	6	175	(103)	(103)	-	-
Inmojasan, SA Real estate development	Vía de servicio nacional 6, Km. 26 28290 Las Matas Madrid	0.00	35.00	55	55	1,499	350	(350)	(541)	(541)	-	-
Integrated Microsystems for Quality of Life Development, manufacture and sale of pathogen	Polígon Industrial Riu Clar. C/ Ferro 6 43006 Tarragona	0.00	16.96	2,425	1,944	315	67	876	(462)	(499)	-	-
Ircio inversiones, SL Development of industrial buildings	Vitoria, 2 09200 Miranda de Ebro Burgos	35.00	35.00	6,663	7,358	-	675	(675)	(2)	(2)	-	-
IT Now, SA IT Services	Numància, 164 7ª planta 08029 Barcelona	49.00	49.00	115,618	109,635	218,548	3,382	2,248	353	353	1,663	-

CaixaBank investments in associates of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Justinmid, SL Development of IT systems	Marie Curie, 8 08042 Barcelona	0.00	16.98	988	655	1,111	5	718	(390)	53	-	-
Knowledge Development for POF, SL Development of a 1Gbit chip for plastic fibre optic	Ronda de Poniente 12, Bajo-G 28760 Tres Cantos Madrid	0.00	10.37	9,274	4,025	160	1,583	5,156	(1,490)	(1,490)	-	-
Laboratoris Sanifit, SL Research and development of new compounds to	Parc Bit - Edifici Disset D 3 Crta. 07121 Palma de Mallorca Balearic Islands	0.00	8.41	21,450	5,206	-	358	25,785	(9,899)	(6,814)	-	-
Medlumics, SL Newco Manufacture of optical coherence tomography	Ronda de poniente, 16 - Piso 1 E 28760 Tres Cantos Madrid	0.00	31.82	7,134	8,457	220	50	(50)	(1,307)	(1,307)	-	-
Merchants Digital Services, SL Intermediaries in retail of a variety of products	Ronda Sant Pere, 17 - P4 Pta. 1 08010 Barcelona	0.00	22.18	-	-	-	181	(181)	-	-	-	-
Mimoryx Therapeutics, SL Development of treatment for diseases	Av. Ernest Lluch, 32 08302 Mataró Barcelona	0.00	1.58	8,909	4,805	-	249	7,375	(3,520)	(4,277)	-	-
Monty & Cogroup, SL Transfer reception	Cuesta de San Vicente, 4 7ª planta 28008 Madrid	20.47	20.47	2,062	878	119	27	1,000	110	110	252	-
Nlife Therapeutics, SL Development of therapeutic agents	BIC Granada. Parque Tecnológico de 18100 Armilla Granada	0.00	37.18	11,000	8,125	-	6,930	(3,378)	(676)	(826)	-	-
Nubelo Solutions, SL Online freelancer platform	Carrer de la llacuna, 161 - P 3 08018 Barcelona	0.00	6.34	4,721	3,636	1,383	13	1,835	(763)	(763)-	-	

CaixaBank investments in associates of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Nucli, SA Real estate	Rambla Egara, 350 08221 Terrassa Barcelona	0.00	49.51	4,790	17,965	-	2,635	(2,635)	(1,222)	(1,222)	-	-
Parque científico tecnológico de Córdoba, SL Science park operation and management	Astrónoma Cecilia Payne, 8 1 - Edificio 14014 Cordoba	15.49	35.49	36,697	24,644	312	20,558	(7,879)	(658)	(658)	-	-
Parque Industrial el Pla, SL Real estate development	De los deportes, 13 46600 Alriza Valencia	0.00	25.00	41	(14)	-	60	(4)	-	-	-	-
Peñíscola Green, SA Real estate development	Cardona Vives, 4 12001 Castelló de la Plana	0.00	33.33	13,434	3,786	-	12,000	4,226	(69)	(69)	-	-
Pórtic Barcelona, SA (*) Port de Barcelona logistics platform	Plaça Word Trade Center, Edif.Est planta 08039 Barcelona	0.00	15.97	2,007	587	2,389	291	1,308	111	111	-	-
ProteoDesign Development of antibodies solely to eliminate	C/ Baldiri Reixac (Parc Científic 08028 Barcelona	0.00	3.97	799	269	103	100	480	(50)	(181)	-	-
Redsys Servicios de Procesamiento, SL Payment methods	Francisco Sancha, 12 28034 Madrid	0.00	18.33	141,483	102,860	150,861	5,815	26,477	6,169	6,343	-	-
Repsol, SA (C) Oil and gas market operation	Méndez Álvaro, 44 28045 Madrid	10.05	10.05	61,475,000	32,293,000	24,576,000	1,465,644	24,088,000	1,120,000	714,000	2,765,812	92,324
Sagetis Biotech, SL Pharmaceutical development	Via Augusta, 390 08017 Barcelona	0.00	28.51	3,197	2,455	12	60	610	72	(156)	-	-
Sanifit Merdtech, SL Development of implants and other healthcare	Parc Bit, Ed. Naorte PB-4 07121 Palma de Mallorca Balearic Islands	0.00	35.40	182	210	-	3	25	(28)	(42)	-	-

CaixaBank investments in associates of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Servihabitat Servicios Inmobiliarios, SL Real estate services	Provençals, 39 (Torre Pujades) 08019 Barcelona	49.00	49.00	496,924	496,924	231,320	499	62,464	36,896	5,428	3,435	-
Servired, Sociedad Española de Medios de Pago Payment methods	Gustavo Fdez.Balbuena, 15 28002 Madrid	0.00	22.01	49,235	11,973	23,065	16,372	10,295	4,429	7,893	-	672
Smart Solutions Technologies Production and marketing of biometric solutions	C/ Toronga, 21 28043 Madrid	0.00	5.04	6,716	2,801	299	163	5,880	(2,130)	(2,195)	-	-
Sociedad de Procedimientos de Pago, SL Payment entity	Francisco Sancha, 12 280790 Madrid, Madrid	0.00	22.92	6,278	4,176	401	5,600	-	(3,498)	(3,498)	-	-
Societat Catalana per a la Mobilitat, SA Development of new transport technologies	Pau Claris, 162 4rt. 1ª 08037 Barcelona	25.00	25.00	-	-	-	6,948	10	(487)	(487)	1,211	-
Sofiland, SA Real estate development	Av. Al-Nasir, 3 - 4 1 y 2 14008 Cordoba	0.00	35.00	13,958	3,016	-	1,503	3,872	(163)	(163)	-	-
Telefónica Factoring do Brasil, LTDA (2) Factoring	Rua Desembragador Eliseu Guilherme, 69 04004-030 Paraíso - Sao Paulo Sao Paulo Brazil	20.00	20.00	195,559	150,505	94,424	5,000	1,000	39,055	39,055	2,029	1,490
Telefónica Factoring España, SA Factoring	Zurbano, 76 pl. 8 28010 Madrid	20.00	20.00	40,782	27,269	13,562	5,109	1,740	6,665	6,665	2,525	3,276
Tenedora de Acciones de ITV de Levante, SL Investment vehicle	Pintor Sorolla, 2-4 46002 Valencia	12.00	40.00	7,525	141	737	1,052	5,595	737	737	127	120
Terminal polivalente portuaria Sagunto, SA Operation of two concessions	Anadarella 1,3,5 Ciudad Dos Casares 46950 Xirivella Valencia	0.00	25.00	-	-	-	422	(3,048)	-	-	-	-

CaixaBank investments in associates of the CaixaBank Group

(Thousands of euros)

Company name and line of business	Registered office	% interest Direct	% interest 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
Vía 10, Sociedad mixta de viviendas de alquiler, SL Real estate	Plaza de España, 8 09005 Burgos	0.00	49.00	2,334	-	13	2,360	(38)	1	1	-	-

(C) Listed companies. Latest publicly-available data at the date of preparation of the notes to these financial statements.
Note: 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.
(*) Profit/(loss) from discontinued operations: Hispanergy del Cerrato: Hispanergy del Cerrato: -EUR 1,288 thousand; Pórtic Barcelona: EUR 111 thousand
(1) All data except cost are in local currency: Renmimbi (thousands)
(2) All data except cost are in local currency: Brazilian real (thousands)

Appendix 4 - Tax credit for reinvestment of extraordinary profit

Profit qualifying for the tax credits set forth in Article 42 of the consolidated 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):

(Thousands of euros)	CaixaBank				CaixaBank Group				Banca Cívica		
Year	**Profit qualifying**	**Deduction base**	**Tax credit (1)**	**Year of reinvestment**	**Profit qualifying**	**Deduction base**	**Tax credit (1)**	**Year of reinvestment**	**Profit qualifying**	**Tax credit**	**Year of reinvestment**
2008 (2)	1,797	544,763	108,806	2008	4,918	927,367	109,175	2008	13,204	435	2007 and 2008
2009 (3)	12,458	12,458	1,495	2009	14,129	14,129	1,696	2009	73,665	12,019	2008 and 2009
2010 (3)	368,883	368,883	44,266	2010	401,313	401,313	48,158	2010	66,321	4,763	2010
2011 (3)	9,875	9,875	1,185	2011	493,819	265,124	31,815	2011 and 2012	41,292	4,955	2011
2012 (2) (3)	30,840	30,840	3,700	2012	51,055	279,507	33,540	2012			
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[2]			

Note: Includes amounts of "la Caixa" for years prior to 2011.

(1) There are unused tax credits due to a shortage of taxable income in the consolidated income tax return.
(2) Banco de Valencia obtained income subject to tax credits in 2008 and 2012 of EUR 87 thousand and EUR 5,468 thousand, respectively, reinvesting the full amounts obtained on transfer in those years.
(3) Barclays Bank obtained income subject to tax credits in 2009, 2010, 2011 and 2012 of EUR 330 thousand, EUR 309 thousand, EUR 11,394 thousand and EUR 3,345 thousand, respectively, reinvesting the full amounts obtained on transfer in those years.

Reinvestment is carried out in equity securities granting holdings in excess of 5%, and on property, plant and equipment, intangible assets and investment property relating to the business activity.

Appendix 5 - Disclosure on the acquisition and disposal of ownership interests in 2016

(Article 155 of the consolidated text of the Corporate Enterprises Act and Article 125 of Spanish Securities Market Law).

On 26 May 2016, CriteriaCaixa reported that it had raised with the European Central Bank (hereinafter, ECB) its interest in knowing under what conditions the loss of control of CaixaBank would occur in such a way that this loss involves the deconsolidation of CaixaBank from CriteriaCaixa for prudential purposes, and that the ECB reported the conditions under which it would consider that CriteriaCaixa had ceased to hold control over CaixaBank, for prudential purposes. The relevant conditions established by the ECB include the voting and dividend rights of CriteriaCaixa in CaixaBank not exceeding 40% of all voting and dividend rights. The reduction must allow the entry of new investors/new funds into CaixaBank's shareholder structure, without this affecting the asset swap with CaixaBank announced to the market on 3 December 2015.

CriteriaCaixa also reported that the Board of Directors of both "la Caixa" Banking Foundation and CriteriaCaixa have agreed to place on record their intent to comply, before the end of 2017, with the aforementioned conditions such that the prudential deconsolidation of CriteriaCaixa with respect to the CaixaBank Group may proceed.

On 31 May 2016, CriteriaCaixa and CaixaBank notified the market by way of a significant event notice of completion of the asset swap arranged by both entities on 3 December 2015, through which CriteriaCaixa acquired stakes in The Bank of East Asia (approximately 17.3%) and Grupo Financiero Inbursa (approximately 9.01%) in exchange for CaixaBank shares (representing approximately 9.89% of its share capital) and cash (EUR 678 million).

On 7 June 2016, CriteriaCaixa, as direct holder of the shareholding in CaixaBank, and "la Caixa" Banking Foundation as a company controlling CriteriaCaixa, sent the pertinent notifications to the CNMV informing it of the fall under the 50% threshold as a result of the transfer of shares due to executing the swap reported to the market as a significant event.

On 09 September 2016, notices issued by both "la Caixa" Banking Foundation and CaixaBank were filed with the CNMV reporting that, following the sale of shares in Bodegas Riojanas, SA, the stake held by the "la Caixa" Group in Bodegas Riojanas, SA had fallen from 12.854% to 0%.

On 21 September 2016, CaixaBank issued a significant event notice on the sale of 585,000,000 treasury shares, representing approximately 9.9% of its share capital, through a private placement with qualified investors. These treasury shares derived primarily from the asset swap entered into with CriteriaCaixa, and reported on 31 May 2016.

On 21 November 2016, CaixaBank, issued a statement of related party connections for the purchase of 9,979,299 shares in Telefónica, SA.

On 13 December 2016, CriteriaCaixa released a significant event notice reporting the completion of the ABO of 100,000,000 CaixaBank shares, accounting for approximately 1.7% of its share capital, for EUR 315,000.000.

On 19 December 2016, CriteriaCaixa issued a statement of related party connections for the sale of 100,000,000 shares of CaixaBank, SA and the subscription of 38,505,212 shares resulting from the capital increase made by CaixaBank, SA reported on 14 December 2016.

On 20 December 2016, notices issued by both “la Caixa” Banking Foundation and CriteriaCaixa were filed with the CNMV reporting that, following the acquisition of CaixaBank shares by Criteria Caixa, the stake held by the “la Caixa” Group in CaixaBank had fallen from 46.908% to 45.322%. In these statements, it was reported that CriteriaCaixa had subscribed 38,505,212 CaixaBank, SA shares, deriving from the capital increase reported by CaixaBank on 14 December 2016. It also reported that, in compliance with additional provision eight of Law 26/2013 of 27 December 2013, on savings banks and banking foundations, banking foundations that subscribe capital increases at an investee credit institution may not exercise the voting rights corresponding to that part of the capital acquired which would allow them to maintain a position of 50% or higher or a controlling position. In accordance with this legislation, “la Caixa” Banking Foundation may only exercise its vote over 2,672,375,355 shares representing 44.68% of the capital of CaixaBank.

Appendix 6 – Annual banking report

In accordance with Article 87 of Law 10/2014, of 26 June, on the organisation, 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 geographical location of activity

CaixaBank, SA, with tax identification number (NIF) A08663619 and registered address at Avenida Diagonal 621, Barcelona, 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 Banks and Bankers ("Registro Especial de Bancos y Banqueros") and its listing on the Spanish stock markets – as a credit institution – on 1 July 2011.

At 31 December 2016, Criteria Caixa, SAU ("Criteria" or "CriteriaCaixa") was CaixaBank's majority shareholder, with a stake conferring profit-sharing rights of 45.32% (56.76% at 31 December 2015) and a stake conferring voting rights of 44.68% (56.17% at 31 December 2015). Criteria is 100% owned by Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (hereinafter ""la Caixa" Banking Foundation"). Additionally, "la Caixa" Banking Foundation held 3,493 CaixaBank shares at 31 December 2016 (it held no CaixaBank shares at 31 December 2015).

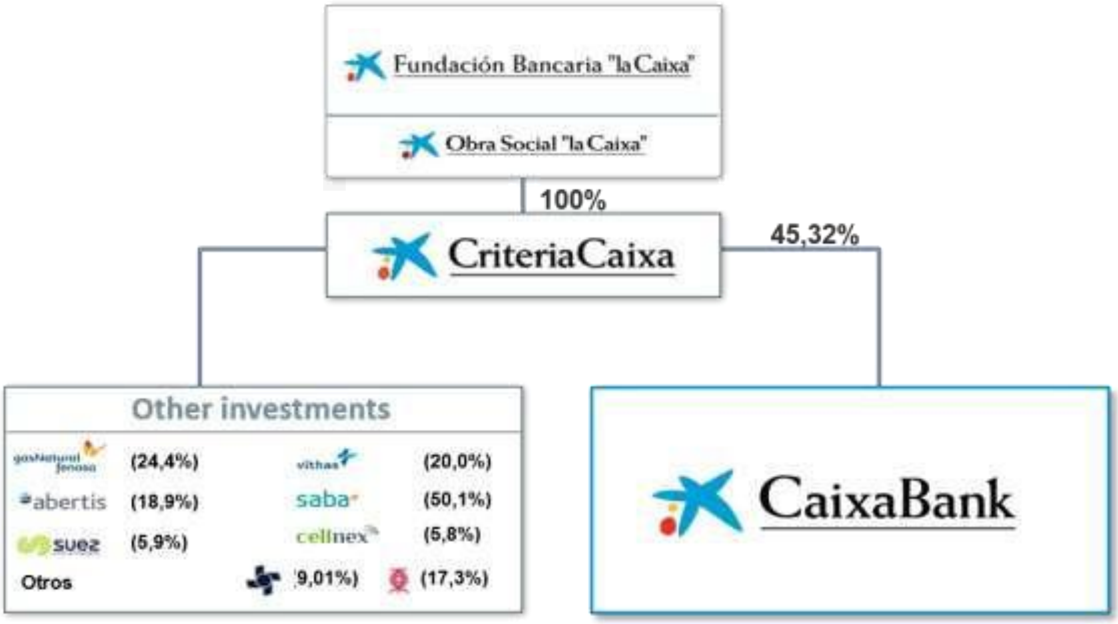
The corporate object of CaixaBank mainly entails:

a) 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;
b) 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
c) 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 quoted bank, it is subject to oversight by the European Central Bank, the Bank of Spain and the Spanish national securities market regulator (*Comisión Nacional del Mercado de Valores*, CNMV).

CaixaBank is 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, forming part of the IBEX 35 since 4 February 2008 and 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 prestigious 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 a constituent of the Advanced Sustainable Performance Index (ASPI), which features the top 120 DD Euro Stoxx companies in terms of sustainable development performance.

CaixaBank and its subsidiaries compose the CaixaBank Group. At 31 December 2016, the Group's corporate structure was as follows:



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 2016, in accordance with Article 155 of the Corporate Enterprises Act and Article 125 of the consolidated text of the Securities Market Act.

b) Business volume

CaixaBank, SA is established in Spain, and has branches in Poland, Morocco and the UK.

In addition, CaixaBank has 15 representative offices through which it does not carry out banking activities, but rather reports the Entity's services in the following 14 jurisdictions: Brazil, China (2), Chile, Colombia, Egypt, United Arab Emirates, United States of America, France, India, Italy, Turkey, Singapore and South Africa.

Business volume by country on a consolidated basis is as follows:

Geographical information: distribution of ordinary income (*)

(Millions of euros)	Banking and insurance		Non-core real estate activity		Investments		TOTAL CaixaBank GROUP	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Spain	11,086	12,363	289	321	385	166	11,760	12,850
Poland	19	10					19	10
Morocco	7	7					7	7
UK	2						2	0
Share of profit/(loss) of international associates accounted for using the equity method (**)					267	385	267	385
Total ordinary income	**11,114**	**12,380**	**289**	**321**	**652**	**550**	**12,055**	**13,252**

(*) Correspond to the following line items 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 financial assets and liabilities
6. Gains/(losses) from hedge accounting
7. Other operating income
8. Income from assets under insurance and reinsurance contracts

(**) Corresponds to the share of profit/(loss) of international associates accounted for using the equity method, primarily Banco BPI (Portugal) , Erste Bank Group (Austria) and GF Inbursa (Mexico) and until the date of sale of the stakes of The Bank of East Asia (Hong Kong) in May 2016.

c) Full-time workforce by country

At 31 December 2016, the full-time workforce by country is as follows:

Full-time workforce by country

(Thousands of euros)	**31.12.2016**	**31.12.2015**
Spain	32,305	32,162
Poland	16	12
Morocco	18	17
UK	14	13
Other countries - Representative offices	50	38
Total full-time employees	**32,403**	**32,242**

d) Gross profit before tax

Gross profit before tax on a consolidated basis in 2016 amounted to EUR 1,538 million (EUR 638 million in 2015), and includes ordinary income from the branches detailed in b) above.

e) Income tax

The income tax expense recognised on consolidated profit in 2016 amounted to EUR 482 million, net (rebate of EUR 181 million in 2015), as presented in the consolidated income statement of the annual accounts.

Payments of income tax in 2016 amounted to EUR 101 million (EUR -269 million in 2015) and were paid in Spain, of which EUR 531 thousand have been paid in Poland, EUR 44 thousand in Morocco and the rest in Spain.

Taxes on benefits actually paid in the fiscal year in each jurisdiction include the final settlements derived from the payments on account and withholdings entered, which are reduced in turn in the returns collected by the tax on profits in the current year. Additionally, the result of the settlements is integrated by inspection reports that have been effective in that year.

The amount of the reported flows from the statement of cash flows and do not correspond to the amount of the tax expense recorded in the consolidated income statement. The main cause of this divergence lies in the different temporal imputation of the items that make up the accrual and cash criteria in relation to the tax on profits.

f) Grants and public aid received

In 2016, the CaixaBank Group received the following grants and public aid:

- Grant received from the Ministry of Industry, Energy and Tourism, through the department of shipbuilding, in virtue of Royal Decree 442/1994 and subsequent amendments, for aid for shipbuilding. The amount received during the year was EUR 3,661 thousand.
- Nuevo MicroBank has signed agreements with the European Investment Fund (EIF) as a part of the Competitiveness and Innovation Framework Programme (CIP), the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME),and the ERASMUS+ programme that cover losses relating to exposure to write-offs on social and financial microcredit portfolios (the first two programmes) and microcredits extended to students (the third programme) eligible for the programmes up to a specified maximum amount. In 2016, grants received in this connection totalled EUR 5,439 thousand.
- A grant received from the State Foundation for Training in Employment (FEFE) for employee training, for an amount of EUR 3,535 thousand.

Information on the Asset Protection Scheme signed in the protocol of support measures in the award of Banco de Valencia to CaixaBank is stated in Note 14.2. In 2016, no settlement in regard to this concept was made by the FROB (Fund for Orderly Bank Restructuring).

The relevant indicators and ratios are shown in section 2 of the accompanying 2016 Management Report. The return on assets in 2016, calculated as net profit divided by total assets, was 0.3% (0.2% in 2015).

Appendix 7 – Restated consolidated financial statements

1.- Restated consolidated balance sheet for the comparative period

Assets at 31.12.2015	31/12/2015	Circular 5/2015 reclassifications	31/12/2015	Assets at 31.12.2015, restated (1/2)
Cash and deposits at central banks	**5,771,567**	**843,605**	**6,615,172**	**Cash and cash balances at central banks**
Trading portfolio	**13,312,220**		**13,312,220**	**Financial assets held for trading**
Trading derivatives	9,806,191		9,806,191	Derivatives
Equity instruments	250,543		250,543	Equity instruments
Debt securities	3,255,486		3,255,486	Debt securities
Memorandum items: Loaned or advanced as collateral	*751,331*		*751,331*	*Memorandum items: Loaned or advanced as collateral with the right of sale or pledge*
Other financial assets at fair value through profit or loss	**1,785,804**		**1,785,804**	**Financial assets designated at fair value through profit or loss**
Equity instruments	816,728		816,728	Equity instruments
Debt securities	969,076		969,076	Debt securities
Available-for-sale financial assets	**62,997,235**		**62,997,235**	**Available-for-sale financial assets**
Equity instruments	3,379,273		3,379,273	Equity instruments
Debt securities	59,617,962		59,617,962	Debt securities
Memorandum items: Loaned or advanced as collateral	*3,319,455*		*3,319,455*	*Memorandum items: Loaned or advanced as collateral with the right of sale or pledge*
Loans and receivables	**211,317,005**	**(843,605)**	**210,473,400**	**Loans and receivables**
Debt securities	927,655		927,655	Debt securities
			209,545,745	Loans and advances
Loans and advances to credit institutions	7,493,150	(843,605)	6,649,545	Credit institutions
Loans and advances to customers	202,896,200		202,896,200	Customers
Memorandum items: Loaned or advanced as collateral	*64,393,412*		*64,393,412*	*Memorandum items: Loaned or advanced as collateral with the right of sale or pledge*
Held-to-maturity investments	**3,820,114**		**3,820,114**	**Held-to-maturity investments**
Memorandum items: Loaned or advanced as collateral	*520,793*		*520,793*	*Memorandum items: Loaned or advanced as collateral with the right of sale or pledge*
Hedging derivatives	**3,917,462**		**3,917,462**	**Derivatives – Hedge accounting**
Adjustments to financial assets – macro-hedges	**3,279**		**3,279**	**Fair value changes of the hedged items in portfolio hedge of interest rate risk**
Investments	**9,673,694**		**9,673,694**	**Investments in joint ventures and associates**
Jointly controlled entities	1,142,773		1,142,773	Jointly controlled entities
Associates	8,530,921		8,530,921	Associates

Assets at 31.12.2015	31/12/2015	Circular 5/2015 reclassifications	31/12/2015	Assets at 31.12.2015, restated (2/2)
Reinsurance assets	**391,225**		**391,225**	**Assets under insurance and reinsurance contracts**
Tangible assets	**6,293,319**		**6,293,319**	**Tangible assets**
Property, plant and equipment	3,039,823		3,039,823	Property, plant and equipment
For own use	*3,039,823*		*3,039,823*	*For own use*
Investment property	3,253,496		3,253,496	Investment property
Intangible assets	**3,671,588**		**3,671,588**	**Intangible assets**
Goodwill	3,050,845		3,050,845	Goodwill
Other intangible assets	620,743		620,743	Other intangible assets
Tax assets	**11,123,143**		**11,123,143**	**Tax assets**
Current	1,029,933		1,029,933	Current tax assets
Deferred	10,093,210		10,093,210	Deferred tax assets
Other assets	**2,217,157**		**2,217,157**	**Other assets**
Inventories	1,135,337		1,135,337	Inventories
Other	1,081,820		1,081,820	Other assets
Non-current assets held for sale	**7,960,663**		**7,960,663**	**Non-current assets and disposal groups classified as held for sale**
Total assets	**344,255,475**	**-**	**344,255,475**	**Total assets**

Liabilities at 31.12.2015	31/12/2015	Circular 5/2015 reclassifications	31/12/2015	Comparative liabilities, restated
Trading portfolio	**12,200,290**		**12,200,290**	**Financial liabilities held for trading**
Trading derivatives	9,498,607		9,498,607	Derivatives
Short positions	2,701,683		2,701,683	Short positions
Other financial liabilities at fair value through profit or loss	**2,359,517**		**2,359,517**	**Financial liabilities designated at fair value through profit or loss**
Customer deposits	2,359,517		2,359,517	Deposits
			2,359,517	*Customers*
Financial liabilities at amortised cost	**253,498,820**		**253,498,820**	**Financial liabilities measured at amortised cost**
			218,372,716	Deposits
Deposits from central banks	23,753,214		*23,753,214*	*Central banks*
Deposits from credit institutions	10,509,238		*10,509,238*	*Credit institutions*
Customer deposits	184,031,637		*184,110,264*	*Customers*
Marketable debt securities	28,069,587		32,336,159	Debt securities issued
Subordinated liabilities	4,345,199			
Other financial liabilities	2,789,945		2,789,945	Other financial liabilities
			4,345,199	*Memorandum items: Subordinated liabilities*
Hedging derivatives	**756,163**		**756,163**	**Derivatives - Hedge accounting**
Adjustments to financial liabilities – macro-hedges	**2,213,205**		**2,213,205**	**Fair value changes of the hedged items in portfolio hedge of interest rate risk**
Liabilities under insurance contracts	**40,290,523**		**40,290,523**	**Liabilities under insurance contracts**
Provisions	**4,597,740**		**4,597,740**	**Provisions**
Provisions for pensions and similar obligations	2,858,645		1,958,334	Pensions and other post-employment defined benefit obligations
			900,311	Other long-term employee benefits
Provisions for taxes and other legal contingencies	514,206		514,206	Pending legal issues and tax litigation
Provisions for contingent liabilities and commitments	381,477		381,477	Commitments and guarantees given
Other provisions	843,412		843,412	Other provisions
Tax liabilities	**1,555,970**		**1,555,970**	**Tax liabilities**
Current	379		379	Current tax liabilities
Deferred	1,555,591		1,555,591	Deferred tax liabilities
Other liabilities	**1,499,638**		**1,499,638**	**Other liabilities**
Liabilities associated with non-current assets held for sale	**79,059**		**79,059**	**Liabilities included in disposal groups classified as held for sale**
Total liabilities	**319,050,925**		**319,050,925**	**Total liabilities**

Equity at 31.12.2015	31/12/2015	Circular 5/2015 reclassifications	31/12/2015	Comparative equity, restated
Shareholders' equity	**23,688,634**		**23,688,634**	**SHAREHOLDERS' EQUITY**
Capital	5,823,990		5,823,990	Capital
Share premium	12,032,802		12,032,802	Share premium
Reserves	5,264,729		4,850,813	Retained earnings
			413,916	Other reserves
Other equity instruments	5,120		5,120	Other equity
Other equity instruments	*5,120*			
Less: Treasury shares	(19,713)		(19,713)	Less: Treasury shares
Profit/(loss) for the period	814,460		814,460	Profit/(loss) for the period
Less: Dividends and remuneration	(232,754)		(232,754)	Less: Interim dividends
Valuation adjustments	**1,480,290**		**1,480,290**	**ACCUMULATED OTHER COMPREHENSIVE INCOME**
			1,480,290	Items that may be reclassified to profit or loss
Exchange differences	378,102		378,102	Foreign currency translation
Cash flow hedges	85,622		85,622	Hedging derivatives. Cash flow hedges (effective portion)
Available-for-sale financial assets	816,586		816,586	Available-for-sale financial assets
Entities accounted for using the equity method	199,980		199,980	Share of other recognised income and expense of investments in joint ventures and associates
Non-controlling interests	**35,626**		**35,626**	**MINORITY INTERESTS (non-controlling interests)**
Valuation adjustments	530		530	Accumulated other comprehensive income
Other	35,096		35,096	Other items
Total equity	**25,204,550**		**25,204,550**	**Total equity**
Total equity and total liabilities	**344,255,475**		**344,255,475**	**Total equity and total liabilities**

2.- Restated consolidated statement of profit or loss for the comparative period

Statement of profit or loss for the year ended 31.12.2015	31/12/2015	Circular 5/2015 reclassifications	31/12/2015	State of profit or loss for the year ended 31.12.2015, restated (1/2)
Interest and similar income	**8,373,068**		**8,373,068**	**Interest income**
Interest expense and similar charges	**(4,020,418)**		**(4,020,418)**	**Interest expenses**
NET INTEREST INCOME	**4,352,650**		**4,352,650**	**NET INTEREST INCOME**
Return on equity instruments	**202,719**		**202,719**	**Dividend income**
Share of profit/(loss) of entities accounted for using the equity method	**375,135**		**375,135**	
Fee and commission income	**2,156,832**	**101,338**	**2,258,170**	**Fee and commission income**
Fee and commission expense	**(143,395)**		**(143,395)**	**Fee and commission expenses**
Gains/(losses) on financial assets and liabilities (net)	**742,625**	**83,247**		
Financial assets and liabilities held for trading	58,779	(15,370)	**43,409**	**Gains/(losses) on derecognition of financial assets and liabilities held for trading, net**
Financial instruments not measured at fair value through profit or loss	670,611	101,932	**772,543**	**Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net**
Other	13,235	(3,315)	**9,920**	**Gains/(losses) from hedge accounting, net**
Exchange differences (gain/(loss), net	**123,824**	**(85,968)**	**37,856**	**Exchange differences (gain/(loss), net**
Other operating income	**1,216,738**		**481,541**	**Other operating income**
			735,197	**Income from assets under insurance and reinsurance contracts**
Other operating expenses	**(1,301,510)**		**(780,809)**	**Other operating expenses**
			(520,701)	**Expenses from liabilities under insurance and reinsurance contracts**
GROSS INCOME	**7,725,618**	**98,617**	**7,824,235**	**GROSS INCOME**
Administrative expenses	**(4,239,792)**		**(4,239,792)**	**Administrative expenses**
Personnel expenses	(3,178,805)		(3,178,805)	Staff expenses
Other general administrative expenses	(1,060,987)		(1,060,987)	Other administrative expenses
Depreciation and amortisation	**(365,923)**		**(365,923)**	**Depreciation**
Provisions (net)	**(422,315)**		**(422,315)**	**Provisions or reversal of provisions**
Impairment losses on financial assets (net)	**(2,094,068)**		**(2,094,068)**	**Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss**
Other financial instruments not measured at fair value through profit or loss	(438,720)		(267,202)	Available-for-sale financial assets
			(171,518)	Held-to-maturity investments
Loans and receivables	(1,655,348)		(1,655,348)	Loans and receivables
NET OPERATING INCOME/(LOSS)	**603,520**	**98,617**	**702,137**	**NET OPERATING INCOME/(LOSS)**

Statement of profit or loss for the year ended 31.12.2015	31/12/2015	Circular 5/2015 reclassifications	31/12/2015	State of profit or loss for the year ended 31.12.2015, restated (2/2)
			132,722	**Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates**
Impairment losses on other assets (net)	**(322,762)**		**(455,484)**	**Impairment or reversal of impairment on non-financial assets**
Other assets	(274,686)		(407,408)	Tangible assets
Goodwill and other intangible assets	(48,076)		(48,076)	Intangible assets
Gains/(losses) on disposal of assets not classified as non-current held for sale	**33,795**		**33,795**	**Gains/(losses) on derecognition of non-financial assets and investments, net**
Negative goodwill in business combinations	**602,183**		**602,183**	**Negative goodwill recognised in profit or loss**
Gains/(losses) on non-current assets held for sale not classified as discontinued operations	**(278,632)**	**(98,617)**	**(377,249)**	**Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations**
PROFIT/(LOSS) BEFORE TAX	**638,104**	**-**	**638,104**	**PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS**
Income tax	**180,758**		**180,758**	**Tax expense or income related to profit or loss from continuing operations**
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	**818,862**	**-**	**818,862**	**PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS**
Profit/(loss) from discontinued operations (net)	(2,360)		(2,360)	**Profit/(loss) before tax from discontinued operations**
PROFIT/(LOSS) FOR THE PERIOD	**816,502**	**-**	**816,502**	**PROFIT/(LOSS) FOR THE PERIOD**

CaixaBank Group
Management Report
for 2016

CaixaBank

CaixaBank Group Management Report for 2016

This management report has been prepared in accordance with the Spanish Code of Commerce and Royal Legislative Decree 1/2012, of 2 July, enacting the Spanish Corporate Enterprises Act. In drafting the report, the directors have also taken into account the guidelines established in the Guide for the Preparation of Management Reports of Listed Companies published by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) on 29 July 2013.

The financial information disclosed in this management report has been obtained from the consolidated accounting and management records of the CaixaBank Group, and is presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and the criteria set forth in Bank of Spain Circular 4/2004 of 22 December and subsequent amendments.

This report describes the key data and events of 2016 shaping the financial position of the CaixaBank Group and the evolution of its businesses, risks and likely outlook.

Content

Highlights

Swap of stakes in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa

On 3 December 2015, the Boards of Directors of CaixaBank and Criteria entered into a swap agreement whereby CaixaBank had to deliver to Criteria shares representing 17.24% of The Bank of East Asia, Limited (BEA) and 9.01% of Grupo Financiero Inbursa, S.A.B. de C.V. (GFI) and Criteria had to deliver to CaixaBank shares it held representing 9.9% of CaixaBank's share capital and EUR 642 million in cash.

The transaction was completed on 30 May 2016 after obtaining clearance from all the authorities and complying with the conditions set forth in the swap agreement.

CaixaBank finally transferred to Criteria its stake in BEA, representing approximately 17.3% of the latter's capital, and in GFI, representing approximately 9.01% of this company's capital. Meanwhile, Criteria transferred to CaixaBank a number of CaixaBank treasury shares representing approximately 9.89% of its share capital and a cash amount set at EUR 678 million.

As provided for in the swap agreement, the change relative to the 3 December 2015 announcement in the stake in BEA being transferred to Criteria (17.24%) in CaixaBank treasury shares to be delivered by Criteria (9.9%) and in the cash amount to be paid by Criteria (EUR 642 million) is according to the financial flows received by each party from the signing date of the swap agreement (3 December 2015), that is, for the BEA shares received by CaixaBank as a scrip dividend, the CaixaBank shares received by Criteria as scrip dividend and the net adjustment for the dividends received in cash by Criteria and CaixaBank corresponding to the shares being transferred under the swap agreement.

As a result of the swap, the shareholder agreements relating to BEA and GFI were amended accordingly in order for Criteria to take over CaixaBank's position as the new shareholder. CaixaBank will remain as a banking partner to both banks to continue cooperating with them in commercial activities. If making strategic investments in banks that operate on the American continent and in the Asia-Pacific, CaixaBank will keep its commitment to make such investments through GFI and BEA, respectively, except in the case of GFI, if that bank decides not to participate in the investment.

The transfers included in the swap agreement had a net negative impact of EUR 14 million on CaixaBank's consolidated result at the reporting close, and an impact on the Level 1 regulatory capital (CET1) ratio of around -0.3% (phase-in) and +0.2% (fully loaded).

At CaixaBank's Annual General Meeting held on 28 April 2016, the Board of Directors was authorised to reduce capital through the cancellation of 584,811,827 treasury shares (representing 9.9% of share capital) to be acquired under the swap agreement, or to not execute the capital reduction if, based on the Company's interests and due to circumstances that may arise affecting CaixaBank, it were not advisable. On 22 September 2016, the Board of Directors exercised these powers and sold 585 million treasury shares representing 9.9% of the Company's share capital with the objective of reinforcing the regulatory capital ratio in view of the takeover bid of Banco BPI and complying with the current objective of CaixaBank's Strategic Plan to maintain a level 1 capital ratio (CET 1) fully Loaded between 11% and 12%. The transaction amounted to EUR 1,322 million, but did not have any impact in the consolidated statement of profit or loss.

Takeover bid for Banco BPI

On 18 April 2016, CaixaBank notified the market of its Board of Directors' decision to launch a takeover comprising a voluntary tender offer (VTO) for Portugal's Banco BPI.

The VTO price is EUR 1.113 per share in cash, and is conditional upon removal of the Banco BPI voting rights restriction, because it would involve more than 50% of BPI's capital, and obtaining the pertinent regulatory approvals. The bid price was the average weighted price of Banco BPI shares for the six months prior to the bid.

Prior to the latest announcement, CaixaBank held talks with the ECB to keep it abreast of the entire process and request suspension of any sanction proceedings against Banco BPI for excess risk concentration, in order to allow CaixaBank to find a solution to this situation should it finally take control of Banco BPI.

The Supervisory Board also decided to put on hold during this period the on-going sanction proceeding against Banco BPI for the large exposure breach prior to 2015.

CaixaBank was informed that the Supervisory Board had taken these decisions in the context of the takeover bid announced and that the decisions were subject to effective acquisition by CaixaBank of control of Banco BPI.

In response to this request, as reported by CaixaBank on 22 June 2016, the Supervisory Board of the ECB decided to grant CaixaBank a period of four months from the completion of CaixaBank's acquisition of Banco BPI to solve Banco BPI's large exposure breach. At the end of 2016, Banco BPI reached an agreement to sell Unitel 2% of its investment in Banco de Fomento Angola (BFA). This transaction was completed on 5 January 2017. As a result of this transaction BFA will be deconsolidated from BPI's balance sheet and therefore the issue of its excessive exposure to risks deriving from its controlling stake in BFA will be resolved.

The Supervisory Board also decided to put on hold during this period the on-going sanction proceeding against Banco BPI for the large exposure breach prior to 2015.

CaixaBank was informed that the Supervisory Board had taken these decisions in the context of the takeover bid announced and that the decisions were subject to effective acquisition by CaixaBank of control of Banco BPI.

With respect to the takeover bid announced on 18 April 2016, at Banco BPI's Extraordinary General Meeting held on 21 September 2016, the shareholders approved the elimination of the 20% voting cap. The Portuguese stock market regulator, the Comissão do Mercado de Valores Mobiliários, then announced that it would retract the dispensation from launching a mandatory takeover bid on Banco BPI it had granted to CaixaBank in 2012, thereby requiring CaixaBank to make a mandatory takeover bid on Banco BPI's shares. Consequently, the takeover bid on Banco BPI, which was initially a voluntary bid, became a mandatory takeover bid. The new price per share was set at EUR 1.134, equivalent to the volume-weighted average price of Banco BPI's shares in the preceding six months.

Acceptance of the bid by BPI shareholders was subject to compliance with the pertinent legal and regulatory requirements, including those foreseen in any foreign laws that apply to such shareholders. On 17 October 2016, ECB approval was obtained and the sale of 2% of BFA to Unitel was completed on 5 January 2017. This allowed CaixaBank to comply with another of the mandatory conditions for proceeding with its bid to acquire 54.5% of Banco BPI (see the Events after the Reporting Period section for further information on the process of acquiring control of Banco BPI).

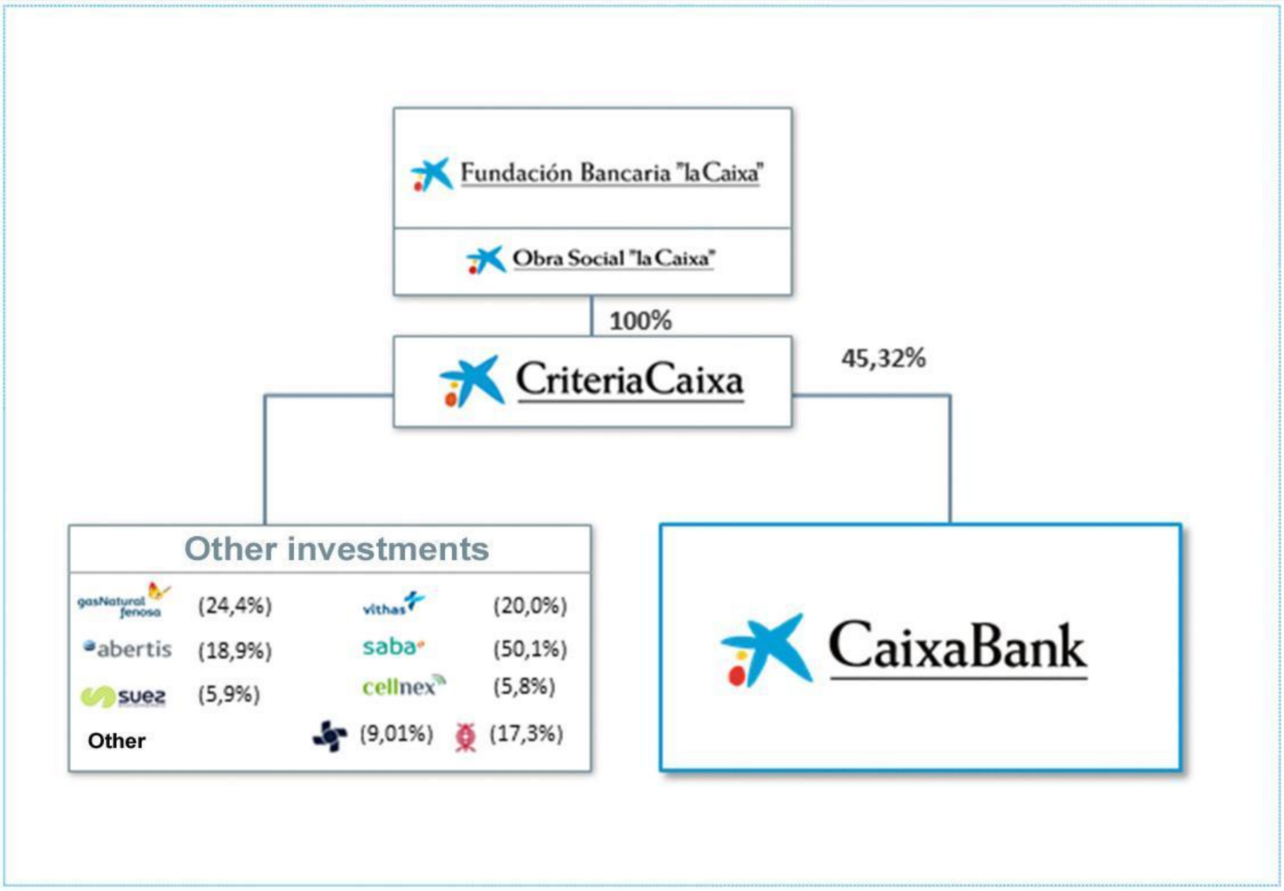
1. Current situation

1.1. Organisational structure

Group structure

CaixaBank is 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, forming part of the IBEX 35 since 4 February 2008. Accordingly, 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 prestigious 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, among other things, 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.

CaixaBank and its subsidiaries compose the CaixaBank Group. At 31 December 2016, the Group's corporate structure was as follows:



CaixaBank has Criteria as its majority shareholder (45.32% at 31 December 2016) following the Group restructuring process that took place in 2014, and it is a benchmark entity in the Spanish market in both the financial and insurance segments. As a listed bank, it is subject to oversight by the European Central Bank, the Bank of Spain and the Spanish national securities market regulator (CNMV).

Business segments

a) Banking and insurance business

Banking and insurance: the CaixaBank Group's core business and includes the entire banking business (retail banking, companies, 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 encompasses the activity and the profits generated from the Group's 13.8 million customers, including individuals, companies and public bodies. It also incorporates the liquidity management and the Assets and Liabilities Committee (ALCO), and income from the financing of the other businesses.

The CaixaBank Group rounds out its catalogue of banking products and services with a specialized offer of life insurance, pension plans and general insurance products, primarily instrumented through VidaCaixa, and also asset management through CaixaBank Asset Management.

b) Non-core real estate business

The non-core real estate business shows the results, net of finance costs, of non-core real estate assets (non-core real estate developer loans, foreclosed real estate assets, most of which are owned by real estate subsidiary BuildingCenter, S.A., and other real estate assets and holdings).

c) Equity investment business

This line of business embraces earnings on dividends and/or equity-accounted profits in respect of international banking investees (Erste Bank and Banco BPI), Repsol, S.A. and Telefónica, S.A., net of the related finance costs. It also includes other significant stakes recently acquired by the Group as part of its drive to diversify across sectors.

Note 8 to the accompanying consolidated financial statements for 2016 presents the results of the CaixaBank Group's business segments.

In 2016, the CaixaBank Group made no change to the business segment definitions effective in 2015. Information for the banking and insurance business is presented separately from the non-core real estate business, as these assets receive special treatment.

In 2016, the Group pressed on with its streamlining processes to improve the management of both businesses and costs. This involved merging investees, liquidating idle companies and selling off certain companies.

Governing bodies

CaixaBank's corporate governance is based on a series of principles and regulations governing the design, composition and functioning of the Bank's governing bodies: the Annual General Meeting, the Board of Directors and its various committees.

The Board of Directors is the Bank's senior decision-making body, except for those matters reserved for the Annual General Meeting. The following individuals and bodies are attached to the Board of Directors:

- Chief Executive Officer: tasked with the Bank's everyday management and ordinary decisions and ultimately accountable to the Board and the Executive Committee.

- Executive Committee: delegate body that meets more frequently than the Board. Although it cannot decide on matters reserved for the Board, it has authority to vote on other important matters, particularly those relating to approval of lending transactions.

- The Audit and Control Committee: organises the tasks of monitoring, financial control and risk analysis at CaixaBank. This involves supervising the internal audit systems and ensuring the efficiency and independence of the internal control systems in place. It also oversees the entire process of preparing and presenting CaixaBank's financial information prior to publication by the Board.

- Nomination Committee: heads the process of appointing new members to the committee and reports on proposed appointments or removals of the senior management. The Appointments Committee likewise reports to the Board on matters relating to gender diversity, and oversees the Bank's conduct in the field of corporate social responsibility. Lastly, it conducts periodic assessments of the structure, size, composition and actions of the Board of Directors and of its committees, chairman, CEO and secretary. It also evaluates the make-up of the Management Committee, as well as its lists of replacement candidates to ensure that transitions and vacancies are suitable covered.

- Remuneration Committee: establishes the general governance principles and framework for the Board remuneration policy, and for remuneration of senior executives, and reports on the Bank's general remuneration policy. It is also tasked with analysing, preparing and periodically reviewing the remuneration schemes in place, gauging their suitability and performance and ensuring they are observed. It seeks the Board's approval of remuneration reports and policies that the Board must itself put before the Annual General Meeting, and reports to the Board on any pay-related proposals and motions that the latter intends to put before the Annual General Meeting.

- Risks Committee: advises the Board of Directors on the Bank's global propensity to current and future risks and on its strategy in this regard, reporting on the risk appetite framework and proposing the Group's risk policy to the Board. It also regularly reviews exposures with main customers, economic sectors, geographic regions and types of risk, and examines the Group's risk reporting and control systems and information systems and indicators. It likewise reports on new products and services and on significant changes to existing ones.

The primary functions of each of these governing bodies are described in detail in the accompanying Annual Corporate Governance Report and on the corporate website www.CaixaBank.com.

In accordance with the protocol governing the financial interest held by the ”la Caixa” Banking Foundation in CaixaBank, the Board of Trustees of ”la Caixa” Banking Foundation proposes the appointment of board members by virtue of its right of proportional representation. The appointments are therefore based on its existing interest in CaixaBank (proprietary directors).

The Board of Trustees of ”la Caixa” Banking Foundation shall ensure that CaixaBank's Board of Directors has sufficient diversity and sensitivity to guarantee sound and prudent management at CaixaBank, which must live up to the values, principles and direct and personalised commercial management approach set by its predecessor, Caixa d'Estalvis i Pensions de Barcelona. These have, after all, lied at the heart of ”la Caixa” social lending activity since the day it was founded.

Further to the modifications made to the integration agreement between CaixaBank and Banca Cívica and to the CaixaBank shareholders' agreement -the first of which was signed on 26 March 2012 by ”la Caixa”, CaixaBank, Banca Cívica and the savings banks that formerly comprised Banca Cívica (currently and hereafter the “Banking Foundations”) and the second on 1 August 2012 by ”la Caixa” and the Banking Foundations- the Banking Foundations requested a seat on CaixaBank's Board of Directors.

The directors proposed by the ”la Caixa” Banking Foundation and the Banking Foundations must meet applicable legal requirements regarding standing, experience and track record in good governance. CaixaBank's Board of Directors also relies on the recommendations and good corporate governance proposals issued by Spanish and European authorities and experts concerning the composition of governing bodies (in relation to diversity, among other considerations) and director profile (in respect of training, knowledge and experience, among other factors).

The CaixaBank Board also comprises other categories of member, such as executive and independent directors, all of whom are there due to the existence of minority shareholders in order to protect and guarantee the company's interests. Relations with minority shareholders at CaixaBank is detailed in the section in this report providing basic share information.

The Board of Directors met 16 times in 2016. At these meetings, the following resolutions, among others, were discussed and agreed upon:

- CaixaBank's financial situation and results.
- The Bank's Strategic Plan.
- Mergers, acquisitions and transfers of stakes in other financial institutions.
- The Bank's strategic and other policies.
- Budget control and risk management.

The Annual Corporate Governance Report lists the members of CaixaBank's governing bodies and details their representative functions.

In addition to the Board committees mentioned above, which report directly to the Board of Directors, the CaixaBank Group has created a Management Committee organized into the following areas and comprising the following individuals:

Area	Position	Executive
Board of Directors	Chief Executive Officer	Gonzalo Gortázar Rotaeche
Insurance and Asset Management	General Manager	Tomás Muniesa Arantegui
Business	General Manager	Juan Antonio Alcaraz García
Risks	General Manager	Jorge Mondéjar López
Human Resources and Organisation	General Manager	Xavier Coll Escursell
BPI project	General Manager	Pablo Forero Calderón
Internal Audit	Deputy General Manager	Joaquim Vilar Barrabeig
International banking	Executive Manager	Maria Victoria Matía
Resources	Executive Manager	Jordi Fontanals Curiel
Finance	Executive Manager	Javier Pano Riera
Communication, Institutional Relations, Brand and CSR	Executive Manager	Maria Luisa Martínez Gistau
Financial Accounting, Control and Capital	Executive Manager	Matthias Bulach
General Secretary	General Secretary	Oscar Calderón de Oya

CaixaBank's Management Committee meets weekly to adopt resolutions concerning implementation of the annual operating plan and organisational aspects affecting the Group. This includes approving structural changes, appointments, expense lines and business strategies. All areas and business lines are represented on the committee. Certain areas remain the direct responsibility of the CEO, such as National and International Corporate Development, Internal Control and Regulatory Compliance.

The functions of each area represented on the Management Committee are as follows:

1. Chief Executive Officer: without prejudice to any other functions attaching to the post of Chief Executive Officer, the CEO is specifically entrusted with the following duties:

    - Developing business both nationally and internationally
    - Internal control
    - Regulatory compliance

2. The Insurance and Asset Management Division. Primarily oversees the following:

    - Insurance business and asset management
    - Corporate development in the Insurance and Asset Management departments.
    - Insurance Alliance Management
    - Bankassurance operator

3. General Business Division. Primarily oversees the following:

    - Branch network and branches
    - Business banking
    - Premier banking
    - Private banking
    - Retail banking
    - Corporate & institutional banking
    - Business Development
    - Technical Secretary
    - Marketing
    - Innovation and Quality
    - Real Estate Business
    - Defaults, Recoveries and Customer Care
    - CaixaBank Payments
    - CaixaBank Digital Business
    - CaixaBank Consumer Finance
    - CaixaBank Business Intelligence
    - Technical Secretary to the Chairman's Office in Madrid

4. General Risks Division. Primarily oversees the following:

    - Global Risk Management
        - Credit risk monitoring
        - Risk policies and models
        - Default management
    - Analysis and Approval
        - Bodies corporate and individuals
    - Internal Risk Control
        - Model validation
        - Control of credit and operational risk
    - Management of Foreclosed Assets

5. Human Resources and Organisation Division. Primarily oversees the following:

    - Organisation
    - Management, Compensation and Pensions
    - Employment Relations, Culture and Diversity
    - Legal Services - Employment
    - Selection and Development
    - Internal Talent and Consulting

- Internal Communication
- Human Resource Search and Selection

6. General Manager of the Banco BPI Project: Primarily oversees the following:

    - Identification, planning and execution of all corporate changes required in the organizational structure of CaixaBank and Banco BPI, to adequately manage the consolidation of Banco BPI in the CaixaBank Group. This Project is temporary.

7. Deputy Directorate for Internal Auditing. Primarily oversees the following:

    - Internal audit: as the third line of defence, it must ensure the effective and efficient supervision of the internal control system and is also tasked with risk management at the CaixaBank Group, operating with a high level of independence and objectivity.

8. Executive International Banking Division. Primarily oversees the following:

    - Bank investees: monitoring and control of minority holdings in international banks, and promoting cooperation on matters relating to trade and joint project investment.
    - Defining and implementing specific products and services for the international realm
    - Network of international branches and representation offices: managing the Bank's operational branches and representation offices outside Spain, including service branches at investee banks.
    - International financial institutions: managing correspondent banking relations and relations with supranational and multilateral bodies and central banks.
    - International projects: coordinating international development projects within business lines.

9. Executive Resources Division. Primarily oversees the following:

    - Portfolio of Group-owned real estate assets intended for own use
    - IT and communications infrastructures, along with IT service development
    - Banking operating services and operating services related with the securities and capital markets
    - Maintenance, logistics, fixed assets and construction services for the Group, as well as the Procurement Area, with its service procurement platform and control mechanisms to ensure transparency when contracting with suppliers
    - Comprehensive security for the Group (physical, software, intelligence, IT systems, etc.)
    - Defining, implementing and improving efficiency and digitalisation of processes and activities across the entire Group (including Central Services, the Branch Network and Group subsidiaries)
    - Integration of financial institutions
    - Budget management: managing and controlling the Group's expenses and investment, arranging and monitoring implementation of budgets, analysing and monitoring costs by business unit, and tracking and controlling agreements with suppliers. (Application of outsourcing policy).

10. Executive Finance Department. Primarily oversees the following:

    - Markets: managing trading books
    - ALM: liquidity, balance sheet management and wholesale funding
    - Analysis of liquidity risk and balance sheet interest rate risk
    - Investor Relations
    - Market analysis

11. Executive Division for Communication, Institutional Relations, Brand and Corporate Social Responsibility. Primarily oversees the following:

    - External communication:
        - Managing relations with the international, national and regional press and media and increasing exposure of the main corporate and commercial milestones reached by the Bank.
        - Monitoring information on the Bank across the social networks and managing CaixaBank's Communication Room, corporate blog and social network channels.
    - Sponsorship: managing the Bank's sponsorship activities for sporting, cultural and institutional events.
    - Brand: overseeing and developing the CaixaBank brand and preparing its corporate advertising.
    - CSR: developing the executing the Bank's corporate social responsibility policy.

- International agreements: managing and signing all institutional agreements involving CaixaBank.
- Institutional relations: developing or overseeing events that involve the Bank's management.
- Institutional representation for the Global Compact and Sustainability.

12. The Executive Division for Financial Accounting, Management Control and Capital houses the following areas:
    - Planning and Capital: financial and capital planning and associated management control; managing and reporting capital position and coordinating recovery and resolution activities; keeping and operating the management information system (IGC).
    - Corporate Reporting and Investee Control:
        - preparing, analysing and reporting the financial information relating to both the Group and the different business units. Managing relations with the rating agencies.
        - Controlling and monitoring the investee portfolio.
    - Accounts and audit inspection: defining the Group's accounting policies, keeping and controlling both individual and consolidated accounts, preparing annual accounts and financial statements, regulatory reporting, and liaising with auditors and supervisory bodies.
    - Internal control over information and financial models: supervising the risks associated with the Financial Accounting, Control and Capital (FACC) Department. It is broken down into the following functions:
        - Internal control over financial reporting
        - Internal control over financial planning models

13. General Secretary. Primarily oversees the following:
    - General Secretary:
        - Providing the necessary advice and information to the Chairman and board members.
        - Heading relations with regulators on the subject of corporate governance.
        - M&As.
        - Technical secretary to the governing bodies.
    - Legal and Tax Services:
        - Minimising the legal risks inherent in the Bank's operations.
        - Proactively offering legal advice to both the branch network and to the different divisions within the bank.
        - Overseeing the Bank's representation and defence in all manner of court proceedings, including enforcement procedures and, in general, cases aimed at recovering debt. This body also coordinates the Bank's response to any indictment of the legal entity.
        - Drawing up contracts for all kinds of dealings between the Group and suppliers and partners.
        - Coordinating legal action for all subsidiaries and investees.
        - Organising and arranging the legal side of investment and divestment operations affecting any of the Group's investees.
        - Handling tax declarations and tax aspects of the products sold by the Bank and the transactions it engages in.
    - Corporate M&A: analysing and, as the case may be, carrying out corporate transactions involving acquisitions and divestments.

Aware of the influence that the regulatory framework can have on the Bank's activities and its potential impact on its long-term sustainability, the CaixaBank Group regularly monitors all regulatory changes. Senior Management, especially through the Regulation Committee set up as an offshoot of the Management Committee, carefully considers the transcendence and scope of new regulatory measures.

The Regulation Division, which belongs to the Legal Advisory Area, is tasked with continuously monitoring regulatory changes and handling regulatory alerts while coordinating accordingly with the different areas.

The regulatory agenda continued relentlessly in 2016. In addition to further developments in connection with the prudential framework and crisis management, customer and investor protection also became stricter during the year, this being an area in which the Bank has been actively involved. The CaixaBank Group has also been working hard to implement various rules and decisions issued by the Tribunal Supremo (Supreme Court of Spain) (for more information see Note 3.10 of the accompanying financial statements).

1.2. Strategic Plan

CaixaBank continues to base its actions on its 2015-18 Strategic Plan, "Committed to trustworthy and profitable banking", as it seeks to consolidate its leadership in Spain and be recognised for its quality of service, social responsibility, financial robustness and capacity to innovate.

The **five strategic lines** for the 2015-2018 period are:

1	Customer focus: being the best bank for quality and reputation
2	Attaining recurring returns above the cost of capital
3	Active capital management
4	Leading the digitisation of the banking world
5	To have the best prepared and most dynamic team possible.

The Bank has made significant progress during the first two years of the Plan. Its quality and reputation indicators have performed extremely well and it has managed to extend its leadership in banking, insurance and asset management.

Since 2014, CaixaBank has focused on diversifying its revenue streams, whilst containing costs and reducing unproductive assets. It has maintained high solvency ratios and complied ahead of schedule with its objective to reduce the capital consumed by its holdings.

CaixaBank has consolidated its leadership in the number of digital customers in Spain, and has made great progress in implementing big data and developing new functionality and innovations.

It has continued to invest heavily in training its workforce, fostering a meritocratic culture and diversity, to ensure it has the best prepared and most dynamic team.

The plan was duly reviewed at the end of 2016 having reached its midpoint, a process envisaged in the plan itself. Despite this exercise, the five initial strategic lines have remained intact, although certain objectives and courses of action have been adjusted to align them properly with prevailing conditions and with the plan's own scheme of events, especially in relation to profitability against a backdrop of lower interest rates than those initially contemplated and a longer deleveraging process.

In view of the current panorama, CaixaBank remains committed to diversifying its revenue streams towards more profitable segments, based on its commercial strength and leadership in services that foster customer loyalty. The Bank will also continue to keep a tight grip on costs and reduce unproductive assets given the ongoing recovery of both the economy and the real estate market.

Described below are the main milestones for each strategic line and the key priorities for the coming two years.

1	Customer focus: being the best bank for quality and reputation

Strategic objectives

- To foster the customer experience and satisfaction levels.
- To consolidate CaixaBank's reputation as the standard-bearer for responsible and socially-committed banking.
- To set a benchmark for corporate governance.

2016 milestones

Internal and external quality indicators show very positive progress in the first two years of the Plan. Some of the strategic objectives set for 2018 have already been achieved, and have been increased following a review of the Plan. In 2016, the entity renewed its EFQM stamp, with an increased score of around 650 points. It also received the first AENOR certification in Europe for excellence in Individual and Business banking, and for Foreign Trade and International Banking.

CaixaBank is developing global customer-experience maps and new quality metrics based on surveys of key moments to enhance its understanding of the needs and expectations of its customers, and so improve their experience and build loyalty, and continue improving customer satisfaction and recommendations.

CaixaBank continues to apply the most demanding social, environmental and governance standards to enhance its reputation and responsible management of its financial business. It has retained its presence in the Dow Jones Sustainability Index World and Europe, FTSE4Good and CDP indexes, among others, which recognise excellence in corporate responsibility in the banking sector. The bank has continued to foster financial inclusion, through the most extensive branch network in Spain and by granting microcredits through MicroBank, faithful to its social banking model of openness and commitment to all of its *stakeholders*.

Finally, we should highlight the continuing efforts of CaixaBank in the sphere of corporate governance. These have been recognised by external organisations such as ISS, which awarded CaixaBank the highest score in this area.

PRIORITIES FOR 2017-2018

- To complete roll-out of the customer-experience methodology, the identification of key moments and certification of all businesses.
- To implement new internal quality and reputation management metrics.
- To ensure compliance with the most demanding international corporate social responsibility and corporate governance standards.
- To raise awareness in the organisation of conduct risks and enhance the internal control and compliance culture.

2 Attaining recurring returns above the cost of capital

Strategic objectives

- To achieve a return of between 9% and 11% in ROTE (return on tangible equity) terms in 2018, enhancing the entity's commercial leadership in the Spanish market.

2016 milestones

Against a backdrop of extreme pressure on profitability, CaixaBank has managed to maintain a strong banking revenue generation capacity, through customer loyalty and diversification of its income base.

Since the launch of the Plan, the Bank's market share for directly deposited salaries and financial advice services (mutual funds, pension plans and savings insurance) have increased significantly, through the development of segmented value propositions for different customer types (CaixaNegocios, AgroBank, HolaBank and Premier Banking), and a strategic commitment to fostering financial planning for customers (CaixaBankFuturo). The gradual implementation of the new model of A/Store branches has also contributed to specialist advice taking on greater weight in customer relations.

In terms of diversification, in 2016 the Bank continued fostering lending for consumption and companies, priority segments for boosting growth in net interest income. Businesses with less exposed to low interest rates (such as insurance, payment media and asset management) continue to make very strong contributions to Group results.

Efforts continued to contain the cost base, one of the priorities for coming years. In this regard, 2016 saw the launch of a transversal project to optimise organisational structures and processes. The significant reduction in loan-loss provisions resulting from the improvement in credit quality is also contributing to a gradual improvement in profitability.

Overall, the unfavourable backdrop, particularly low interest rates and the weakness of lending volumes, hampered achievement of the initial strategic objectives for profitability. This resulted in a revision of the Plan, adjusting the objectives downwards.

PRIORITIES FOR 2017-2018

- To increase the number of customers and customer loyalty through value propositions based on segmentation and financial advice.
- To boost lending for consumption and companies
- To contain the cost base.
- To create value from the BPI transaction.

3 Active capital management

Strategic objectives

- To manage capital actively, anticipating new regulatory requirements.
- To maintain a policy of high and stable dividends (cash pay-out of around 50% of profits).
- To reduce unproductive assets (non-performing loans and foreclosed assets).

2016 milestones

CaixaBank maintained its high levels of capital adequacy. Its fully loaded Common Equity Tier 1 (CET1) ratio stood at 12.4% at 31 December 2016, well in excess of minimum prudential requirements. This robust financial position was once again confirmed in the stress testing carried out by the European Banking Authority and the European Central Bank (ECB) in 2016.

Active management of its holdings has enabled it to comply ahead of schedule with its strategic objective of reducing the capital consumed by its investees to below 10% (7% at year-end 2016), through the swap of the holdings in Grupo Financiero Inbursa and The Bank of East Asia with CriteriaCaixa.

CaixaBank has continued to pursue its strategic objective of disposing of unproductive assets. In this regard, the balance of non-performing loans has fallen by 47% since the peaks of June 2013 (including the pro-forma impact of Barclays Bank SAU), with a non-performing loan ratio of 6.85% at year-end 2016.

Intensive commercial efforts (real estate sales and rentals) enabled CaixaBank to start reducing its available-for-sale foreclosed real estate assets in 2016, which fell by EUR 1,000 million in the year. The margins achieved on the sale of these assets continue to improve, underpinned by improvements in the real-estate market. The disposal of unproductive assets, particularly foreclosed real estate assets, will continue to be a focal point for strategic action over coming years.

PRIORITIES FOR 2017-2018

- To anticipate and adapt to new regulatory requirements.
- To reduce non-performing loans and increase sales of foreclosed assets.
- To foster the highest quality in regulatory, risk and management information.

4 Leading the digitisation of the banking world

Strategic objectives

- To consolidate leadership in multi-channel and mobile banking.
- To develop the digital relationship, experience and contracting of customers.
- To roll out strategies in response to new technologies, new entrants and regulatory changes.

2016 milestones

Penetration of digital customers and digital contracting continued to advance in 2016. CaixaBank - the leader in digital penetration - accounts for 32.4% of all digital customers in Spain, according to comScore. CaixaBank's leadership in innovation has received international recognition. These accolades included "Best European mobile bank in 2016" by Forrester Research; "Best global technological project 2016" for imaginBank, by The Banker; and "Global Innovator 2016" awards from Efma and Accenture.

From this position of leadership, CaixaBank is continuing to focus on improving the customer experience in digital channels, a relationship that should be available "anywhere and anytime" through a truly personalised service. Since the Plan began to be rolled out, CaixaBank has launched new functionality and innovations, such as the "Mis finanzas" smart manager, the imaginBank mobile bank, the CaixaBankPay mobile payment tool and new online advice channels and services.

Following the launch of its big data project in 2015, CaixaBank has been developing bespoke products and services based on its enhanced knowledge of customers. Big data enables greater personalisation and improvements in areas such as risk models, the customer experience and the commercial offering.

Another course of action along this same strategic line is the need to improve the Bank's commercial effectiveness. At year-end 2016, all employees in commercial roles had a smart PC, enabling them to arrange products and services outside the branch by using their digital signature.

Around 83% of transactions (including balance enquiries and transfers) are now carried out through Línea Abierta online banking (three percentage points higher than in 2014). This enables the commercial network to spend more time providing customers with advice and value-added services.

PRIORITIES FOR 2017-2018

- To optimise the digital customer experience in contracting processes.
- To complete the big data infrastructure and roll out applications.
- To digitalise processes that impact on efficiency and improve the customer experience.
- To foster information security strategies.

5 Having the best prepared and most dynamic team possible.

Strategic objectives

- To continue training in key professional skills.
- To promote the decentralised management model.
- To adapt the compensation and promotion structure.
- To strengthen the culture of performance-based advancement and diversity.

2016 milestones

CaixaBank continued to invest in training and in developing its employees. More than 7,000 professionals from the commercial network have been certified in financial advice by the Pompeu Fabra University (UPF) and the Chartered Institute for Securities & Investment (CISI) since 2015. Another highlight is the intensive investment in training in the Business Banking segment, where more than 1,000 professionals are currently working towards certification.

In September 2015, CaixaBank set up its Risks School, in collaboration with the Pompeu Fabra University (UPF) and the Instituto de Estudios Bursátiles (IEB), where more than 700 advisors have qualified in Banking Risk Analysis, whilst 1,400 managers and deputy managers are taking a postgraduate qualification in Risk Analysis, specialising in retail.

To continue bolstering the Bank's meritocratic culture, the processes with the greatest impact here have been reviewed, such as performance assessment and professional recognition. We have adapted our remuneration and promotion systems to the needs of each business segment, increasing the relationship between performance and pay.

Our initiatives to foster diversity in all its forms (gender, age, origins, etc.) -one of the priorities in our Strategic Plan- has facilitated a gradual increase in the number of women in management posts, with an increase of two percentage points compared to 2014, climbing to 37.0%.

Last but not least, the Bank is continuing to foster its management development programmes to enhance its "transformational leadership" model and foster innovation and empowerment.

PRIORITIES FOR 2017-2018

- To continue the specific training roadmaps for key segments.
- To enhance the status of the branch manager.
- To further develop the talent assessment culture (assessment by competencies, 180º feedback and performance assessment).
- To enhance management talent programmes, focusing on employees with high potential.
- To continue adapting the remuneration and promotion models to the needs of each business segment.

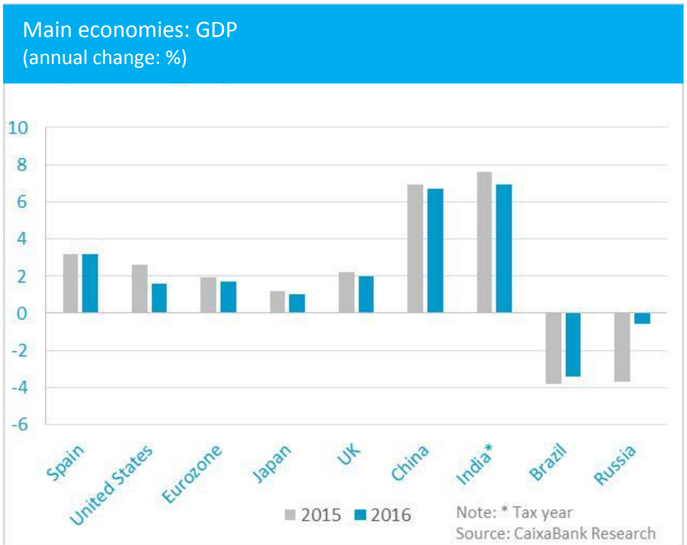
2. Business performance and results

2.1. Macroeconomic scenario for 2016

Global and market trends

Global growth stood at 3.1% in 2016, roughly on par with the 3.2% reported in 2015. While falling somewhat short of expectations at the start of the year, it did show a pick-up of sorts as we moved through the year.

In the first half of the year, global GDP continued to grow at 3%, before gaining momentum in the latter half to reach, foreseeably, the 3.2% range. While hardly spectacular, it did come against a backdrop of considerable financial and political complexity in a year that witnessed three separate episodes of marked uncertainty.

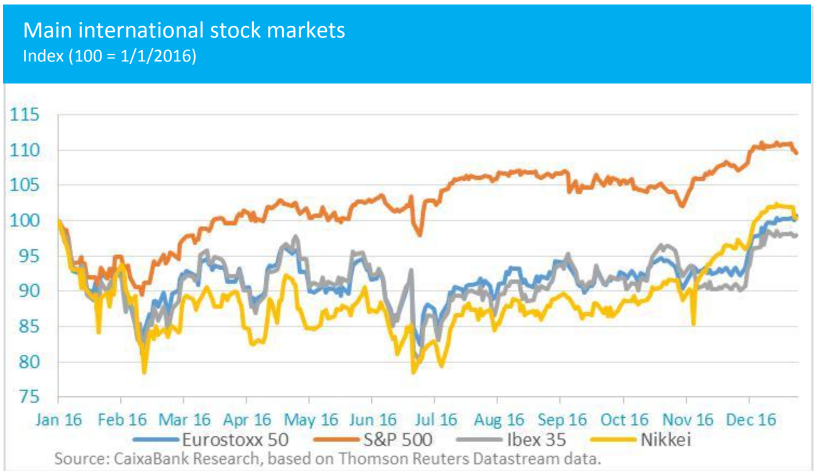


The first was confined to the financial world and emerged in the first two months of the year in response to the uncertainty surrounding the Chinese exchange rate policy and falling oil prices. The result was a marked downward correction in the quoted prices of risk assets, along with a significant drop in sovereign debt yields.

From late February onward, a brighter set of macroeconomic indicators helped calmed investor nerves, leading to a gradual, albeit uneven, recovery in the prices of financial assets.

However, the first half ended with yet another uncertainty spike, as the Brexit camp's shock victory caught investors by surprise, causing stock markets and risk assets to plummet and prompting a stampede of capital towards safe haven assets. While investor confidence was quick to return and the prices of risk assets made gains in the summer, investor uncertainty returned for a third time in September and October, this time on account of the presidential elections in the United States. Although stock markets reacted positively to the news of Trump's victory and bond yields were quick to rise, this latest episode of uncertainty will continue to linger until we are able to clearly make out how the new Trump administration intends to tackle economic policy.

This reasonably positive macroeconomic trend includes mixed performances across regions and individual countries. Among emerging markets, China remains on path towards lower growth. After advancing 6.9% in 2015, GDP growth slowed slightly to 6.7% in 4Q 2016, thus bringing growth for the year to 6.7%, sparking renewed fears of a hard landing. Moreover, prevailing doubts concerning the state of the Chinese banking sector, especially local institutions, coupled with worrying levels of capital flight and the real estate bubble, remain real causes for concern.



Meanwhile, other emerging countries are having to contend with their own set of risks. Brazil remained mired in a serious recession in 2016 and the country also has serious political complications to overcome. In the meantime, other emerging economies such as Turkey and South Africa continue to show macroeconomic imbalances, leading to a situation of external vulnerability. On a slightly more positive note, in late 2016 indicators appeared to suggest that the Russian economy might finally be shaking off its recession, largely in response to the slow but steady improvement in oil prices. It is worth noting here that oil prices rose sharply through to May (though it is also true that this stemmed from the atypically low levels seen in 2015), before once again experiencing heavy volatility and price fluctuations. Oil prices eventually managed to break out of this dynamic thanks to the various agreements reached by both OPEC and non-OPEC producers towards the end of the year, which signal a significant reduction in supply as we move into 2017.

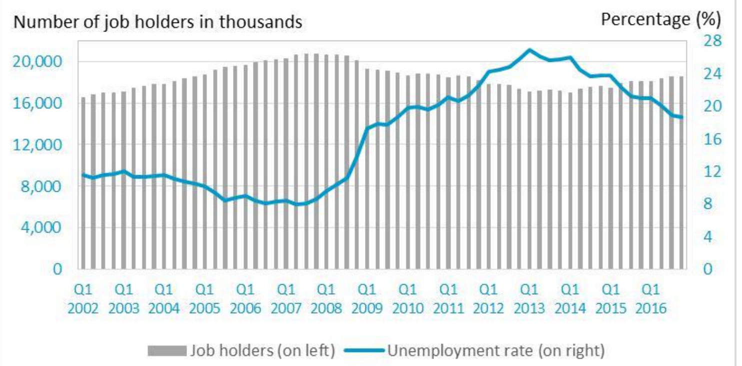
Among the advanced economies, highlights included the fact that the United States is now at a mature phase of the economic cycle. The nation reported its seventh straight year of positive growth in 2016 and it is now able to boast virtually zero unemployment, which has triggered a sharp increase in wages. This, combined with rallying levels of inflation, seemed to be a clear indication that the Federal Reserve would press on with its process of monetary normalisation following the first interest rate hike in 2016. Instead, the Fed chose to keep its reference rate unchanged until the last meeting of the year, when it finally decided to proceed with a 25 basis-point hike to bring the rate to 0.50%. This response seems to have been largely prompted by the uncertainty shocks we have just discussed. Japan, for its part, continues to experience sluggish economic growth, despite the country's best efforts to achieve nominal growth through monetary policy.

Performance in the eurozone and Spain

The eurozone continued to see a general economic recovery as we moved through 2016. While growth was hardly spectacular during the year, it did manage to live up to potential growth; no mean feat in itself. This growth in Europe also coincided with a huge uncertainty shock, namely Brexit, as discussed previously. On balance, figures show that the real economic impact of Brexit has, as least so far, been relatively confined to the United Kingdom. The economic expansion we have seen has largely come on the back of temporary support factors, such as falling commodity prices (versus 2015) and the depreciation of the euro or the quantitative easing of the ECB. Here, we would highlight the expansionary measures adopted by the central bank, particularly those undertaken in 2016 (lowering rates, expanding the monthly purchase programme to EUR 80 billion through to March 2017, bringing corporate debt within the scope of the scheme and holding new bank liquidity auctions) and also in December, when it was announced that the purchase programme would be extended through to December 2017 and the purchase volume ceiling lowered to EUR 60 billion from April 2017 onward.

Against this complicated backdrop, with major sources of global uncertainty but also with global and European growth, Spain fared particularly well in 2016. In 2016, economic growth in the Mediterranean country reached 3.2%, a high figure and one that can be added to a similarly positive showing in 2015 (in which GDP also gained 3.2%). In this expansive stage, Spain's healthy domestic demand can be mainly put down to the improvements seen in private consumption. An improving labour market (400,000 jobs created in 2016, slightly down on 2015) and better funding conditions continue to push up the available income of Spanish households, in turn paving the way for consumption to continue growing at a healthy pace and for the household deleveraging process to continue. For its part, capital expenditure has slowed down somewhat, although it still remains high, while investment in construction is steadily picking up.

Spain: job holders and unemployment rate
Number of job holders in thousands and as a percentage



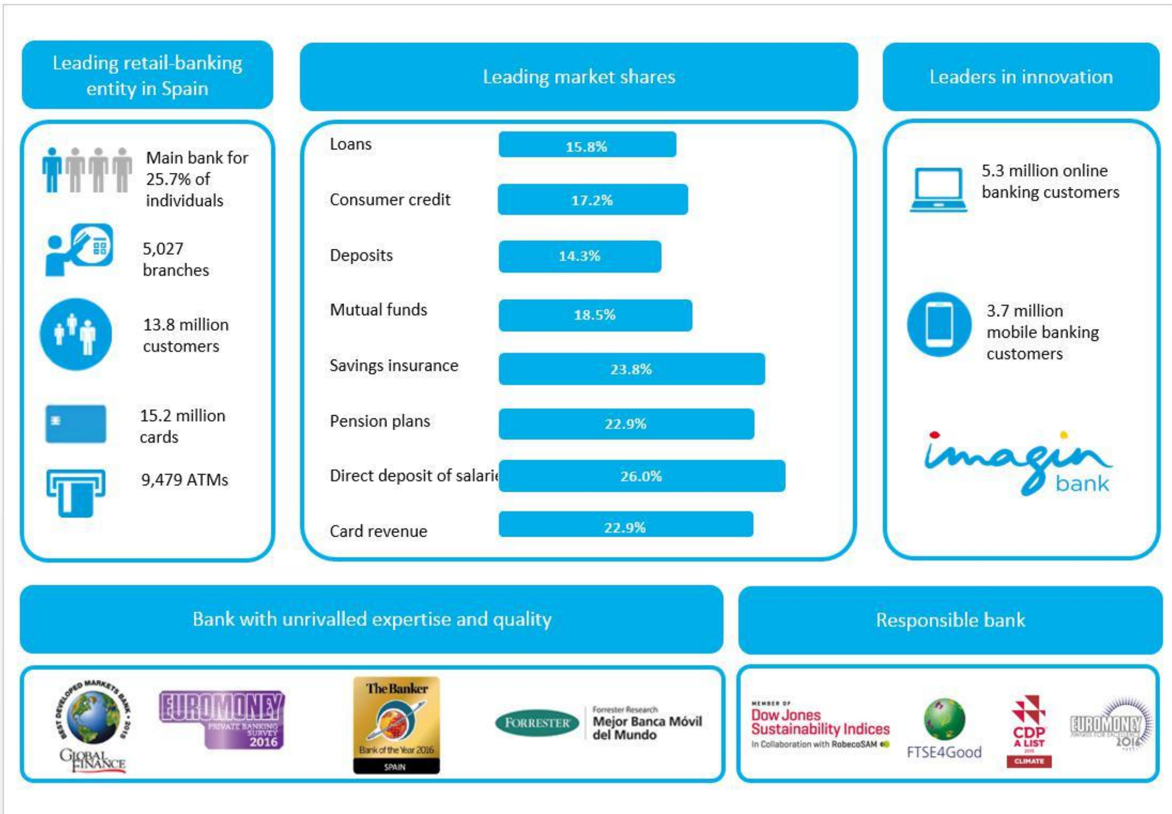
Source: CaixaBank Research, based on INE data (Labour Force Survey).

Meanwhile, public spending once again set an expansive tone in 2016. Although this will boost the growth of the economy in the short term, there are also significant implications for public debt, which is now roughly on a par with GDP. In fact, the state of the public coffers has been remonstrated by the European Commission upon spotting the considerable difference between the public deficit in 2015 and the target previously agreed upon. In July, the Commission chose not to impose sanctions on Spain due to this breach since the had Government announced new budgetary adjustment measures aimed at reaching the new deficit targets -set at 4.6% of GDP in 2016 and 3.1% in 2017- thus extending the deadline for ending its excessive deficit by a further two years.

As for the other macroeconomic imbalances, it should be noted that the external sector has seen a clear improvement while prices are steadily returning to normal. Here, the current account balance looks to have ended 2016 at around 2% of GDP; a healthy figure that comfortably exceeds the 1.4% reported in 2015. The increase in the current account surplus was largely down to the falling energy bill and, to a lesser extent, the drop in the income deficit. Turning to inflation, the CPI managed to overcome its recent history of year-on-year declines to rally strongly in late 2016, thus shaking off the knock-on effect of falling oil prices in late 2015, meaning the country has moved away from the anomalous situation of falling prices.

2.2. Key financial and non-financial indicators

CaixaBank has maintained its leadership and is now the main bank for 25.7% of retail customers in Spain as it showcases its commercial prowess with high market shares across all the main retail products and services.



The following charts show the key figures for the CaixaBank Group, including both financial and non-financial indicators.

Results

€ million and %		2016	2015	Change
Net interest income		4,157	4,353	(4.5%)
Net fee and commission income		2,090	2,115	(1.2%)
Gross income		7,827	7,824	0.0%
Recurring administrative expenses, depreciation and amortisation (a)	(1)	(3,995)	(4,063)	(1.7%)
Pre-impairment income without extraordinary expenses (a)	(2)	3,832	3,761	1.9%
Pre-impairment income		3,711	3,218	15.3%
Profit/(loss) before tax		1,538	638	141.0%
Profit/(loss) attributable to the Group		1,047	814	28.6%

(a) Figures for 2016 do not include EUR 121 million in connection with the labour agreement signed in the third quarter of the year. Figures for 2015 do not include EUR 259 million in costs associated with the integration process of Barclays Bank, SAU and EUR 284 million related to the labour agreement reached in the second quarter.

Balance sheet

€ million and %		2016	2015	Change
Total assets		347,927	344,255	1.1%
Equity		23,556	25,205	(6.5%)
Customer funds using management criteria	(3)	303,895	296,599	2.5%
Loans and advances to customers, gross under management criteria	(4)	204,857	206,437	(0.8%)

Cost-to-income and returns

%		2016	2015	Change
Cost-to-income ratio (total operating expenses / gross income)	(5)	52.6%	58.9%	(6.3)
Cost-to-income ratio without extraordinary expenses	(6)	51.0%	51.9%	(0.9)
ROE (attributable profit / average equity)	(7)	4.5%	3.4%	1.1
ROTE (attributable profit / average tangible equity)	(8)	5.6%	4.3%	1.3
ROA (profit / average total assets)	(9)	0.3%	0.2%	0.1
RORWA (profit / risk-weighted assets)	(10)	0.8%	0.6%	0.2

Risk management

€ million and %		2016	2015	Change
Non-performing		14,754	17,100	(2,346)
NPL ratio	(11)	6.9%	7.9%	(1.0)
NPL ratio (non-real estate companies)		5.9%	6.2%	(0.3)
Cost of risk	(12)	0.46%	0.73%	(0.27)
NPL provisions		6,880	9,512	(2,632)
NPL coverage ratio	(13)	47%	56%	(9)
Net foreclosed property assets held for sale		6,256	7,259	(1,003)
Coverage ratio for foreclosed property assets available for sale	(14)	60%	55%	5

Liquidity risk

€ million and %		2016	2015	Change
High quality liquid assets	(15)	50,408	62,707	(12,299)
Loan-to-deposit ratio	(16)	110.9%	106.1%	4.8
Liquidity Coverage Ratio		160%	172%	(12)

Capital adequacy - BIS III

€ million and %	2016	2015	Change
Common Equity Tier 1 (CET1)	13.2%	12.9%	0.3
Total capital	16.2%	15.9%	0.3
Risk weighted assets (RWAs)	134,864	143,312	(8,448)
Leverage ratio	5.7%	5.7%	0.0
Common Equity Tier 1 (CET1), fully loaded	12.4%	11.6%	0.8

Share information

€ million and %		2016	2015	Change
Share price (€/share)		3.140	3.214	(0.074)
Market capitalization	(17)	18,768	18,702	66
Book value (€/share)	(18)	3.94	4.33	(0.39)
Tangible book value (€/share)	(19)	3.26	3.47	(0.21)
Number of shares outstanding, excluding treasury stock (million)		5,977	5,819	158
Earnings per share (€/share) (12 months)	(20)	0.18	0.14	0.04
Average number of shares, excluding treasury stock (million)		5,842	5,820	22
P/E (price / earnings)	(21)	17.52	22.97	(5.45)
P/B ratio (listed price/tangible book value)	(22)	0.96	0.93	0.03

Commercial business and resources

Number	2016	2015	Change
Customers *(millions)*	13.8	13.8	0.0
CaixaBank Group employees	32,403	32,242	161
Branches in Spain	5,027	5,211	(184)
of which retail branches	*4,851*	*5,034*	*(183)*
ATMs	9,479	9,631	(152)

(1) **Recurring administrative expenses, depreciation and amortisation:** excluding extraordinary expenses.
(2) **Pre-impairment income excluding extraordinary expenses:** gross income less non-recurring administrative expenses, depreciation and amortisation.
(3) **Customer funds using management criteria:** see reconciliation with public data in the Appendix - Glossary.
(4) **Loans and advances to customers, net, under management criteria:** see reconciliation with public data in the Appendix - Glossary.
(5) **Cost-to-income ratio:** administrative expenses, depreciation and amortisation divided by gross income.
(6) **Cost-to-income ratio without extraordinary expenses:** administrative expenses, depreciation and amortisation without extraordinary expenses divided by gross income.
(7) **ROE (Return on equity):** profit attributable to the Group divided by average equity.
(8) **ROTE (Return on tangible equity):** profit attributable to the Group divided by average equity less, where applicable, intangible assets using management criteria.

The value of **intangible assets under management criteria** is the value of Intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of impairment allowances, recognised in Investments in joint ventures and associates in the public balance sheet.

(9) **ROA (Return on assets):** net profit divided by average total assets.
(10) **RORWA (Return on risk-weighted assets):** net profit divided by regulatory risk-weighted assets.
(11) **Non-performing loan ratio:** non-performing loans, gross, under Loans and advances to customers on the public balance sheet and contingent liabilities divided by total loans and advances to customers, gross, and contingent liabilities.
(12) **Cost of risk:** total allowances for insolvency risk recognised in the last twelve months divided by total loans and advances to customers, gross, plus contingent liabilities at the period-end. The ratio for 2016 excludes the release of provisions made in the last quarter of the year (0.15% including that effect).
(13) **Coverage ratio:** total impairment allowances on Loans and advances to customers and provisions for contingent liabilities divided by non-performing loans under Loans and advances to customers and non-performing contingent liabilities.
(14) **Coverage of available-for-sale real estate assets:** initial loans write-downs at time of foreclosure plus charges to provisions subsequent to foreclosure divided by the debt effectively repaid on foreclosure.
(15) **High quality liquid assets*:*** HQLAs (High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014), plus the available balance under the facility with the Bank of Spain (non-HQLA).
(16) **Loan to deposits: Loan to deposits*:*** net loans and advances to customers less brokered loans (funded by Instituto de Crédito Oficial and the European Investment Bank) divided by customer funds (which include demand deposits, term deposits, debt securities and subordinated liabilities).
(17) **Market capitalisation:** share price multiplied by the number of issued shares minus the number of treasury shares held at the end of the period.
(18) **BV (Book value):** equity less minority interests divided by the number of fully diluted shares outstanding at a specific date.

(19) TBV (Tangible book value): equity less minority interests and intangible assets divided by the number of fully diluted shares outstanding at a specific date.

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

The **average number of fully diluted shares outstanding** is the sum of the average number of shares issued less the average number of treasury shares held, plus the average number of shares resulting from the hypothetical conversion/exchange of convertible/exchangeable debt instruments issued.

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

(22) P/BV and P/TBV: share price divided by book value. Also calculated using tangible book value.

2.3. Business performance

The CaixaBank Group is Spain's leading retail bank, with 13.8 million customers and 5,027 branches in Spain. Its positioning is based on specialisation across business segments, plus its ongoing commitment to technological innovation and service excellence.

Customer funds

Details of customer funds managed as per management criteria are as follows:

(Millions of euros)	2016	2015	Change
Customer funds	**175,655**	**181,118**	**(3.0)**
Demand deposits	132,691	116,841	13.6
Term deposits (1)	39,624	60,936	(35.0)
Retail subordinated debt	3,340	3,341	(0.0)
Repurchase agreements and other accruals	**1,153**	**1,287**	**(10.4)**
Liabilities under insurance contracts	**40,315**	**34,427**	**17.1**
Total on-balance sheet customer funds	**217,123**	**216,832**	**0.1**
Assets under management	**81,890**	**74,500**	**9.9**
Mutual funds and SICAVs	56,674	51,321	10.4
Pension plans	25,216	23,179	8.8
Other accounts (2)	**4,882**	**5,267**	**(7.3)**
Total off-balance sheet customer funds	**86,772**	**79,767**	**8.8**
Total customer funds under management criteria (3)	**303,895**	**296,599**	**2.5**

(1) Includes retail debt securities of EUR 609 million at 31 December 2016 and EUR 417 million at 31 December 2015.

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

(3) See reconciliation with the financial statements in the Appendix - Glossary.

Customer funds totalled EUR 303,895 million, showing growth of 2.5 % in the year.

On-balance sheet customer funds amounted to EUR 217,123 million (+0.1%):

- Demand deposits totalled EUR 132,691 million, up 13.6% in 2016. Performance here was driven by active management of maturities on wholesale deposits against a backdrop of rock-bottom interest rates.
- Term deposits stood at EUR 39,624 million due to the sizeable number of deposits renewed on maturity and forceful management of profit margins.
- Growth in liabilities under insurance contracts (+17.1%) thanks to the results of the commercial campaigns rolled out under the CaixaFu[Tu]ro programme.

Assets under management totalled EUR 81,890 million following the success of the campaigns rolled out and the ongoing market recovery. Highlights:

- Assets under management in investment funds, portfolios and SICAVs totalled EUR 56,674 million (+10.4%). The change here was a result of the high market volatility seen in the first quarter of the year, followed by a steady recovery from the second quarter onward, which saw further improvements in the latter half of the year.
- Pension plans performed well (+8.8%), climbing to EUR 25,216 million.

Loans and advances to customers

Note 3.3 to the accompanying financial statements for 2016 sets out the Group's policies for approving loans, monitoring default, refinancing debt and recovering amounts, all in respect of credit risk.

Note 3 also discloses the geographic distribution of credit risk and the loan-to-value ratio for collateralised loans, as well as the maturities profile and the sensitivity of loans and credit facilities to changes in interest rates. Information on refinancing/restructured loans and additional data on financing for the real-estate sector, home purchases and property foreclosed in lieu of payment of debts can also be found in that note.

Lastly, Note 14.2 to the consolidated financial statements for 2016 discloses the nature, counterparty and interest rate applicable to customer loans, as well as the composition of and movements in non-performing loans. Note 14.3 details the specific coverage and hedging associated with these.

A breakdown of the lending portfolio as per management criteria and changes therein are as follows:

(Millions of euros)	2016	2015	Change (%)
Loans to individuals	**118,300**	**120,994**	**(2.2)**
Homes purchases	86,405	89,378	(3.3)
Other	31,895	31,616	0.9
Loans to companies	**74,061**	**71,638**	**3.4**
Non-real estate businesses	64,813	59,856	8.3
Real estate developers	8,024	9,825	(18.3)
CriteriaCaixa	1,224	1,957	(37.5)
Public sector	**12,496**	**13,805**	**(9.5)**
Total loans and advances to customers, gross	**204,857**	**206,437**	**(0.8)**
Of which: performing	*190,506*	*189,830*	*0.4*
NPL provisions (1)	(6,684)	(9,163)	(27.1)
Total loans and advances to customers, net (2)	**198,173**	**197,274**	**0.5**
Memorandum items: ***Contingent liabilities***	***10,608***	***10,650***	***(0.4)***

(1) Does not include provisions to cover other financial assets (see Note 14.3).

(2) See reconciliation with the financial statements in the Appendix - Glossary.

Gross lending to customers totalled EUR 204,857 million, down 0.8% in 2016, although the performing loan portfolio gained 0.4% in the year on the back of the increase in solvent business opportunities, commercial strategies focused on specialisation and customer proximity, and improving credit quality indicators.

Highlights by segment include:

- Loans for home purchases continued to feel the effects of the household deleveraging process, although indicators are now showing growth in new loans. The Bank's share of the mortgage loan market is now 17.6%.
- Loans to individuals – other was up on the back of the growth in consumer loans following the success of the financing campaigns launched by the Bank, which has offset the deleveraging seen in other loans to individuals.
- Sustained growth in financing to businesses - productive sectors ex-real estate developers (+8.3%).
- Financing to real estate developers is steadily accounting for less and less of the loan portfolio, falling to 3.9% at 31 December 2016 (-84bp on December 2015) following the Bank's active management of distressed assets.
- Loans to the public sector were impacted by a number of one-off transactions.

Credit risk quality

(loans + contingent risks)	2016	2015
Non-performing assets	**14,754**	**17,100**
NPL ratio	6.9%	7.9%
NPL ratio (non-real estate companies)	5.9%	6.2%
Allowance for impairment	**6,880**	**9,512**
Coverage ratio	47%	56%
Coverage ratio, stripping out real-estate developers	47%	56%

NPL performance

At 31 December 2016, NPLs stood at EUR 14,754 million (EUR - 2,346 million in 2016), including NPLs from contingent risks.

The NPL ratio shed 103 basis points in 2016 to reach 6.9% as the volume of non-performing loans continues to fall.

Stripping out the real estate developer segment, the NPL ratio was 5.9% (-22bp in 2016).

Trends in loan default rates by segment are as follows:

	2016	2015
Loans to individuals	**5.0%**	**4.6%**
Homes purchases	4.0%	3.7%
Other	7.7%	7.2%
Loans to companies	**11.1%**	**15.3%**
Non-real estate businesses	9.0%	11.1%
Real estate developers	30.4%	44.1%
Public sector	**1.5%**	**0.5%**
Total risks (loans + guarantees)	**6.9%**	**7.9%**
NPL ratio (non-real estate companies)	***5.9%***	***6.2%***

Coverage

CaixaBank maintains a solid level of coverage thanks to its prudent risk hedging policies. At 31 December 2016, a total of EUR 6,880 million was allocated to cover potential loan losses, with a coverage ratio of 47%.

The change in loan-loss provisions in 2016 was largely due to the cancellation of debt deriving from the purchase and foreclosure of real estate assets, the derecognition of assets and write-offs and the release of provisions following the development of internal models for calculating coverage requirements.

Exposure to real-estate risk

The "Customer credit risk" section of Note 3.3.6 to the accompanying financial statements includes quantitative information on financing for real estate developers, home purchases and property foreclosed in lieu of payment of debts.

Loans to real-estate developers

In 2016, financing for the real-estate development sector was down 18.3% and its weighting of the total loan portfolio dropped to 3.9% (-84bp in 2016). Coverage of real estate developer risk stood at 44%.

Foreclosed real estate assets

At 31 December 2016, net foreclosed real estate assets amounted to EUR 6,256 million for management purposes, after stripping out real estate assets in the process of foreclosure since the Bank does not have possession of the asset. In addition, CaixaBank's foreclosed real estate assets held for rental (recognised for accounting purposes as Investment Property) amounted to EUR 3,078 million, net of provisions, at 31 December 2016. The rental property portfolio had an occupancy ratio of 91% at year-end.

The coverage ratio for the portfolio of real estate assets available for sale stood at 60% after applying internal models for calculating provisions. The coverage ratio for accounting purposes was 50%.

Properties rented or sold during the year amounted to EUR 1,809 million, with positive results on sales of property since the fourth quarter of 2015 (EUR 72 million in proceeds on sales in 2016). The composition of foreclosed real estate assets available for sale, 56% of which relates to completed buildings, is a unique factor aiding in the sale of these properties on the market.

2.4. Profits and earnings performance

Net profit for the CaixaBank Group in 2016 amounted to EUR 1,047 million (+28.6%).

Key drivers for the year included:

- Gross income impacted by the prevailing climate of rock-bottom interest rates, market volatility and high levels of income generation on insurance contracts and from investees.
- Drive to contain and streamline costs, which has improved the cost-to-income ratio.
- Less impairment losses on financial assets and other provisions following the improvements made to the quality of the loan portfolio.

The abbreviated income statement, for management purposes, is shown below:

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

Gross income/(loss)

The CaixaBank Group's gross income stood at EUR 7,827 million, roughly on par with the level reported in 2015.

Net interest income

In a climate of rock-bottom interest rates, net interest income stood at EUR 4,157 million (-4.5%). The change here is a result of:

- relentless management of retail activity, prompting a sharp reduction in the cost of maturity deposits (0.53% average cost in 2016, versus an average of 1.01% in 2015);
- reduction in finance income on lending activity in response to falling interest rates, the removal of floor clauses from mortgage loan contracts arranged with individual customers in 2015, and the drop in revenue from fixed-income securities due to their lower weighting in the portfolio and a lower interest rate on the portfolio.

The average customer spread fell to 2.07% in 2016, versus an average of 2.11% in 2015.

An analysis of net interest income is as follows:

(in millions of euros)	2016			2015			Chg. in yield/cost		
	Average balance	Yield/Cost	Int. rate %	Average balance	Yield/Cost	Int. rate %	Total	By rate	By volume
Credit institutions (*)	11,718	84	0.72	7,748	17	0.22	67	38.7	28.3
Lending portfolio	192,370	4,411	2.29	194,280	5,071	2.61	(660)	(616.3)	(43.7)
Debt securities	23,378	483	2.07	29,108	925	3.18	(442)	(323.6)	(118.4)
Other interest-generating assets (**)	47,486	1,757	3.70	44,578	2,350	5.27	(593)	(699.9)	106.9
Other assets	64,555	18		67,114	9		9		9.0
Average total assets	**339,507**	**6,753**	**1.99**	**342,828**	**8,372**	**2.44**	**(1,619)**	**(1,601.1)**	**(17.9)**
Credit institutions (*)	36,848	(185)	0.50	34,427	(227)	0.66	42	54.6	(12.6)
Retail funds	173,049	(382)	0.22	171,268	(855)	0.50	473	414.6	58.4
Demand deposits	*119,344*	*(95)*	*0.08*	*103,461*	*(172)*	*0.17*	77	90.0	(13.0)
Time deposits	*53,705*	*(287)*	*0.53*	*67,807*	*(683)*	*1.01*	396	324.6	71.4
Term deposits	*53,090*	*(287)*	*0.54*	*66,251*	*(675)*	*1.02*	388	316.8	71.2
Repurchase agreements and retail loans	*615*		*0.01*	*1,556*	*(8)*	*0.51*	8	7.8	0.2
Institutional debentures and marketable securities	29,635	(391)	1.32	36,814	(680)	1.85	289	195.3	93.7
Subordinated liabilities	4,288	(132)	3.08	4,456	(140)	3.15	8	3.2	4.8
Other interest-bearing liabilities (**)	50,350	(1,490)	2.96	47,555	(2,107)	4.43	617	700.2	(83.2)
Other liabilities	45,337	(16)		48,308	(10)		(6)		(6.0)
Total average funds	**339,507**	**(2,596)**	**0.77**	**342,828**	**(4,019)**	**1.17**	**1,423**	**1,367.9**	**55.1**
Net interest income		**4,157**			**4,353**		**(196)**	**(233.0)**	**37.0**
Customer spread (%)		**2.07**			**2.11**				
Balance sheet spread (%)		**1.22**			**1.27**				

(*) According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being TLTRO II income, while the other way round the relevant heading is financial intermediaries on the liabilities side. Only the net amount between income and expense for both headings has economic significance.

(**) Includes the Group's life savings insurance activity. Market conditions in 2015 meant that this activity was affected by the shift from guaranteed savings products to other financial products offered by the Group. This served to push up the returns and cost of these two items and the net contribution of the insurance business remained stable.

Fees and commissions

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

Banking fees, commissions on securities and others amounted to EUR 1,320 million (-5.0%). These include income from securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking. The annual change in 2016 was down to lower risk transaction activity and fee volume in the year and the fact that more income on one-off investment banking transactions was reported in 2015.

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

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

Fees on the sale of non-life insurance totalled EUR 180 million (+32.6%) thanks to the success of the commercial campaigns carried out to date.

(Millions of euros)	January - December		Annual change	
	2016	**2015**	**Absolute**	**%**
Banking fees, commissions on securities and others	1,320	1,390	(70)	(5.0)
Mutual funds, portfolios and SICAVs	403	423	(20)	(4.8)
Pension plans	187	166	21	12.7
Sales of non-life insurance products	180	136	44	32.6
Net fee and commission income	**2,090**	**2,115**	**(25)**	**(1.2)**

Income from equity investments

Income from equity investments totalled EUR 828 million (+43.1%).

Highlight events in 2016 included the increased income from Repsol and the impact of the perimeter change following the swap agreement with CriteriaCaixa

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

Gains/(losses) on financial assets and liabilities and others amounted to EUR 848 million (-1.7%). This figure includes mainly the materialisation of gains on fixed-income assets classified as available-for-sale financial assets.

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

Income and expenses under insurance and reinsurance contracts

Sustained growth in income arising from life insurance activity to reach EUR 311 million (+44.8%), largely on the back of intensive sales activity.

Other operating income and expense

The other operating income and expense heading includes the following highlights:

- Recognition in the second quarter of the expenses associated with the contribution paid to the Single Resolution Fund and, in the fourth quarter, of the contribution paid to the Spanish Deposit Guarantee Fund (see Note 1 to the accompanying financial statements for 2016).
- Other operating income and expense includes, among other items, rental income and expenses incurred from the management of the foreclosed real estate portfolio as well as other operating income and expense of non-real estate subsidiaries.

(Millions of euros)	January - December		Change	
	2016	2015	Absolute	%
Contribution to the FGD, FRN and SRF (*)	(261)	(278)	17	(6.0)
Other income and expenses	(146)	(21)	(125)	
Other operating income and expense	**(407)**	**(299)**	**(108)**	**36.1**

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

Pre-impairment income/(loss)

The CaixaBank Group's pre-impairment income stood at EUR 3,711 million (+15.3% on 2015, or +1.9% stripping out extraordinary expenses).

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

(Millions of euros)	January-December		Change	
	2016	2015	Absolute	%
Gross income/(loss)	**7,827**	**7,824**	**3**	**0.0**
Recurring administration and amortisation expenses	(3,995)	(4,063)	68	(1.7)
Extraordinary expenses (*)	(121)	(543)	422	(77.7)
Pre-impairment income	**3,711**	**3,218**	**493**	**15.3**
Pre-impairment income excluding extraordinary expenses	***3,832***	***3,761***	***71***	***1.9***

(*) EUR 121 million recognised in 2016 in connection with the labour agreement. In 2015, a total of EUR 259 million was recognised as a result of the integration of Barclays Bank, SAU, plus a further EUR 284 million from the labour agreement.

Impairment losses on financial assets and other provisions

Significant drop in impairment losses on financial assets and other provisions (-57.5%).

Insolvency provisions were down heavily (-80.3% year on year), following the improvements in asset quality and the development of internal models that effectively lower provisioning needs.

Ongoing reduction in the cost of risk to reach 0.46% (-27bp in 2016).

Other charges to provisions primarily reflect the current estimation of coverage needs for future contingencies and other asset impairment allowances.

The CaixaBank Group recognised an additional provision of EUR 110 million in the fourth quarter of 2016 after re-estimating the current value of the payouts expected to derive from the legal proceedings under way in relation to the floor clauses present in some mortgage loans, most of which were originally arranged by investee banks and entities (in addition to the EUR 515 million already reported in 2015).

In 2016, this heading includes EUR 160 million associated with the early retirement agreement.

(Millions of euros)	January-December		Change	
	2016	2015	Absolute	%
Insolvency allowances	(314)	(1,593)	1,279	(80.3)
Other charges to provisions	(755)	(923)	168	(18.4)
Impairment losses on financial assets and other provisions	**(1,069)**	**(2,516)**	**1,447**	**(57.5)**

Gains/(losses) on disposal of assets and others

Gains/(losses) on disposal of assets and others primarily comprises the proceeds of non-recurring transactions completed during the year, and results on sales and write-downs in relation to the real estate portfolio and other assets.

The year-on-year change was largely down to the following one-off events:

- In 2016, this heading includes the impact of updating the internal models for calculating provisions, the proceeds on sales of real estate assets and the losses incurred from the early redemption of the bond issue exchangeable for Repsol shares.
- In 2015, it included the recognition of the negative goodwill arising from the integration of Barclays Bank, SAU (EUR 602 million), losses on the sale of real estate assets and asset impairment due to obsolescence associated with the integration process (EUR 64 million).

Income tax

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

In 2016, it includes the impact of the tax reforms ushered in by Royal Decree-Law 3 of 2 December 2016, imposing restrictions on the deductibility of losses on transfers of shares and other equity interests. This required CaixaBank to recognise a higher income tax expense, largely on account of the cancellation of deferred tax assets in the fourth quarter due to impairment of shares and other equity interests of EUR 149 million.

2.5. Segment reporting

This section shows the key financial figures and performance of the three different businesses operating at the CaixaBank Group, as per the segment information contained in Note 8 to the consolidated annual financial statements.

Banking and insurance

The following table shows the income statement for this business and the key financial figures:

(Millions of euros)	2016	2015	Change (%)
Net interest income	**4,387**	**4,658**	**(5.7)**
Dividend income and share of the profit or loss of entities accounted for using the equity method	159	122	28.6
Net fee and commission income	2,089	2,113	(1.1)
Gains/(losses) on financial assets and liabilities and others	846	742	14.1
Income and expenses under insurance and reinsurance contracts	311	214	44.8
Other operating income and expense	(156)	(81)	92.5
Gross income/(loss)	**7,636**	**7,768**	**(1.7)**
Recurring administration and amortisation expenses	(3,875)	(3,954)	(2.0)
Extraordinary expenses	(121)	(543)	(77.7)
Pre-impairment income	**3,640**	**3,271**	**11.3**
Pre-impairment income excluding extraordinary expenses	***3,761***	***3,814***	***(1.4)***
Impairment losses on financial assets and other provisions	(769)	(1,698)	(54.7)
Gains/(losses) on disposal of assets and others	21	446	(95.4)
Profit/(loss) before tax	**2,892**	**2,019**	**43.2**
Income tax	(904)	(408)	120.3
Profit/(loss) after tax	**1,988**	**1,611**	**23.5**
Profit/(loss) attributable to minority interest and others	9	5	101.6
Profit/(loss) attributable to the Group	**1,979**	**1,606**	**23.4**

(Millions of euros)	2016	2015	Change (%)
Average equity	*19,071*	*18,161*	*5.0*
Total assets	*327,606*	*317,780*	*3.1*
ROTE (1)	*10.8%*	*10.1%*	*0.7*
Cost-to-income ratio without extraordinary expenses	*50.7%*	*50.9%*	*(0.2)*
NPL ratio	*5.8%*	*6.0%*	*(0.2)*
NPL coverage ratio	*48%*	*57%*	*(9)*

(1) Excluding one-off impacts: the release of loan provisions in 2016 and extraordinary expenses in 2015. The impact of extraordinary expenses and one-off impacts associated with the integration of Barclays Bank, SAU.

- Profit at 31 December 2016 of EUR 1,979 million (+23.4%).
- Gross income totalled EUR 7,636 million (-1.7%),
- Recurring administrative expenses, depreciation and amortisation down 2.0% year on year after unlocking synergies and implementing cost saving measures.
- Pre-impairment income up 11.3% year on year to EUR 3,640 million (-1.4% excluding extraordinary expenses).
- Cost-to-income ratio of 50.7%, stripping out extraordinary expenses.
- Significant reduction in impairment losses on financial assets and other provisions, (-54.7%) following the improvements in asset quality and the impact of developing internal models for estimating insolvency risk coverage in the fourth quarter of 2016. Also includes coverage of legal contingencies relating to floor clauses.
- In 2015, Gains/(losses) on disposal of assets and others included mainly the negative goodwill (EUR 602 million) generated from the acquisition of Barclays Bank, SAU.
- NPL ratio of 5.8% and coverage ratio of 48%.
- ROTE was 10.8% excluding one-off aspects.

Non-core real estate business

The following table shows the income statement and key financial figures for this business:

(Millions of euros)	2016	2015	Change (%)
Net interest income	**(66)**	**(89)**	**(25.1)**
Dividend income and share of the profit or loss of entities accounted for using the equity method	18	21	(14.4)
Net fee and commission income	1	2	(41.0)
Gains/(losses) on financial assets and liabilities and others	0	5	
Income and expenses under insurance and reinsurance contracts	0	0	
Other operating income and expense	(251)	(218)	15.1
Gross income/(loss)	**(298)**	**(279)**	**6.8**
Recurring administration and amortisation expenses	(116)	(105)	10.6
Extraordinary expenses			
Pre-impairment income	**(414)**	**(384)**	**7.8**
Pre-impairment income excluding extraordinary expenses	***(414)***	***(384)***	***7.8***
Impairment losses on financial assets and other provisions	(136)	(655)	(79.3)
Gains/(losses) on disposal of assets and others	(1,034)	(680)	52.0
Profit/(loss) before tax	**(1,584)**	**(1,719)**	**(7.9)**
Income tax	459	521	(12.1)
Profit/(loss) after tax	**(1,125)**	**(1,198)**	**(6.0)**
Profit/(loss) attributable to minority interest and others	0	0	
Profit/(loss) attributable to the Group	**(1,125)**	**(1,198)**	**(6.0)**

(Millions of euros)	2016	2015	Change (%)
Average equity	*1,579*	*1,651*	*(4.4)*
Total assets	*12,949*	*15,317*	*(15.5)*
NPL ratio	*80.0%*	*81.8%*	*(1.8)*
NPL coverage ratio	*41%*	*53%*	*(12)*

- The non-core real estate business generated losses of EUR 1,125 million in 2016 (versus EUR 1,198 million in losses in 2015) in response to provisioning efforts sound management of non-performing assets, which led to a 15.5% reduction in the balance of this business in 2016.
- Results for 2016 include the impact of the additional provisions posted in the fourth quarter of the year, largely in relation to foreclosed real estate assets available for sale. They also reflect the positive proceeds on sales of real estate assets, as well as the significant reduction in impairment losses on financial assets.
- Net loans under management amounted to EUR 1,906 million, down 34.4% in the year.
- Net foreclosed real estate assets available for sale totalled EUR 6,256 million (EUR -1,003 million in 2016), while those held for rent amounted to EUR 3,078 million.
- Properties rented or sold amounted to EUR 1,809 million in 2016, with positive results on sales of property since the fourth quarter of 2015.

The balance sheet of the non-core real estate business is as follows:

(Millions of euros)	2016	2015	Change (%)
ASSETS	**12,949**	**15,317**	**(15.5)**
Loans to non-core real estate developers, net	1,906	2,906	(34.4)
Loans to non-core real estate developers, gross	2,887	5,143	(43.9)
Provisions	(981)	(2,237)	(56.1)
Non-performing loans	6,256	7,259	(13.8)
Portfolio of rental properties	3,078	2,966	3.8
Other assets	1,709	2,186	(21.8)
LIABILITIES	**12,949**	**15,317**	**(15.5)**
Deposits and other liabilities	385	638	(39.7)
Intra-group financing	10,966	13,144	(16.6)
Assigned capital	1,598	1,535	4.1

Equity investment business

Gross income totalled EUR 489 million (+45.7%), following the swap agreement with CriteriaCaixa, lower finance costs for the business and dividends received from The Bank of East Asia and Grupo Financiero Inbursa, which are accounted for using the equity method. Income from Repsol was also up in the year due to the extraordinary provisions posted in the fourth quarter of 2015.

Profit attributable to the Group at 31 December 2016 was EUR 193 million (-52.7%). Also affecting the annual performance -aside from the positive trend in income just discussed- were a number of one-off events, including:

- The impact in the fourth quarter of the tax reforms ushered in by Royal Decree-Law 3 of 2 December 2016, imposing restrictions on the deductibility of losses on transfers of shares and other equity interests.
- Other one-off events associated with the extraordinary write-downs made to a number of unlisted stakes and the negative impact stemming from the early repayment of Repsol bonds exchangeable for shares (essentially the

impact of delivering the shares and of cancelling the embedded derivative on the instrument, which was recognised in equity due to its consideration as cash flow hedge).

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

The following table shows the income statement and key financial figures for this business:

(Millions of euros)	2016	2015	Change (%)
Net interest income	**(164)**	**(216)**	**(23.1)**
Dividend income and share of the profit or loss of entities accounted for using the equity method	651	435	50.1
Net fee and commission income	0	0	
Gains/(losses) on financial assets and liabilities and others	2	116	(98.2)
Income and expenses under insurance and reinsurance contracts	0	0	
Other operating income and expense	0	0	
Gross income/(loss)	**489**	**335**	**45.7**
Recurring administration and amortisation expenses	(4)	(4)	
Extraordinary expenses			
Pre-impairment income	**485**	**331**	**46.2**
Pre-impairment income excluding extraordinary expenses	***485***	***331***	***46.2***
Impairment losses on financial assets and other provisions	(164)	(163)	0.6
Gains/(losses) on disposal of assets and others	(91)	170	
Profit/(loss) before tax	**230**	**338**	**(32.0)**
Income tax	(37)	68	
Profit/(loss) after tax	**193**	**406**	**(52.7)**
Profit/(loss) attributable to minority interest and others	0	0	
Profit/(loss) attributable to the Group	**193**	**406**	**(52.7)**
Average equity	*2,434*	*4,151*	*(41.4)*
Total assets	*7,372*	*11,158*	*(33.9)*
ROTE (1)	*15.7%*	*13.1%*	*2.6*

(1) In 2016, this excludes the impact of the tax reform ushered in by Royal Decree-Law 3 of 2 December 2016.

3. Funding and liquidity

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

The balance drawn under the ECB facility (TLTRO II) amounted to EUR 26,819 million,

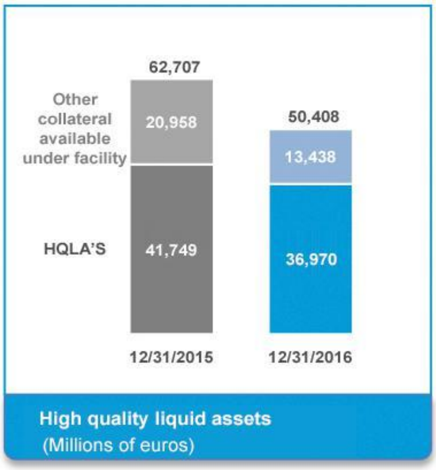
while institutional financing stood at EUR 25,637 million, with the annual change impacted by:

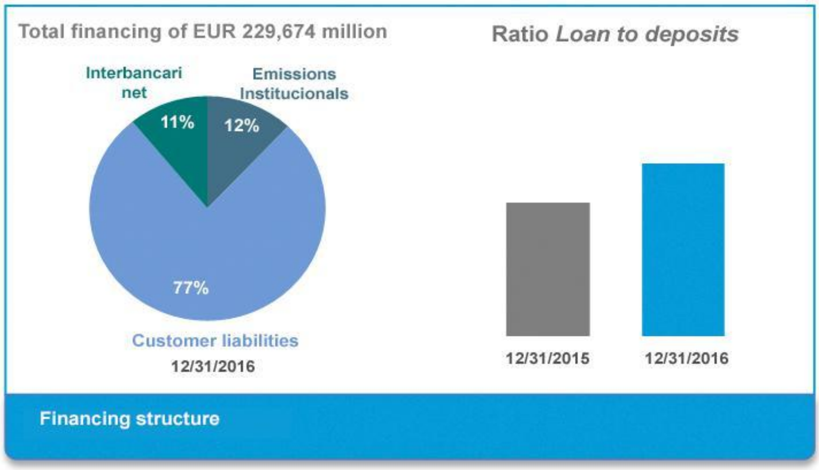
- Total maturities of EUR 7,453 million.
- Mortgage covered bond issue worth EUR 1,500 million at seven years, with demand exceeding EUR 2,500 million.

Available capacity to issue mortgage and public sector covered bonds currently stands at EUR 5,494 million.

CaixaBank has a liquidity coverage ratio (LCR) of 160%, double the minimum requirement of 80% applicable from 1 January 2017 onward.

On 3 January 2017, CaixaBank successfully placed an issue of 10-year mortgage-covered bonds worth EUR 1,500 million. Demand for the bonds surpassed EUR 2,400 million, including considerable interest from international investors. The coupon was set at 1.25%.





(Millions of euros)		31-12-2016	31-12-2015
Mortgage covered bonds issued	a	47,074	48,648
Portfolio of loan and credit collateral for mortgage-covered bonds	b	102,150	121,872
Collateralisation	b/a	**217%**	**251%**
Overcollateralisation	b/a - 1	**117%**	**151%**
Mortgage covered bond issuance capacity (*)		**4,000**	**2,799**

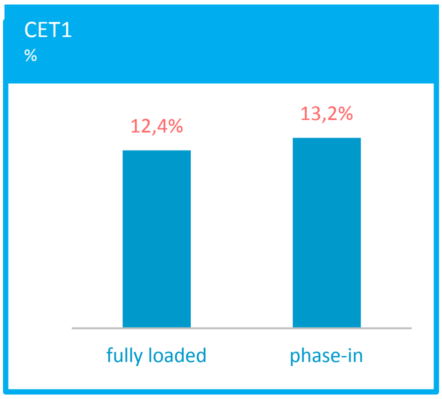
(*) The CaixaBank Group's also had capacity to issue public-sector covered bonds in 2016 and 2015 of EUR 1,494 million and EUR 1,206 million, respectively.

(Millions of euros)	31-12-2016	31-12-2015
Loans and advances to customers	**194,811**	**192,213**
Gross loans and advances to customers	204,857	206,437
Allowance for impairment losses	(6,684)	(9,163)
Brokered loans (*)	(3,362)	(5,061)
Customer funds	**175,655**	**181,118**
Demand deposits	132,691	116,841
Term deposits	39,624	60,936
Retail subordinated debt	3,340	3,341
Loan-to-deposit ratio	**110.9%**	**106.1%**
Loan-to-deposit ratio	**(19,156)**	**(11,095)**

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

4. Capital management

One of CaixaBank's objectives is to keep a comfortable level of capital in accordance with the risk profile assumed in order to strengthen its position as one of the soundest entities in the European banking market.



With that target in mind, the Board of Directors determines the Group's risk and capital policy. The Management Committee oversees management at the highest level, in accordance with the strategies set by the Board. The Financial Accounting, Control and Capital Division is entrusted with monitoring and controlling the Bank's own funds. Capital is managed so as to ensure compliance with both regulatory requirements and the Bank's internal capital targets at all times.

Active capital management is one of the five strategic lines for the 2015-2018 period. One of the pillars of the Bank's financial strength is maintaining a high solvency level, exceeding 11% for the fully-loaded Common Equity Tier 1 ratio (CET1). This is supported and complemented by active capital management that optimises its application. In line with the Strategic Plan, the proportion of capital allocated to the investee business dropped significantly in the first half of 2016 (to below 10%), due to the swap of holdings in Grupo Financiero Inbursa and The Bank of East Asia with Criteria in return for treasury shares and cash.

In 2016, the European Banking Authority (EBA) conducted a stress test on the banking sector. The test covered 70% of the European banking sector's assets and assessed the ability of the main European banks, including CaixaBank through the CriteriaCaixa Group, to withstand an adverse macroeconomic scenario during the period 2016 to 2018. The EBA published the results on 29 July 2016. Although there was no common equity threshold that must be exceeded, the projection is crucial to the ECB's decisions on capital requirements in the context of the SREP (Supervisory Review and Evaluation Process). This SREP provides a standard framework for assessing the resilience of large European banks to a hypothetical worsening of macroeconomic and market conditions and introduces levels of transparency that banks must meet so as to ensure suitable levels of market discipline. Together, these decisions required CaixaBank to maintain a CET1 ratio of 9.3125% in 2016.

At 31 December 2016, the CaixaBank Group had a **Common Equity Tier 1 (CET1) ratio of 13.2%** (12.9% at 31 December 2015) and a **Total Capital ratio of 16.2%** (15.9% at 31 December 2015). Applying the criteria expected for the end of the transitional period (fully loaded), CaixaBank had a **CET1 ratio of 12.4%** and a **Capital Total ratio of 15.4%** at 31 December 2016.

The ECB's minimum regulatory capital requirements mean that CaixaBank must maintain a regulatory CET1 ratio of 9.25%. This includes the general minimum CET1 requirement of Pillar 1 of 4.5% plus 4.75% for the specific requirements of Pillar 2 (supervisory review of the management of own funds) and the capital conservation buffer. In addition, since 1 January 2016, CaixaBank must apply the capital buffer required due to its status as an other systematically important institution (O-SSI) (0.25% to be phased-in over four years to 2019).

For further information on capital adequacy, see Note 4 to the consolidated annual financial statements, as well as the Pillar 3 report.

Key capital adequacy indicators

(Millions of euros)	Regulatory	
	31-12-2016	**31-12-2015**
CET1 instruments	22,923	23,984
Deductions	(5,134)	(5,499)
CET1	**17,789**	**18,485**
Core capital (Tier 1)	**17,789**	**18,485**
Tier 2 instruments	4,088	4,444
Deductions	(85)	(102)
Supplementary capital (Tier 2)	**4,003**	**4,342**
Eligible capital (total capital)	**21,792**	**22,827**
Risk-weighted assets	**134,864**	**143,312**
CET1 ratio	13.2%	12.9%
Tier 1 ratio	13.2%	12.9%
Total capital ratio	16.2%	15.9%
Leverage ratio	5.7%	5.7%

5. Risks and uncertainties

Adequate risk management is essential for the business of any credit institution, especially one like CaixaBank, which mainly operates in retail banking and considers the confidence of its customers to be a core value.

In 2016, prevailing conditions were certainly testing for the business. The main factors affecting the Bank's risk management processes were a macroeconomic scenario with moderate growth rates; inflation and interest rates at all-time lows in the European Union; plus global political uncertainty and no clear outlook ahead for a banking sector in constant flux.

It should be noted that banks are now highly exposed to increased levels of direct competition on the financial markets. On one side we have the new threats associated with technological progress resulting from financial innovation processes and on the other we have the recent entry of new players (shadow banks). This has prompted a shift in market power distribution away from traditional banks towards FinTechs; newly-created companies that provide financial services based on information and communication technologies (ICTs). Banks must therefore strive to develop these technologies in order to remain competitive in this new environment, thus requiring higher levels of investment and the associated risks.

Moreover, the industry continues to be mired down by low interest rates, high defaults ratios and stable -but by the same token stagnant- trading volumes and this state of affairs is raising considerable doubts as to the profitability and sustainability of the banking business model in its current guise. Here, for instance, the European Banking Authority, in its Risk Assessment published in December, contends that profitability is now a key challenge for the banking sector, as clearly shown by an average ROE of 5.7% at June 2016, 100 basis points down on the same figure at June 2015. The efforts made by some banks to improve efficiency (average reduction in operational costs of 3.6%) have fallen short of the mark given the 8.5% decline in operating income.

On the subject of risks and regulation, the year saw a number of regulatory changes (either proposed or definitive) at the hands of the Basel Committee (BCBS), the European Commission, the European Central Bank and the Bank of Spain.

The overriding aim being pursued by the BCBS and EBA is to increase capital adequacy within the financial sector in response to adverse scenarios and also to reduce variance when calculating Risk Weighted Assets among banks, which will certainly be helpful for benchmarking purposes. Of these, key objectives include the need to clarify existing definitions of problematic assets (assets with payment and refinancing difficulties), ensuring proper management of leveraging transactions, the treatment of exposures to large risks and the associated limits, and estimating risk parameters and modelling techniques for developing internal models.

Banks have also been addressing a number of pressing concerns for European regulatory and supervisors, such as aspects relating to internal governance at banks, and providing clearer information and guidance on the risk management framework, on how internal control functions are organised and on how internal controls are implemented. One of the main objectives of all this is to ensure that the boards of directors of banks are aware of the risks caused by complex and opaque structures and of the need to improve transparency.

In Spain, we would highlight the entry into force of Bank of Spain Circular 4/2016 on 1 October 2016, which includes a raft of amendments to the content of Annex IX of Circular 4/2004 on the calculation of impairment of debt instruments in the separate financial statements of financial institutions, so as to bring it into line with the latest developments in banking regulation, while remaining fully compatible with the IFRS accounting framework.

Here, the Group's Board of Directors and management team have been focusing heavily on proper risk governance, management and control in relation to the recurring banking and insurance business. The Group also pursued several courses of action that proved particularly relevant in 2016:

- Analysing all the latest judgments handed down by the courts and the numerous changes in the regulatory landscape, thus requiring a constant assessment of impacts in different scenarios and readiness for implementation in those areas where there have already been specific dates and content with which to comply. All things said, sweeping accounting changes (Annex IX, IFRS 9) affecting both processes and systems in relation to the calculation of regulatory capital, coupled with tough requirements on observing guidelines relating to corporate governance, internal governance, risk management and control, have all required a huge investment in both resources and time, involving employees and the management team and governing bodies, all with the aim of continuing to ensure the Group's leadership and sustainability in the midterm.

- The mid- to long-term readiness process, which will entail significant investments in adapting the branch network and electronic distribution processes to the consumer habits of current and future generations (omnichannel) so as to enable more agile financing decisions, digital processes and the provision of value-added services for our customers. Plus initiatives to improve efficiency and productivity, with the aim of improving the quality of service provided to customers and cutting costs, which will ultimately increase returns for shareholders and investors.

- In addition to technology for commercial purposes, information quality (with the Information Governance and Data Quality Programme to ensure compliance with the Risk Data Aggregation principles by January 2019) and security will continue to attract heavy investment and close attention, with numerous initiatives related to technology risk.

- In addition to the organic activity, there were also numerous corporate transactions during the year, all with the common objective of mitigating or diversifying risks. Highlights here include the Group's increased reliance on synthetic securitisation, selling loan and real estate portfolios, arranging assets swap, and the takeover bid to acquire the as-yet uncontrolled stake in the BPI Group.

- In such a rapidly changing environment and with multiple unexpected impacts coming from all directions, external and internal diagnosis and analysis were also revisited in the latter half of the year, as an input for the process of updating the current Strategic Plan as we move into its last two years of life (2017-2018).

Note 3 to the accompanying financial statements provides further details of Risk Management and of the Internal Control Model of the CaixaBank Group.

6. Key disclosures on CaixaBank shares

6.1. CaixaBank shareholder structure

At 31 December 2016, CaixaBank's capital was represented by 5,981,438,031 shares, each with a par value of EUR 1.00. CaixaBank's controlling shareholder is CriteriaCaixa, which holds a 45.32% stake in the company.

Movements in CaixaBank's share capital are disclosed in Note 25 to the accompanying financial statements.

The company's free float (meaning the percentage of share capital not held by the majority shareholder or by company directors) stood at 46.31%. This free float was distributed among more than 682,000 shareholders.

CaixaBank has not been informed of any agreements between its shareholders for the concerted exercise of voting rights or any that could restrict the free transfer of shares, except for the agreement described under section A.6 of the accompanying annual corporate governance report.

At 31 December 2016, minority shareholders (including employees) held approximately 37.35% of the free float (20.06% of total capital), while the remaining 62.65% was held by institutional investors.

The geographic distribution of the free float among institutional investors is as follows:

	%
America	38%
Great Britain and Ireland	19%
Spain	19%
Rest of Europe	16%
Rest of the world	8%

6.2. Acquisition and disposal of treasury shares

Information on the acquisition and disposal of treasury shares during the period is included in Note 25 to the financial statements.

6.3. Shareholder remuneration policy and share price performance

Shareholder remuneration (Note 6)

Shareholder remuneration remains one of CaixaBank's top priorities. In accordance with the 2015-2018 Strategic Plan, the Bank has remained firmly committed, since 2015, to paying at least 50% of its net profit to shareholders as a cash return.

The first dividend charged to 2016 earnings was paid in September charged and was in cash (EUR 0.03/share). The second dividend was paid in December and was carried out under the scrip dividend programme, allowing shareholders to choose between shares under a scrip issue, cash for selling their rights under that issue, or a combination of both.

CaixaBank share performance

Both the Euro Stoxx 50 (+0.7% in the year) and the other main European stock markets reported gains in 2016, with exceptions in Spain –where the Ibex 35 retreated by 2.0%– and particularly Italy, whose struggling bank sector wiped 10.2% off the value of its blue-chip stock market.

The year saw relatively high levels of market volatility due to repeat episodes of political uncertainty and also for a variety of economic and financial reasons -doubts concerning Chinese exchange policy and plummeting crude oil prices in early

2016 and also the difficulties facing Italian banks and certain systemically important European institutions While the key events were undoubtedly the referendum in the United Kingdom and the ensuing victory of the Brexit camp and the presidential elections in the United States, let us not forget also the elections in Spain or the more recent referendum in Italy. Nerves have been calmed somewhat by a reasonably positive set of macroeconomic figures and also by the ongoing support from central banks through monetary policy.

It should also be noted that the markets have steadily improved over the course of the year. While we certainly saw considerable market turbulence in early 2016, by the fourth quarter things were considerably more positive, with the markets responding favourably to news of the OPEC agreement to cap crude oil production; to the victory of Donald Trump in the U.S. general elections; to the resumption by the Fed of its process of normalising official rates; and to the decision to extend the ECB's asset purchase programme. Looking ahead to 2017, the global economy is expected to gain momentum, although certain doubts will continue to linger, including: (i) Brexit talks and other political risks in Europe (elections in France and Germany); (ii) the stance the Trump administration will take in the United States; and (iii) the impact on emerging economies of a new era of higher interest rates and a stronger dollar.

The CaixaBank share shed 2.3% in the year, closing at EUR 3.140 per share at the end of trading on 30 December 2016. This dip was less than the average for Spanish financial institutions, which was -3.6% in the same period, and less also than the 8.0% drop in the Euro Stoxx Eurozone Banks index.

Stock market capitalisation (€ million)	18,768
Number of outstanding shares (1)	5,977,102
Share price (€/share)	
Quoted price at the start of the period (31-12-2015) (2)	3.214
Quoted price at the end of the period (31-12-2016) 2	3.140
Maximum price (2)	3.270
Minimum price (2)	1.894
Trading volume (number of shares, excluding special transactions, in thousands)	
Highest daily trading volume	91,076
Lowest daily trading volume	4,560
Average daily trading volume	17,442
Market ratios	
Net Profit (€M) (12 months)	1,047
Average number of shares	5,841,972
Earnings per share (EPS) (€/share)	**0.18**
Equity (€ million)	23,526
Number of shares outstanding at 31/12/2016 (1)	5,977,102
Book value (€/share)	**3.94**
Tangible equity (€M)	19,456
Number of shares outstanding at 31/12/2016 (1)	5,977,102
Tangible book value (€/share)	**3.26**
PER	**17.52**
P/B ratio (listed price/tangible book value)	**0.96**
Dividend yield (4)	**4.8%**

(1) Number of shares excluding treasury shares

(2) Trading session closing price

(3) Equity excluding minority interests.

(4) Calculated by dividing the yield for the last 12 months (EUR 0.15 /share) by the closing price at the end of the period.

6.4. Coverage

At year-end 2016, 33 Spanish and international financial analysis firms provided coverage of the CaixaBank share, publishing target price and recommendations for the last six months.

"Buy" and "hold" recommendations accounted for 79% of total opinions. At December 2016, the average target price set by analysts was EUR 2.81 per share[1]. Analysts singled out CaixaBank's leadership of the retail banking market in Spain, coupled with the strength of the franchise and its sturdy balance sheet.

Analyst opinions provide CaixaBank shareholders with an independent and external source to help them understand market opinion on the shares and obtain a better overview of the trends and potential upside or downside of the shares.

6.5. Relations with shareholders and investors

CaixaBank' relations with shareholders and investors are defined and guided by its "Policy governing information, communication and contact with shareholders, institutional investors and proxy advisers", available on the Bank's website (www.CaixaBank.com). This policy treats transparency, equal treatment and non-discrimination as the cornerstones of its relations with shareholders and investors, while also seeking to ensure continuous information, affinity with social interests, compliance with applicable law and CaixaBank's own internal regulations, and the need to remain on the cutting edge in the use of new technologies.

As well as its traditional schedule of meetings and other events with institutional investors, CaixaBank's tireless commitment to its minority shareholders can clearly be seen from the wealth of information it provides to them, as well as shareholder support, training and a number of other special benefits.

In 2016, the Bank continued to work on digitalisation initiatives to improve information channels by launching its brand new newsletter for CaixaBank shareholders. It also continued to improve shareholder interaction by arranging in-person meetings across all of Spain, allowing the Bank to inform them directly of the Bank's new Strategic Plan for the 2015-2018 period and to clear up any doubts or queries they may have in relation to the plan or any other issue.

CaixaBank's shareholder service and support channels and initiatives can be summarised as follows:

- **Shareholder Service**, which can be contacted by e-mail, telephone or post. In 2016, the Bank logged 2,390 exchanges with shareholders.
- The **Shareholder Office**, providing a direct channel for discussing doubts, making inquiries and raising suggestions. The office is located at the Bank's corporate headquarters in Barcelona and also periodically in other cities where the Shareholder Relations teams may be posted at any given time.
- **Corporate meetings and events with shareholders** to report on the 2015-2018 Strategic Plan, Bank earnings, shareholder remuneration and all initiatives aimed at shareholders. A total of 30 meetings were held during the year, and were attended by 1,442 shareholders.
- The **CaixaBank Shareholder Advisory Committee**, which comprises 16 members representing the company's shareholding structure and which is partially rotated each year. During its two meetings in 2016, the committee assessed the implementation of the committee's own recommendations and invited new ideas on how to build stronger relations between shareholders and CaixaBank.

The following information channels are available to CaixaBank shareholders:

- **Corporate website**, which includes the Shareholder Services section, where all shareholder-related initiatives are discussed at length.
- **Shareholder Magazine**, a half-yearly publication containing a wealth of corporate information. A paper copy is sent out to shareholders who have at least 1,000 shares deposited with the Bank, while a digital copy is sent to other shareholders who have shares deposited at the Bank.
- **Shareholder newsletter**, a monthly digital publication that is sent by e-mail to all the Bank's shareholders.
- **Shareholder Information Service Reports**, which have different release dates and are available to subscribers by e-mail.
- **E-mail and text updates,** with information on the Annual General Meeting, corporate M&A, earnings, dividends, and special offers and discounts for shareholders.
- **CaixaBank Twitter profile,** tweeting daily share closing prices, published reports and sundry information of interest of shareholders.
- **Information on results, shareholder remuneration and shareholder benefits,** available to shareholders from CaixaBank branches.

[1] Considering only target prices and recommendations published in reports that were issued within the past six months.

The following advantages were made available to shareholders in 2016:

- **Financial benefits,** such as exemption from bank fees on the purchase or custody of CaixaBank shares held with the Bank; CaixaBank's free, interest-bearing Share Investment Account, with the exclusive aim of acquiring new CaixaBank shares; or the CaixaBank Shareholder card, which is free for shareholders holding at least 1,000 shares deposited with the Bank.
- **Regular offers and discounts** on technological products, leisure and travel. CaixaBank also offers a discount on the purchase or rental of Servihabitat properties for CaixaBank shareholders with at least 1,000 shares deposited at the Bank.
- **Competitions** for shareholders to find out more about the Bank.
- A range of **cultural and sporting events** carried out across Spain.

CaixaBank is firmly committed to sharing macroeconomic and stock market know-how with its shareholders. It does so through the **Learning Room** scheme, which features on-site courses and online resources, all available on the corporate website. **Courses for shareholders** were held regularly in 2016, including "Fundamental analysis and technical analysis", "Financial markets: introduction to valuation tools", "Macroeconomy and markets" and "Taxation of investment products". A total of 16 courses were given to 1,275 participants in 2016.

7. Credit ratings

At the date of this management report, CaixaBank has been assigned the following credit ratings:

	Long term	Short term	Outlook	Assessment date	Rating of mortgage-covered bond
Standard & Poor's Credit Market Services Europe Limited	BBB	A-2	Positive	09-02-2017	A+
Fitch Ratings España, SAU	BBB	F2	Positive	26-04-2016	
Moody's Investor Services España, SA	Baa2	P-2	Stable	18-01-2017	Aa2
DBRS Ratings Limited	A (low)	R-1 (low)	Stable	13-04-2016	AA (high)

Standard & Poor's confirmed its long-term rating and upgraded its outlook from stable to positive on 9 February 2017.

Fitch confirmed its long-term rating (BBB) and maintained its outlook at positive on 26 April 2016.

Moody's confirmed its long-term ratings (senior unsecured and deposits) at Baa2 and upgraded its outlook from negative to stable on 18 January 2017, after reaching a positive conclusion that CaixaBank's credit profile will be able to resist the acquisition of Banco BPI.

DBRS confirmed its long-term rating and kept its outlook at stable on 13 April 2016. For mortgage-covered bonds, it raised the Bank's credit rating to AA (high) from AA (low).

8. Customer quality and experience

Service quality is one of the hallmarks of CaixaBank and we therefore treat it as a competitive edge and an element that helps differentiates our banking business. Quality is ultimately intended to achieve the maximum possible satisfaction and positive word of mouth among CaixaBank's stakeholders: customers, employees, shareholders and the community at large.

Following on from previous years, CaixaBank remains fully committed to offering high quality service and we therefore aspire to become the best bank when it comes to quality and reputation, a challenge we have set ourselves in the 2015-2018 Strategic Plan. Service excellence will be our calling as we offer the products and services best suited to each customer, along with fully personalised care.

Quality will therefore remain an utmost priority, and will be based on trust, proximity, efficiency and the ability to provide unique and memorable experiences.

To achieve this, the Quality and Customer Experience Division has a quality officer in each of the regions. In 2016, these officers visited all of the branches in their area with room for improvement, devising specific action plans adapted to the specific characteristics and requirements of each centre and therefore to the needs of its customers, thus optimising levels of service at the branch.

Special efforts were made in 2016 to strengthen proximity through the concept of a specialist branch manager and to ensure that customers are aware that they have a person they can trust available to them. The aim here is essentially to strengthen ties with customers and increase their trust and confidence in the Bank. The measurement model not only extends to customer satisfaction when visiting the branches, but also the process of gauging how customers feel when they interact with us through any of the alternative channels (Línea Abierta, imaginBank, ATMs and mobile phones).

Customer perception must therefore be measured and their opinions gathered if we are to maintain our excellent levels of service. CaixaBank conducts regular customer satisfaction surveys and has set up internal service quality indicators across the branch network, which it has coined the Customer Satisfaction Index (CSI) and the Recommendation Index (Net Promoter Score, or NPS for short). More than 350,000 customer surveys are conducted yearly for all CaixaBank businesses (Individuals/Retail, Premier, Private, Business, Institutions and Corporate) and for all available channels (Branch, Línea Abierta online banking, ATMs and Mobiles). The CSI addresses aspects such as attention received and employee availability, knowledge of products, adapting to the needs of customers, or taking the initiative and showing a proactive approach when offering products and services, among others.

The year saw significant improvements in levels of both satisfaction and word of mouth, thanks to the efforts of all CaixaBank teams that have been working to ensure greater levels of customer orientation; a key priority in our 2015-2018 Strategic Plan.

As well as the surveys, the Bank makes use of mystery shoppers, enabling to see how potential new customers are treated. Certain branches also carry out specific satisfaction polls so as to proactively detect areas for improvement and improve quality management.

In 2016, CaixaBank made improvements to the model for measuring internal quality by including, in addition to satisfaction surveys, objective and quantitative indicators allowing it to measure levels of excellence when managing internal services (response times, SLAs, claims, queries, etc.) . The system allows the Bank to compile enough qualitative and quantitative information to be able to implement specific action plans.

CaixaBank is actively seeking to retain its position of leadership in management, by pressing on with various initiatives to complement and further the Bank's strategic lines with a Group-wide roll-out that has not only involved CaixaBank, but also the entire business group and all its stakeholders. Highlights here include:

- CaixaBank successfully renews the European Seal of Excellence awarded by EFQM (European Foundation for Quality Management), earning over 600 points for its management model. The Bank managed a score of nearly 650 points, showing that its management is currently among the very best in Spain after successfully passing the external assessment process.
- AENOR certification secured for specialised segments, showing optimum levels of management and customer service. Specifically, CaixaBank was awarded its first AENOR Conform certification for excellence in financial service and care in Europe when it comes to Retail Banking, International Banking and Foreign Trade. It also successfully renewed its existing AENOR certification for Premier Banking and Companies Banking.

CaixaBank is continuously seeking to enhance the customer experience in all interactions and contact with the Bank, the aim being to make them market motivator and opinion leaders thanks to a system of quality management based on customer experience.

In 2016, it carried out specific studies to:

- listen to and understand the customer in each of their interactions with the Bank, capturing their emotions;
- identify "key moments" in customers' relationships with CaixaBank, whatever the channel (ATMs, Línea Abierta online banking, branches, etc.);
- transform these key moments into a differentiating experience that strengthens their emotional ties with the Bank, as we adapt and tailor our actions and solutions to their personal needs.

...thus ensuring that our customers become CaixaBank opinion leaders.

In 2016, key moments across different businesses, Premier Banking for one, were successfully transformed, thereby improving the customer experience when they change their personal manager.

9. Environmental information

CaixaBank is committed to carrying out its business, projects, products and services in the most environmentally-friendly way possible. To that end, the Group encourages financing for projects that take environmental aspects into account, such as energy efficiency and long-term sustainability.

9.1. Environmental information

With society increasingly aware of the need to protect the environment in which we live and work and as part of our continuous improvement policy, CaixaBank has implemented an environmental management system in accordance with European regulation EMAS 1221/2009 and ISO standard 14001 to guide its environmental protection and preservation actions.

On the subject of environmental policy, noteworthy is CaixaBank's embracement of the Equator Principles and the United Nations Global Compact, its commitment to promoting environmentally-friendly technologies and including environmental criteria in products and services, and its ongoing support of initiatives to combat climate change, including the Spanish Green Growth Group.

Our commitment extends to employees and the companies that work with us, but it must also provide an extra benefit to our customer relations.

CaixaBank has a three-year Environmental Plan (2016-2018), which focuses on the fight against climate change. Following on from previous years, an audit was conducted in 2016 of the greenhouse gases emitted by CaixaBank activities in 2015 with the aim of calculating its carbon footprint and establishing actions to minimise this. The Bank also offset emissions generated from business at its Central Services building and the emissions produced by its branch network, relating to direct emissions resulting from the use of fuels, coolant gases and non-green electricity. A total of 20,239 tonnes of CO_2 emissions were offset during the year thanks to the Bank's involvement in a project recognised by Verified Carbon Standard (VCS) that aims to plant the common walnut in Peru in a bid to prevent deforestation while improving the quality of life of local farmers and protecting the value of the forests and woodland in the region.

CaixaBank is one of the leading figures worldwide in taking the fight to climate change and has now been listed, for the third straight year, on the "Climate A List" index, a selection of companies that have obtained the best scores from around the world as part of the assessment conducted by the CDP environment protection body.

CaixaBank has also rolled out a plan to ensure that all of its electricity needs are met by renewable energies in 2018. This lofty objective has led to the Bank being added to RE100, a list featuring the world's most influential companies committed to 100% renewable power.

As part of its tireless commitment to combating climate change, CaixaBank also finances renewable energy plants and projects. In 2016, it provided EUR 882 million in funding to a total of 21 facilities, which between them have 3,081 MW of installed capacity. Since 2011, it has financed renewable energy projects with an installed capacity of over 15,350 MW.

9.2. Management of social and environmental risk in project financing

CaixaBank endeavours to maximise profits at the lowest possible risk, and avoid, minimise, mitigate and remedy any factors that threaten the environment or society.

Project finance is carried out under the Equator Principles, which CaixaBank has adhered to since 2007. Accordingly, an analysis is required of the potential environmental and social risks of the projects, pursuant to the standards established by the International Finance Corporation (IFC) for:

- Project finance entailing an overall investment of more than USD 10 million.
- Loans linked to investment projects in excess of USD 100 million overall.
- Project finance bridge loans and advisory services.
- CaixaBank voluntarily applies this procedure to project bonds exceeding EUR 7 million.
- An internal procedure has been in place for syndicated operations for projects exceeding EUR 7 million since 2011. In 2015, the scope of application of this procedure was widened to include project finance of over EUR 5 million, in cases where the borrower is a medium-large, large or very large body corporate.

Under these premises, at 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. As shown below, projects are classified into categories A, B, or 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 and independent experts.
  Category A and some Category B projects may have potential significant adverse impacts. In these cases, an action plan must be drawn up that contributes to preventing, minimising, mitigating and remedying adverse social and environmental impacts.

The Bank assessed a total of 13 transactions were assessed in 2016 for a combined total of EUR 5,954 million. CaixaBank's participation under these arrangements exceeded EUR 778 million. Of these, 11 were classified as Category B, meaning there are potential adverse social and environmental impacts which are limited and easily mitigated, while two were placed in Category C, which have only a minimal potential impact or no adverse impact whatsoever. There were no Category A projects in the year. All projects were duly assessed by an external and independent expert.

9.3. Incorporating environmental criteria into our range of products and services

ecoFinancing

CaixaBank has a specific line of financing to help borrowers purchase environmentally-friendly vehicles and household appliances, or perhaps refurbish their homes to make them more energy efficient. The Bank also fosters sustainable investments that improve the efficiency of resources or lower the environmental impact. In 2016, CaixaBank granted 576 ecoLoans and ecoMicrocredits for a total of EUR 2.56 million.

CaixaBank has a new line of ecoFinancing (ecoFinanciación) in place since 2013, offering loans for sustainable development agricultural projects in connection with energy efficiency, efficient use of water, organic farming, renewable energies, waste management and development of rural communities. In 2016, CaixaBank granted a total of 24 loans under the programme for a total of EUR 874 thousand.

Green Accounts

MicroBank also collaborates with the World Wildlife Fund (WWF) on environmental conservation and sustainable development through its own financial contributions and those of its customers, via the Cuenta Verde account. In 2016, there were a total of 817 accounts collaborating with the WWF in helping to protect the environment and sustainable development.

- EUR 10,000 allocated to the NGO's reforestation programme through green accounts
- 1,000 trees planted

Socially responsible investment

MicroBank markets and sells the MicroBank Ecological Fund, which has EUR 7.9 million under management. The fund invests in a selection of ecologically responsible funds.

Further, CaixaBank Asset Management, CaixaBank's asset manager, adhered in 2016 to the Principles for Responsible Investment of the United Nations so as to bring social, environmental and good governance criteria within the scope of its investment activity. VidaCaixa, the Group's pension plan management company, adhered to the programme in 2009.

10. Human Resources

10.1. CaixaBank's most important asset: people

As part of its quest for excellence - as in all areas of the business - CaixaBank has defined and rolled out a comprehensive human resource management model. This model integrates the Group's human resources management policies and principles, the processes and systems geared toward satisfying and involving all stakeholders, the management drivers for these processes and systems, and measurement tools to ensure ongoing improvements across the entire model.

The roll-out of challenge number five under CaixaBank's 2015-2018 Strategic Plan will require the Bank to develop and hone professional capacities, ensure a system of decentralised management with local empowerment, adapt the remuneration structure and professional development plans accordingly, and strengthen a culture of meritocracy and diversity of the human team.

In 2016 the average headcount was 32,208 employees.

10.2. Management policies and principles

CaixaBank predicates its people management policy on respect for diversity, equal opportunities and non-discrimination on any grounds, including gender, age or disability. It therefore considers it essential to ensure transparency in recruitment processes and when promoting existing employees. To such end, it has defined the following policies and management principles:

- diversity, equal opportunities and work-life balance
- promoting career development
- performance-based criteria to be included in internal selection processes
- performance-based variable pay directly related to the attainment of individual and team targets
- occupational health and safety
- optimising internal communications

Diversity, equal opportunities and work-life balance policies

CaixaBank's commitment to equality and work/life balance is evident in its adherence to different initiatives and standards as well as the ongoing growth in female representation in the Group's management ranks.

- Equality and work-life balance policies: CaixaBank predicates its HR policies on respect for diversity, equal opportunities and non-discrimination on any grounds, including gender, age or disability.
- Family-friendly business (since 2010): Seal from the Másfamilia Foundation citing continual improvement in the equality and work-life balance model. In 2016, the Bank renewed the certificate for the second time while improving its score to B+ (Proactive company).
- Women's Empowerment Principles: CaixaBank embraces the UN Women and the UN Global Compact, meaning it is publicly committed to aligning its policies to bring about closer levels of equality between men and women.

- CaixaBank and the Spanish Ministry of Health, Social Services and Equality signed a voluntary agreement to increase the presence and involvement of women in management positions and on executive committees.
- CaixaBank was handed the “25th Anniversary Award” from FEDEPE (Spanish Federation of Female Managers, Executives, Professionals and Business Owners) in recognition of its work in fostering the role of women in the employment sphere.
- Diversity Charter (since 2011): Voluntary commitment to championing equal opportunities and anti-discrimination measures.
- CaixaBank has been recognised by the Másfamilia Foundation for its work as a patron and certified entity under the family-friendly business initiative, which has been helping people reconcile their work and private lives since 2010.
- CaixaBank is adhered to the Generation and Talent Observatory, whose main aim is to foster the management of inter-generational diversity at companies and organisations.
- The percentage of women occupying positions of responsibility at CaixaBank is 37%.

Workforce - 2016: stable and optimised

In a bid to rebalance human resources among regions and provinces and optimise the workforce, the bank offered employees working in certain provinces and certain others affected by the process various options for voluntary separation or resignation, as set out in the labour agreement of 29 July. These include:

- Paid early retirements or resignations
- Paid leaves
- Resignations with repostings to other Group companies

However, CaixaBank remains committed to creating employment, offering opportunities to young professionals to join the bank as their first job, and to professionals with experience and leaders in the market.

The following figures were reported for the year as a whole:

- 1,526 new hires
- 729 voluntary resignations
- 636 recurring movements of employees

Promotion policy

One of the Bank’s priorities is to bolster its meritocratic culture and ensure that it has the best qualified professionals, fostering their critical professional competencies. To this end, it invests heavily in training -totalling around 1.5 million hours in 2016- and in professional and management development programmes. CaixaBank has a talent retention rate of 92.3% and high percentages of promotions among existing employees.

Internal promotion figures within CaixaBank are as follows:

	2016	2015
% internally promoted employees	16.8%	19.0%
% management positions covered internally	98.2%	99.5%

Pay policy

On 15 December 2016, CaixaBank’s Board of Directors approved the latest version of the CaixaBank General Remuneration Policy, which explains the main features of each pay item while reflecting and incorporating the latest set of regulations governing remuneration. The policy is available to 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.

Positions at Central and Regional Services and other non-regulated posts fall in a classification system based on contribution levels, with salary bands established to ensure internal suitable levels of internal fairness equity. Moreover, to ensure that the Bank remains competitive with its peers, salary bands are quantified on the basis of the Bank's competitive position. This requires it to monitor market trends in salaries closely and take part in several annual salary surveys.

- Variable remuneration that takes the form of a performance-related bonus pegged to the attainment of certain pre-defined targets. This remuneration is set up so as to avoid possible conflicts of interest and, when required, includes qualitative assessment principles to help ensure alignment with customer interests and the rules of conduct relating to the securities market. Variable remuneration at CaixaBank is intended to ensure prudent risk management.

  Employee remuneration ensures a reasonable and prudent balance between fixed and variable pay items; one that responds to market conditions and the Bank's specific situation at the time in question and involves a proper assessment of performance.

  When measuring performance, the Bank relies on both quantitative (financial) and qualitative (non-financial) criteria, with the combination depending on the functions and responsibilities of each employee. Qualitative criteria include measures such as customer satisfaction, compliance with external and internal rules and the suitability and fitness of the financial instruments marketed and sold, which are measured by evaluating claims and grievances received and the controls in place to ensure that all action invariably has the customer's best interests in mind.

  Each functional business area or segment has a specifically designed bonus programme in place featuring its own unique metrics and a series of base challenges and conditions for calculating variable remuneration based on the level of attainment. Each employee has a bonus objective on which his or her performance is measured. Each employee has a bonus objective on which his or her performance is measured.

  Each month, CaixaBank employees can track their progress in relation to the challenges and conditions that make up their specific bonus programme, and also consult their bonus objective.

Occupational health and safety policy

CaixaBank has an **occupational health and safety management system** in compliance with applicable law and OHSAS 18001:2007 (voluntary certification).

This standard requires the management system undergo a yearly audit by both internal and external auditors. In 2016, the Bank approved completion of the improvement measures relating to 2015 and conducted the relevant internal and external follow-up audits. CaixaBank's preventive management system guarantees the health and safety of all employees and effectively integrates a culture of prevention across the organisation.

CaixaBank's Prevention Office integrated specific mechanisms during the year so as to better control and monitor present needs in relation to occupational health and safety. In doing so, it established follow-up indicators that can be analysed in order to avoid possible departures and plan corrective action accordingly.

The Prevention Office works alongside the Safety, General Services and Development and Training Department in staging training activities with the aim of raising employee awareness and knowledge of occupational health and safety concerns. Moreover, all employees are offered a health check-up based on the specific risks of their job and asked to take part in various health-oriented campaigns (healthy habits, nutrition and physical activity, preventing back pain, etc.).

In 2016, a proposal was drawn up for the purpose of identifying, assessing and controlling psychosocial factors, with the aim of implementing this at some point in 2017.

Internal communication policy

Internal communication focuses on three main aspects: raising awareness of the Bank's strategic and business priorities as these arise; disclosing internal policies that affect employees and good practices and announcing internal and external recognitions and accolades granted to specific employees or to the Bank; and finding out the expectations and concerns of all employees so as to be able to talk with them effectively.

To achieve these aims, the Bank has numerous online channels, including the "**Personas**" ("People") page on the Intranet. With upwards of 1.9 million visits a month (up 9.8% on 2015), the page publishes news every day in relation to the three aspects just discussed (615 news articles in 2016). The year also witnessed the arrival of the new **Direct Channel**, a two-way system allowing the senior management to send their personal responses to the concerns raised by the work force in specific forums.

To help accomplish challenge five under the Strategic Plan, the ***#equiposaludable*** (#healthyteam) was also rolled out in 2016 to promote and champion healthy habits among Bank employees and which is based on the WHO's definition of health: "Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity". For this reason, not all ideas and proposed activities focus exclusively on physical health, but extend also to the three focal points under the campaign: Physical Wellness, Positive Attitude and Volunteering. A total of 9,698 employees have already registered, 1,582 activities generated and 7,200 photographs uploaded to the platform.

International HR management policy

CaixaBank manages people across 20 different countries, respecting the local characteristics and customs of each region, but based nonetheless on a unified policy across the Group. Mobility between the different countries is also addressed in the **Bank's single international mobility policy for long and short-term transfers**.

In 2016, major changes were made to the way international payslip is managed in that the process is now fully automated through the HR management system (SAP), the single global supplier (TMF) and the international branches (CGS - Caixa Global System). This process has enabled the Bank to streamline the process of managing remuneration in accordance with the policy just mentioned.

In terms of challenges, the International Network is now properly aligned with other business segments when it comes to the management and handling of variable remuneration.

The first international Competency Based Assessment was also successfully completed in 2016, based on the new functions assigned to the network. Every single member of the international workforce has now been assessed, including both expatriates and local employees.

Last but not least, the international training programme was rolled out during the year: "*Frameworks and Principles of International Banking*", which is aimed not only at the International Network but also at those from Spain who engage in any kind of international work or otherwise interact with the network of international representation offices.

10.3. Professional development

To ensure full employee satisfaction and commitment, CaixaBank has a number of specific programmes in place aimed at:

- training and knowledge management
- performance evaluation and talent management
- employee involvement and recognition schemes

Training and knowledge management

A well-trained team is critical to excellent customer service and adapting to emerging business and market requirements.

The various training initiatives are set up on-site at the employee's work centre and also make use of Virtaula, CaixaBank's e-learning platform, allowing employees to share their knowledge and optimise their time.

For CaixaBank, the knowledge of its employees is a hugely valuable intangible asset. To this end, CaixaBank works to structure and transmit this knowledge by different means, including internal trainers and knowledge leaders, technology such as Virtaula, and the Conecta in-house social network, which facilitates the sharing of information, ideas, opinions and experiences.

Following the arrival of the Banking Union, European regulators are insisting more and more on employee training, as shown by the busy annual schedule of regulatory training activities intended for Bank employees. The ultimate aim here is to ensure quality service for customers. A prime example of this is the training course in financial advice. CaixaBank has been keeping one step ahead of the sector by seeing to it that over 7,000 employees have already earned the Diploma in Financial Advice from Pompeu Fabra University of Barcelona, and also the International Certificate in Wealth & Investment Management from the Chartered Institute for Securities & Investment (CISI), which is accredited by Europe’s flagship regulatory body, the Financial Conduct Authority (FSA), the most widely recognised body operating within the financial sector worldwide.

Performance evaluation and talent management

CaixaBank has consolidated its own model for identifying, evaluating and nurturing executive talent based on a competency-based approach and the leadership model intended to transform the Bank.

Competency-based assessments have now reached 100% of the workforce. This process, supplemented with other mechanisms and tools such as external evaluations and 180% assessments, not only improves feedback processes between managers and employees, but also flags those employees showing the greatest potential within the organisation so that they can be put on specific career development programmes. In tandem with this initiative, CaixaBank rolled out the *My performance evaluation* document compiling each employee’s individual skills and performance assessment, along with a detailed justification for the score received.

Transformational leadership model

This leadership model ensures that the actions of CaixaBank team leaders are in line with corporate strategy and values; champions innovation and creativity as the drivers of change (a necessary element in the current competitive environment); fosters the personal and professional growth of all employees; and empowers individuals and their ideas as the drivers of the Bank’s transformation. The model focuses also on the leadership at the service of collaborators and ethnic management.

Executive Development Centre (EDC)

Aware of the key role played by CaixaBank executives within the Bank’s business model and leadership, the EDC provides bespoke training and development programmes in partnership with leading business schools in Spain (such as IESE and ESADE) to hone their skills while providing support for the deployment of strategic initiatives. It also strengthens their sense of belonging at the Bank and their appreciation of its values and culture, while also facilitating executive networking opportunities. The EDC also offers conferences and specific programmes and courses to refine management skills.

To ensure a long and healthy relationship with executives, the EDC offers a Digital EDC space with a permanent supply of resources.

Employee participation and recognition schemes

Employee recognition is crucial to motivation, engagement and commitment with respect to delivery of individual targets and contribution to team objectives.

CaixaBank recognises and rewards its employees’ attitudes and contributions with individual prizes and awards at team and business segment levels.

Highlights here include the Prizes for Excellent Service, which are awarded to those teams that reported the best result for the year in terms of customer care quality; and to strengthen team engagement, we have a total of 14 events and ceremonies to recognise the Best Sales Teams, which are key events boasting the presence of the senior management and employees from all fields (12,825 in attendance in 2016 from all around the world). Nearly a thousand of our professionals from the retail and commercial network received prizes, including awards for both team and individual achievements.

Social commitment

As social commitment is one of the Bank’s institutional values and because this is key to the ongoing development of its personnel, CaixaBank offers employees participation-based systems for channelling their ideas, initiatives and community outreach endeavours, such as the Corporate Volunteering scheme and Espacio Solidario (Charity Corner).

10.4. Measurement and improvement

CaixaBank considers it essential to ensure the satisfaction of its employees and a positive working environment, with motivated and committed teams. An Opinion Study is therefore conducted every two years to gather the views of all CaixaBank employees.

After analysing the 19,000-plus opinions compiled during the 2015 Opinion Study, a corporate Improvement Plan was rolled out in 2016 in a bid to continue growing as an entity, while also strengthening CaixaBank's trust in and commitment to its human team.

In 2016, CaixaBank ranked 13 out of the 100 best companies to work at in Spain, according to the Business Monitor of Corporate Reputation (MERCO, to use its Spanish acronym). The Bank is currently ranked third within the banking sector

10.5. Human Rights and Codes of Conduct

CaixaBank has a Code of Business Conduct and Ethics, which is binding on all employees, executives and members of the governing bodies.

The Code is rooted in the values of quality, trust and social commitment and fosters the following conduct:

- Compliance with applicable law, rules and regulations
- Respect for people, cultures, institutions, and the environment
- Integrity
- Transparency
- Excellence and professionalism
- Confidentiality
- Social responsibility

CaixaBank also has an anti-corruption policy that expressly prohibits any kind of unlawful activity related to corruption, such as extortion, bribery, facilitating payments and influence peddling.

It also has a Corporate Responsibility Policy.

In 2016, the Bank started to prepare a due diligence policy and process in connection with human rights so as to highlight and draw attention to CaixaBank's commitment to such pressing concerns, in accordance with the Guiding Principles on Business and Human Rights of the United Nations.

The Bank also has an internal code of conduct for specific areas (such as the Internal Code of Conduct on Matters Relating to the Securities Market, the Telematic Code of Conduct and the Code of Conduct relating to the Euribor Contribution Process). It also has specific policies relating to ethics and social and environmental values and principles with its stakeholders: ethics, environmental and social values for Group suppliers, anti-money laundering policy, anti-discrimination policies and financial inclusion policies for MicroBank, the Group's social banking arm.

CaixaBank is also a signatory to international ethical standards such as the United Nations Global Compact, the Women's Empowerment Principles, and the Equator Principles in the field of project financing. VidaCaixa and CaixaBank Asset Management are both signatories to the Principles for Responsible Investment of the United Nations.

To ensure compliance with the codes of conduct, a confidential channel has been set up within the company whereby employees can:

- Resolve any doubts they may have on how to interpret or apply the codes.
- Report any possible breaches of the codes.
- Report breaches or grievances in relation to the financial or accounting information.

Regulatory Compliance addresses all incoming questions and claims. It also heads the process of investigating the reports, which may require the involvement of other departments or divisions. The whistle-blower or subject is guaranteed full anonymity at all times and his or her identity will only be disclosed with his or her prior consent and only if absolutely essential for the investigation to continue. A joint body will then reach a final decision on the matter based on the results of the completed investigation. A total of 11 consultations and four grievances were received in 2016 in relation to the Code of Ethics, while one consultation and one grievance were received in connection with the Telematic Code of Conduct.

11. Innovation

In 2016, CaixaBank invested a total of EUR 176.5 million in technology, of which EUR 84.1 million was in R&D and innovation.

Given the fiercely competitive and demanding economic climate, financial institutions need innovation to grow. CaixaBank is wholly committed to innovation. It employs an open and participative model to generate new sources of income and profit through the implementation of new ideas, improve its position in existing businesses, identify and anticipate the impact of new technologies and social changes and capture new business opportunities.

The innovation process at CaixaBank has various focal points, all allowing for the transfer of both knowledge and technology on the path to developing new initiatives and projects.

- **Identifying trends and new ideas**: Identifying knowledge and technology in order to develop new ideas and share them across the company. In doing so, CaixaBank makes use of consultancy firms, relevant websites, companies, academic institutions, banks, etc.
- **Discussing new ideas with the business areas**: trends and new ideas are shared with the business areas and proofs of concept carried out to test the technology.
- **Assessing and defining initiatives and projects**: after evaluating the initiatives with the business areas, the Bank defines the projects to be rolled out.

CaixaBank is strategically committed to Big Data technologies. The 2015-2018 Strategic Plan envisions a Group-wide Big Data project aimed at improving the commercial effectiveness and operational efficiency of selling and internal management processes through the use of Big Data technology.

IBM - CaixaBank Digital Innovation Centre

CaixaBank and IBM continued to work together in 2016 to discover and test emerging technologies within the context of their strategic alliance to manage technological infrastructure.

Extensive work on text processing and to construct natural language processing capabilities was carried out at the Digital Innovation Centre, making CaixaBank the leading company in the development of Watson cognitive technology in Spanish.

Here, CaixaBank and IBM have developed a new virtual helper to advise employees on matters relating to foreign trade, while analysing huge amounts of information (international trade law, country-specific regulations, internal regulations, etc.).

Innovation process support tools

The Innova and Conecta tools are used to support the innovation process at CaixaBank.

Innova. In 2016 Innova became the number one tool for collaboration with CaixaBank employees and is continuing to meet its objectives: enhancing a culture of innovation within the organisation, bringing about cultural change and maximising involvement. With over 80% of employees now involved in the platform, numerous challenges and product tests were put forward in 2015 in relation to matters of business interest. Based on the ideas and proposals received from employees, various initiatives were tested and turned into fully-fledged projects. Innova also offers employees a suggestions mailbox, allowing them to send their ideas and comments on different aspects to the business areas concerned.

Conecta. Conecta is the chosen tool for communications between employees, helping improve teamwork and encouraging the exchange of knowledge. Through trans-departmental groups, employees can bring forth queries and resolve doubts, learn from the experience of others, and share best practices.

External awards and distinctions

The Group received the following awards in 2016, among others:

- **Euromoney Award for CaixaBank Private Banking** in February 2016 for the second year in a row: CaixaBank Private Banking was handed the award by British publication Euromoney at the 2015 Private Banking Survey awards. The publication was swayed by the excellent client attention given by Private Banking and its high-quality services and management model.
- In March 2016, **CaixaBank Asset Management** received the **Best Spanish Manager** award from European financial analysis firm Fundclass. This accolade comes on top of its award for best fixed-income team in 2015 from British publication Capital Finance International.
- In May 2016, CaixaBank received the **Retail Banker of the Year** award for **World's Best Bank in Innovation** in 2016. The accolade is for the technological milestones reached by the Bank in recent months, including the integration of Barclays España and the launch of imaginBank. CaixaBank was also awarded the **Best Mobile Banking** award for the institution offering the year's best mobile banking service.
- In May 2016, CaixaBank was named **Best Partner for International Trade Finance by Lafferty Group**. Lafferty praised CaixaBank's leadership when it comes to small and medium-sized enterprises, as well as its international support network for customers.
- In June 2016, it was handed the **Global Finance Award** for **Best Bank in Spain** for the second straight year. CaixaBank was chosen on account of its ability to offer customer products and services tailored to their specific needs. CaixaBank has also been recognised by the publication thanks to its MailBox service, an innovative tool for managing bank correspondence. In October 2016, Global Finance handed CaixaBank **The Innovators 2016** award in the categories of Product Innovation and Process Innovation.
- In July 2016, **CaixaBank was named Most Responsible Bank in Europe** by British publication Euromoney. This achievement is down to CaixaBank's reliance on policies that help improve the social and economic development of people and the regions in which the Bank carries out its financial business activity. As part of its responsible bank strategy, CaixaBank is firmly committed to financial inclusion, granting microcredits and the Social Housing Programme.
- In August 2016, The Banker named CaixaBank's imaginBank **World's Best Technology Project**. The Banker praised the Bank's ongoing transformation and its potent innovative capacity when it comes to payment systems following the launch of Spain's first mobile-only banking system. The Bank also walked away with the **award in the specific category of mobile projects**. In October 2016, The Banker also named CaixaBank **Best Private Bank for Digital Communication**, particularly for its reliance on social networks. In December 2016, The Banker handed CaixaBank its **Bank of the Year 2016** award on account of its robustness and solvency. Meanwhile, in August 2016 Forrester Research named CaixaBank best bank in Europe and second best in the world for mobile banking services. CaixaBank has now obtained the highest score within the sector in Europe for two years in a row.

12. Branch network

12.1. A branch network with regional roots

Following the recent mergers of Banca Cívica and Banco de Valencia and the acquisition of the retail banking, wealth management and corporate banking arm of Barclays in Spain, CaixaBank has cemented its leadership of the Spanish financial market. CaixaBank has created the largest branch network in the Spanish banking sector. The network has a high degree of capillarity, allowing the Bank's employees to reach numerous locations, as the basic vehicle for the Bank's close ties with customers. This far-reaching network enables the Bank to provide high-quality, personalised advisory services, and is in turn supported by its other complementary channels.

CaixaBank is now present in all Spanish towns and cities with a population of over 10,000 and has increased its outreach to 94% of towns of over 5,000 inhabitants after opening new customer attention points at certain towns in Aragón to provide further support and service to customers.

In 2016, CaixaBank completed a process of optimising and streamlining the branch network. This process has enabled the Bank to generate important synergies, while increasing the number of specialist managers able to offer the best possible advice to customers. It has been carried out with the utmost care, with every attempt made not to abandon any markets and to repost employees to those branches showing the greatest commercial growth potential.

At 31 December, CaixaBank had a network in Spain of 5,027 branches and 245 teller windows (relocated customer attention centres attached to a main office), in addition to 19 representative branches and branches overseas.

Specialisation and enhancing the in-branch experience

Continuing on from 2014, the number of **"A" Branches and Stores** was increased further in 2016. In response to new consumer needs, we have created a brand new model of urban branch that is more technology-heavy but also more personal, more accessible and more customer-friendly. Featuring their own unique design, they are intended to reinforce our commitment to customers with the ultimate aim of improving their experience at the branch by covering all their needs. The new model of branch allows the Bank to focus customer care on providing value-added advice and other services, while relying on new technologies and direct channels to facilitate the most common types of transactions and business carried out at branches and offering absolute availability, comfort and convenience for customers. At year-end 2016, CaixaBank already had 72 "A" Branches and Stores with national coverage in all regions and the aim is now to continue rolling out this new branch model in 2017.

One of the main aims of this new model of branch is to generate genuinely new and unique customer experiences. Various actions and initiatives are carried out constantly at the "A" Branches and Stores in order to create added value for customers as we offer them better services and generate new commercial opportunities, thus strengthening ties with CaixaBank customers in the process.

This sweeping change in the branch model has not gone unnoticed and in June 2016 the Association for Customer Experience Development handed CaixaBank and its "A" Branch and Store project the Best Customer Journey award.

In tandem with the ongoing branch transformation process, CaixaBank has been continuing to expand its **AgroBank** network, which now amounts to 875 branches, so as to provide more bank resources and support in areas and regions with a heavy agricultural and farming presence. Meanwhile, and following the successful launch of 100 **HolaBank** branches in 2015, the outreach of this project was extended further in 2016 and the Bank now has 167 HolaBank branches, which are primarily intended for customers from OECD countries who have their primary residence or holiday home in Spain and who require and value bank employees who can speak their language.

Work was also ongoing in 2016 to improve the quality of service and commitment to our **Premier Banking** customers. Here, we added various new and exclusive products and services aimed at this customer segment and increased the number of specialised managers. We now have upwards of 1,620 Premier Banking managers capable of offering fully personalised advice to help our customers plan their wealth. CaixaBank is the only institution whose Premier Banking managers and branch managers have the Diploma in Financial Advice from Universidad Pompeu Fabra and the International Certificate in Wealth and Investment Management from the CISI.

Mobility and new technologies

The current customer care model is naturally dependent on the reach of the network. However, each branch can adapt to its typical customer and market profile, while developing the relevant expertise, training employees and giving them cutting-edge tools relating to mobility, and also redesigning the branch accordingly, including its interior design and lay-out.

The Bank is therefore clearly committed to mobility and new technologies, so much so that virtually all commercial staff members now have smart PCs or tablets and smart phones on their person so they can attend customers whether in the branch or out and about and perform the most common transactions through these devices. Customer managers therefore act as a mobile branch of sorts when out and about on their daily visits. The number of employees equipped with smart PCs increased from 13,000 in 2015 to approximately 22,000 by year-end 2016.

12.2. Geographic distribution of business volume

Since all CaixaBank branches offer their customers the full range of products and services, the breakdown of business volume below is by branches by Spanish Autonomous Community, foreign branches and representative offices at 31 December 2016 and 2015:

	31-12-2016		31-12-2015	
Autonomous communities and cities	**No. of branches**	**%**	**No. of branches**	**%**
Andalusia	897	17.78	917	17.54
Aragón	88	1.74	87	1.66
Asturias	64	1.27	70	1.34
Balearic Islands	197	3.90	207	3.96
Canary Islands	253	5.01	258	4.93
Cantabria	45	0.89	47	0.90
Castilla-La Mancha	149	2.95	153	2.93
Castile-Leon	246	4.88	250	4.78
Catalonia	1,315	26.06	1,380	26.39
Ceuta	4	0.08	4	0.08
Valencia	438	8.68	443	8.47
Extremadura	67	1.33	64	1.22
Galicia	196	3.88	199	3.81
La Rioja	26	0.52	26	0.50
Madrid	580	11.49	637	12.17
Melilla	2	0.04	2	0.04
Murcia	124	2.46	122	2.33
Navarre	149	2.95	157	3.00
Basque Country	187	3.71	188	3.60
Total branches in Spain	**5,027**	**99.62**	**5,211**	**99.67**
Foreign branches				
Poland (Warsaw)	1	0.02	1	0.02
Morocco (Casablanca)	1	0.02	1	0.02
Morocco (Tangiers)	1	0.02	1	0.02
UK (London)	1	0.02		0.00
Total foreign branches	**4**	**0.08**	**3**	**0.06**
Representative offices:				
Germany (Frankfurt)	1	0.02	1	0.02
China (Peking)	1	0.02	1	0.02
China (Shanghai)	1	0.02	1	0.02
UAE (Dubai)	1	0.02	1	0.02
France (Paris)	1	0.02	1	0.02
India (New Delhi)	1	0.02	1	0.02
Italy (Milan)	1	0.02	1	0.02
UK (London)		0.00	1	0.02
Singapore (Singapore)	1	0.02	1	0.02
Turkey (Istanbul)	1	0.02	1	0.02
Chile (Santiago de Chile)	1	0.02	1	0.02
Egypt (El Cairo)	1	0.02	1	0.02
Colombia (Bogota)	1	0.02	1	0.02
United States (New York)	1	0.02	1	0.02
South Africa (Johannesburg)	1	0.02		
Brazil (São Paulo)	1	0.02		
Total representative offices	**15**	**0.30**	**14**	**0.27**
Total branches	**5,046**	**100.00**	**5,228**	**100.00**

Note: Excludes relocated customer care centres attached to other branches.

12.3. Electronic banking: Internet, mobile phones, social networks and cards

Digital channels allow CaixaBank, in close partnership with the CaixaBank branch network, to offer its customers an innovative, high-quality, accessible, and readily available form of banking anywhere and any time. These new channels stem from our continuous drive towards innovation, with heavy reliance on technology to permanently improve the quality of our services, allow for closer and more personal relationships with customers, and free up time and resources at the branches, thus enabling Bank employees to focus more on addressing customer needs by making the commercial relationship more personal. In 2016, 93% of total CaixaBank transactions were carried out remotely while 62.5% of these were completed over the Internet, via mobile banking, or at ATMs.

Online banking

Key indicators of online banking:

- More than 900 different operations permitted
- 23 languages
- 5.3 million customers using Línea Abierta online banking
- 2,654 million transactions

In 2016, CaixaBank was once again the leading player when it comes to online banking services in Spain. It is ranked first in terms of its share of the domestic market (32.4% at December 2016, according to ComScore) and it also tops the international table (at September 2016) in relation to user penetration of banking services in each country. Moreover, and now for the seventh year running, AQmetrix named CaixaBank best bank for service quality.

In 2016, CaixaBank launched a new commercial portal (www.CaixaBank.es) in a bid to improve the quality and leadership of our online banking service. The website underwent a complete overhaul in terms of both its structure and look by integrating new design, usability and accessibility concepts and features, thus creating a more visual and intuitive interface and browsing experience. The new website was created with the valuable input of more than 500 customers to ensure that it responds to new habits and trends among users when it comes to digital interaction.

In 2016, CaixaBank continued to enhance its multi-channel approach and the digitalisation of its business by adding new digital services under the terms of the 2014-2018 Strategic Plan. The brand new Mi Hucha (My Moneybox) digital product was launched in 2016, allowing customers to manage their savings by setting and then tracking their own personal savings targets through Línea Abierta online banking and mobile banking.

Numerous other digital services were implemented and enhanced during the year to make life easier for Bank customers. These include our new Cuentas de Confianza (Trusted Accounts) service, allowing customers to make quick and easy transfers, or the new Traspaso Rápido (Rapid Transfer) function, so that customers can swiftly transfer funds between their accounts with a minimum of fuss.

Digital tools for businesses also received considerable attention during the year. ComerciaBox is a business management environment available through Línea Abierta online banking, providing information not only on the business itself but also on the company's clients. Meanwhile, online Comex is an easy and effective channel for business customers to arrange video-conferences with their specialist at the Bank.

A further example of our focus on digital proximity to improve relations between customers and managers is the launch of a reconceptualised Muro (Wall) (redesigned with new tools and look) and mi Gestor (my Manager) service, which now feature and reflect new trends in digital relations and strengthen ties between customer and manager.

To help customers with their buying decisions, CaixaBank has continued to develop and come up with new commercial resources so that customers have all the information they need when reaching their decisions. Highlights here include the new online personal loan simulator for credit cards, which employs an online scoring system.

The move to integrate contextualised commercial messages into Línea Abierta online banking has made the platform more personal and has meant that direct sales actions through channels are more successful.

In 2016, Bolsa Abierta online trading cemented its position as a truly market-leading online brokerage service, with new functions including the brand new floating portfolio position, warrant simulators and the portfolio analysis service, all tools that will ultimately help the customer make the right trading decisions and allow them to consult and view their investments.

Products and services through mobile banking

Key figures are as follows:

- 3.7 million customers of Línea Abierta Mobile
- 1,774 million transactions a year
- 3.1 million app downloads a year
- 38.9 million financial alerts sent

CaixaBank's mobile banking platform is a sector frontrunner in Spain and an international benchmark. In 2016, Forrester voted CaixaBank's mobile banking service the best among all European banks. CaixaBank also was handed the Best Mobile Banking Strategy prize at the 2016 Retail Bankers International Awards.

CaixaBank also tops the list in the AQmetrix ranking, which assesses the quality of mobile banking services.

In 2016, over three million downloads of the 60-plus available apps were completed via the CaixaBank portal.

Available for all devices, the CaixaBank Pay app offers a mobile payment solution featuring NFC technology (for compatible Android terminals) that allows users to manage their debit and credit cards. In 2016, it became the Group's second most downloaded app, with only the CaixaBank app itself ahead. More than 150,000 customers use it on a regular basis to arrange cards and manage card transactions (over 130,000 cards issued in 2016).

As a further example of our long-standing support and search for young talent, in 2016 we held the sixth edition of FinappsParty. In 2016, it effectively became the imaginChallenge. Maintaining its 24-hour competition format, it was the turn of the Games Edition in 2016, where the challenge was to design and create content to increase user engagement with the imaginBank app. All in all, the event featured a total of 107 participants from eight different countries, 26 teams and 50,272 spectators following the imaginChallenge event day-by-day by video feed through live Facebook platforms and Periscope.

On 14 January 2016 CaixaBank launched its new imaginBank mobile service

The imaginBank project comes in response to the new needs of the millennial generation, whose perception of the traditional banking sector has changed and who are now seeking out alternatives: 100% digital banks, without branches or fees and with a banking solution that provides value added and speaks to them in their language.

imaginBank completely changes the way customers interact with their bank and has conceived as the first mobile-only bank. Using clear and simple language, it seeks to maximise communication and interaction with customers. It speaks with users informally and avoids financial jargon. When a customer browses the app, he or she will receive friendly and easy-to-understand communications and messages. This friendly and approachable language extends also to contracts or when granting permissions. Communications are there to make life easier for customers by providing clear explanations of everything they can do via imaginBank.

It provides a host of financial services specifically designed for users. A current account, the imaginBank Visa card (without commissions or requirements) and also the Click@go imagin loan. It offers users advanced options for managing their personal finances and for making transfers and P2P payments.

imaginBank provides customers with the very latest technological features when it comes to making payment, namely imaginPay. Customers can choose to have a "traditional" card, or, if they prefer, duplicated on other media, such as a wearable wristbands or a contactless Visa sticker that can be attached to their mobile phone. They can also choose to download it in virtual format to make payments directly with their mobile device using HCE technology. The app also allows for quick and easy peer-to-peer (P2P) payments. For all these reasons, it is no surprise that the imaginBank app has been awarded a high score in the main online stores.

Customers can connect to imaginBank wherever they are and with whatever device they have on them at the time. It also offers various customer care channels. It provides service and support through the social networks (Twitter, Whatsapp and Facebook) and through integrated channels such as assisted chat within the app, and through more traditional channels such as a free-call telephone support number.

No wonder then that the app received various awards and accolades in 2016. imaginBank walked away with a The Banker award in the "Mobile" category. And at the Gartner awards, imaginBank won the prize for "Most Innovative Digital Business Model".

ATMs

Key indicators in respect of ATMs are as follows:

- 9,479 ATMs
- Upwards of 250 services available
- 16 languages
- 630 million transactions
- Market share measured by number of terminals in Spain: 18.53% (3Q 2016)

In 2016, CaixaBank continued its ongoing process of renovating and upgrading its global network of ATMs (Plan Renove), which includes replacing envelope-based payments units for cash payment units.

CaixaBank is Spain's leading bank when it comes to banknote recycling at ATMs. This process will ultimately lead to improvements in branch functioning by allowing staff to dedicate more of their time to customers. Recycling allows for greater operational efficiency at branches and less cash in transit.

Another key feature and advantage of our ATM network is that customers can customise ATM menus to ensure the machine is ideally set up for them. Customisation makes using ATMs a breeze, with features such as "My regular transactions". Users can also choose the size of bank note they would like when making cash withdrawals. Our ATMs also feature menus in sign language, high-contrast letters for the visually impaired and voiced instructions and guidance for the blind. They also offer simplified "Caixafácil" menus for those users unaccustomed to cash machines.

Our new-generation ATMs also allow users to use their mobile phone or contactless card to take out cash on debit or credit at the machine. An additional feature in 2016 is that customer can now withdraw cash via a code, allowing them to do so on the spot without needing to have their card on them. This service improvement led to an increase in the amount of cash withdrawn from our ATMs in 2016.

Last but not least, our ATMs can be used to communicate with our customers and the terminals can even display videos presenting the institutional campaigns of CaixaBank and Welfare Projects.

Cards

CaixaBank is the leading bank when it comes to payment methods, with 15.3 million cards in circulation, roughly 6.6 million of which are normal credit and revolving credit cards, with 7.3 million debit cards and 1.3 million prepaid cards. Purchases made with these cards totalled EUR 33,730 million, representing a market share for the CaixaBank Group of 22.9% of total card turnover.

Upwards of 9.8 million cards are now contactless, accounting for 64% of the cards issued by CaixaBank Payments (up 46% year on year). Total turnover were used in purchases totalling EUR 7,680 million, more than twice as much than in 2015. These figures show that in 2016 total purchasing with contactless technology accounted for 23% of total invoicing with CaixaBank cards (versus 14% in 2015).

Through its subsidiary Comercia Global Payments, CaixaBank has 335,510 point of sale terminals (PoS) installed, and 9 out of every 10 work with contactless technology (294,658 PoS). Use of these cards became fully consolidated among the Bank's customers in 2016, with EUR 7,123 million in turnover obtained through this technology, again more than twice the amount seen in 2015.

An all-time record in purchasing volume was reported on 25 November 2016, or Black Friday, with this extending to both store sales and CaixaBank card purchases, which were up 18% and 14%, respectively, on Black Friday 2015.

Key figures are as follows:

CaixaBank cards

- Market share of 22.9%
- EUR 5,196 million in online sales (16% of total purchases)
- EUR 2,794 processed per second (cards + stores)
- EUR 60,349 million in in-store payments and ATM cash withdrawals (up 8% on 2015)

Customer retailers

- 26.9% market share in card-based purchases
- 335,510 PoS terminals installed
- 1,119 million in-store transactions (up 17% on 2015) for a total of EUR 40,881 million (up 14% on 2015)
- EUR 5,012 million in e-commerce purchases (12.3% of total purchases)

13. Welfare Projects

Over 10 million beneficiaries

”la Caixa” Banking Foundation closed out the year with an impressive set of results in what was year one of its **2016-2019 Strategic Plan** titled **“Building the present. Changing the future”**. The plan has the Foundation’s chairman, Isidro Fainé, at the helm and envisions a total investment of over EUR 2,000 million in social welfare action over the plan horizon, which will make the foundation the largest in Spain and one of the largest in Europe and indeed worldwide.

With a budget of **EUR 500 million** for 2016 -the same allowance as for the last eight years- ”la Caixa” Banking Foundation remains a market leader thanks to the dividends received from CaixaBank and Criteria.

”la Caixa” Welfare Projects works closely with the CaixaBank branch network -the largest in Spain- to roll out initiatives geared towards the specific social, educational, scientific and cultural needs of each region. To keep up this partnership, part of the Welfare Projects budget must be assigned to the financial network. This approach pays testament to the social commitment of all ”la Caixa” Group employees. The ultimate aim is to champion individual and collective development in the
regions where CaixaBank operates its financial business and this is indeed one of the Bank’s hallmarks.

Throughout 2016, the entity has rolled out the main lines of action envisaged in the master plan with one overriding objective in mind: helping to forge a better and fairer society by providing opportunities to those most in need.

The Foundation’s key priorities were focusing on the most productive and life-changing social welfare programmes, particularly those dedicated to children and job creation; stepping up investment in medical research; ensuring excellence when disseminating knowledge and culture; and establishing metrics and assessment systems to make the use of resources much more efficient.

With these principles and objectives firmly in mind, the Foundation enters 2017 with the same desire to consolidate and step up its work in Welfare Projects. As a reflection of this commitment, the budget for 2017 is to be **EUR 510 million**, an improvement on the EUR 500 million budget of the past nine years.

Globally, the ”la Caixa” Banking Foundation carried out over **46,000 initiatives** in 2016, benefiting **upwards of 10 million people**.

The **fight against child poverty** and **job creation** are the two key priorities set out in the Strategic Plan and will be tackled through two strategic programmes: CaixaProinfancia and Incorpora.

In 2016, the **CaixaProinfancia child poverty programme** provided invaluable care and assistance to over 63,600 children and their family members across the main cities in Spain, focusing on neighbourhoods and districts showing the highest rates of social exclusion. The project extended its radius of action during the year and will continue to be set up in new cities as we move through 2017 with the aim of guaranteeing the well-being of children afforded fewer opportunities in life. In the field of direct social action to combat exclusion, **Fundación de la Esperanza** (Hope Foundation), based in the Ciutat Vella district of Barcelona, has stepped up its activity to reach out to more people in need.

Over 28,000 job opportunities

On the subject of job creation, Incorpora celebrated its **tenth anniversary** in 2016 by offering more than **28,000 jobs** to vulnerable individuals. A fine figure indeed, and one that is up appreciably on the 23,626 hires in 2015. This job integration scheme had over 9,500 collaborating companies in 2016 from all over Spain. One of the most innovative features of this project is what is known as **Incorpora Training Points**, which are intended to improve the job prospects of people facing extreme difficulties in finding work, and also the **Self-Employment Points**, which aim to support levels of enterprise among people facing or at risk of exclusion. The Banking Foundation's Strategic Plan also focuses on the need to **combat youth unemployment** through a variety of different initiatives.

In 2016, the **Elderly Citizens programme, which has been running for over a century**, had a total of **813,000 participants** involved in social welfare, cultural, health and technological events and initiatives aimed at promoting active ageing, social involvement and respect for the elderly. These figures provide a further example of the historical ties between the "la Caixa" and the elderly.

The **"la Caixa" Volunteering** programme already has **14,200 participants** tasked with organising, promoting and supporting local actions across all the autonomous regions of Spain. Since the start of the scheme, **over 1.2 million people** have benefited from its numerous activities and events.

Providing **easier access to housing** is another strategic priority under the Strategic Plan, given its overriding importance for many citizens. The "la Caixa" Group is now able to provide **over 33,000 flats** through a range of different initiatives (affordable housing through charity-assisted renting, social renting and the Social Housing Fund). These homes, with **monthly rents starting at 85 euros**, are available all over Spain for people with very low income.

On the subject of **healthcare**, Welfare Projects has extended its aid programme for people with advanced illnesses to a total of **109 hospitals and home care support units**. **A total of 19,800 patients** received psychological and social support in 2016 as part of a programme that also provides support for family members and grief counselling.

The entity remains firmly committed to education as a driver of individual and collective advancement and **training** therefore remains one of its key priorities. With this goal in mind, the **eduCaixa** programme has reached out to **over 2.3 million pupils** from a total of **9,000 schools** in Spain. The initiative offers innovative, practical and easy-to-access educational resources, with programmes designed to hone entrepreneurial skills, boost careers in science, disseminate art and culture and promote personal growth through the development of healthy habits, values and social awareness.

Along similar lines, the emblematic "la Caixa" grants programme allowed **over 200 students** to broaden their training in 2016 at the finest universities in Spain and abroad and at state-of-the-art research centres. Highlights here include the start-up of **INPhINIT**, a new grants scheme co-funded by the European Commission. This new venture aims to attract the best international talent and have them pursue doctorate courses at the best research centres Spain has to offer.

Further highlights for the year included the Bank's ongoing efforts to champion intercultural cohesion and coexistence, helping inmates rejoin society, and rolling out over **863 projects** across Spain to grant aid to entities looking to develop social initiatives, with total investment for these topping EUR 20 million.

Commitment to research

The 2016-2019 Strategic Plan is firmly committed to **medical research** and envisages tripling the budget for this sphere to **EUR 90 million** by the end of the plan horizon. In 2016, investment in research totalled EUR 35 million.

The foundation has also stepped up its ongoing support for **scientific progress** by rolling out projects to improve research into Alzheimer's, AIDS, neurodegenerative illnesses and cardiovascular conditions. In tandem with this, **CaixaImpulse**, the first one-stop programme for transforming scientific knowledge into companies that generate value for society, has presented the 20 selected projects under this latest second call for invitations. Here, **Instituto de Salud Global (ISGlobal)** has become one of the benchmark centres in the fight against poverty-related disease, where it plays a crucial role in combating the likes of malaria and yaws.

In 2016, the foundation stepped up its collaboration with internationally renowned entities, including Bill & Melinda Gates Foundation -to promote **child vaccination** in developing countries- and UNICEF, with the aim of reducing child deaths caused by pneumonia.

Similarly, the ”la Caixa” Banking Foundation and the Telefónica Foundation have recently unveiled their strategic alliance in creating the **ProFuturo** project. The initiative, inspired by Pope Francis, seeks to improve the education and training of children, teenagers and adults from the most underprivileged regions of Africa, Latin America and South East Asia in a bid to improve equal opportunities through **digital training**.

Support for culture and research

A total of 5,194,881 people attended the different cultural, scientific and educational programmes and events organised across all of Spain by ”la Caixa” Welfare Projects in 2016, up 3.6% year on year.

At CaixaForum, Barcelona, the exhibition titled **Impressionist and Modern. *Masterpieces of the Phillips Collection*** was the most visited event of the year, followed by ***Philippe Halsman, Astonish Me!*** and ***A Thyssen never before seen***.

CosmoCaixa, the science museum of the ”la Caixa” Welfare Projects in Barcelona, also held numerous popular exhibitions and events, including **The Cradle of Humanity** and **Wildlife Photographer of the Year**. To these we might also add **Sapiens, understand to create**, an event organised in collaboration with world-renowned chef Ferran Adrià and unveiled in late 2016.

Meanwhile, at CaixaForum Madrid, the largest crowds were seen by the exhibitions **Impressionist and Modern** and **The Pillars of Europe**, the latter being a product of the ongoing collaboration between Welfare Projects and the British Museum in staging joint exhibitions. In third place for the year was **Women of Rome**.

Other highlight events included **Settecento** (CaixaForum Zaragoza); **Sorolla, Drawings in the Sand** (CaixaForum Tarragona); **Women of Rome** (CaixaForum Palma); **Sebastião Salgado, Genesis** (CaixaForum Lleida); and **Mochican Art in Ancient Peru** (CaixaForum Girona).

The year also marked the **30-year anniversary** of the **”la Caixa” Collection of Contemporary Art**, one of the most extensive private collections in all of Europe and an absolute must-see collection in Spain.

Palau Macaya of ”la Caixa” Welfare Projects has consolidated it status as a key venue for **promoting and disseminating ideas and thought**. In 2016, the palace hosted a total of 923 activities with over 51,000 participants. The European School of Humanities is also based at the palace under the direction of Josep Ramoneda, marking a further step forward in this direction.

In appreciation of this hard work, ”la Caixa” Banking Foundation closed out the year with a campaign to thank all collaborators, volunteers, social welfare organisations and NGOs that are helping it achieve the objective of building a better society: **the Essentials**.

The overriding purpose for which the bank was conceived back in 1904 and now, 110 years down the line, these worthy causes are championed through the ”la Caixa” Banking Foundation through the dividends obtained by CriteriaCaixa and are more valid and pressing than ever.

14. 2017 outlook and forecast performance for the CaixaBank Group

14.1. 2017 outlook

CaixaBank Research expects global growth to reach 3.4% in 2017 and 3.6% in 2018; figures that denote a clear pick-up in economic activity when compared to 2016 (estimated growth of 3.1%). The key factors behind this likely economic recovery will be the expansion of international trade (albeit at a slower pace than in previous years), coupled with rallying commodities (which will help kick-start growth in many emerging nations, but will not overly burden importers as the recovery will not be too pronounced) and a global improvement in macroeconomic imbalances. Inflation, in particular, will not move far from the all-time lows that many countries reported in 2015-2016, although it will see some gains in 2017 in response to rising commodity prices.

Following the trend of recent years, emerging economies will outpace advanced nations when it come to net GDP gains (the growth gap between both groups will actually widen in 2017-2018). Here, emerging Asia is likely to set the tone, followed by Latin America, Africa and the Middle East. The main exception to this wider pattern of improved growth will be China, where the economy will gradually lose steam in 2017 (GDP growth slowing to 6.4%, versus 6.5% in 2016). While economic growth is certainly picking up in emerging countries, some of them are continuing to contend with their own set of risks: lingering worries over the financial imbalances in China, the combination of external vulnerabilities and internal domestic complications in South Africa and Turkey and institutional weakness in Brazil.

Turning to advanced economies, the main talking point is perhaps the drastic change of outlook in the wake of the US presidential elections, not only for the country but the world as a whole. Following Trump's victory, CaixaBank Research foresees a fiscal impulse in the United States of approximately 1 percentage point between 2017 and 2018, and it also predicts a moderate impact on growth and inflation. More specifically, the new projections place growth for 2017 and 2018 at 2.3% and 2.4%, respectively. The brighter forecast for the economy makes it more likely that the Fed will hike interest rates. In fact, the market has swiftly adjusted its views on how the Fed will respond in the wake of the elections and it now expects the Fed to make two different hikes over the course of 2017; a prediction slightly at odds with that of CaixaBank Research, which foresees three interest rate hikes. Whatever happens, macroeconomic uncertainty has certainly increased following Donald Trump's victory and it will surely remain high, at least until we can see what direction the new administration intends to take. In the short term, this impasse might trigger a more pronounced increase in long-term interest rates or cause financial instability in one or more key emerging country. What we can safely say, however, is that the new President of the United States will adopt a pragmatic stance when acting on his agenda, since he needs the support of the moderate wing of the Republican Party in Congress if he hopes to pass his intended measures.

Meanwhile, the situation in the euro area is quite different. For a start, Brexit talks are continuing to generate a good measure of uncertainty. While it is unlikely the United Kingdom will remain in the single market, CaixaBank Research is predicting an agreement that allows for reasonable access to the market, but with restrictions on the movement of people. In this context, the party that will come off worse will be the UK, where growth will fall from 2.0% in 2016 to 1.0% in 2017 due to the inevitable uncertainty among investors and the effects of rising inflation (caused by a depreciating pound) on the purchasing power of households and companies alike, which will drag down spending and investment. Although Brexit will have a much more muted impact on the rest of the eurozone, there are still significant political risks associated with the imminent season of elections across the region (Germany, France and perhaps even Italy). On balance, the euro area will see 1.5% growth in 2017, falling somewhat short of the 1.7% seen in 2016. All things said, we are talking about a mild slowdown, largely due to the conspicuous absence of a number of significant one-off factors in 2016 that helped fan growth, such as falling oil prices. Turning to inflation, we expect to see a more appreciable recovery in 2017 in response to growing domestic demand and the likely increase in oil prices. On balance, however, projected inflation (1.7%) is still well off the 2% target set by the ECB. This might explain why the ECB has chosen to extend its asset purchase programme throughout 2017 (as announced in late 2016), albeit with the somewhat lower purchase volume (EUR 60 billion from April onward, versus the cap of EUR 80 billion previously in effect).

As for the Spanish economy, CaixaBank Research expects economic growth in the country to reach 2.6% in 2017. This healthy level of growth means that in 2017 the nation's economy will exceed the GDP levels it reported in 2008 just prior to the onset of the recession. While growth will be slightly lower than in 2016, this is down to the fact that the tailwinds currently fanning the economy are likely to die down somewhat in 2017 -such as oil prices and expansionary fiscal policy- and it should be remembered that the underlying economic support factors remains relatively strong. In particular, the recovery of bank lending on the back of the ECB's expansionary monetary policy, coupled with the improvements seen in the real estate sector and the favourable impact of the structural reforms made in recent years, will continue to fuel growth. The country's commitment to honouring the new deficit targets will strengthen the belief held by the international community that the Spanish economy will be able to report sustained growth in the long term.

14.2. Outlook for the CaixaBank Group

In 2016, the actions of CaixaBank continued to be governed by the 2015-18 Strategic Plan, which pursues five central goals and ideals: quality and reputation, attaining recurring profitability that exceeds the cost of capital, active capital management, spearheading the digitalisation of the banking sector and having a well-prepared and dynamic human team.

Significant progress has been made in years one and two of the plan in numerous areas, with highlights including improvements in internal and external indicators for measuring quality and reputation and the fact that CaixaBank has cemented its commercial leadership in Spain in both retail banking and in its management of assets and insurance. In the meantime, the Bank has maintained a robust financial structure, shown by the now published results of the stress test conducted in 2016 by the European Banking Authority (EBA). Capital consumption has also been optimised by reducing problematic assets, selling banking stakes in BEA and Inbursa and launching a takeover bid to acquire BPI. In the realm of digitalisation, CaixaBank has consolidated its leadership in the number of digital customers in Spain and has also made enormous progress in implementing big data. It also continues to invest heavily in employee training.

The current climate, characterised by rock-bottom interest rates, weak levels of lending and borrowing, significant regulatory changes and fierce competition, is continuing to shackle the Bank's recurring profitability. Here, for example, the return on equity (ROE) in 2016 stood at 4.5%, still low although certainly up on the 3.4% reported in 2015 on the back of the Bank's efforts to contain costs and the significant reduction in the cost of risk.

As was always the intention, the Strategic Plan was reviewed in the fourth quarter of 2016 to coincide with the plan's midpoint. While the strategic pillars of the plan remain unchanged following the review process, certain objectives and courses of action have been adjusted, especially on the subject of profit generation.

Although pressure on income will certainly remain high in 2017, the brighter outlook for new loan production and the slow and steady rise in interest rates will help drive the recovery of net interest income. In view of the current panorama, CaixaBank will remain committed to diversifying its revenue streams towards more profitable segments, especially consumer loans and loans to businesses, as it relies on its commercial prowess and impressive market penetration for products offering high levels of customer engagement.

Meanwhile, cost control, risk management (reducing unproductive assets), managing operational efficiency and continuous investment in technology will all remain key strategic aspects.

Capital adequacy will also remain a priority and here CaixaBank will continue to face pressure from what is a highly demanding regulatory and supervisory landscape.

The following main trends look likely to continue as we move through 2017:

- **Core operating income (net interest income plus fee and commission income):**
  - Steady recovery of net interest income. The negative impact of low interest rates will continue to undermine income from loans and advances. That said, lower finance costs, coupled with steady growth in loan volumes and the shift towards segments that promise greater returns should all help to push up the Bank's net interest income.
  - Pressure on fees and commissions will remain due to the fierce levels of competition. Similarly, market uncertainty and volatility will also impact the performance of off-balance sheet funds.
  - Meanwhile, the insurance business is set to make a bigger contribution. CaixaBank's leadership in this segment, combined with its relentless commercial drive and improving levels of income on the portfolio of individual life-risk insurance products reinsured in 2012, will all support growth in 2017.

- **Banco BPI**: Once the takeover bid has been completed in February 2017, the Portuguese bank is expected to be fully integrated during the first quarter of 2017. The BPI franchise, which is well-positioned to benefit from the recovery of the Portuguese economy, should bring an attractive business that will benefit further from significant synergies in terms of both income and costs.

- **Reduction in the cost of risk** on the back of lower unemployment and the ongoing economy recovery. Moreover, rallying house prices will continue to push up proceeds on sales of real estate assets.

- **Active management of the cost base**, including measures to pare back and streamline costs. In 2016, the main milestones here were the Labour Plan and the early retirement agreement reached in the second quarter of the year. A process was also initiated to review the cost base in order to make further improvements in streamlining the cost structure. More recently, in January 2017, a new early retirement plan was launched and had an uptake of approximately 350 people, at an approximate cost of EUR 150 million.

- **Anticipating short and mid-term supervisory requirements and regulatory changes will remain a major challenge** In particular, we have the entry into force of IFRS 9, minimum requirements on eligible liabilities for internal recapitalisation of banks (MREL) and the Basel Committee's plans to review the methods for calculating risk-weighted assets.

Lastly, 2017 will also be a key year when it comes to management of political risks and lawsuits. The Group has therefore set itself the strategic priorities of becoming a leader in reputation, while raising awareness across the organisation of the importance of conduct risk and strengthening the culture of internal control and compliance. It will also continue to adapt to best standards and practices when it comes to information governance and data quality.

15. Events after the reporting period

2017 early retirement scheme

On 10 January 2017, a paid early retirement scheme was launched for employees born between 1 March 1953 and 31 December 1959. 350 people have accepted the plan, which will cost approximately EUR 160 million. It is scheduled to come into force on 1 March 2017.

Acquiring control of Banco BPI

Following the sale of 2% of BFA to Unitel on 5 January 2017, BPI reduced its stake in BFA losing control of that company. This implied a loss attributable to CaixaBank of EUR 102 million, recognised on the 2017 statement of profit or loss.

On 16 January 2017, the Portuguese securities commission (Comisión del Mercado de Valores Mobiliarios) registered the prospectus for CaixaBank's takeover bid for BPI at a price per share of EUR 1.134, and the acceptance period of the bid was opened. This period closed on 7 February 2017. Having secured the required approvals and following completion of the acceptance period for the takeover bid, CaixaBank obtained a stake of 84.51% in BPI. The payment for the 39.01% of share capital acquired in the bid stood at EUR 645 million.

After the bid, CaixaBank's pro-forma regulatory (phase-in) Common Equity Tier 1 (CET1) ratio at 31 December 2016 was 12.0%, 11.2% fully loaded. In terms of total capital, and factoring in the subordinated debt issued by CaixaBank on 8 February 2016 (see the section on "Subordinated bond issue" in this same section), the pro-forma ratios were 15.4% (phase-in) and 14.7% (fully loaded). Pro-forma data are based on preliminary internal estimates prior to the taking of control and the fair value of Banco BPI's assets and liabilities being set.

The corresponding purchase price allocation process then began to account for the transaction, in accordance with accounting legislation. As a result of this analysis, negative goodwill or goodwill could be recognised in the statement of profit or loss. Although work has begun to calculate the fair value of the assets and liabilities acquired, it is not possible at the date of authorisation for issue of the accompanying financial statements to estimate the potential impact thereof.

ABO of CaixaBank shares by CriteriaCaixa

On 6 February 2017 CriteriaCaixa published a Significant Event notice announcing the placement on the market of a package of 318,305,355 CaixaBank shares owned by Criteria and accounting for approximately 5.3% of CaixaBank's share capital through an ABO. The share placement amounted to EUR 1,069 million, at a sale price of EUR 3.36 per share.

Following the placement, CriteriaCaixa, CaixaBank's main shareholder, holds a stake of 40%.

Subordinated bond issue

On 8 February 2017, CaixaBank announced the financial terms of a subordinated bond issue for the amount of EUR 1,000 million. The subordinated bonds will have a nominal unit value of EUR 100,000, with an issue price of 99.973%, accruing interest from the issuance date (inclusive) up to 15 February 2022 (exclusive) at an annual rate of 3.50%. From that date (inclusive), the subordinated bonds will accrue an annual fixed interest rate equal to the applicable 5Y swap rate, plus a margin of 3.35%.

The issuance date of the subordinated bonds, in addition to the date on which the issuance was closed and the bonds allocated, was 15 February 2017. The final maturity date of the issuance will be 15 February 2027.

CaixaBank will request the subordinated bonds to be classified as tier 2 capital.

Appendix – Financial reporting glossary

In addition to the financial information prepared in accordance with International Financial Reporting Standards (IFRSs), this document includes certain Alternative Performance Measures (APMs) as defined in the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) (the "ESMA guidelines"). CaixaBank uses certain APMs, which have not been audited, for a better understanding of the company's financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRSs. Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

ESMA guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

In accordance with these guidelines, following is a list of the APMs used, along with a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

Alternative Performance Measures

- **Customer spread**. Difference between the yield on loans and receivables and the cost of retail deposits (%).

  - Yield on loans: net income from loans and advances to customers, under management criteria, divided by the average balance for the period (quarterly).
  - Cost of deposits: cost of on-balance sheet retail customer funds, under management criteria, divided by the average balance for the specific period (quarterly), excluding subordinated liabilities.

- **Balance sheet spread**. The difference between the return on assets and the cost of liabilities (in %).

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

- **Cost-to-income ratio (%)**. Administrative expenses, depreciation and amortisation divided by gross income (last 12 months).

- **Cost-to-income ratio without extraordinary expenses**. Administrative expenses, depreciation and amortisation without extraordinary expenses divided by gross income (last twelve months).

- **ROE (Return on equity)**. Profit attributable to the Group divided by average equity (last 12 months).

- **ROTE (Return on tangible equity).** Profit attributable to the Group divided by average equity less, where applicable, intangible assets using management criteria (last 12 months).

  - The value of intangible assets under management criteria is the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of impairment allowances, recognised in investments in joint ventures and associates in the public balance sheet.

- **ROA (Return on Assets)**. Net profit divided by average total assets (last 12 months).

- **RORWA (Return on risk-weighted assets)**. Net profit divided by regulatory risk-weighted assets (last 12 months).

- **Cost of risk**. Total loan loss provisions recognised in the last twelve months divided by total loans and advances to customers, gross, plus contingent liabilities at the period-end.

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

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

- **Coverage ratio for real estate developer risk.** Total impairment funds for the real estate developer sector divided by non-performing balances for that segment.

- **Coverage ratio for available-for-sale real estate assets.** Initial loans write-downs at time of foreclosure plus charges to provisions subsequent to foreclosure divided by the debt effectively repaid on foreclosure.

- **Accounting coverage ratio for available-for-sale real estate assets.** Accounting provisions recognised subsequent to foreclosure divided by the gross carrying amount of the real estate asset.

- **High quality liquid assets:** HQLAs (High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014), plus the available balance under the facility with the Bank of Spain (non-HQLA).

- **Loan to deposits***:* net loans and advances to customers less brokered loans (funded by Instituto de Crédito Oficial and the European Investment Bank) divided by customer funds (which include demand deposits, term deposits, debt securities and subordinated liabilities).

Reconciliation of management indicators with public financial statements

Earnings indicators

- **Net fee and commission income.** Fee and commission income less fee and commission expense.

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

  - Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.

  - Gains/(losses) on financial assets and liabilities held for trading, net.

  - Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net.

  - Gains/(losses) from hedge accounting, net.

  - Exchange differences, gains/(losses), net.

- **Operating expenses**. Administrative expenses, and depreciation and amortisation

- **Pre-impairment income/(loss)**. Gross income less administrative expenses, and depreciation and amortisation.

- **Impairment losses on financial and other provisions.** Includes "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss" and "Provisions or reversal of provisions".

  - *of which: Insolvency allowances*. Includes Loans and receivables under Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and Provisions for contingent liabilities recognised in Provisions or reversal of provisions.

  - *of which: Other allowances*. Includes Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, excluding Loans and receivables and Provisions or reversal of provisions excluding Provisions for contingent liabilities.

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

  - Impairment or reversal of impairment on investments in joint ventures or associates.
  - Impairment or 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.

of which: Gains/(losses) on sales of real estate assets. Includes the balance relating to real estate assets under the headings: Gains/(losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations and Gains/(losses) on disposals of non-financial assets and equity investments (net).

- **Profit/(loss) attributable to minority interests and others.** Includes the following line items:
  - Profit/(loss) after tax from discontinued operations.
  - Profit/(loss) for the period attributable to minority interests (non-controlling interests).

Activity indicators

Loans and advances to customers, gross under management criteria

(Millions of euros)

	2016
Loans and advances to customers (public balance sheet)	**200,338**
Allowance for impairment losses	6,684
Other non-retail financial assets	(724)
Reverse repo (public and private sector)	(1,441)
Loans and advances to customers, gross, under management criteria	**204,857**

Liabilities under insurance contracts

(Millions of euros)

	2016
Liabilities under insurance contracts (public balance sheet)	**45,804**
(-) Gains associated with available-for-sale assets under insurance contracts	(9,253)
(-) Unit-links (*)	3,764
Liabilities under insurance contracts under management criteria	**40,315**

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

Customer funds using management criteria

(Millions of euros)

	2016
Financial liabilities measured at amortised cost (public balance sheet)	**254,093**
(-) Other non-retail financial liabilities	(77,285)
(-) Central bank deposits	*(30,028)*
(-) Deposits from credit institutions	*(6,316)*
(-) Other financial liabilities	*(2,873)*
(-) Institutional issuances (1)	*(27,691)*
(-) Counterparties and others	*(10,376)*
(+) Liabilities under insurance contracts under management criteria	40,315
Total on-balance sheet customer funds under management criteria	**217,123**
Assets under management (mutual funds, portfolio, SICAVs and pension plans)	81,890
Other accounts (2)	4,882
Total customer funds under management criteria	**303,895**

(1) Recognised for accounting purposes at 31/12/2016 under Debt securities issued (EUR 27,708 million) and Customer deposits (EUR 4,306 million).

(2) Includes, among other items, funds associated with the agreements to distribute insurance products acquired from Barclays Bank, SAU, plus a subordinated debt placement issued by "la Caixa" (currently CriteriaCaixa).

Institutional issuances for the purpose of managing bank liquidity

(Millions of euros)

	2016
Debt securities issued (public balance sheet)	**27,708**
Securitisation bonds	(2,343)
Valuation adjustments	(359)
Retail	(3,949)
Issuances acquired by Group companies	254
Customer deposits (public balance sheet) (*)	**4,306**
Deposits from credit institutions (public balance sheet) – BEI mortgage covered bonds	**20**
Institutional financing for the purpose of managing bank liquidity	**25,637**

(*) Includes EUR 4,287 million in multi-issuer covered bonds and EUR 19 million in subordinated deposits.

Market indicators

- **EPS (Earnings per share)**. Profit attributable to the Group for the last 12 months divided by the average number of shares outstanding.

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

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

- **BV (Book value)**. Equity less minority interests divided by the number of shares outstanding at a specific date.

- **TBV (Tangible book value)**. Equity less minority interests and intangible assets divided by the number of shares outstanding at a specific date.

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

- **P/BV and P/Tangible BV**. Share price divided by book value. Also calculated using tangible book value.

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

2016 Annual Corporate Governance Report

Law 16/2007, of July 4, reforming and adapting Spanish corporate accounting legislation for its international harmonisation with European legislation, redrafted article 49 of the Spanish Commercial Code regulating the minimum scope of management reports. Pursuant to this regulation, CaixaBank has included its Annual Corporate Governance Report in a separate section of the Management Report.

A re-formatted edition of the comprehensive text of CaixaBank's Annual Corporate Governance Report for 2016, approved by the Bank's Board of Directors on 23 February 2017, follows below. The original report, prepared in accordance with the prescribed format and prevailing regulations, is available at www.CaixaBank.com and on the website of the Spanish National Securities Market Commission (CNMV).

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

ISSUER'S PARTICULARS

FINANCIAL YEAR-END	31/12/2016

C.I.F. TAX NUMBER	A-08663619

CORPORATE NAME
CAIXABANK, S.A.

REGISTERED OFFICE
AV. DIAGONAL N.621, (BARCELONA)

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

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 ☒

A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, excluding Directors.

Name or corporate name of shareholder	Number of direct voting rights	Number of voting indirect votes	% over total rights
INVESCO LIMITED	0	58,429,063	0.98%
LA CAIXA BANKING FOUNDATION	3,493	2,710,880,567	45.32%

Name or corporate name of indirect shareholder	Through: Name or corporate name of direct shareholder	Number of voting rights
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	52,428,870
INVESCO LIMITED	TOTAL OWNERSHIP OF OTHER ENTITIES (INDIVIDUALLY LISTED FOR TRADING UNDER SECTION 10)	6,000,193
LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, SAU	2,710,880,567

Indicate the most significant movements in the shareholder structure during the year.

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
LA CAIXA BANKING FOUNDATION	30/05/2016	It now holds less than 50% of the share capital
LA CAIXA BANKING FOUNDATION	14/12/2016	It now holds less than 50% of the share capital

A.3 Complete the following tables on company Directors holding voting rights through company shares.

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
JORDI GUAL SOLÉ	44,226	0	0.00%
ANTONIO MASSANELL LAVILLA	106,912	0	0.00%
GONZALO GORTÁZAR ROTAECHE	568,998	0	0.01%
MARÍA TERESA BASSONS BONCOMPTE	19,369	0	0.00%
CAJASOL FOUNDATION	53,742,911	0	0.90%

Name or corporate name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MARÍA VERÓNICA FISAS VERGÉS	0	0	0.00%
SALVADOR GABARRÓ SERRA	9,053	0	0.00%
JAVIER IBARZ ALEGRÍA	10,808	0	0.00%
ALAIN MINC	12,932	0	0.00%
MARÍA AMPARO MORALEDA MARTÍNEZ	0	0	0.00%
JOHN S. REED	12,564	0	0.00%
JUAN ROSELL LASTORTRAS	0	42,031	0.00%
ANTONIO SÁINZ DE VICUÑA Y BARROSO	609	0	0.00%
JOSÉ SERNA MASIÁ	2,040	10,462	0.00%
KORO USARRAGA UNSAÍN	0	0	0.00%
FRANCESC XAVIER VIVES TORRENTS	3,345	0	0.00%

Name or corporate name of indirect shareholder	Through: Name or corporate name of direct shareholder	Number of voting rights
JUAN ROSELL LASTORTRAS	CIVISLAR, S.A.	20,850
JUAN ROSELL LASTORTRAS	CONGOST, S.A.	21,181
JOSÉ SERNA MASIÁ	SOLEDAD GARCÍA-CONDE ANGOSO	10,462

% of total voting rights held by the Board of Directors	0.91%

Complete the following tables on share options held by Directors.

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

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
LA CAIXA BANKING
CAIXABANK GROUP

Type of relationship: Corporate

Brief description

”la Caixa” Banking Foundation is the result of changing Caja de Ahorros y Pensiones de Barcelona ”la Caixa” into a banking foundation. Its main activity is the development of welfare projects and the management of its stake in CaixaBank. Following the transfer of its stake to Criteria CaixaHolding, S.A.U., which is controlled by ”la Caixa” Banking Foundation, the Banking Foundation's stake in CaixaBank is indirect.
Therefore all of these comprise "la Caixa" Group, hence the corporate relationship. It is worth mentioning that before the end of the 2017 financial year CriteriaCaixa is expected to meet the conditions established by the European Central Bank to cease to hold control over CaixaBank, for prudential purposes, and therefore to cease to be a consolidated Group.

Related-party name or corporate name
LA CAIXA BANKING FOUNDATION
CAIXABANK GROUP

Type of relationship: Contractual

Brief description

There are commercial and contractual relationships within the ordinary business cycle, whose regulating principles are contained in the Internal Relations Protocol between "la Caixa" Banking Foundation, Criteria and CaixaBank (available on www.CaixaBank.com). In accordance with the provisions of the Financial Ownership Management Protocol, "la Caixa" Banking Foundation, as parent of the "la Caixa" Group, Criteria, as direct shareholder of CaixaBank, and CaixaBank, as a listed company, signed a new Internal Relations Protocol on 19 December 2016 which replaced the previous Protocol and whose main objectives are, among others, to manage the related-party transactions, the preferential acquisition right over Monte de Piedad, collaboration in CSR, the flow of information and the mechanisms for Criteria to be able to meet the ECB's requirements.

Related-party name or corporate name
LA CAIXA BANKING FOUNDATION
CAIXABANK GROUP

Type of relationship: Commercial

Brief description

There are commercial and contractual relationships within the ordinary business cycle, whose regulating principles are contained in the Internal Relations Protocol between "la Caixa" Banking Foundation, Criteria and CaixaBank (available on www.CaixaBank.com). In accordance with the provisions of the Financial Ownership Management Protocol, "la Caixa" Banking Foundation, as parent of the "la Caixa" Group, Criteria, as direct shareholder of CaixaBank, and CaixaBank, as a listed company, signed a new Internal Relations Protocol on 19 December 2016 which replaced the previous Protocol and whose main objectives are, among others, to manage the related-party transactions, the preferential acquisition right over Monte de Piedad, collaboration in CSR, the flow of information and the mechanisms for Criteria to be able to meet the ECB's requirements.

A.6 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 [X] No [ ]

Shareholders bound by agreement
CAJASOL FOUNDATION
LA CAIXA BANKING FOUNDATION
CAJA CANARIAS FOUNDATION
CAJA NAVARRA BANKING FOUNDATION
CAJA DE BURGOS FOUNDATION, BANKING FOUNDATION

% of share capital affected: 80.60%

Brief description of agreement

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, the shareholders: "la Caixa" Banking Foundation, 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), (hereinafter "the Foundations") entered into an agreement which regulates the relations of "the Foundations" and "la Caixa" Banking Foundation as shareholders of CaixaBank, and their reciprocal relations of cooperation as well as with CaixaBank, with the aim of strengthening their respective actions in respect of the latter and supporting "la Caixa" Banking Foundation with their control.
CONTINUES IN SECTION H.

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

Yes ☐ No ☒

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

The company is not aware of the existence of any concerted actions among its shareholders.

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Spanish Securities' Market Act: If so, identify them:

Yes ☒ No ☐

Name or corporate name
LA CAIXA BANKING FOUNDATION

Comments

"la Caixa" Banking Foundation, as parent of the Group and control shareholder of CaixaBank, through CaixaCriteria, in order to strengthen transparency and good governance and, in accordance with the Financial Ownership Management Protocol, together with Criteria, as direct shareholder, and CaixaBank, as a listed company, signed a new Internal Relations Protocol on 19 December 2016 which replaced the previous Protocol and whose main objectives are, among others, to manage related-party transactions, the preferential acquisition right over Monte de Piedad, collaboration in CSR, the flow of information and the mechanisms for Criteria to be able to meet the ECB's requirements. It is also expected that before the end of 2017, CriteriaCaixa will meet the conditions established by the ECB to cease holding control of CaixaBank, for prudential purposes, and therefore will cease to be a consolidated Group.

A.8 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
4,296,217	39,648	0.07%

(*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
CAIXABANK ASSET MANAGEMENT, SGIIC, S.A.U	21,245
VIDACAIXA, S.A. DE SEGUROS Y REASEGUROS	18,403
Total:	39,648

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Details of significant changes
On 23 March 2016, an unscheduled update notification was sent due to an amendment in the number of the Issuer's voting rights on 22 March 2016, by virtue of the capital increase that was reported through significant events no. 235401 of 25 February 2016, and no. 236620 of 22 March 2016. On 3 June 2016, a notification was sent as a result of having reached or exceeded the 1% threshold on 30 May 2016, by virtue of the asset swap transaction signed between Criteria Caixa, S.A.U and CaixaBank, S.A. reported through significant events with registration numbers 231,928 and 239,259. On 28 September 2016, a notification was sent in order to update the Company's position in treasury stock, given that the form only allows updates to be reported as a result of the amendment to the number of the issuer's voting rights or due to reaching or exceeding the 1% threshold of treasury stock as a result of acquisitions. The change that was reported in this notification corresponded to the transaction for the sale of treasury stock through a private placement with qualified investors reported through significant events with registration numbers 243,003 and 243,005, and which resulted in a reduction of the ownership percentage in treasury stock from 9.970% to 0.072%. On 20 December 2016, an unscheduled update notification was sent due to an amendment in the number of the Issuer's voting rights on 14 December 2016, by virtue of the capital increase that was reported through significant events no. 244881 of 17 November 2016, 245.013 of 21 November and no. 246012 of 14 December 2016.

A.9 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 on 28 April, 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 stock, directly and indirectly, through its subsidiaries, under the following terms:

- The acquisition may be in the form of a trade, swap, dation in payment or any other form allowed by law, in one or more instalments, provided that the nominal amount of the shares acquired does not amount to more than 10% of the subscribed share capital when added to those already owned by the Company.
- When the acquisition is for consideration, the price or equivalent value shall be the price of Company shares 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 Enterprise 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 Enterprise 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.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	52.72

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes ☐ No ☒

A.11 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.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

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 Bylaws. 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 ☒

Describe how they differ from the rules established under the LSC.

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

CaixaBank's Bylaws 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 Bylaws.

In addition, as a credit institution, and in accordance with the terms of Article 10 of Royal Decree 84/2015, of 13 July, amendments to CaixaBank's Bylaws are governed by the authorisation and registration procedure set forth therein. Nevertheless, certain amendments (including the change of registered office within Spain, an increase in the share capital, the textual incorporation of mandatory or prohibitive legal or regulatory precepts, or those to comply with judicial or administrative resolutions) are not subject by the authorisation procedure although they still must be reported to the Bank of Spain

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year.

	Attendance data				
Date of general meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
27/04/2016	59.97%	8.67%	0.02%%	1.33%	69.99%
28/04/2016	58.58%	11.69%	0.03%	1.54%	71.84%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes [x] No [ ]

Number of shares required to attend the General Meetings	1,000

B.6 Section revoked.

B.7 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.

All CaixaBank's corporate governance content is available on the website (www.caixabank.com) under "Shareholders and Investors" "Corporate Governance":
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" 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 on the CaixaBank homepage entitled "Direct Links" where users can access all the information on the General Meetings.

C COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 List the maximum and minimum number of Directors included in the Bylaws.

Maximum number of Directors	22
Minimum number of Directors	12

C.1.2 Complete the following table with Board members' details.

Name or corporate name of Director	Representative	Director category	Position on the Board	Date of first appt.	Date of last appt.	Election procedure
ANTONIO SÁINZ DE VICUÑA Y BARROSO		Independent	DIRECTOR	01/03/2014	24/04/2014	AGM RESOLUTION
ALAIN MINC		Independent	DIRECTOR	06/09/2007	24/04/2014	AGM RESOLUTION
SALVADOR GABARRÓ SERRA		Proprietary	DIRECTOR	06/06/2003	23/04/2015	DELEGATE RESOLUTION
ANTONIO MASSANELL LAVILLA		Executive	DEPUTY CHAIRMAN	30/06/2014	23/04/2015	DELEGATE RESOLUTION
JUAN ROSELL LASTORTRAS		Independent	DIRECTOR	06/09/2007	24/04/2014	AGM RESOLUTION

Name or corporate name of Director	Representative	Director category	Position on the Board	Date of first appt.	Date of last appt.	Election procedure
MARÍA AMPARO MORALEDA MARTÍNEZ		Independent	DIRECTOR	24/04/2014	24/04/2014	DELEGATE RESOLUTION .
GONZALO GORTÁZAR ROTAECHE		Executive	DIRECTOR AGM	30/06/2014	23/04/2015	DELEGATE RESOLUTION .
CAJASOL FOUNDATION	MR. SIERRA MOLINA	Proprietary	DIRECTOR	20/09/2012	28/04/2016	DELEGATE RESOLUTION .
JOHN S. REED		Independent	DIRECTOR	03/11/2011	19/04/2012	DELEGATE RESOLUTION .
MARÍA TERESA BASSONS BONCOMPTE		Proprietary	DIRECTOR	26/06/2012	26/06/2012	DELEGATE RESOLUTION .
JAVIER IBARZ ALEGRÍA		Proprietary	DIRECTOR	26/06/2012	26/06/2012	AGM RESOLUTION
FRANCESC XAVIER VIVES TORRENTS		Independent	DIRECTOR	05/06/2008	23/04/2015	AGM RESOLUTION
MARÍA VERÓNICA FISAS VERGÉS		Independent	DIRECTOR	25/02/2016	28/04/2016	AGM RESOLUTION
JORDI GUAL SOLÉ		Proprietary	CHAIRMAN	30/06/2016	30/06/2016	CO-OPTION
JOSÉ SERNA MASIÁ		Proprietary	DIRECTOR	30/06/2016	30/06/2016	CO-OPTION
KORO USARRAGA UNSAÍN		Independent	DIRECTOR	30/06/2016	30/06/2016	CO-OPTION

Total number of Directors	16

Indicate any Board members who left during this period.

Name or corporate name of Director	Status of the Director at the time	Leaving date
CAJA NAVARRA BANKING FOUNDATION	Proprietary	27/10/2016
EVA AURÍN PARDO	Proprietary	15/12/2016
ISIDRO FAINÉ CASAS	Proprietary	30/06/2016
JUAN JOSÉ LÓPEZ BURNIOL	Proprietary	30/06/2016
MARIA DOLORS LLOBET MARIA	Proprietary	30/06/2016

C.1.3 Complete the following tables on Board members and their respective categories.

EXECUTIVE DIRECTORS

Name or corporate name of Director	Position held in the company
ANTONIO MASSANELL LAVILLA	DEPUTY CHAIRMAN
GONZALO GORTÁZAR ROTAECHE	CHIEF EXECUTIVE

Total number of executive Directors	2
% of the Board	12.50%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of Director	Name or corporate name of significant shareholder represented or proposing appointment
SALVADOR GABARRÓ SERRA	LA CAIXA BANKING FOUNDATION
CAJASOL FOUNDATION	CAJA NAVARRA BANKING FOUNDATION, CAJASOL FOUNDATION, CAJA CANARIAS FOUNDATION AND CAJA DE BURGOS FOUNDATION
MARÍA TERESA BASSONS BONCOMPTE	LA CAIXA BANKING FOUNDATION
JAVIER IBARZ ALEGRÍA	LA CAIXA BANKING FOUNDATION
JORDI GUAL SOLÉ	LA CAIXA BANKING FOUNDATION
JOSÉ SERNA MASIÁ	LA CAIXA BANKING FOUNDATION

Total number of proprietary Directors	6
% of the Board	37.50%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of Director

ANTONIO SÁINZ DE VICUÑA Y BARROSO

Profile:

Born in Barcelona in 1948, Antonio Sainz de Vicuña y Barroso has been a member of the CaixaBank Board of Directors since 2014.
He is a graduate in Law and Economic and Commercial Science from Madrid's Complutense University (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. In June 1998, he moved to the European Central Bank where he was General Counsel and Director of the 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 para el Estudio del Derecho Europeo (1982-1986); a founder member of the Corte Civil y Mercantil de Arbitraje (1989-1994); founder member and member of Supervisory Board of the Institute for Law and Finance, Wolfgang Goethe Universität, Frankfurt (2000-2013); founder member and member of the Advisory Board of PRIME Finance (2011-2013); and a member the Advisory Board of the European Capital Markets Institute (2000-2013).
He has been a lecturer in various financial forums and 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 has been awarded with the Commander Cross, Order of Elizabeth the Catholic (1987) and with the Commander Cross, Order of Civil Merit (2014).

Name or corporate name of Director:

ALAIN MINC

Profile:

Born in Paris in 1949, Alain Minc has been a Member of the CaixaBank Board of Directors since 2007.
He is Chairman and CEO of his own consultancy firm, AM Conseill, 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 a finance inspector and CFO at Saint-Gobain.

He is currently Chairman of Sanef and a Director at Prisa.

He has been named Commandeur de la Légion d' Honneur, Commander of British Empire and 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 á nos nouveaux maîtres (2003); Les Prophétes 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 (December 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 mal français n' est plus ce qu'il était (2014) and Un Français de tant de souches 2015.

Name or corporate name of Director

JUAN ROSELL LASTORTRAS

Profile:

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 and studied Political Science at the Complutense University of Madrid. He is Chairman of Congost Plastic.
During his career he has served as 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.
In addition, he is Chairman of the Spanish Confederation of Business Organisations (CEOE), a member of the Mont Pelerin Society, and Deputy Chairman of Business Europe.
Mr. Rosell has received numerous decorations including the Gold Medal of Merit of the International Trade Fair of Barcelona and the Silver Medal of the Barcelona Chamber of Commerce; was named a Commander of the Order Merit of the Italian Republic; he was given the Keys to the City of Barcelona and the Tiepolo Prize.

Name or corporate name of Director

MARÍA AMPARO MORALEDA MARTÍNEZ

Profile:

Born in Madrid in 1964, María Amparo Moraleda has been a member of the CaixaBank 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: Faurecia, S.A. (since 2012), Solvay, S.A. (since 2013) and Airbus Group, S.E. (since 2015).
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 KPMG España (since 2012) and SAP Ibérica (since 2013).
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 of INSA (subsidiary of IBM Global Services). From 1995 to 1997 she was HR Director for EMEA at IBM Global Services and from 1988 to 1995 held various professional 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 the Instituto de Empresa.
In December 2015 she was named a full academic member of the Royal Academy of Economic and Financial Science.
In 2005 she was inducted into the Women in Technology International (WITI) organisation's Hall of Fame, established to recognise, honour, and promote the outstanding contributions women make to the scientific and technological communities that improve and evolve society, while 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).

Name or corporate name of Director

JOHN S. REED

Profile:

Born in Chicago in 1939, John Reed has been a member of the Board of Directors of CaixaBank 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 Letters and Science 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 in MIT to study a Master in Science. John Reed worked for Citibank/Citicorp and Citigroup for over 35 years, holding the position of President for the last 16 before retiring in April 2000.

From September 2003 to April 2005, he went back to work as the Chairman of the New York Stock Exchange and was Chairman of the MIT Corporation from May 2010 until October 2014.

Mr. Reed became Chairman of the Board of American Cash Exchange in February 2016.

Mr. Reed is Chairman of the Boston Athenaeum and a member of the Board of Directors of MDRC, the Boston Athenaeum, NBER, and the Boston Symphony Orchestra. He is also a member of the board of the American Academy of Arts and Sciences and the American Philosophical Society. He is a Board Member of the Social Science Research Council.

Name or corporate name of Director:

FRANCESC XAVIER VIVES TORRENTS

Profile:

Born in Barcelona in 1955, Xavier Vives Torrents has been a member of the CaixaBank Board of Directors since 2008.
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 also Professor of European Studies at the INSEAD Business School in 2001-2005; Director of the Institute of Economic Analysis at the Spanish High Council for Scientific Research in 1991-2001; and a visiting lecturer at the universities of California (Berkeley), Harvard, and New York (King Juan Carlos I Chair 1999-2000), as well as the Autonomous University of Barcelona and the Pompeu Fabra University.
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 is currently a Director of the Aula Escola Europea, 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 Fellow of the Econometric Society since 1992 and

Chairman of EARIE (European Association for Research in Industrial Economics) for the 2016-2018 period.
He has published numerous articles in international journals and directed the publication of various books. Mr. Vives Torrents has also received several awards including the King Juan Carlos I Prize for Research into Social Sciences in 1988; the Catalan Society for Economics prize in 1996; the Narcís Monturiol Medal from the Catalonian regional government in 2002; and the Catalonia Economics Prize in 2005, in addition to the IEF Award for academic excellence for his professional career in 2012. He is also the recipient of a European Research Council Advanced Grant in 2009-2013 and was awarded the King Jaime I Award for economics in 2013.

Name or corporate name of Director:

KORO USARRAGA UNSAÍN

Profile:

Born in San Sebastián in 1957, Koro Usarraga Unsain 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 is an Independent Director at the NH Hotel Group and Chairwoman of the Audit and Control Committee (Since 2015).
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.

Name or corporate name of Director:

MARÍA VERÓNICA FISAS VERGÉS

Profile:

Born in Barcelona in 1964, Verónica Fisas has served on the Board of Directors of CaixaBank 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 CEO of the Board of Directors of Natura Bissé and the General Director of the Natura Bissé Group since 2007. Since 2008, she has also been a trustee of Ricardo Fisas Natura Bissé Foundation.
In 2001, as the CEO of the United States subsidiary of Natura Bissé, she is 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.

Total number of independent Directors	8
% 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 period in question 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.

No director classified as independent receives from the company or group any amount or payment other than standard Director remuneration or maintains or has 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.

OTHER EXTERNAL DIRECTORS

Identify all other external Directors and explain why these cannot be considered proprietary or independent Directors and detail their relationships with the company, its executives or shareholders.

List any changes in the category of each Director which have occurred during the year.

C.1.4 Complete the following table on the number of women Directors over the past four years and their category.

	Number of women Directors				**% of total Directors of each type**			
	2016	**2015**	**2014**	**2013**	**2016**	**2015**	**2014**	**2013**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	3	3	3	16.67%	33.33%	30.00%	27.27%
Independent	3	1	1	1	37.50%	16.66%	16.67%	25.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	4	4	4	4	25.00%	23.53%	21.05%	22.22%

C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of women Directors on the Board to guarantee an even balance between men and women.

Explanation of measures

At 31 December 2016, the Board of Directors included 4 women out of 18 Directors with 2 vacancies.

Even though the percentage of women Directors at CaixaBank is not equal and can clearly be improved, it is in the upper range of the companies on the IBEX 35.

Pursuant to prevailing legislation, when analysing and proposing candidates' profiles for appointment to the Board of Directors, the Appointments and Remuneration Committee takes into account criteria of repute, knowledge and professional experience to be appointed a Director of a credit institution, in addition to gender diversity.
However, it still needs to establish a representation target for the less represented sex on the Board of Directors.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select women Directors, and whether the company makes a conscious effort to search for women candidates who have the required profile.

Explanation of measures

Women candidates are not discriminated against in the selection process of Directors. In addition, article 14 of the Regulations of the Board of Directors stipulates that one of the responsibilities of the Appointments and Remuneration Committee is to 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 sex on the Board of Directors as well as preparing guidelines for how this should be achieved;

When, despite the measures taken, there are few or no women Directors, explain the reasons.

Explanation of the reasons
At year end, women comprised 25% of the Board of Directors. Women comprise 37.5% of the independent Directors and 16.67% of proprietary Directors. 67% of the members of the Appointments Committee are women and the Remuneration Committee is chaired by a woman who is also a member of the Risks Committee and the Executive Committee. Likewise, the Audit and Control Committee also has a female director. That is to say, women are represented on all the Committees. Therefore, even though the number of female Directors is not equal, it is deemed to be neither few nor non-existent.

C.1.6 bis Explain the Nomination Committee's conclusions on its checks that the Director selection policy is being complied with. Particularly whether the policy pursues the goal of having at least 30% of total Board places occupied by women Directors before the year 2020.

Explanation of conclusions
The Appointments Committee, in compliance with the provisions of section 7 of the Directors' Selection Policy, approved by the Board on 19 November 2015, states that it has verified compliance with this Policy in the agreements adopted referring to the appointments of directors, which have been in keeping with the principles and guidelines contained therein, and that the percentage of the lesser represented sex is situated at 23.53% on the date of verifying compliance with the Policy. However, this will change to 27.78% when the already agreed appointments proposals to be submitted to the next General Shareholders' Meeting are approved.

C.1.7 Explain how shareholders with significant holdings are represented on the Board.

As a significant shareholder of CaixaBank and in representation of this share holding, the “la Caixa” Banking Foundation proposed the appointment of six (6) Directors, namely:

JORDI GUAL SOLÉ - CHAIRMAN - PROPRIETARY
ANTONIO MASSANELL LAVILLA- DEPUTY CHAIRMAN/PROPRIETARY MARÍA
TERESA BASSONS BONCOMPTE - MEMBER-PROPRIETARY
SALVADOR GABARRÓ SERRA - MEMBER - PROPRIETARY
JAVIER IBARZ ALEGRÍA - MEMBER - PROPRIETARY
JOSÉ SERNA MASIÁ

Likewise, within the framework of the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012 Caja de Ahorros y Pensiones de Barcelona, ”la Caixa” (currently ”la Caixa” Banking Foundation) and Caja Navarra (currently Fundación Caja Navarra), Cajasol (currently Fundación Cajasol), Caja Canarias (currently Fundación Caja Canarias) and Caja de Burgos (currently Fundación Caja Burgos, Banking Foundation) (hereinafter "the Foundations"), entered into a shareholders agreement which, inter alia, stated the pledge given by ”la Caixa” Banking Foundation to vote in favour of the appointment of two (2) Directors to the CaixaBank Board of Directors proposed by "the Foundations".
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 August, for three years, will have a duration of four years instead of the aforementioned three.
And, therefore, the current representative of "the Foundations" on the CaixaBank's Board is:
CAJASOL FOUNDATION (represented by Guillermo Sierra Molina) - MEMBER - PROPRIETARY

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 shareholder

CAJA NAVARRA BANKING FOUNDATION

Justification:

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, the shareholders: Caja de Ahorros y Pensiones de Barcelona, ”la Caixa” (currently ”la Caixa” Banking Foundation) and Caja Navarra (currently Fundación Caja Navarra), Cajasol (currently Fundación Cajasol), Caja Canarias (currently Fundación Caja Canarias) and Caja de Burgos (currently Fundación Caja de Burgos, Banking Foundation), (hereinafter "the Foundations") entered into an agreement which regulates their relations as shareholders of CaixaBank, and their reciprocal relations of cooperation as well as with CaixaBank, with the aim of strengthening their respective actions in respect of the latter and supporting their control of ”la Caixa" Banking Foundation. 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 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 August, for three years, will have a duration of four years instead of the aforementioned three.

Name or corporate name of shareholder:

CAJASOL FOUNDATION

Justification:

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, the shareholders: Caja de Ahorros y Pensiones de Barcelona, ”la Caixa” (currently ”la Caixa” Banking Foundation) and Caja Navarra (currently Fundación Caja Navarra), Cajasol (currently Fundación Cajasol), Caja Canarias (currently Fundación Caja Canarias) and Caja de Burgos (currently Fundación Caja de Burgos, Banking Foundation), (hereinafter "the Foundations") entered into an agreement which regulates their relations as shareholders of CaixaBank, and their reciprocal relations of cooperation as well as with CaixaBank, with the aim of strengthening their respective actions in respect of the latter and supporting their control of ”la Caixa" Banking Foundation. 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 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 August, for three years, will have a duration of four years instead of the aforementioned three.

Name or corporate name of shareholder:

CAJA CANARIAS FOUNDATION

Justification:

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, the shareholders: Caja de Ahorros y Pensiones de Barcelona, ”la Caixa” (currently ”la Caixa” Banking Foundation) and Caja Navarra (currently Fundación Caja Navarra), Cajasol (currently Fundación Cajasol), Caja Canarias (currently Fundación Caja Canarias) and Caja de Burgos (currently Fundación Caja de Burgos, Banking Foundation), (hereinafter "the Foundations") entered into an agreement which regulates their relations as shareholders of CaixaBank, and their reciprocal relations of cooperation as well as with CaixaBank, with the aim of strengthening their respective actions in respect of the latter and supporting their control of ”la Caixa" Banking Foundation. 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 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 August, for three years, will have a duration of four years instead of the aforementioned three.

Name or corporate name of shareholder:

CAJA DE BURGOS FOUNDATION, BANKING FOUNDATION

Justification:

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, the shareholders: Caja de Ahorros y Pensiones de Barcelona, ”la Caixa” (currently ”la Caixa” Banking Foundation) and Caja Navarra (currently Fundación Caja Navarra), Cajasol (currently Fundación Cajasol), Caja Canarias (currently Fundación Caja Canarias) and Caja de Burgos (currently Fundación Caja de Burgos, Banking Foundation), (hereinafter "the Foundations") entered into an agreement which regulates their relations as shareholders of CaixaBank, and their reciprocal relations of cooperation as well as with CaixaBank, with the aim of strengthening their respective actions in respect of the latter and supporting their control of ”la Caixa" Banking Foundation. 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 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 August, for three years, will have a duration of four years instead of the aforementioned three.

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 Indicate whether any Director has resigned from office before their term of office has expired, whether that Director has given the Board their reasons and through which channel. If made in writing to the whole Board, list below the reasons given by that Director.

Name of Director

ISIDRO FAINÉ CASAS

Reasons for resignation

On 30 June 2016, CaixaBank reported that Mr. Isidro Fainé Casas submitted his resignation from his duties as Chairman and Director, with effect from that same day, due to incompatibility on reaching the end of the term of office established in Second Transitional Provision of Law 26/2013 governing savings banks and banking foundations.

Name of Director

JUAN JOSÉ LÓPEZ BURNIOL

Reasons for resignation

On 30 June 2016, CaixaBank reported that Mr. José López Burniol submitted his resignation from his duties as Director, with effect from that same day, due to incompatibility on reaching the end of the term of office established in Second Transitional Provision of Law 26/2013 governing savings banks and banking foundations.

Name of Director

MARIA DOLORS LLOBET MARIA

Reasons for resignation

On 30 June 2016, CaixaBank reported that Ms. Maria Dolors Llobet Maria submitted her resignation from her duties as Director, with effect from that same day, after having spent 6 years as director and therefore close to finishing her term, and in order to provide, within the framework of the process of deconsolidation with CriteriaCaixa, a greater presence of independent directors.

Name of Director

CAJA NAVARRA BANKING FOUNDATION

Reasons for resignation

On 27 October 2016, CaixaBank reported that, in accordance with the amendment to the Integration Agreement between CaixaBank and Banca Cívica, and the CaixaBank Shareholders' Agreement that was announced through the significant event with registration number 243724, dated 17 October 2016, the Caja Navarra Banking Foundation submitted its resignation from its duties as member of the Board of Directors in the meeting held on that same day.

Name of Director

EVA AURÍN PARDO

Reasons for resignation

On 15 December 2016, CaixaBank reported that Ms. Eva Aurín Pardo submitted her resignation from her duties as Director, with effect from that same day, having exceeded the time in which she would have remained as a director of "la Caixa", which led to her presence on the Board as proprietary director and therefore give way to other proprietary directors.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of Director

GONZALO GORTÁZAR ROTAECHE

Brief description

All powers delegable under the law and the Bylaws 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.

C.1.11 List the Directors, if any, who hold office as Directors or executives in other companies belonging to the listed company's group.

Name or corporate name of Director	Corporate name of the group entity	Position	Do they have executive duties?
GONZALO GORTÁZAR ROTAECHE	VidaCaixa, SA de Seguros y Reaseguros	Chairman	NO
JAVIER IBARZ ALEGRÍA	VidaCaixa, SA de Seguros y Reaseguros	Director	NO
JUAN ROSELL LASTORTRAS	VidaCaixa, SA de Seguros y Reaseguros	Director	NO

C.1.12 List any company Board members who likewise sit on the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of Director	Corporate name of the group entity	Position
ALAIN MINC	PROMOTORA DE INFORMACIONES S.A. (PRISA GROUP)	DIRECTOR
ANTONIO MASSANELL LAVILLA	TELEFONICA, S.A.	DIRECTOR
ANTONIO MASSANELL LAVILLA	ERSTE GROUP BANK, AG	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	FAURECIA, S.A.	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	SOLVAY, S.A.	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	AIRBUS GROUP, S.E.	DIRECTOR
GONZALO GORTÁZAR ROTAECHE	REPSOL, S.A.	DIRECTOR
ANTONIO MASSANELL LAVILLA	REPSOL, S.A.	DIRECTOR
KORO USARRAGA UNSAÍN	NH HOTEL GROUP, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of Boards on which its Directors may sit.

Yes [X] No [ ]

Explanation of rules
Article 31. 4 of the Board of Directors' Regulations, the Directors of CaixaBank 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.1.14 Section revoked.

C.1.15 List the total remuneration paid to the Board of Directors in the year.

Board remuneration (thousands of euros)	7,227
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	16,114
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	232

C.1.16 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
PABLO FORERO CALDERÓN	MANAGING DIRECTOR RESPONSIBLE FOR THE BPI PROJECT
JORGE MONDÉJAR LÓPEZ	CHIEF RISKS OFFICER
MARIA VICTORIA MATIA AGELL	HEAD OF INTERNATIONAL BANKING
JOAQUIN VILAR BARRABEIG	DEPUTY GENERAL MANAGER OF INTERNAL AUDIT
JAVIER PANO RIERA	HEAD OF FINANCE
FRANCESC XAVIER COLL ESCURSELL	CHIEF HUMAN RESOURCES AND ORGANISATION OFFICER
JORGE FONTANALS CURIEL	HEAD OF RESOURCES
TOMÁS MUNIESA ARANTEGUI	CHIEF INSURANCE AND ASSET MANAGEMENT OFFICER
ÓSCAR CALDERÓN DE OYA	GENERAL AND BOARD SECRETARY
JUAN ANTONIO ALCARAZ GARCIA	CHIEF BUSINESS OFFICER
MATTHIAS BULLACH	HEAD OF FINANCIAL ACCOUNTING, CONTROL AND CAPITAL
MARÍA LUISA MARTÍNEZ GISTAU	EXECUTIVE DIRECTOR FOR COMMUNICATION, INSTITUTIONAL RELATIONS, BRAND AND CSR

Total remuneration received by senior management (thousands of euros)	10,399

C.1.17 List, if applicable, the identity of those Directors who are likewise members of the Boards of Directors of companies that own significant holdings and/or group companies.

Name or corporate name of Director	Corporate name of the significant shareholder	Position
SALVADOR GABARRÓ SERRA	CRITERIA CAIXA, S.A.U.	3RD DEPUTY CHAIRMAN

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

C.1.18 Indicate whether any changes have been made to the Board Regulations during the year.

Yes [X] No [ ]

Description of amendments
At its meeting dated 10 March 2016, CaixaBank's Board of Directors agreed to amend section 1 of article 13 ("The Audit and Control Committee") of the Board's Regulations for the purposes of adapting it to the reform of the Corporate Enterprises Act introduced by Law 22/2015, of 20 July, on Account Audits, adjusting its wording to that of article 40.3 of the Bylaws, relating to the Audit and Control Committee, whose amendment was approved by the General Shareholders' Meeting on 28 April 2016. The amendment to the Board's Regulation and, therefore, the new consolidated text of the Regulations entered into force at the same time as the entry into force of the amendment to article 40.3 of the Bylaws which was approved by the General Shareholders' Meeting. This amendment to the Bylaws was authorised in accordance with the regime set forth in article 10 of Royal Decree 84/2015, of 13 February, which implements Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit entities. 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 filed, the full texts were published by the CNMV and by CaixaBank, S.A. on its corporate website (www.caixabank.com).

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing Directors. List the competent bodies, procedures and criteria used for each of these procedures.

Pursuant to article 529 (16) of Royal Legislative Decree 1/2010 of 2 July, approving the consolidated text of the Corporate Enterprises Act, and articles 5 and 17-20 of the Regulations of the Board of Directors, proposed appointments of Directors submitted by the Board of Directors for the General Shareholders' Meeting and resolutions regarding appointments which said body adopts by virtue of the powers of co-option legally attributed to it must be preceded by the pertinent proposal of the Appointments and Remuneration Committee, in the case of independent Directors, and by a report, in the case of the remaining Directors. All proposed Director appointments or re-elections shall be accompanied by an explanatory report from the Board which assesses the competence, 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.

The Board will also strive to ensure that the majority group of non-executive Directors includes stable significant shareholders of the Company or those shareholders that have been proposed as Directors, even when their shareholding is not significant (proprietary Directors) and persons of recognised experience who can fulfil their duties without being conditioned by relationships with the Company or its Group, its Directors or its significant shareholders (independent Directors).

Directors will be classified pursuant to the definitions established by applicable legislation and which are included in article 18 of the Regulations of the Board of Directors.

The Board will also strive to ensure that its external Directors include stakeholder and independent Directors who reflect the existing proportion of the Company's share capital represented by stakeholder Directors and the rest of its capital. At least one third of the Company's Directors will be independent Directors.

Directors shall remain in their posts for the term of office stipulated in the Bylaws while the General Meeting does not agree their removal and they do not resign from the position, and may be re-elected one or more times for periods of equal length. Nevertheless, 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 Shareholders' Meeting or until the legal deadline for holding the General Shareholders' Meeting that is to decide whether to approve the accounts for the previous financial year has passed, but if the vacancy was produced after having called the General Meeting and before it being held, the appointment of the Director by cooption by the Board to cover such vacancy will be effective until the celebration of the next General Meeting.

Article 529 (19) of Royal Legislative Decree 1/2010 of 2 July and article 15.7 of the Regulations of the Board of Directors stipulate that, at least once a year, the Board, as a plenary body, shall evaluate the quality and efficiency of the functioning of the Board; the carrying out of the duties on the part of the Chairman of the Board and the chief executive of the company; the functioning of the Committees and shall propose, based on the result, an action plan which corrects any shortcomings detected.

CONTINUES IN SECTION H.

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities.

Description of amendments
The Board of Directors evaluated its performance during the year. However, this has not led to significant changes to its internal organisation, nor to the procedures applicable to its activities.

C.1.20.bis Describe the evaluation process and the areas evaluated by the board, assisted, if applicable, by an external advisor, concerning diversity in its composition and skills, the functioning and composition of its committees, the performance of the Chairman of the board and the Chief Executive Officer and the performance and contribution of each Director.

As stipulated in article 529 (19) of the Corporate Enterprises Act and article 15 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.
For this purpose each Director is asked to complete a questionnaire regarding the performance of the Board and the Committees during the year. The Chairman of the Board of Directors and of the Executive Committee, of which they are also a member, do not usually give their assessment of the Board and the Executive Committee as the questionnaire is intended to ascertain his/her performance of the main duties inherent in their position.
On the basis of the responses received and the activity reports prepared by each of the Committees, the Board of Directors assesses the quality and efficiency of the functioning of the Board of Directors and its Committees during the year in question. In this regard, the Board of Directors has generally favourably evaluated the quality and efficiency of the functioning of the Board and each of its Committees during 2016. It considered the quantitative and qualitative composition to be suitable, that a sufficient number of meetings had been held and that the proposals made were suitable.
The questionnaire sent to the Directors also asks for their opinion on the performance of the Company's Chairman and Chief Executive Officer. The Board then, subject to a report from the Appointments Committee, issues its assessment of the performance of the Chairman and the Chief Executive Officer during the year.
Each member of the Board of Directors was asked to complete a questionnaire regarding the performance of the Board, as well as their opinions on the performance of duties by the Chairman and the Chief Executive Officer. Based on the replies provided, and subject to a report from the Appointments Committee, the Committee concludes that the performance of both the Chairman and the Chief Executive Officer in 2016 was positive.
No individual evaluation is carried out on the contribution of each Director to assess their performance or contribution to the Board or the Company. Therefore, the Company is only Partially Compliant with Recommendation 36 of the Good Governance Code.

C.1.20.ter Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.

No external collaboration is requested in the evaluation process.

C.1.21 Indicate the cases in which Directors must resign.

Article 20.2 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 stakeholding 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 in their professional status or in the conditions under which they were appointed Director take place; and

(f) when due to facts attributable to the Director, his remainder on the Board causes a serious damage to the corporate net worth or reputation in the judgement of the Board.

In the case of an individual representing a Director who is a legal entity incurs in any of the situations foreseen in the previous section, the individual representative should offer its post to the legal entity appointing him. If this 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.

C.1.22 Section revoked.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ No ☒

If applicable, describe the differences.

C.1.24 Indicate whether there are any specific requirements other than those relating to the Directors, to be appointed Chairman.

Yes ☐ No ☒

C.1.25 Indicate whether the Chairman has the casting vote.

Yes ☒ No ☐

Matters where the Chairman has the casting vote
Articles 35. 4. of the Bylaws and 16.4 of the Regulations of the Board stipulate that the Chairman shall have a casting vote in case of a tie in meetings of the Board of Directors over which he presides.

C.1.26 Indicate whether the Bylaws or the Board Regulations set any age limit for Directors.

Yes ☐ No ☒

C.1.27 Indicate whether the Bylaws or the Board Regulations set a limited term of office for independent Directors.

Yes ☐ No ☒

C.1.28 Indicate whether the Bylaws or Board Regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a Director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If so, give brief details.

Article 16 of the Regulations of the Board of Directors states that Directors should attend Board meetings in person. 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. It also states that non-executive Directors can only grant their proxy to another non-executive 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 adhere to the outcome of the discussion by the Board, proxies are not usually granted with specific instructions so that proxies may adhere to the matters under discussion by the Board. 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.1.29 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	16
Number of Board meetings held without the Chairman's attendance	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive Director present or represented and chaired by the lead Director

Number of meetings	0

Indicate the number of meetings of the various Board committees held during the year.

Committee	No. meetings
AUDIT AND CONTROL COMMITTEE	13
APPOINTMENTS COMMITTEE	25
REMUNERATION COMMITTEE	8
RISKS COMMITTEE	14
EXECUTIVE COMMITTEE	22

C.1.30 Indicate the number of Board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Number of Board meetings	6
% of attendances of the total votes cast during the year	95.37%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the Board are certified previously.

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.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

The Audit and Control Committee is responsible for ensuring that the financial information is correctly drawn up in addition to other functions which include the following in order to avoid a qualified audit report:

* 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;

* to establish appropriate relationships with the auditor in order to receive information, for examination by the Audit and Control Committee, on matters which may jeopardise the independence of said auditor and any other matters relating to the audit process and any other communications provided for in audit legislation and audit regulations;

* to supervise the compliance with the auditing contract, striving to ensure that the opinion of the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely;

* to review the Company's accounts and previously report to the Board of Directors about the periodic financial information which the Company must periodically publish to the markets and their supervisory bodies and, in general, to monitor compliance with legal requisites on this subject matter and the correct application of generally accepted accounting principles, as well as to report on proposals for modification of accounting principles and criteria suggested by management, in order to guarantee the integrity of the accounting and financial systems, including the financial and operational control, and compliance with the applicable legislation;

C.1.33 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 Secretary	Representative
ALEJANDRO GARCÍA-BRAGADO DALMAU	

C.1.34 Section revoked.

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

As well as submitting to the Board of Directors, for submission to the General Shareholders' 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 auditors 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 all events, 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 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 form 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 Bylaws states that the General Meeting may not revoke the auditors until the period for which they were appointed terminated, unless it finds just cause. Further, the Company has policies governing the relationship with the external auditors, approved by the Audit and Control Committee, to guarantee compliance with applicable legislation and the independence of the 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 new Good Governance Code of Listed Companies, at its meeting on 30 July 2015 the Board of Directors, under its 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.

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. In regard to the latter, the Audit and Control Committee is kept duly informed of all matters regarding the granting and revision of ratings by rating agencies. 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 Securities Market of CaixaBank, S.A. and the Board of Directors' Regulations (these are also available on the Company's website).

C.1.36 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 ☒

Explain any disagreements with the outgoing auditor and the reasons for the same.

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of the fees invoiced to the company and/or its group.

Yes ☒ No ☐

	Company	Group	Total
Amount of non-audit work (thousands euros)	1,932	857	2,789
Amount of non-audit work as a % of the total amount billed by the audit firm	34.63%	21.12%	28.94%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes ☐ No ☒

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. 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.

	Company	Group
Number of consecutive years	15	15
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	93.75%	93.75%

C.1.40 Indicate and give details of any procedures through which Directors may receive external advice.

Yes [X] No [ ]

Procedures
Article 22 of the Regulations of the Board of Directors expressly states that to receive assistance in fulfilling their duties, non-executive Directors may request that legal, accounting or financial advisors or other experts be hired, at the expense of the Company. The decision to contract must be notified to the Chairman of the Company, if he holds executive status, and, otherwise, to the Chief Executive Officer, and may be vetoed by the Board of Directors, provided that it demonstrates that: * it is not necessary for the proper performance of the duties entrusted to the non-executive Directors; * the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; * the technical assistance being obtained may be adequately dispensed by experts and technical staff of the Company; or * it may entail a risk to the confidentiality of the information that must be handled.

C.1.41 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 [X] No [ ]

Procedures
Pursuant to article 21 of the Regulations of the Board of Directors, when carrying out their duties, Directors have the right to request and obtain from the company any information they need to discharge their Board 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 he holds executive status, and otherwise, to the Chief Executive Officer who will forward the request to the appropriate party in the Company. If the Chairman deems that the information is confidential, he will notify the Director who requests and receives the information of this as well as of the Director's duty of confidentiality under these Regulations. 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.1.42 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 [X] No [ ]

Details of rules
In addition to the response to C.1.21 above, article 20 of the Regulations of the Board stipulates that Directors must place their position at the disposal of the Board of Directors and formalise, if the latter deems appropriate, the pertinent resignation when due to facts attributable to the Director, his remaining on the Board could cause serious damage to the corporate net worth or reputation in the judgement of the Board.

C.1.43 Indicate whether any Director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the LSC.

Yes ☐ No ☒

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the Director should continue to hold office or, if applicable, detail the actions taken or to be taken by the Board.

C.1.44 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.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries 32

Type of beneficiary:

Managing Director and 3 Management Committee members, 5 executives// 23 middle managers

Description of resolution:

Chief Executive Officer: One year of the fixed components of his remuneration.

3 members of the Management Committee: up to 0.8 annual payments of the fixed remuneration components above that established by legal obligation.

The Executive Directors and members of the Management Committee also have established an annual payment of the fixed remuneration components, paid in monthly instalments, to remunerate the non-competition covenant. This payment would be discontinued if this covenant were to be breached.

28 executives and middle managers: between 0, 1 and 2 annual payments of the fixed remuneration components above that established by legal obligation.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group.

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	**Yes**	**No**

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?		X

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	Category
ALAIN MINC	CHAIRMAN	Independent
SALVADOR GABARRÓ SERRA	MEMBER	Independent
KORO USARRAGA UNSAÍN	MEMBER	Proprietary

% of proprietary Directors	33.33%
% of independent Directors	66.67%
% of other external Directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

Due to space limitations, see our response in "Appendix to 2016 ACGR" attached to section H.

Identify the Director who has been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both and state the number of years they have been Chairman.

Name of Director with experience	ALAIN MINC
Number of years as Chairman	1

APPOINTMENTS COMMITTEE

Name	Position	Category
ANTONIO SÁINZ DE VICUÑA Y BARROSO	CHAIRMAN	Independent
MARÍA TERESA BASSONS BONCOMPTE	MEMBER	Independent
MARÍA AMPARO MORALEDA MARTÍNEZ	MEMBER	Proprietary

% of proprietary Directors	33.33%
% of independent Directors	66.67%
% of other external Directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

Due to space limitations, see our response in "Appendix to 2016 ACGR" attached to section H.

REMUNERATION COMMITTEE

Name	Position	Category
MARÍA AMPARO MORALEDA MARTÍNEZ	CHAIRWOMAN	Independent
SALVADOR GABARRÓ SERRA	MEMBER	Independent
ALAIN MINC	MEMBER	Proprietary

% of proprietary Directors	33.33%
% of independent Directors	66.67%
% of other external Directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

Due to space limitations, see our response in "Appendix to 2016 ACGR" attached to section H.

RISKS COMMITTEE

Name	Position	Category
ANTONIO SÁINZ DE VICUÑA Y BARROSO	CHAIRMAN	Independent
JAVIER IBARZ ALEGRÍA	MEMBER	Proprietary
MARÍA AMPARO MORALEDA MARTÍNEZ	MEMBER	Independent
JUAN ROSELL LASTORTRAS	MEMBER	Independent

% of proprietary Directors	25.00%
% of independent Directors	75.00%
% of other external Directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

Due to space limitations, see our response in "Appendix to 2016 ACGR" attached to section H.

EXECUTIVE COMMITTEE

Name	Position	Category
JORDI GUAL SOLÉ	CHAIRMAN	Proprietary
ANTONIO MASSANELL LAVILLA	MEMBER	Executive
GONZALO GORTÁZAR ROTAECHE	MEMBER	Executive
JAVIER IBARZ ALEGRÍA	MEMBER	Independent
MARÍA AMPARO MORALEDA MARTÍNEZ	MEMBER	Proprietary
ANTONIO SÁINZ DE VICUÑA Y BARROSO	MEMBER	Independent
FRANCESC XAVIER VIVES TORRENTS	MEMBER	Independent

% of executive Directors	28.57%
% of proprietary Directors	28.57%
% of independent Directors	42.86%
% of other external Directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

Due to space limitations, see our response in "Appendix to 2016 ACGR" attached to section H.

Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of Directors.

Yes [X] No [ ]

C.2.2 Complete the following table on the number of women Directors on the various Board committees over the past four years.

	Number of women Directors							
	2016		**2015**		**2014**		**2013**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
AUDIT AND CONTROL COMMITTEE	1	33.33%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS COMMITTEE	2	66.67%	2	66.67%	2	66.67%	2	66.67%
REMUNERATION COMMITTEE	1	33.33%	1	33.33%	1	25.00%	0	0.00%
RISKS COMMITTEE	1	25.00%	1	20.00%	1	20.00%	0	0.00%
EXECUTIVE COMMITTEE	1	14.29%	2	25.00%	2	25.00%	2	33.33%

C.2.3 Section revoked.

C.2.4 Section revoked.

C.2.5 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 applicable legislation, the company's Bylaws and the Regulations of the Board of Directors. Aspects not specifically defined for the Executive Committee are governed by the rules of procedure of the Board set forth in the Regulations of the Board of Directors which is available on CaixaBank's website (www.caixabank.com).
There is no express mention in the Company's Bylaws that the Committee must prepare an activities report. Nevertheless, at its meeting on 23 February 2017 the Committee approved its annual activities report which includes the main aspects of its regulation as described in the various corporate documents. It also evaluates the committee's performance during 2016.

AUDIT AND CONTROL COMMITTEE

Brief description
There are no specific regulations for the Board committees. The organisation and functions of the Audit and Control Committee are set out in the Regulations of the Board of Directors which is available on CaixaBank's corporate website (www.caixabank.com) together with its structure and composition.
In compliance with article 13.3 (v) of the Regulations of the Board of Directors, at its meeting on 23 February 2017, the Audit and Control Committee approved its annual activities report which includes the main aspects of its regulation as described in the various corporate documents. It also evaluates the committee's performance during 2016.

RISKS COMMITTEE

Brief description
There are no specific regulations for the Board committees. The organisation and functions of the Risks Committee are set out in the Regulations of the Board of Directors which is available on CaixaBank's corporate website (www.caixabank.com) together its structure and composition.

In compliance with article 13.3 (e) of the Regulations of the Board of Directors, at its meeting on 09 February 2017, the Risks Committee approved its annual activities report which includes the main aspects of its regulation as described in the various corporate documents. It also evaluates the committee's performance during 2016.

APPOINTMENTS COMMITTEE

Brief description
There are no specific regulations for the Board committees. The organisation and functions of the Appointments Committee are set out in the Regulations of the Board of Directors which is available on CaixaBank's corporate website (www.caixabank.com) together its structure and composition.

In compliance with prevailing legislation, at its meeting on 16 February 2017, the Appointments Committee approved its annual activities report detailing its performance during 2016.

REMUNERATION COMMITTEE

Brief description
There are no specific regulations for the Board committees. The organisation and functions of the Remuneration Committee are set out in the Regulations of the Board of Directors which is available on CaixaBank's corporate website (www.caixabank.com) together its structure and composition.

In compliance with prevailing legislation, at its meeting on 17 February 2017, the Appointments Committee approved its annual activities report detailing its performance during 2016.

C.2.6 Section revoked.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related party or intragroup transactions.

Procedures for approving related party transactions

The Board of Directors in plenary session shall approve, subject to a report from the Audit and Control Committee, the operations that the Company or companies of its group perform with Directors, in the 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 of 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 go through at market prices, generally set by the person administering the goods or services;
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.

Intragroup transactions are regulated by the Internal Relations Protocol between ”la Caixa” Banking Foundation, CriteriaCaixa and CaixaBank (available on CaixaBank's website). This sets, inter alia, the general criteria to carry out transactions or provide intragroup services under market conditions, as well as identifying the services that ”la Caixa” Banking Foundation Group companies provide and will provide to the CaixaBank Group companies and those which the CaixaBank Group companies provide or will provide in turn to the ”la Caixa” Banking Foundation 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 in specific circumstances described in Clause 3.3 of the Protocol, certain intragroup operations shall be subject to prior approval of the CaixaBank Board of Directors, which must first have received a report from the Audit Committee and the same, with regard to the other signatories of the Protocol.

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 significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CRITERIA CAIXA, SAU	CAIXABANK, S.A.	Corporate	Dividends and other profit distributed	460,580
CRITERIA CAIXA, SAU	CAIXABANK, S.A.	Commercial	Financing agreements: loans	550,000
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	1,850,000
CRITERIA CAIXA, SAU	CAIXABANK, S.A.	Contractual	Other	2,686,491

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.

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.

D.5 Indicate the amount from other related-party transactions. 0 (thousands of euros)

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 28 of the Regulations of the Board of Directors regulates the duty not to compete of company Directors. This 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 29 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 should inform to 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.

Further, article 1 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 VI of the Regulation establishes the Policy on Conflicts of Interest of the Company, and article 36 lists the duties regarding personal or family-related conflicts of interest of Concerned Persons. These include acting with loyalty to CaixaBank, abstaining from participating in or influencing the decisions that may affect the persons or entities with whom such conflict exists and informing the Monitoring Committee of the same.

Significant shareholders

In order to foster the Company's transparency and good governance, and in accordance with Recommendation 2 of the Unified Code of Good Governance, CaixaBank and "la Caixa" Banking Foundation, as controlling shareholder, and CriteriaCaixa signed an Internal Relations Protocol that is available on the Company's corporate website.
The Protocol currently in force is mainly intended to: manage the related-party transactions deriving from carrying out transactions or providing services; establish mechanisms that try to avoid the emergence of conflicts of interest; anticipate the granting of a pre-emptive acquisition right in favour of "la Caixa" Banking Foundation in the event of a transfer by CaixaBank of Monte de Piedad, of which it is the owner; establish the basic principles of a possible collaboration between CaixaBank and "la Caixa" Banking Foundation in matters of CSR; regulate the suitable flow of information which allows "la Caixa" Banking Foundation, Criteria and CaixaBank to prepare their financial statements and to comply with periodic reporting and supervisory duties

and establish the mechanisms necessary so that Criteria can assume all the requirements deriving from the ECB's decision to consider CriteriaCaixa as the ultimate responsible entity for the Financial Conglomerate. 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 ☒

Identify the listed subsidiaries in Spain

Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company, including fiscal risks.

The Company hereby states that of the descriptions contained in CNMV Circular 7/2015, of 22 December, regarding the scope of entities' risk management system, the one 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 task, in maintaining the internal control framework, that the Company ensures is executed prudently, and in the ongoing strategic and financial management and planning processes that guarantee adaptation to the Entity's risk level and appetite. The Risk Management System is comprehensive and thorough and can is adapted and streamlined to the subsidiaries and business units while adhering to the criteria of materiality and reasonableness.

The Risk Management System itself comprises 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 Bylaws, and in accordance with them, in those developments established in the Regulations of each body. Consequently, the company is managed and governed by its Board of Directors: this is the representative body and, apart from matters within the powers of the General Meeting, it is the highest decision-making body.

• Corporate Risk Map: The CaixaBank Group has a "Corporate Risk Map" to identify, measure, monitor, control and report risks. This provides a comprehensive overview of all risks associated with the corporate activities and their control environment. As a starting point for the Corporate Risk Map, the Corporate Risk Catalogue, updated in December 2016 (for more information see point E.3), allows for the classification of risks by category, including risks of a fiscal nature, and facilitates their internal and external monitoring and reporting, thereby helping to determine the Group's risk profile, the creation of a Risk Appetite Framework, standardising the risk terminology and facilitating the adaptation of risk reporting to the requirements of the Single Supervisory Mechanism (SSM).

• 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.

• Risk assessment and planning: As a complement and reinforcement that feeds back into both the Corporate Risk Map and the Risk Appetite Framework, the CaixaBank Group has institutional processes and mechanisms to evaluate both the evolution of the risk profile (recent, future and hypothetical in stress scenarios), and to evaluate its own ability to ensure the appropriate governance, management and control.

• Risk culture at CaixaBank: It is constantly evolving. This is evident in (i) training as borne out through what is called the "Risks School" where training is seen as a strategic tool designed to provide support for the business areas in matters relating to risk, while simultaneously being the channel to convey the Company's risk culture and policies for their appropriate management, providing training, information and tools for all the Company's staff (with both classroom-based and virtual training sessions, using the remote means available); (ii) information – publication of relevant risk management principles, standards, circulars and manuals which are reported during monthly meetings of the CEO and senior management with the Directors of the branch network and Central Services; and (iii) incentives – at present this applies to the variable remuneration of certain managers involved in risk origination and management.

CONTINUES IN SECTION H

E.2 Identify the bodies responsible for preparing and implementing the risk management system, including fiscal risks.

Governing bodies

The Board of Directors of CaixaBank is the company's senior body which, as part of its powers, determines and monitors the business model and risk strategy of the Bank, establishes the Corporate Risk Map and the Risk Appetite Framework and is responsible for internal governance and risk management and control policies. More specifically, the Board itself takes decisions on certain risk management issues:

•Adopting and monitoring compliance with risk measurement approaches, as well as calculating the related regulatory capital requirements.
•Organising control duties at the highest level of authority.
•Establishing global risk limits.
•Ruling on the Company's general risk policies and awareness of the progress made. In general, the Board of

Directors' functions are:

•Defining general risk management principles.
•Establishing the distribution of functions within the organisation and the criteria for preventing conflicts of interest.
•Approving and reviewing periodically the risk performance, management, control and reduction strategies and policies.
•Approving the general internal control strategies and procedures.
•Monitoring the results of the risk management and control function and the status of internal control.

The Board has delegated certain issues to the delegate committees, whose activities are described in the Regulations of the Board of Directors (articles 11 et. seq.). Specifically, the Board has appointed an Executive Committee, a Risk Committee, an Appointments Committee, a Remuneration Committee and an Audit and Control Committee from among its number.
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. This committee closely monitors risk management. Its exact duties and composition are detailed in point C.2.5. However, the Audit and Control Committee is, without prejudice to the Board's risk control and management powers, the final guarantee of the control mechanisms. See point C.2.5 of this report for more information.

Management Bodies

Senior management of the Group acts within the framework of the powers delegated by the Board of Directors and its Committees, both collegiately (Management Committee) and individually through the Chief Risks Officer. CaixaBank's General Risks Division ensures the correct working of the Group's Risk Management System. It is not directly responsible for reputational risk (which is managed by the Corporate Division of Communication, Institutional Relations, Brand and CSR) nor legal/political/regulatory/fiscal risk (which fall to the General Secretary) nor regulatory compliance risk (which is the responsibility of the Deputy-General Control and Compliance Division).
The senior management of the CaixaBank Group includes the

following committees: Committees reporting to the Board Committees:

• Management Committee
• Permanent Lending Committee
• Global Risk Committee

In addition, the key committees reporting to the Management Committee include:

• Asset-Liability Committee (ALCO)
• Transparency Committee
• Regulation Committee
• Planning Committee
• Information and Data Quality Governance Committee (IDQGC)
• Data Protection Committee

• Restructuring and Resolution Plans Committee
• Reputation Committee

Finally, due to their importance in the management and control of risks, the key risk management committees which establish general action policies, approve transactions at the highest level, manage the Group's business risks and report to the Global Risk Committee, are as follows:

• Risk Policies Committee
• Operational Risk Committee
• Models and Parameters Committee
• Impairment Committee
• Default and Recovery Committee
• Real Estate Acquisition and Appraisal Committee
• Internal Control Committee

For more information see Note 3 of the Consolidated Financial Statements of the CaixaBank Group for 2016.

E.3 Indicate the main risks, including fiscal, which may prevent the entity from achieving its targets.

Developments in the financial system and the transformation of the Regulatory Framework indicate the growing importance of assessing risks and their control environment. Within this framework, the CaixaBank Group has a "Corporate Risk Map" to identify, measure, monitor, control and report risks.

The Corporate Risk Map includes a Corporate Risk Catalogue updated in December 2016 (see point E.1), which helps the internal and external monitoring and reporting of the Group's risks grouped into three main categories. Business Model Risks, Specific risks for the Bank's financial activity and Operational and Reputational Risk.

The main risks reported periodically to CaixaBank's management and the governing bodies are:

Business model risk:

• 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: 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.

Risks inherent in financial activity:

• Credit risk: Risk of a decrease in the value of the CaixaBank Group's assets due to uncertainty in a counterparty's ability to meet its obligations.

• Impairment of other assets: Reduction in the carrying amount of the shareholdings and non-financial assets (tangible, intangible, deferred tax assets and other assets) of the CaixaBank Group.

• Market risk: Loss of value in the assets or increase in value of the liabilities included in the Group's held-for-trading and investment portfolio, as a result of fluctuations in rates, credit spread, external factors or prices in the market where these assets and liabilities are traded.

• Interest rate risk in the banking book: Negative effect on the economic value of the balance sheet or results, caused by the renewal of assets and liabilities at rates that are different to those previously established, due to changes in the structure of the interest rate curve.

• Actuarial risk: Increase in the value of commitments assumed through insurance contracts with customers (insurance business) and employee pension plans (pension obligations), due to differences between the claims estimates and the actual performance.

Operational and Reputational risk:

• Legal/regulatory: Losses due to errors in the interpretation or application of the existing legislation and regulations or adverse judicial rulings. In addition, it includes the risk of an adverse impact on the economic value due to legislative or regulatory changes.

• Conduct and Compliance: Application by CaixaBank of criteria for action contrary to the interests of its clients and stakeholders and deficient procedures that generate actions or omissions not in keeping with the legal and regulatory framework, or with the internal codes and standards, and which could result in administrative sanctions or reputational damage.

Fiscal risk, understood as the risk of negative effects on the financial statements and/or reputation of the CaixaBank Group arising from tax decisions taken either by the bank itself or by the tax and judicial authorities, would be covered by the management and control of the legal and compliance risk.

• Technological: Losses due to hardware or software inadequacies or failures in the technical infrastructures that could compromise the availability, integrity, accessibility and security of the infrastructures and data.

• Operating processes and external events: Loss or damage caused by operational errors in processes related to the Bank's activity, due to external events beyond the Bank's control, or due to third parties outside the Bank, both accidentally and fraudulently.

• 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 situation of the CaixaBank Group.

• Reputational risk: Risk associated with reduced 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 CaixaBank, its Senior Management or Governing Bodies.

For more information see Note 3 of the Consolidated Financial Statements of the CaixaBank Group for 2016.

E.4 Identify if the entity has a risk tolerance level, including fiscal.

The Entity has various risk tolerance levels in its Risk Appetite Framework (already detailed in point E.1, as part of its Risk Management System).

CaixaBank's Risk Appetite Framework includes qualitative and quantitative statements.

• The risk appetite statement transmits the target risk profile with four key dimensions:

1. Loss buffer: CaixaBank's objective is to maintain a medium-low risk profile and comfortable capital adequacy.
2. Liquidity and financing: In order to have a stable and diversified financing base, the Bank must be certain it permanently has the capability to meet its financing obligations and needs, including under adverse market conditions.
3. Business composition: The Bank aspires to holding a leading position in the retail banking market and being able to generate revenue and capital in a balanced and diversified manner.
4. Franchise risks: the Group adheres to the highest ethical and governance standards in its business, encouraging sustainability and social responsibility, and actively strives to ensure operating excellence.

Similarly, there are statements about the minimum risk appetite which include, among other items, the monitoring of fiscal risk as part of the legal and compliance risk.

• Quantitative metrics, which are summarised in scorecards:

1. Primary metrics (Level 1), with the appetite and tolerance levels set by the Board of Directors
2. Complementary, more detailed metrics (Level 2), to break down or supplement the risk monitoring of the management team and, in particular, the Global Risk Committee.

• Management levers (Level 3), to ensure the coherent and efficient transfer to the management of the business and its risks. These are implemented through:

1. Training and communication
2. Risk assessment and analysis methodologies
3. Limits, policies and powers in the approval of new risk positions
4. Incentives and appointments
5. Tools and processes

For each key dimension defined, there are also qualitative statements, various quantitative metrics with the appetite to be maintained and the tolerance thresholds. Along with the management levers, these help steer the risk profile that can be assumed by the management team.

“Appetite” and “Tolerance” levels are set for each of the metrics through a system of alert traffic lights:

• “Green traffic light”: risk target
• “Amber traffic light”: early alert
• “Red traffic light”: breach

There is also a "Black traffic light" for certain metrics included in the Recovery Plan (see below). Once activated, certain internal communication and governance processes would be triggered based on the defined seriousness of the situations.

In line with EU Directive 2014/59/EU, of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions, CaixaBank has a Recovery Plan which is kept up to date.

The Recovery Plan is intended to help the Entity implement recovery measures so it can re-establish its financial position following a significant impairment of same. It is designed to allow the Entity to respond to situations where its solvency and liquidity are seriously impaired. The Recovery and Resolution Plans Committee (RRPC) has been created to manage the Recovery and Resolution Plans.

When drawing up the Recovery Plan, the RRPC determines the Plan's scope and the areas involved. It recommends that the Plan be updated at least once a year in line with prevailing legislation. It also directs the project and supervises and controls the preparation process which falls to the Project Office.

Before approving the Recovery Plan the RRPC validates the Report proposed by the Project Office and submits it to the Management Committee.

The RRPC reviews the Report drawn up by the Project Office every quarter to revise the recovery indicators. The Report is then submitted to the Management Committee.

This ensures a comprehensive and scaled monitoring process of potential impairments in the entity's risk profile, and regulates the opportune and selective involvement of the governing bodies.

Finally, the RRPC also coordinates all information requests sent by both Spanish (Bank of Spain / FROB) and European (Single Resolution Mechanism) resolution authorities.

For more information (e.g. risk assessment process) see Note 3 of the Consolidated Financial Statements of the CaixaBank Group for 2016.

E.5 Identify any risks, including fiscal, which have occurred during the year.

The risks, identified in the Corporate Risks Catalogue, which classifies the risks into categories, including risks of a fiscal nature, are listed in point E.3; the comprehensive (management, control, etc.) and forward-looking tool used is the Risk Appetite Framework (described in point E.4). During 2016 there were no changes to the compliance/tolerance levels of the Risk Appetite Framework metrics with respect to December 2015, with one of the metrics remaining beyond the limit zone.

Specifically, the significant litigation that financial institutions are facing with issues such as floor clauses or law 57/68 (advances to developers) is having an impact on them, although CaixaBank is taking the necessary measures to mitigate the effects related to both issues.

The initiatives adopted and the current action plans should enable the risk levels to be brought back into line with the Entity's risk appetite.

The main figures which affected credit risk in 2016 are:

• NPLs. At 31 December 2016 the Group's non-performing loans totalled EUR 14,754 million (6.9%). At year-end 2015 this was EUR 17,100 million (7.9%).

• CaixaBank's NPL ratio compares very favourably with that of the resident private sector in the system total, which has gone from 10.1% (31 December 2015) to 9.23% (30 November 2016).

• Property development and foreclosed assets. At 31 December 16, the Group's gross financing of real estate development stood at EUR 8,024 million (EUR 9,825 million at 31 December 2015) and the net carrying amount of foreclosed assets was EUR 6,300 million at 30 September 16 (EUR 7,300 million at 31 December 2015).

• For the NPL coverage ratio, in 2016 the Group recognised insolvency provisions of EUR 314 million (*) (EUR 1,593 in 2015), stripping out recoveries. Including these provisions, total credit loss provisions were EUR 6,880 million at the end of 2016 (*) (EUR 9,512 at the end of 2015).

• This gave a Cost of Risk of 0.46% (*) in 2016 compared to 0.73% in 2015.

(*) The fourth quarter of 2016 has seen the release of provisions, among others those arising as a result of the application of the new Circular 4/2016. The cost of risk ratio for the fourth quarter of 2016 is 0.46% excluding that release of provisions; if these are taken into account, the cost of risk ratio stands at 0.15%.

Operation of management and control systems

Despite operating in a complex environment, the Group's ability to generate value over the long term has not been affected.

The proper functioning of the risk management and control systems during 2016 has significantly contributed to this. The Group's board was informed of the progress.

For more information see Note 3 of the Consolidated Financial Statements of the CaixaBank Group for 2016.

E.6 Explain the response and monitoring plans for the main risks the entity is exposed to, including fiscal

Due to space limitations, see our response in "Appendix to 2016 ACGR" attached to section H.

F INTERNAL CONTROL OVER 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 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Board of Directors of CaixaBank has formally assumed responsibility for ensuring the existence of a suitable, 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 shall include at least the following:

• To monitor the effectiveness of the Company's internal control environment, internal audit and risk management systems, and discuss 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 prescriptive financial information.
In this regard, the Audit and Control Committee is charged with overseeing ICFR. Its oversight activity seeks to ensure its continued effectiveness, gathering sufficient evidence of its correct design and operation.
This assigning of responsibilities has been disseminated to the organisation in the "Internal Control over Financial Reporting" policy and the equivalent regulation, both of which were approved in 2016 after being separated (there was previously only the one regulation).
The ICFR Policy was approved by the Board of Directors. It describes the most conceptual aspects of ICFR such as the financial information to be covered, the internal control model, policy supervision, custody and approval, etc.
For its part, the ICFR Regulation was approved by the Management Committee It outlines the Internal Control over Financial Reporting Function (hereinafter, ICFR), whose responsibilities are to:

• Monitor whether the practices and processes in place at the Entity to produce the information ensure its reliability and compliance with the applicable regulations.

• Assess whether the financial information reported by the various companies comprising the CaixaBank Group complies with the following principles:

i. Transactions, facts and other events presented in the financial information exist in reality and were recorded at the right time (existence and occurrence).

ii. The information includes all transactions, facts and other events in which the entity is the affected party (completeness).

iii. 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. 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 Policy and the Regulation both describe the internal control model of the 3 lines of defence 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) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity.

CaixaBank's Board of Directors has entrusted its Management Committee and Appointments Committee with reviewing and approving the organisational structure and the lines of responsibility and authority at the Entity. The area of the Organisation designs the organisational structure of CaixaBank and proposes to the Entity'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, among other issues, the allocation of tasks, key dates and the various revisions to be carried out by each of the hierarchical levels. Both the lines of authority and responsibility and the aforementioned planning have been duly documented and everyone taking part in the financial reporting process has been informed of the same.

We would note that all CaixaBank Group entities have an ICFR model and act in a coordinated manner. In this regard, the above-mentioned internal Policy and Regulations have enabled the Entity to disseminate a common ICFR methodology.

- 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.

The CaixaBank Code of Business Conduct and Ethics, which has been approved by the Board of Directors, sets out the core ethical values and principles that guide its conduct and govern the actions of all employees, executives and members of its management bodies. The Code is available to all employees on the Company's intranet and can also be accessed by shareholders, customers, suppliers and other interested parties under the Corporate Responsibility section of the CaixaBank website.

The ethical values and principles outlined in the Code are as follows: compliance with the law, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.

The Code also states that the Entity undertakes to provide its customers and shareholders with accurate, truthful and understandable information on its transactions and commissions and the procedures for handling claims and resolving incidents.

CaixaBank also makes all its relevant financial and corporate information available to its shareholders, in line with prevailing legislation.

All new employees must adhere to the Code.

The Queries and Complaints Committee, which includes Compliance, General Council, Legal and Human Resources, is responsible for analysing any breaches or proposing corrective measures and penalties.

Likewise, due to prevailing legislation and self-regulatory agreements proposed by Management and the Governing Bodies, there are other codes regulating the conduct of employees in specific areas. These are:

I. Internal Code of Conduct on Matters Relating to the Stock Market
Approved by the Board of Directors, its objective is to adapt the actions of CaixaBank, and its administrative bodies, employees and representatives, to the rules of conduct contained in the Securities Market Law and the corresponding implementing regulations. In addition, this Code of Conduct sets out CaixaBank's conflict of interest policy, in accordance with the above-referenced legislation.

The overall purpose is to promote transparency in markets and to protect, at all times, the legitimate interests of investors.

The Code is available to all employees on the Regulatory Compliance section of the Entity's intranet and all covered parties must declare that they are cognisant of it. Other stakeholders may also access it on the CaixaBank website.

The Code of Conduct Monitoring Committee is charged with analysing any breaches and proposing the corrective measures or corresponding disciplinary action. Likewise, any queries regarding the content of the Internal Code of Conduct can be forwarded to the Secretary of the Code of Conduct Monitoring Committee or Regulatory Compliance, depending on the issue.

II. Telematic Code of Conduct

It has been approved by the Management Committee and implements the conduct and best practices associated with access to the Entity's data and information systems.

It applies to all CaixaBank employees and is disseminated internally on the Regulatory Compliance portal on the intranet.

All new employees must adhere to the Telematic Code of Conduct and all new versions of the same are announced on the intranet.

The Consulting and Whistle-blowing Committee is charged with analysing any breaches and imposing corresponding corrective measures or sanctions.

Finally, we would note that there is an Internal Confidential Consulting Channel where employees can send any queries regarding the interpretation and application of the Code of Ethics and the Telematic Code of Conduct. The channel is available to all employees on the intranet. Queries are handled by Regulatory Compliance except for those regarding the Telematic Code of Conduct which are handled by the IT Security Area.

As we have already mentioned, all queries regarding the Code of Conduct can be sent to the Code of Conduct Monitoring Committee or Regulatory Compliance, depending on the subject.

All of these issues have been included in the Entity's Training Regulations and courses must be taken by all employees. At the end of each course all participants must pass a test to receive formal validation.

The Entity currently offers the following courses:

-The Code of Ethics, the Confidential Code of Ethics Consulting Channel , the Confidential Telematic Code of Conduct Consulting Channel and the Confidential Consulting and Whistle-blowing Channel. This is a 90 minute e-learning course.

-Information Security training provides knowledge on the protection measures and criteria to be adopted concerning information. The course also included the guidelines of the Telematic Code of Conduct. This is a 60 minute e-learning course.

-The Entity also has two e-learning courses available on the Internal Code of Conduct:

o one for all covered persons; and

o another for all employees which focuses on identifying and notifying any suspicious market abuse operations, the corporate conflict of interest policy and employees' general obligations regarding insider information.

In 2016 all new employees were required to take these courses.

• 'Whistle-blowing' channel, for reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

All notifications about possible breaches of the Code of Ethics and the Telematic Code of Conduct, as well as reports of potential irregularities regarding financial and accounting information must be sent to Regulatory Compliance via the Confidential Consulting and Whistle-blowing Channel set up by CaixaBank and available to all employees on the intranet.

This area is responsible for its management whereas, as noted, the Whistle-blowing Channel Committee is responsible for resolving complaints. It is also responsible for notifying the Audit and Control Committee of any complaints regarding financial and accounting information pursuant to the ICFR guidelines.

This internal channel is exclusively for employees and can be accessed via various links on the intranet. All reports must be individual and confidential. The whistle-blower is only identified to the business areas involved in the investigation if it is absolutely necessary and only with the employee's consent. This also guarantees the employee's indemnity except in cases of malicious reporting or their participation in the reported events.

We would note that in 2016 the Entity offered training on this channel and its use (see previous section).

- 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.

The Entity and its subsidiaries strive to offer an ongoing accounting and financial training plan which is adapted to the requirements inherent in the jobs and responsibilities of personnel involved in preparing and reviewing financial information.

In 2016, training courses focused on the following areas:
-Accounting
-Audit
-Internal Control
-Legal/Tax
-Risk management
-Regulatory Compliance
-Risks

The various courses were aimed at personnel in Financial Accounting, Control and Capital, the Deputy General Audit and Control Division, Default and Recovery and Risks, as well as members of the Entity's Senior Management. An estimated 3,670 hours of this type of training were provided.

We would also note that in the last quarter of 2016 the Entity relaunched an online course on ICFR aimed at 51 employees from Accounts and audit inspection, Corporate Information and Control of Investees, Planning and Capital and Risks. This is in addition to the 81 employees who took the course in 2015, the 64 people in 2014 and 236 people in 2013.

This two-hour long course is intended to raise awareness among 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 entity takes into account any developments when preparing financial information.

One of the key features of CaixaBank's Strategic Plan for 2015-2018 is "to be leaders in service quality and have the best trained and dynamic team and develop the professional skills of all Branches and Central Services employees".

In 2015 the entity 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.

In 2016, 1,356 employees from various levels were accredited and a further 2,547 are currently receiving training. 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 Entity'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 so that they are able to offer customers the best possible service. With this, CaixaBank is adhering to prevailing EU regulations and is also the first Spanish financial entity to certify employees' training with a post-graduate Financial Advisory diploma and a prestigious international financial sector certificate. In 2016, 593 employees (branch managers, Premier banking managers and Private banking staff) took exams to be awarded the post-graduate Financial Advisory diploma and the international CISI certificate. They join the over 6,600 CaixaBank employees who already hold these qualifications. A further 1,100 employees are currently enrolled.

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 is a shorter course but still meets the advisory requirements of MiFID II and will be offered to Assistant Commercial Managers. In the first edition in 2016, 816 employees were enrolled.

As in 2015, professional development programmes and courses for the various business areas were drawn up in accordance with the profiles and skills of potential participants and the objectives set.
The Management Development Centre also runs specific training courses for managers, following on from the leadership programmes for Business Area Heads and activities aimed at executives from central services and new business areas. Talent identification and management programmes were also available.

In 2016, there were 30 training sessions lasting 2 hours each, for Directors and members of the various governance bodies which covered, *inter alia*, risk management, internal and external audit, capital instruments, the stock market and banking. These sessions were arranged according to each Director's profile and the most suitable training recommended for each by their Supervisor. Particular emphasis was given to new appointments.

The Entity gave classroom-based and online training to its staff. Among the subjects covered were accounting and auditing principles, as well as internal control and risk management. CaixaBank is strongly committed to e-learning via its Virtaula platform where employees can share knowledge.

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.

CaixaBank's risk identification process 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 2016, this exercise was carried out at the beginning of the year using data at 31 December 2015 and revised in the second half using data at 30 June 2016.

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.

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 over 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) with a potentially significant impact on financial information objectives: existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations.

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.

The scope of consolidation is also assessed on a monthly basis by the Consolidation function which is part of Accounts and Audit Inspection.

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 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.

- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

See the explanation in the first section.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc.

See the explanation in the first section.

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

See the explanation in the first section.

- Finally, which of the entity's governing bodies is responsible for overseeing the process.

See the explanation in the first section.

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 reporting, 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 Entity's senior governing bodies and Management.

The reporting and review of all financial information hinge on suitable human and technical resources which enable the Entity 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 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 Entity'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:

-A description of the 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 categories and risk models which form part of the Entity's Corporate Risk Map which is managed by the Internal Control Area.
-Control activities carried out to mitigate the risk along with their characteristics:

o Classification - Key / Standard
o Purpose – Preventive / Detective / Corrective
o Automation – Manual / Automatic / Semiautomatic
o Frequency – How often the control is executed
o Evidence – Evidence/proof that the control is working correctly
o COSO Component – Type of control activity, according to COSO classification (Committee of Sponsoring Organizations of the Treadway Commission)
o System – IT applications or programmes used in the control activity –
Person responsible for implementing the control
o 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 upward internal key control certification 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 Head of Financial Accounting, Control and Capital informs the Management Committee and the Audit and Control Committee of the outcome of this attestation process as well. Similarly, they send that result to the Board of Directors for its information.

In 2016, the Entity carried out four quarterly attestation processes, plus the ad-hoc attestation of certain controls. No significant incidences which may affect the accuracy of the financial information were identified.

Internal Audit carries out the monitoring functions described in F.5.1 and F.5.2 below.

The preparation of the financial statements requires senior executives to make certain judgements, estimates and assumptions in order quantify certain of the assets, liabilities, revenues, 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 procedures for reviewing and approving the judgements and estimates are outlined in the Policy and the Internal ICFR Regulation under "Reviewing and Approving Judgements and Estimates". This specifies that the Board of Directors and the Management Committee are responsible for approving this information.

This year the Entity has addressed the following:
- The fair value of certain financial assets and liabilities.
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations.
- Impairment losses on certain financial assets and the fair value of the related guarantees.
- The measurement of investments in joint ventures and associates.
- Determination of share of profit (loss) from holdings in associate companies.
- The useful life of and impairment losses on other intangible and tangible 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 liabilities arising under insurance contracts.
- 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, among 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 Entity has in place an IT Contingency Plan 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 Technological 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 and developed in accordance with this regulation.

The British Standards Institution (BSI) has certified that CaixaBank’s business continuity programme 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 international standards.

Which offer:

- Assurance to our customers, investors, employees and society in general that the Entity 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 Entity'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 governance model has been designed and developed according to ISO 38500:2008 standard, and was certified by Deloitte Advisory, S.L. in July 2014.

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 risks and risk associated with financial reporting liability;
- 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 of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The CaixaBank Group has a Costs, Budget Management and Purchasing Policy which regulates the Management Model throughout the entire cycle (budgeting, demand management, negotiating with suppliers, supply and invoicing). This policy is detailed in the internal regulations which mainly regulate processes regarding:

- Drawing up, approving, managing and settling the budget
- Applying the budget: procurement and commissioning
- Paying supplier invoices

Most of the processes carried out between Group entities and their 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 regulations.

To ensure correct cost management, the CaixaBank Efficiency Committee has delegated duties to two committees:

- The Investment and Expenses Committee (CGI): reviews and ratifies all spending 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 desk: oversees achieving maximum savings in contracting goods and services, encouraging equal opportunities among suppliers. The entity's Code of Ethics stipulates that goods must be purchased and services engaged objectively and transparently, avoiding situations that could affect the objectiveness of the people involved. Auctions and budget requests are acceptable procurement methods according to the Procurement Department and a minimum of three tenders from suppliers must be submitted.

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.

Deloitte Consulting, S.L.U. has certified that the design and wording of the outsourcing governance complies with ISO standard 37500:2014, which attests:

- 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 ensures that any future outsourcing does not entail a loss of supervisory capacity, analysis or demands of the service or activity under contract. 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.
- Engagement of the supplier.
- Transfer of service to the 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 2016, valuation and calculation services commissioned from independent experts mainly concerned the following:

- 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 Accounts and audit inspection Area – Accounting Policies and Regulation Department, which reports to Financial Accounting, Control and Capital (FACC), is responsible for defining the Entity's accounting criteria.

These criteria are based on and documented according to the characteristics of the product/transaction defined by the business areas involved and to the applicable accounting regulations, being formalised in the creation of amendment of an accounting circuit. The various documents comprising an accounting circuit explain in detail all the likely events which could affect the contract or transaction and describe the key features of the operating procedures, tax regulations and applicable accounting criteria and principles.

This department is charged with resolving any accounting queries not included in the circuit and any queries as to its interpretation. Additions and amendments to the accounting circuits are notified immediately to the Organisation and most can be consulted on the Entity's intranet.

Accounting criteria are constantly updated in line with new contract or transaction types or any regulatory changes. In this process all new events reported to the department and which may have an accounting impact both for the Entity and the consolidated Group are analysed. The various areas involved in these new events work together to review them. The conclusions of these reviews are transferred to and implemented in the various accounting circuits and, if necessary, the various documents comprising the general accounting documents. The affected business areas are informed via existing mechanisms, mainly the Intranet and the accounting policies manual.

In 2016, as in previous years, the Accounting Policies and Regulation Department continue to review its accounting policies, taking into account the materiality threshold.

In addition, this Department is responsible for analysing and studying the accounting impact of one-off transactions and for monitoring and developing ex ante and ex post regulations. In this regard, the department is responsible for training and updating the affected areas.

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 Entity is currently upgrading its accounting information architecture to improve the quality, completeness, immediacy and access to 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.

To prepare the consolidated information, both CaixaBank and other Group entities use specialist tools providing mechanisms to capture, analyse and prepare financial information in standard format.

The accounts plan, which is incorporated in the consolidation application, has been defined to comply with requirements of the various regulators.

The Entity also has a SAP Governance, Risk and Compliance (SAP GRC) tool to guarantee the completeness of ICFR, uniformly reflecting all the activities involved in a process and associating them with existing risks and controls. The tool also supports the Corporate Risk Map (CRM) and Key Risk Indicators (KRIs), for which the Internal Control and Risk Models and Policies business areas are respectively 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 Entity'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 section 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:

- Approval 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 Entity is exposed.
- 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 Board of Directors of CaixaBank. Its mission is to guarantee effective 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 and Internal Control Division.

Internal Audit has auditors working in various audit teams which specialise in reviewing the main risks to which the Entity 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 Entity'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 review Internal Audit:

- Identifies the necessary controls to mitigate the risks associated with the reviewed process' activities.
- Analyses the effectiveness of the existing controls on the basis of their design.
- Verifies that these controls are applied.
- Reports its conclusions on 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 complemented by a review of existing auditing controls in other processes.
This working programme is currently complemented by an ongoing review of evidence of the effective execution of all controls. 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 assessment of ICFR at 31/12/2016 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.

- Verification of the "Internal Control over Financial Reporting" policy and the methodology contained in the associated internal regulation to ensure that ICFR across the Group is suitable and efficient.

- Assessing the hierarchical attestation of the key controls identified process.
- Evaluating the descriptive documentation of the relevant processes, risks and controls in drafting financial information

In 2016, Internal Audit also revised the processes which affect the preparation and presentation of financial information, focusing on, inter alia, financial-accounting, financial instruments, legal and compliance, information systems and the insurance and foreclosed assets businesses.

The Audit and Control Committee and senior management 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 Entity 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.

F.6 Other relevant information

No other relevant information.

F.7 External auditor report

Report on:

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 annual accounts auditor 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 Bylaws 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.

Compliant [X] Explain [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The type of 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.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant ☐ Partially compliant ☒ Explain ☐

The Board of Directors, in its meeting dated 10 March 2016, agreed to propose to the General Shareholders' Meeting on 28 April the approval 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 delegation proposal expressly included the power to exclude shareholders pre-emptive subscription rights. This proposal was approved by the General Shareholders' 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 excluded are not subject to the maximum limit of 20% of the share capital that the General Shareholders' 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 is applicable).
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 Law 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 which 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 eventually 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 convenient 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.

Compliant ☒ Partially compliant ☐ Explain ☐

7. The company should broadcast its general meetings live on the corporate website.

Compliant ☒ Explain ☐

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.

Compliant ☒ Partially compliant ☐ Explain ☐

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [ ] Partially compliant [X] Explain [ ] 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 Shareholders' 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant ☐ Explain ☒

At 31 December 2016 the Board of Directors comprised 18 members with 2 vacancies.
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.
Finally, and in compliance with new legal requirements, as the Entity has five 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.
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), on 27 October the Caja Navarra Banking Foundation submitted its resignation from its duties as director. On 15 December 2016, Ms. Eva Aurín also submitted her resignation as member of the Board of Directors and Mr. Alejandro García-Bragado Dalmau was appointed as member of the Board of Directors, with the position of proprietary director, who accepted it with effect from 1 January 2017, therefore the current Board of Directors is made up of 18 members (with 1 vacancy).

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.

Compliant ☒ Partially compliant ☐ Explain ☐

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.

Compliant ☒ Partially compliant ☐ Explain ☐

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.

Compliant ☒ Explain ☐

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.

Compliant ☒ Explain ☐

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.

Compliant ☒ Partially compliant ☐ Explain ☐

19. Following verification by the nomination committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary Directors at the urging 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.

Compliant ☒ Partially compliant ☐ Explain ☐ 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.

Compliant ☒ Partially compliant ☐ Explain ☐ 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 Bylaws, 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.

Compliant [X] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [ ] Partially compliant [X] Explain [ ]

In the case of inevitable absences, in order to prevent de facto changes to the balance of the Board of Directors the legislation allows delegation to another director (non-executives only to other non-executives) - this is established in Principle 14 of the Good Governance Code and also contained in article 16 of the Board's Regulations 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 can only delegate to another non-executive Director.

The Board of Directors considers, as good corporate governance practice, that in the cases where it is impossible to attend, proxies when they occur, and they do not generally occur, come with specific instructions. This does not amend, de facto, the balance of the Board given that by law, the delegations of non-executive directors may only be made to other non-executive directors and it must be remembered that, regardless of their type, the director must always defend the company's best interest.
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 basis that they want to allow their proxy to adapt to the result of the debate in the Board. This, in addition, is line 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 rights to adopt positions.
Therefore, the freedom to grant 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ]

30. Regardless of the knowledge Directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant [X] Explain [ ] 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 minuted, of the majority of Directors present.

Compliant ☐ Partially compliant ☒ Explain ☐

In accordance with that established in article 25.g) of the Board's Regulations, no additional requirement is established for Board members to include a new proposal on the agenda of their meetings as a result of their status as Chairman, Vice-Chairman or Chief Executive Officer. Equal treatment in terms of this prerogative is considered to be a measure that encourages the participation of all members and takes into account the importance of all board members regardless of any category or condition they exercise when defending the company's best interest.

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.

Compliant ☒ Partially compliant ☐ Explain ☐

33. The Chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's Bylaws, 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 advise.

Compliant ☒ Partially compliant ☐ Explain ☐

34. When a lead independent Director has been appointed, the Bylaws or Board of Directors regulations 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 Vice Chairmen give voice to the concerns of non-executive Directors; maintain contacts 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.

Compliant ☐ Partially compliant ☐ Explain ☐ 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.

Compliant ☒ Explain ☐

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 nomination 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 nomination 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.

Compliant ☐ Partially compliant ☒ Explain ☐

Once a year, the Board in plenary session evaluates the quality and efficiency of the Board's operation, the diversity in its composition, its powers as a collegiate body, the performance of the Chairman and the Chief Executive Officer and the performance and membership of its committees. However, no individual evaluation is carried out on the contribution of each Director to assess their performance or contribution to the Board or the Company. Individual performance assessments are not considered to be a practice that adds value to the awareness of any possible deficiencies in the functioning of the Board as a collegiate body, except for the cases of the Chairman and Chief Executive Officer who have specific and individualised tasks that are suitable for performance assessment.
Similarly, taking into account the provisions of Recommendation 36, the Board has adopted the decision to seek the assistance of a third party (previously approved by the Appointments Committee) to carry out its assessment for 2017.

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.

Compliant ☒ Partially compliant ☐ Explain ☐ 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.

Compliant ☒ Partially compliant ☐ Explain ☐ 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.

Compliant ☒ Partially compliant ☐ Explain ☐

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.

Compliant ☒ Partially compliant ☐ Explain ☐

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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

47. Appointees to the nomination and remuneration committee - or of the nomination 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 discharge. The majority of their members should be independent Directors.

Compliant [X] Partially compliant [ ] Explain [ ]

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Compliant [X] Explain [ ] Not applicable [ ]

49. The nomination 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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive Directors and senior officers.

Compliant [X] Partially compliant [ ] Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing 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 terms of reference; discuss their proposals and 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ]

54. The corporate social responsibility policy should state the principles or commitments 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) Concrete practices in matters relative to: 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.

Compliant [X] Partially compliant [ ] Explain [ ]

55. The company should report on corporate social responsibility developments in its Directors' report or in a separate document, using an internationally accepted methodology.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [ ] Partially compliant [ ] Explain [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.
On 17 November, the Board approved the amendment to the Identified Group's Remuneration Policy in order to extend the deferment from 3 to 5 years, applicable from 2018. This change is made to comply with the provisions of the EBA's Guide on Remuneration Policies.
With regard to the prohibition on transferring the ownership of a number of shares equivalent to twice the fixed annual remuneration, in the case of CaixaBank it is not applied in this way. 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.

Compliant [X] Partially compliant [ ] Explain [ ] 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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

H OTHER INFORMATION OF INTEREST

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.

A.2 With regard to the ownership situation of “la Caixa” Banking Foundation in CaixaBank, it must be noted that at the close of the 2016 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) 2,710,880,567 CaixaBank shares. It also reported that, in compliance with additional provision eight of Law 26/2013 of 27 December 2013, on savings banks and banking foundations, banking foundations that subscribe capital increases at an investee credit institution may not exercise the political rights corresponding to that part of the capital acquired which would allow them to maintain a position of 50% or higher or a controlling position. Therefore, Fundación Bancaria Caja de Ahorros y

Pensiones de Barcelona ("la Caixa"), from all CaixaBank shares controlled at the close of 2016 (2,710,884,060 shares), only the voting rights referring to 2,672,378,848 shares may be exercised.
It is reported that 31 May 2016 saw the completion of the asset swap transaction with Criteria Caixa, S.A.U. that was announced on 3 December 2015, through which Caixabank, S.A. transferred to CriteriaCaixa all of its shares in Grupo Financiero Inbursa, S.A.B. de C.V. (representing 9.01% of GFI) and The Bank of East Asia, Limited (representing 17.24% of BEA) while in return receiving from CriteriaCaixa shares in CaixaBank, S.A. (representing 9.9% of the share capital) and an amount in cash. On 22 September 2016, CaixaBank reported the sale of its own shares through a private placement among qualified investors amounting to 585,000,000 shares (representing 9.9% of the share capital of CaixaBank), which had been mostly been acquired through the asset swap completed on May 2016.

It is also worth mentioning that on 26 May 2016, CriteriaCaixa reported that it had raised with the European Central Bank (hereinafter, ECB) its interest in knowing under what conditions the loss of control of CaixaBank would occur in such a way that this loss involves the deconsolidation of CaixaBank from CriteriaCaixa for prudential purposes, and that the ECB reported the conditions under which it would consider that CriteriaCaixa had ceased to hold control over CaixaBank, for prudential purposes. The relevant conditions established by the ECB include the voting and dividend rights of CriteriaCaixa in CaixaBank not exceeding 40% of all voting and dividend rights.
CriteriaCaixa also reported that the Board of Directors of both "la Caixa" Banking Foundation and CriteriaCaixa have agreed to place on the record their intent to comply, before the end of 2017, with the aforementioned conditions such that the prudential deconsolidation of CriteriaCaixa with respect to the CaixaBank Group may proceed.
On 13 December 2016, CriteriaCaixa also reported the accelerated placement of 100,000,000 CaixaBank shares among institutional investors, representing approximately 1.7% of the share capital of CaixaBank.

With regard to the most significant movements in the shareholding structure during the 2016 financial year, it must be clarified that the electronic form only allows notifications to be included due to crossing a threshold. Statements on amending the number of the issuer's voting rights cannot be mentioned, nor can notifications of the close connections of the directors. Therefore, section A.2 contains mention of two statements as a reduction under the 50% threshold:

Those from 7 June 2016, through which Criteria Caixa, S.A.U (hereinafter, CriteriaCaixa), as direct holder of the shareholding in CaixaBank, S.A. (hereinafter, CaixaBank) and "la Caixa" Banking Foundation as a company controlling CriteriaCaixa, informed the market of the fall under the 50% threshold as a result of the transfer of shares due to executing the swap transaction reported to the market as a significant event.
And those from 20 December 2016, on the occasion of amending the number of CaixaBank voting rights, and through which CriteriaCaixa, as direct holder of the shareholding and "la Caixa" Banking Foundation as the company that controls CriteriaCaixa reported that, following the acquisition of CaixaBank securities by CriteriaCaixa, the "la Caixa" Group's holding in Caixabank decreased from 46.908% to 45.322%. In these statements it was reported that CriteriaCaixa had subscribed 38,505,212 CaixaBank shares, deriving from the capital increase and also that, in accordance with Additional Provision Eight of Law 26/2013, of 27 December 2013, on Savings Banks and Banking Foundations, the banking foundations that subscribe capital increases processes at an investee credit institution may not exercise the voting rights corresponding to that part of the capital acquired which would allow them to maintain a position of 50% or higher or a controlling position. In accordance with this legislation, "la Caixa" Banking Foundation may only exercise its vote over 2,672,375,355 shares representing 44.68% of the capital of CaixaBank.
Moreover, and despite the electronic form's limitations, it is also reported that on 19 December 2016, CriteriaCaixa, by virtue of its status as Person Related to the Director (Mr. Salvador Gabarró Serra), made a statement of related party connections for the sale of 100,000,000 CaixaBank, S.A. shares and the subscription of 38,505,212 shares deriving from the capital increase of CaixaBank, S.A. reported on 14 December 2016.

A.6.1 - The share capital affected by the Shareholders' Agreement reported to the Company is 80.597%. This represents 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.
This percentage has not been updated as currently three of the signatories do not sit on the CaixaBank Board (i.e. Fundación Caja Navarra, Fundación Caja Canarias and Fundación Caja Burgos, Banking Foundation) and therefore are not legally bound to report their stake in CaixaBank in the same way as the Directors of the listed company (as well as the other two signatory foundations of the Agreement, whose updated stakes are available on the websites of the CNMV and CaixaBank). Therefore this percentage is the most recent made available by the Company.
"Brief description of agreement" continued:
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.

A.7 "Comments" continued:
The initial Protocol which was signed when the Company, previously known as Criteria CaixaCorp, was listed on the stock market was replaced by a new Protocol when a number of reorganisation transactions were carried out at the "la Caixa" Group, as a result of which CaixaBank became the bank through which "la Caixa" indirectly carried on its financial activity. Thereafter, following the merger and absorption of Banca Cívica by CaixaBank and as a result of the transfer of Monte de Piedad's activity to CaixaBank, the Protocol was amended by means of a novation agreement to remove reference to the exceptionality of Monte de Piedad's indirect activity.
The purpose of the Protocol was to develop the basic principles governing relations between "la Caixa" and CaixaBank; define the main areas of activity of CaixaBank, bearing in mind that CaixaBank is the vehicle via which the financial activity of "la Caixa" is carried on; demarcate the general parameters governing any mutual business or social dealings between CaixaBank and its Group

and “la Caixa” and other “la Caixa” group companies; and to ensure an adequate flow of information to allow “la Caixa” and CaixaBank to prepare financial statements and meet their periodic reporting and supervision obligations with the Bank of Spain, the CNMV and other regulatory bodies.
As a result of the entry into force of Law 26/2013 of 27 December on Savings Banks and Banking Foundations, inasmuch as Caja de Ahorros y Pensiones de Barcelona “la Caixa” owned over 10% of the share capital and voting rights of CaixaBank, the former must become a banking foundation. The primary activity of the banking foundation shall be to manage and carry out welfare projects and appropriately manage its stake in CaixaBank. Consequently, this extinguishes the arrangement whereby Caja de Ahorros y Pensiones de Barcelona “la Caixa” indirectly carries out its financial activity through CaixaBank. Once the “la Caixa” Banking Foundation was registered in the Foundations Registry, the “la Caixa” Banking Foundation immediately ceased to carry out its financial activity indirectly through CaixaBank, therefore rendering the Protocol ineffective. It was therefore necessary to amend the Protocol to extend its validity for all matters which are not related to the indirect exercising of the Caja de Ahorros y Pensiones de Barcelona “la Caixa” Banking Foundation's financial activity until a new Internal Relations Protocol is signed outlining the “la Caixa” Group's new structure.
By virtue of the foregoing, the Parties entered into a novation agreement amending the Protocol on 16 June 2014, duly informing the CNMV the following day.
Law 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 bank 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 the CaixaBank on 24 July 2014. The CNMV was notified on 9 December 2014 following Bank of Spain approval.
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 19 December 2016, in accordance with the provisions of the Protocol for Managing the Financial Investment, "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 and whose main objectives are to:

• manage the related party transactions deriving from making transactions or providing services;
• establish mechanisms that try 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 of CSR;
• regulate the flow of adequate information to allow ”la Caixa” Banking Foundation, Criteria and CaixaBank to prepare their financial statements and to comply with periodic reporting and supervisory duties;
• establish the mechanisms necessary so that Criteria can assume all the requirements deriving from the ECB's decision to consider CriteriaCaixa as the ultimate responsible entity for the Financial Conglomerate.

A.8 - Within the framework of authorisation to acquire treasury stock granted by the CaixaBank General Shareholders' Meeting, in order to increase the liquidity of shares on the market and regularise their trading, on 29 July 2010 the Board of Directors approved the acquisition of company shares up to a maximum net balance of 50 million shares, provided the net investment was less than EUR 200 million.
This authorisation also includes a disposal entitlement, depending on the prevailing market conditions.
Likewise, on 8 March 2012, the Board of Directors resolved to extend the limit for treasury shares set in 2010 to 75 million shares. Subsequently, on 22 May 2012, it was resolved to render null and void the limit of 75 million, leaving transactions involving treasury shares subject only to the limits established in the 2012 General Shareholders’ Meeting, or any replacing it in the future, and the Corporate Enterprise Act, with the obligation of informing the Board every 3 months of the performance of the treasury shares and the financial result of transactions involving treasury shares. This is without prejudice to the fact that the Separate Area responsible for managing the treasury shares reports every month to the Audit and Control Committee so the Committee can monitor compliance with the treasury share policy established by the Board of Directors, and, if applicable, whether the Area has applied the controls assigned by the Board pursuant to this Policy.
The Chief Executive Officer or, if applicable, the Secretary to the Board of Directors, shall report to the Board on the essential aspects of the information submitted to the Audit and Control Committee by the Separate Area. This is without prejudice to any other information which, if applicable, the Chairman of the Audit and Control Committee deems appropriate to submit to the Board.
At its meeting of 30 January 2014, the Board resolved to amend the Internal Code of Conduct and the Internal Code of Conduct for Treasury Shares Transactions of CaixaBank, S.A. to include the recommendations contained in the CNMV’s criteria governing the discretionary trading in own securities of 18 July 2013. Both documents are available on the CaixaBank website.
On 28 January 2016, the Board of Directors agreed to set the treasury shares intervention criteria based on a new alerts system in accordance with the authorisation contemplated in article 14 of the Internal Rules of Conduct to define the discretion in managing the treasury shares by the ring-fenced area.

A.10 - 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 Law 10/2014, of 26 July, on Discipline and Supervision of Credit Entities states that persons wishing to acquire ownership interest in the Entity (under the terms of article 16) or voting rights or to increase, directly or indirectly, their stake in said ownership interest, such that their voting rights or share capital is equal to or greater than 20%, 30% or 50% of the total or they 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 ByLaws on voting rights. Nevertheless, as explained in Note B.5 below, CaixaBank’s Bylaws 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 same 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 Bylaws. 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 attending 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 resolutions at CaixaBank do not differ from that established in the Corporate Enterprises Act. However, we would note that, in accordance with Additional Provision 10 of the Savings Bank and Banking Foundations Law of 2013, resolutions concerning the distribution of dividends to the credit institutions controlled by a banking foundation pursuant to article 44.3 of this Law are subject to a larger quorum as stipulated in article 194 of the revised text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July. These must be adopted by at least two thirds of the share capital present or represented at the Meeting. The Bylaws of the investee may stipulate a greater majority. Therefore, in the case of CaixaBank, due to the Savings Banks and Banking Foundations Law, for the distribution of dividends (which is not expressly included in article 194.1 of the Corporate Enterprises Act), a larger quorum and the corresponding majority required for adopting the pertinent resolution is applicable.
As a result of the amendments to the Bylaws approved in the General Shareholders' Meeting held on 28 April 2016, and to adapt the text of the Board's Regulations to the new wording of the Bylaws, it was agreed in the same General Meeting to, on the one hand, amend article 12 of the Board's Regulations relating to the constitution of the General Shareholders' Meeting, in order to also specify in this Regulation that the strengthened constitution 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.5 - CaixaBank's Bylaws 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 same in the relevant book-entry ledger at least five days in advance of the date the General Meeting is to be held, may attend.

C.1.2 - On 28 April 2016 the General Shareholders' Meeting agreed, within the limits established in the Bylaws, to set the number of board members to eighteen (18). At the end of the year there are two (2) vacancies.

C.1.3 - Given Antonio Massanell Lavilla's position as a company executive and pursuant to the Corporate Enterprises Act of 2 July 2010, he is considered to be an executive Director. However, since he was appointed to represent the holding of the "la Caixa" Banking Foundation at CaixaBank he is also considered to be a proprietary Director.

C.1.11 - The information on Directors and directorships at other Group Companies refers to year-end. This section includes Group Companies and Joint Ventures at the end of the financial year.

C.1.12 - The information on Directors and directorships at other listed companies refers to year-end. With regard to the position held by Mr. Antonio Massanell Lavilla 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.1.15 - The remuneration of Directors in 2016 as reported in this section takes the following aspects into consideration:

The Board of Directors at 31 December 2016 was composed of 18 members (with two vacancies).
The General Meeting held on 28 April 2016 agreed to set the number of Board members at eighteen (18) and the appointments of Cajasol Foundation (previously appointed by co-option on 19 November 2015) and Ms. María Victoria Fisas Vergés (previously appointed by co-option on 25 February 2016).
On 30 June 2016, the following people ceased to be members of the Board of Directors: Mr. Isidro Fainé Casas, who also submitted his resignation from his duties as Chairman and whose vacancy was occupied by Mr. Jordi Gual Solé, who was also appointed Non-Executive Chairman, Mr. Juan José López Burniol and Ms. Maria Dolors Llobet María, whose vacancies were occupied by Mr. José Serna Masiá and Ms. Koro Usarraga Unsain.
In the context of the changes to the composition of the Board of Directors which occurred on 30 June 2016, and following the respective suitability notifications by the European Central Bank, Mr. Serna Masía accepted his appointment on 8 July 2016, Ms. Usarraga Unsain on 4 August 2016 and Mr. Gual Solé on 14 September 2016.
On 27 October, the Caja Navarra Banking Foundation submitted its resignation from its duties as director, within the framework of the amendment to the Integration Agreement between CaixaBank and Banca Cívica, and the Shareholders' Agreement.
On 15 December 2016, Ms. Eva Aurín also submitted her resignation as member of the Board of Directors and Mr. Alejandro García-Bragado Dalmau was appointed as member of the Board of Directors, and accepted with effect from 1 January 2017. The remuneration figure for the Board of Directors does not include the amount of contributions to the savings system during the year which amount to EUR 355 thousand, nor the life insurance premiums paid during the year which amount to EUR 85 thousand.

C.1.16 - CaixaBank's Senior Management at 31 December 2016, comprised 12 persons, holding the following positions at the Entity: General Managers (5), Deputy General Managers (1), Executive Managers (5) and the General and Board Secretary (1).
This amount includes the total fixed, in kind and variable remuneration paid to senior management in cash or shares receivable on a straight-line basis over the next three years.
The remuneration paid in 2016 to Senior Management at CaixaBank in connection with their activities as representatives of the Parent on the Boards of listed companies and other companies in which it has a significant presence or representation and that are CaixaBank consolidated companies was EUR 715 thousand, recognised in the income statements of these companies.
There are agreements with members of the Management Committee regarding termination benefits for early termination or rescission of contracts.

C.1.19 - "Indicate the procedures for appointing, re-electing, evaluating and removing Directors" continued. List the competent bodies, procedures and criteria used for each of these procedures.
On 19 November 2015, the Board approved the CaixaBank, S.A. Director Selection Policy (hereinafter the "Policy") which is part of the Company's corporate governance system and which outlines the key aspects and commitments followed by the Company and Group when nominating and appointing Directors.
The "Policy" lays down the criteria used by the CaixaBank Board in all selection processes when nominating or re-electing Directors pursuant to applicable legislation and corporate governance best practice.
When selecting Directors the pertinent bodies shall at all times bear in mind the principle of diversity of knowledge, gender and experience. The selection process shall also uphold the principle of non-discrimination and equal treatment, ensuring that, when candidates are put forward for election or re-election to the Board, there are no impediments to selecting the gender which is under-represented and that discrimination is avoided.
All resolutions adopted within the framework of this "Policy" shall at all times respect applicable legislation, CaixaBank's corporate governance system and standards and all good governance recommendations and standards adhered to by the bank. Directors shall have the necessary skills, knowledge and experience to discharge their duties, taking into consideration the needs of the Board and its composition. The general composition of the Board of Directors as a whole should have sufficient knowledge, powers and experience in the governance of credit entities to adequately understand the Company's activities, including its main risks and assure the effective ability of the Board of Directors to take decisions independently and autonomously for the benefit of the Company.
Along these lines, and in keeping with the Company's Corporate Governance Policy, candidates should i) have recognised business and professional integrity: ii) have the appropriate knowledge, skills and experience to perform their duties; and iii) be able to exercise good governance of the entity.
The procedure for selecting Directors established in the "Policy" shall be complemented, for those applicable aspects, by the stipulations of the Protocol on Procedures for Selecting and Assessing the Suitability of Posts (hereinafter the "Suitability Protocol") or any equivalent internal regulation in force at that moment.
The Suitability Protocol establishes the units and internal procedures to ensure the selection and ongoing assessment of Directors, General Managers and similar, the people responsible for internal control and other key positions at CaixaBank, as defined in applicable legislation. Under the Suitability Protocol, the Board of Directors, in plenary session, assesses the suitability of proposed candidates, based on a report from the Appointments Committee.
Also, with regard to the procedure to assess the suitability of candidates prior to their appointment as Director, the Suitability Protocol also 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 Bylaws, and when they resign.
In the event of the conditions described in C.1.21, 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 shall be sent to all members of the Board of Directors.

C.1.30 – In 2016, the total number of non-attendances was just 13. 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 2016 is 4.63%, taking into account that proxies appointed without specific instructions are deemed to be non-attendances.

C.1.31 C.1.31 - Notwithstanding the response given, we hereby note that as part of the ICFR System the financial statements for the year ended 31 December 2016, which form part of the annual financial statements, are certified by the Entity's Head of Financial Accounting, Control and Capital.

C.1.36 - On 15 December 2016, the Company reported that the Board of Directors had agreed to select PricewaterhouseCoopers Auditores, S.L. as auditor for the accounts of the Company and its consolidated group for 2018, 2019 and 2020. The agreement was adopted on the basis of the recommendation of the Audit and Control Committee, once the selection process, developed in accordance with the criteria established in Regulation 537/2014, of 16 April, on the specific requirements for the legal audit of public interest entities, was finalised. The Board of Directors will propose this appointment in the next Ordinary General Shareholders' Meeting.

C.1.45 - The Board of Directors, in plenary session, is responsible for approving, based on a report from the Remunerations Committee and within the system called for in the Bylaws, Directors' remuneration and, in the case of executive Directors, the additional consideration for their management duties and other contract conditions, as well as compensation clauses. Therefore, the Board of Directors only approves "golden parachute" clauses for the Entity's two executive Directors and the 12 members of the Management Committee given that for all other executives (-- beneficiaries) who are not senior management the impact is irrelevant as they are absorbed by the pension scheme.

C.2.1 - Due to the electronic form's limitations, it is further reported that Koro Usarraga Unsain was appointed member of the Audit and Control Committee given her profession of auditor and her experience in these matters.

C.2.2 - With regard to the information on the participation of female directors in the Appointments Committee, the Remuneration Committee and the Risks Committee, it is necessary to report that until 25 September 2014 there were three committees 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 Entity having five Board Committees, namely: the Appointments Committee, the Remuneration Committee, the Risks Committee, the Audit and Control Committee and the Executive Committee.
Therefore, the information regarding the presence of women Directors on Board committees takes into account the above mentioned changes and therefore, for the Appointments Committee, given that it was originally the Appointments and Remuneration Committee, the data on the participation of women Directors on this committee which appears in the table for 2013 is the participation data for women Directors on the former Appointments and Remuneration Committee, which became the current Appointments Committee in 2014.
Also, and for the same reasons, for the Remuneration Committee and the Risks Committee (both created in 2014), the participation of women Directors in these committees for 2013 is ZERO. However, given that these committees did not exist in that year, NOT APPLICABLE should appear. Finally, and as means of clarification, the information on the participation of women Directors in the Audit and Control Committee for 2015, 2014, and 2013 is ZERO. This accurately reflects the real situation, i.e. the absence of women Directors on this Committee in 2015, 2014 and 2013.

D.2.- On 3 December a Swap Agreement was signed between CaixaBank and Criteria Caixa under which CaixaBank was required to transfer to Criteria Caixa 17.24% of the share capital of The Bank of East Asia (BEA) and 9.01% of the share capital of Grupo Financiero Inbursa (GFI), and Criteria Caixa, in exchange, sent CaixaBank shares representing 9.9% of its share capital and cash amounting to EUR 642 million. See the Note in section A.2.
It is reported that on 31 May 2016, the asset swap transaction with Criteria Caixa, S.A.U, announced on 3 December 2015, was completed. Further information about this transaction can be found in Note 1 of the 2016 Annual Accounts Report, as well as in the CaixaBank Significant Event dated 31 May 2016.

D.3 - 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 2016.

D.4- 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 2016.

D.5 - 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 2016.

E.1 - Continuation of Response:

Internal control framework: It offers a reasonable degree of security about the achievement of the Group's objectives and, in keeping with the guidelines issued by regulatory bodies and industry best practice, it has been structured around a Three Lines of Defence model.

• The first line of defence 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. In 2015 the control functions in the first line of defence were reinforced. Among others, with the creation of the Corporate Business Control Department as a specific control unit for the General Business Division.
• The second line of defence consists of three Control Units: Regulatory Compliance, under the Deputy General Control and Compliance Area created in December 2015, the Internal Risk Control Unit, forming part of the General Risk Division and the Unit for Internal Control over Information and Financial Models, forming part of the Financial Accounting, Control and Capital (FACC) department. The second line of defence acts independently of the business units and is designed to ensure the existence of risk management and control policies and procedures, monitor their application, evaluate the control environment and report all of the Group's material risks.
• The third line of defence is Internal Audit, which assesses the efficiency and effectiveness of risk management and control.

In December 2016, the Internal Control Committee was created, chaired by the Deputy General Manager of Control and Compliance area and involving the Control Units of the second and third lines of defence, and the Business Control Unit. The Control Units, each under its scope of action, have the following functions:

• Ensure that suitable policies and procedures are in place in relation to risk management, and that they are effectively complied with.
• Ensure the existence of a suitable and effective Control Environment that mitigates the risks, under its scope of action, including monitoring through indicators.
• Detect the existence of gaps in the control, establish plans to remedy these and monitor their implementation.
• Ensure the existence of proper reporting to the Internal Control Committee.
• Foster a culture of control and compliance in its scope of action. More information on the Control Units can be found in section E.6

The Internal Control Committee has the mission of providing reasonable assurance to management and the governing bodies that the Risk Control Policies and Procedures in the organisation are in place, designed correctly and effectively applied, evaluating the Control Environment of the Risks of the CaixaBank Group.

For more information see Note 3 of the Consolidated Financial Statements of the CaixaBank Group for 2016.

G.2 – Even though the core shareholder is not a listed company, we have defined the type of activity it engages in and business dealings as well as the mechanisms in place to resolve possible conflicts of interest, as explained in point D.6.

G.26 - Article 7.2 of the Regulations of the Board of Directors stipulates that 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.

G.29 - Pursuant to article 33.2 of the CaixaBank Bylaws, Directors may resign from their posts, the posts may be revoked, and Directors may be re-elected. No distinctions are made between types of Directors. Nevertheless, article 19.1 of the Regulations of the Board of Directors stipulates that independent Directors will not stay on as such for a continuous period of more than 12 years.
Article 20 of the Regulations of the Board of Directors stipulates general and specific situations for each type of Director in which Directors must place their post at the disposal of the Board of Directors and tender their resignation, if the Board deems this appropriate.

G.56 - 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.

This annual corporate governance report was adopted by the company's Board of Directors at its meeting held on: 23/02/2017.

List whether any Directors voted against or abstained from voting on the approval of this Report.

Yes ☐ No ☒

CAIXABANK, S.A.

APPENDIX TO THE 2016 ACGR REPORT

C.2.1. Give details of all the board committees, their members and the proportion of proprietary and independent Directors. Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year*:..

AUDIT AND CONTROL COMMITTEE

Brief description

Articles 40 and 13 of the Bylaws 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 shall be composed exclusively of non-executive Directors in the number that is 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. As a whole, the members of the Audit and Control Committee shall have the pertinent technical knowledge in relation to the entity's activity.

The Audit and Control Committee shall meet, ordinarily on a quarterly basis, in order to review the required financial information to be submitted to the stock market authorities as well as the information which the Board of Directors must approve and include within its annual public documentation.

The Audit and Control Committee shall appoint a Chairman from among its members. The Chairman shall be an independent Director. 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. It shall also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need be members. In the event these appointments are not made, the Secretary of the Board shall act as such.

The members of the Company's management team or personnel shall be required to attend the meeting of the Audit and Control Committee and to provide it with their collaboration and access to the information available to them when the Committee so requests. The Committee may also require the Company's auditors to attend its meetings.

(i) The Audit and Control Committee shall meet as often as necessary to fulfil its duties and shall be convened by the Chairman, either on the initiative of the Chairman or at the request of the Chairman of the Board of Directors or of two (2) members of the Committee itself. The meeting notice shall be given by letter, telegram, fax, e-mail, or any other means which entails a record of receipt.

(ii) The Secretary shall be responsible for convening the meeting and for filing the minutes and documents submitted to the Committee;

(iii) It 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;

(iv) The Committee shall inform the Board of its activities and work performed via its Chairman in the meetings scheduled for this purpose, or immediately afterwards when the Chairman deems necessary;

(v) It shall prepare an annual report on its operation, highlighting the principal incidents arising, if any, in relation to its functions, which shall serve as a basis, among others, and if applicable, for the evaluation that the Board of Directors shall make of the Committee's functions. Furthermore, if the Committee deems it appropriate, it shall include in the report suggestions for improvement.

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 exercise the following basic functions:

(i) to report to the General Shareholders' 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) to submit to the Board of Directors, for submission to the General Shareholders' Meeting, the proposals for the selection, appointment, re-election and replacement of the auditor, being responsible for the selection process in accordance with the regulations applicable to the Company, as well as the contracting conditions thereof, the scope of their professional mandate and regularly obtaining from them information on the auditing plan and its execution, as well as preserving their independence in the exercise of their duties;

(iii) to supervise the internal auditing services, verifying the adequacy and integrity thereof, to propose the selection, appointment and substitution of their responsible persons, to propose the budget for such services, and to verify that senior management bears in mind the conclusions and recommendations of their reports; The internal audit shall report functionally to the Chairman of the Audit and Control Committee, without prejudice of its reporting obligations to the Chairman of the Board of Directors for the due compliance of the Chairman's duties.

(iv) 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;

(v) to oversee the process for preparing and submitting the required financial information, submit recommendations or proposals to the Board of Directors aimed at protecting its integrity, supervise the effectiveness of the Company's internal control and risk management systems, and discuss with auditors any significant weaknesses in the internal control system identified during the course of the audit, all of that without infringing their 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 establish the appropriate relationships with the auditor in order to receive information on those issues which may result in a threat to their independence, for examination by the Audit and Control Committee, and any others relating to the audit process and, where relevant, the authorisation of the services other than those prohibited, under the terms established in the applicable legislation in relation to the need for independence, and any other communications provided for in audit legislation and audit regulations.

In all events, 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 and individualised 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 auditing legislation.

In addition, the Audit and Control Committee shall issue annually, prior to the issuance of the audit report, a report containing an opinion on whether the independence of the auditor is compromised. This report must set out, in all cases, the justified evaluation of the provision of each and every one of the additional services referred to in the preceding paragraph, individually and collectively considered, different from the legal audit and related to the degree of independence or to the regulatory audit regulations;

(vii) to supervise the compliance with the auditing contract, striving to ensure that the opinion of the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely;

(viii) to review the Company's accounts and previously report to the Board of Directors about the periodic financial information which the Company must periodically publish to the markets and their supervisory bodies and, in general, to monitor compliance with legal requisites on this subject matter and the correct application of generally accepted accounting principles, as well as to report on proposals for modification of accounting principles and criteria suggested by management, in order to guarantee the integrity of the accounting and financial systems, including the financial and operational control, and compliance with the applicable legislation;

(ix) 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;

(x) to supervise the compliance with Internal Rules of Conduct on Matters Related to the Securities Market and, in general, of the rules of corporate governance;

(xi) to issue a prior 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;

(xii) to consider the suggestions submitted to it by the Chairman of the Board of Directors, Board members, executives and shareholders of the Company, and to 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 irregularities, which they observe within the Company;

(xiii) 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;

(xiv) to supervise compliance with the internal protocol governing the relationship between the majority shareholder and the Company and the companies of their respective groups, as well as the carrying out of any other actions established in the protocol itself for the best compliance with the aforementioned supervisory duty.

(xv) any others attributed thereto in the Law, the Bylaws, the Regulations of the Board of Directors and other regulations applicable to the Company

3) Activities during the year

The Committee analyses recurring issues such as the required financial information which is submitted to the Board of Directors for approval or transactions which are studied by the Committee pursuant to the content of the Internal Relations Protocol between CaixaBank and the Caixa d'Estalvis i Pensions de Barcelona Banking Foundation, "la Caixa" and CriteriaCaixa (hereinafter "the Protocol").

The Committee paid particular attention to overseeing the process for preparing and submitting the mandatory financial information and other information concerning 2016 disclosed to the market. The person in charge of the financial information was present at various Committee meetings in 2016, thereby providing the Committee members in sufficient time with information on the process of preparing and consolidating the intermediate financial information and the individual and consolidated financial statements. The Committee was also able to check, assisted by the external auditor, that all the information complied with applicable accounting regulations and the criteria established by regulators and supervisors.

The Committee ensured that the process in 2016 to select the auditor of CaixaBank and of its consolidated group for the period 2018-2020 was carried out in a transparent, independent and objective manner, as per the criteria established in Regulation 537/2014 of 16 April on specific requirements regarding statutory audit of public-interest entities. It finally issued a motivated recommendation to the Board of Directors with two alternatives, and stated its preference for one of these, with due justification for its choice.

In addition, and as part of their ordinary powers, the Committee discussed, examined, and took decisions or issued reports on the following matters:

- Engagement of the external auditor in 2017, its independence and monitoring of the reports issued by the auditor.
- Approval of the Internal Audit Plan for 2016, monitoring its implementation and the main conclusions.
- Internal Audit reports issued at the Group and overseeing their recommendations.
- Monitoring developments in the main figures in the CaixaBank income statement and balance sheet, and the breakdown of the Group's liquidity position and solvency.
- Information concerning monitoring activities within the scope of the Single Supervision Mechanism.
- Overseeing the efficiency of the Internal Control Systems, including the internal control over financial reporting (ICFR).
- Monitoring Control & Compliance activities.
- Overseeing the working of the Company's mechanisms which allow employees to confidentially report irregularities of potential significance which they observe within the Company (whistle-blowing channel).
- Overseeing compliance with the Internal Rules of Conduct on matters relating to the Securities Market.
- 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 AND REMUNERATION COMMITTEE

Brief description

Articles 40 and 14 of the Bylaws 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 each be made up of the number of non-executive Directors determined by the Board of Directors, from a minimum of three (3) to a maximum of five (5) members. At least one third of their members should be independent Directors, and in no event shall the number of independent Directors be less than two (2). The Chairman of the Appointments Committee and the Chairman of the Remuneration Committee shall be respectively appointed from among the independent Directors forming part of such Committees.

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 Committee:

(i) Shall meet each time when considered appropriate for the good performance of their duties and the meetings shall be called by their Chairman, 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 Chairman requests the issuance of a report or the adoption of a proposal;

The meeting notice shall be given 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 shall be responsible for calling the meetings and of the filing of the minutes and documentation presented to the Committee.

(iv) Minutes shall be prepared of the resolutions adopted at each meeting, which shall be reported to the Board and the minutes shall 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 Chairman of the Committee decides otherwise;

(iv) 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;

(vi) They shall prepare an annual report on about their operation highlighting the main incidents occurred, if any, related to their duties, that shall be the base, among others, and if applicable, for the evaluation made by the Board of Directors. In addition, when the relevant Committee deems it appropriate, it shall 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) Evaluate and propose to the Board of Directors the evaluation of skills, knowledge and experience necessary for the members of the Board of Directors and for the key personnel of the Company;

(ii) 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 Meeting, as well as the proposals for the reappointment or removal of such Directors by the General Shareholders Meeting;

(iii) Report on the proposed appointment of the remaining Directors to be appointed by co-option or for submission to the decision of the General Meeting, as well as the proposals for their reappointment or removal by the General Shareholders Meeting;

(iv) Report on the proposals for appointment and, if necessary, removal of the Secretary and Deputy Secretaries for submission for approval of the Board;

(v) Evaluate the profile of the most suitable persons to sit on the different Committees, based on their knowledge, aptitudes and experience, and forward these proposals to the Board;

(vi) Report 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, basic conditions in senior executives' contracts, outside the remuneration aspects and reporting on them when they have been established;

(vii) Examine and organise in collaboration with the Chairman of the Board, his or her succession as well as that of the chief executive of the Company and, if appropriate, make proposals to the Board of Directors so that this succession takes place in an orderly and planned manner;

(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 sex with lesser representation on the Board of Directors as well as preparing guidelines for how this should be achieved;

(ix) Evaluate periodically, and at least once a year, the structure, size, composition and actions of the Board and its Committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these. Evaluate the composition of the Steering Committee as well as its replacement tables for adequate provision for transitions.

(x) Evaluate, with the frequency required by the regulations, the suitability of the diverse members of the Board of Directors and of the Board as a collective, and consequently inform the Board of Directors;

(xi) Periodically review the Board of Directors selection and appointment policy in relation to senior executives and make recommendations;

(vi) Consider the suggestions posed thereto by the Chairman, the Board members, officers or shareholders of the Company;

(xiii) Supervise and control the smooth operation of the corporate governance system of the Company, making, if applicable, the proposals it deems necessary for its improvement;

(xii) Monitor the independence of the independent Directors;

(xiii) Propose to the Board the Annual Corporate Governance Report;

(xiv) Supervise the activities of the organisation in relation to corporate social responsibility issues and submit to the Board those proposals it deems appropriate in this matter;

(xvii) Evaluate the balance of knowledge, skills, diversity and experience of the Board of Directors and prepare a description of the duties and aptitudes which may be necessary for any specific appointment, 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) Draft the resolutions related to remunerations 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 which it has proposed that are unrelated to the retributive aspect;

(ii) Ensure compliance with the remuneration policy for Directors and Senior Managers as well as report the basic conditions established in the contracts of these and compliance of the contracts;

(iii) Report and prepare 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 their adequacy and performance and ensuring compliance;

(v) Propose to the Board the approval of the remuneration reports or policies that it has to submit to the General Shareholders Meeting as well as informing the Board concerning the proposals relating to remuneration that, where applicable, it shall propose to the General Meeting;

(vi) Consider the suggestions posed thereto by the Chairman, the Board members, officers or shareholders of the Company.

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 Protocol on Procedures for Selecting and Assessing the Suitability of Posts; the policy for selecting Directors, senior management and other key posts; the corporate governance policy; incidents due to regulatory changes; corporate governance documentation to be submitted for 2016; the duties stipulated in article 14 of the Regulations of the Board of Directors, and 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 its ordinary powers, the Committee discussed, examined and agreed on or issued reports on, inter alia, the proposed evaluation of individual and group targets for 2016, the 2015 ARDR, incidences due to regulatory changes, the 2015-2018 Long-term Incentive Plan and the Board Remuneration Policy.

RISKS COMMITTEE

Brief description

Articles 40 and 13 of the Bylaws and Regulations of the Board of Directors describe the organisation and operation of the Risks Committee.

1) Organisation and operation

The Risks Committee shall comprise exclusively non-executive Directors and 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) members. At least one third of members, and in any case the Chairman, shall be independent Directors.

The Risks Committee shall meet as often as necessary to fulfil its duties and shall be convened by the Chairman, either on his/her own initiative or at the request of the Chairman of the Board of Directors or of two (2) members of the Committee itself. The meeting notice shall be given by letter, telegram, fax, e-mail, or any other means which allows keeping a record of its receipt.

(ii) The Secretary shall be responsible for convening the same and for filing the minutes and documents submitted to the Committee;

(iii) It 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;

(iv) The Committee shall inform the Board of its activities and work performed via its Chairman in the meetings scheduled for this purpose, or immediately afterwards when the Chairman deems necessary;

It shall prepare an annual report on about its operation highlighting the main incidents occurred, if any, related to its duties, that shall be the base, among 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 functions, 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 Risk Committee may request the attendance at meetings of the people that, within the organisation, have roles related to its functions, 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 exercise the following basic functions:

(i) To advise the Board of Directors on the overall susceptibility to risk, current and future, of the Company 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 undertaken and the profile established;

(ii) To propose to the Board the Group's risk policy, which shall identify in particular:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) which the

Company faces, including among 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 the above risks.

(c) The level of risk that the Company considers acceptable;

(d) The planned measures to mitigate the impact of identified risks should they occur;

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 shall 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) The adequacy of the structure and the functionality of risk management throughout the Group;

(b) To know the risk exposure of the Group in order to assess whether it conforms to the profile determined by the institution;

(c) The availability of sufficient information to enable accurate knowledge of the risk exposure for decision-making purposes;

(d) The proper functioning of policies and procedures that mitigate the 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 products or services, 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 to be used to control and manage the above risks.

c) Corrective measures to limit the impact of the identified risks, should they occur.

(d) The means and the appropriate channels for their commercialisation in order to minimise any reputational risks and poor sales processes.

(ix) Cooperate with the Remuneration Committee in the establishment of rational policies and practices of remunerations. For these purposes, the Risks Committee shall decide, notwithstanding the functions of the Remuneration Committee, whether the incentives policy anticipated in the remuneration systems takes account of risk, capital, liquidity and the probability of and opportunity for profit.

(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 it faces, (ii) ensure that adequate resources shall 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.

(xv) Any others attributed thereto in the Law, the Bylaws, 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, regulatory compliance risk; and the Global Risk Committee.

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EXECUTIVE COMMITTEE

Brief description

Article 39 of the Bylaws and articles 11 and 12 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 shall be those that, in each case, are delegated by the Board, with the limitations set forth in the Law, in the Company's Bylaws and in these Regulations.

The Executive Committee shall 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 shall 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 shall require the favourable vote of at least two thirds of the members of the Board of Directors.

The Executive Committee shall 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 shall also be the Chairman and Secretary of the Executive Committee.

The resolutions of the Committee shall be adopted by a majority of the members attending the meeting in person or represented by proxy and shall be validated and binding with no need for subsequent ratification by the full Board of Directors, notwithstanding the provisions of 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 under the Company's Bylaws. 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 year

The Committee analysed recurring issues such as:

- Information on the general economic situation and CaixaBank's key indicators, including monitoring the 2015-2018 Strategic Plan, results, the performance of its commercial and financial activities, the share price, the reactions of investors and analysts to the various decisions taken by the Company, the agreements taken regarding employees, appointments and other changes in the workforce and securities transactions entered into since the previous Committee meeting.
- Granting of loans and credits.
- Real estate sales.
- Resolutions on investees, including: capital contributions, amendments to Bylaws, 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.

Some of the major issues addressed by the Committee in 2016 were as follows: monitoring the BPI takeover bid, various intragroup corporate transactions, presentation of the roadmap approved by the European Central Bank for prudential deconsolidation of CriteriaCaixa and CaixaBank, among others.

E.6 Explain the response and monitoring plans for the main risks the entity is exposed to, including fiscal.

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 responsible for defining and supervising the Group's risk profile, updating the framework each year and monitoring the effective risk profile.

The **Risks Committee** advises the Board of Directors on the Entity's overall susceptibility to risk, current and future and its strategy in this area.

The **Global Risk Committee** is an executive body that reports directly to the Risks Committee. It monitors the effective compliance of the framework at least once a month. If the pre-established levels are exceeded, the necessary measures are taken to reshape the situation.

In order to meet the information, management and control needs of the above mentioned bodies, the following reporting system has been set up:

- **Monthly presentation** of the tier 1 and 2 scorecard to the **Global Risks Committee,** indicating both the risk position for the last available month/quarter and the trend. If first level risk levels breach the threshold for:
    - **Appetite**: an "amber traffic light" or early alert is assigned to the indicator, and the party responsible or the Management Committee is entrusted with preparing a response, or action, plan to return to the "green" zone, and a timeline drawn up.
    - **Tolerance:** 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.
    - Recovery indicators report, as part of the **Recovery Plan** (introduced in the response to point E.4).
- **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.

  At these meetings, the Board can amend or update the metrics and thresholds previously assigned.

  If a risk breaches a tolerance threshold and threatens the Group's ability to continue as a going concern, the Board may initiate the measures set forth in the Recovery Plan.

One example of a “Response Plan”, in addition to the Recovery Plan explained above, is the “Liquidity Contingency Plan”, drawn up by Balance Sheet Analysis and Monitoring and endorsed by the Board. This Plan includes:

- A detailed governance framework which lays down the various activation phases (defining and monitoring alerts, evaluating the impact / scenario / severity and formal activation of the contingency plan), execution (communication plan, quantifying liquidity requirements and measures and action plans) and termination (evaluation of alerts and termination limits);
- Inventory of feasible measures in each of the crisis scenarios assessing all of the measures to obtain liquidity, indicating for each scenario if this is possible, the timeframe, the maturity of the financing source and the frequency with which it may be used; and
- Description of action plans for three areas (communication, wholesale markets and retail markets) and two timeframes (short and long term).

This Liquidity Contingency Plan also explains the differences between it and the Recovery Plan with regard to its governance and the intensity of the crisis.

With regard to fiscal risk, this forms part of the Fiscal Strategy (which includes strategic tax principles) and the Fiscal Risk Control and Management Policy, both approved by the Group's governing bodies.

Similarly, in compliance with CaixaBank's tax commitment, in 2015 CaixaBank's Board of Directors approved its adherence to the Code of Best Tax Practices drawn up within the framework of the Large Companies Forum. As it did last year, this year it has complied with its content.

The Control Units that make up the second and third lines of defence, in accordance with the Internal Control Framework of the Group, are:

- **Internal Risk Control**
- **Internal Control over Information and Financial Models**
- **Regulatory Compliance**
- **Internal Audit**

Internal Risk Control

The objective of the Internal Risk Control department is to unify into a single organisational area, reporting directly to the General Risks Division, the different functions of the second line of defence in operation within the aforementioned Division.

The management is organised into the following functions:

1) Internal Control of Operational and Credit Risk and Control of Markets.

The purpose of these functions is to monitor, as a second line of supervision:

- The definition and implementation of processes in accordance with the bank's risk policies, ensuring that risk taking is always done within the framework defined by them and with a suitable control framework.

- The consistency and effectiveness of the controls exercised from the first line of defence on the processes of assuming risk by the Bank.

- The monitoring and control of the risks assumed, as well as their ongoing reporting to, among others, the areas of risk taking and/or management, Senior Management and the competent committees, as well as supervisory bodies and third party entities.

2) Internal Validation

The criticality and importance of the risk management and capital determination process requires proper control environments to ensure that reliable estimates are obtained. The control environment must also be sufficiently specialised and operate on a continuous basis in the entities. In this respect, internal validation must comply with regulatory requirements, as well as provide fundamental support to risk management in its responsibilities of issuing technical opinions and authorising the use of internal models.

Regulations state that internal validation is a compulsory prerequisite for supervisory validation, which must be carried out by a sufficiently independent and specialised unit of the institution, with clearly defined functions.

At CaixaBank, the Internal Validation control function is carried out by Validation of Risk Models, an independent specialist department with the main responsibility of issuing a technical opinion on the suitability of the internal models used for internal management and/or regulatory purposes in the

CaixaBank Group.

In line with its mission, the scope of the Risk Model Valuation team's actions include credit, market and operational risk, in addition to economic capital, reviewing methodological and management (e.g. use of management models and tools, risk policies, 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.

Internal Control over Information and Financial Models

The objective of the Internal Control over Information and Financial Models Department is the supervision of the risks associated with the Financial Accounting, Control and Capital (FACC) Department and is organised into the following functions:

1) Internal Control over Financial Reporting (ICFR) System

The ICFR, as part of the Bank's Internal Control, is defined as the set of processes that are carried out to provide reasonable assurance on the reliability of the financial information published by the entity in the markets. It is designed in accordance with that 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 for trading). As a second line of defence, it monitors whether the practices and processes in place at the Bank ensure the reliability of the financial information and its compliance with applicable regulations. This function should specifically assess whether the financial information reported by the different entities within the Group complies with the following principles:

a) The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
b) The information includes all transactions, facts and other events in which the entity is the affected party (completeness).
c) The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
d) The transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).
e) The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with the standards applicable (rights and obligations).

The detail of this function is presented in the 2016 Annual Corporate Governance Report, along with the activities carried out during the period.

2) Internal Control over Financial Planning Models (ICFPM)

This function, recently created, has the objective of exercising the internal control of the second line of defence over the activities carried out by the Corporate Planning and Capital Division, ensuring the existence of suitable policies and procedures, ensuring that these are effectively complied with and the existence of an appropriate and effective control environment that mitigates the risks associated with such activities. The function is also designed to detect the existence of gaps in the control, establish plans to remedy these and monitor their implementation. The function has been organised on the basis of a validation process based on two visions:

- Validation with "product" vision of the activities of the Corporate Division (Operating Plan, Strategic Plan, ICAAP, ILAAP, Pillar 3 report, Recovery Plan, Stress Test, etc.).

- "On line" Validation: the validation process takes place in parallel with the production of the product, in order to have the conclusions before the presentation to the Board of Directors.

In order to mitigate risks, the ICFPM function covers both quantitative and qualitative aspects. The essential elements of the overall validation process cover the following areas of review:

- ✓ Technological environment and databases used
- ✓ Methodologies and hypotheses used
- ✓ Corporate governance
- ✓ Integrity of the documentation
- ✓ Management integration

Regulatory Compliance

The objective of the Regulatory Compliance function is to monitor compliance risk. The Regulatory Compliance Area supervises compliance risk arising from potential deficiencies in the procedures implemented, by establishing second-tier controls within its scope of activity (inter alia, through monitoring activities, review of internal procedures or analysis of deficiencies detected in reports by external experts, reports on inspections carried out by supervisory bodies, customer complaints etc.). When deficiencies are detected, the Regulatory Compliance Area urges the areas affected to develop proposals for improvement initiatives, which it monitors regularly.

Similarly, the Regulatory Compliance Area carries out advisory activities on matters within its area of responsibility and carries out training and communication actions to enhance the compliance culture in the organisation. Another activity that it undertakes is to ensure that best practices in integrity and rules of conduct are followed. To do this it has, among other things, an internal confidential whistle-blowing channel in place at the entity. This channel also resolves any reports of financial and accounting irregularities that may arise.

The Regulatory Compliance Area liaises with the main supervisory bodies (both Spanish and international) and handles any requirements issued by them. For all these activities, the Regulatory Compliance Area reports regularly to Senior Management and to the Audit and Control Committee and Risk Committee.

The Regulatory Compliance Area carries out its activity through 4 divisions: the Regulatory Risks department, the department for the Prevention of Money Laundering and the Financing of Terrorism, the International and Group department and the department for Compliance in the Corporate & Institutional Banking - CIB area.

Internal Audit

CaixaBank's Internal Audit performs 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 management and control, and internal governance processes.

Internal Audit is the third line of defence in CaixaBank's 3 lines of defence control model. It oversees the activities of the first and second lines of defence.

For further information, see Note 3 to the Consolidated Financial Statements of the CaixaBank Group for 2016.

H. Other Information of Interest

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.

CaixaBank participates in numerous alliances and initiatives, both at home and on the international stage, in order to achieve joint progress in questions of corporate responsibility and the exchange of best practices in this area.

UN Global Compact

CaixaBank supports the Global Compact and endeavours to disseminate its 10 principles, based on human and labour rights, the environment and the fight against corruption. A member since 2005, in 2012, CaixaBank was awarded the 4-year presidency of the Spanish Global Compact Network, extending its commitment to establish and implement the principles among Spanish companies and institutions.

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.

CDPCaixaBank 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.

Women's Empowerment Principles

In 2013 CaixaBank joined the U.N. Women and the United Nations Global Compact's joint initiative: Women's Empowerment Principles In doing so, CaixaBank publicly undertook a commitment to ensure that its policies promote gender equality.

Global Reporting Initiative

CaixaBank produces an Integrated Corporate Report that includes the GRI's indicators on action taken with regard to social and environmental issues and corporate governance.

United Nations Principles for Responsible Investment (UNPRI)

Since October 2009, VidaCaixa, the CaixaBank company which sells life insurance policies and manages pension plans, is a signatory to these principles which guide the responsible management of all its investments.

In 2016 Caixabank Asset Management, CaixaBank's mutual fund management company joined the UNPRI scheme, with the aim and commitment to follow social, environmental and good governance principles in its investment decisions.

OECD Guidelines for multinational enterprises

CaixaBank follows these guidelines which promote sustainable and responsible business behaviour.

The Conference Board

CaixaBank takes part in this business research association, the aim of which is to share with leading world organisations the practical know-how they need in order to improve their performance and serve society better.

Code of Good Practices for the viable restructuring of mortgage loans on primary residences

On 15 March 2012 CaixaBank signed up 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 longstanding 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.

CSR –SMEs initiative

CaixaBank collaborates with the ICO and the Spanish Global Compact Network to promote corporate social responsibility amongst small and medium-sized enterprises.

Diversity Charter

A diversity charter is a short document voluntarily signed 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 with regard to employment, training and the promotion and adoption of non-discrimination policies. CaixaBank became a signatory in 2012.

Voluntary Agreements to increase the presence and participation of women in managerial positions at companies.

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 responsibility.

Green Bonds 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).

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.

Green Growth Spanish Group

CaixaBank is 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

CaixaBank forms 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.

Code of Good Tax Practices

At its meeting on 12 March 2015, the Board of Directors resolved that CaixaBank, S.A. would comply with and adhere to the Code of Good Tax Practices drawn up within the framework of the Large Companies Forum in collaboration with the Spanish tax authorities. As it did in 2015, in 2016 CaixaBank also complied with its content.

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/iniciativasyalianzas_es.html

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Translation of a report originally issued in Spanish based on our work performed in accordance with the regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

AUDITOR'S REPORT FOR 2016 ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF CAIXABANK, S.A.

To the Directors of CaixaBank, S.A.:

As requested by the Board of Directors of CaixaBank S.A. ("the Company") and in accordance with our proposal-letter dated 23 November 2016, we have applied certain procedures to the "Information relating to the system of ICFR" enclosed in the Section "Internal Systems of Control and Risk Management regarding to the Process of Issuance of Financial Information (ICFR)" to the Company's 2016 Annual Corporate Governance Report, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying Information relating to the system of ICFR.

It should be noted in this regard, irrespective of the quality of the design and operativity of the internal control system adopted by the Company in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below, and, indicated in the *Action Guide on the auditor's report, based on the Information relative to the System of Internal Control over Financial Reporting of listed companies*, published by the National Securities Market Commission on its website, which states the work to be performed, its minimum scope as well as the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2016 described in the accompanying Information relating to the system of ICFR. Therefore, had procedures additional to those provided for in the aforementioned Guide been applied or an audit or a review of the system of internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the current regulation of Account Audit activity in Spain, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the system of ICFR - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required, which will be in line with the minimum content described in section F, relating to the description of the system of ICFR, of the Annual Corporate Governance Report model established in CNMV Circular 7/2015, of 22 December 2015.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Company.

3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.

4. Comparison of the information detailed in point 1 above with the Company's knowledge of the system of ICFR obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.

5. Perusal of minutes of meetings of the Board of Directors, the Audit and Control Committee and of other Company committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the system of ICFR did not disclose any inconsistencies or incidents that might affect the information.

This report was prepared exclusively under the framework of the requirements established by Article 540 of the Consolidated Spanish Limited Liability Companies Law and by Spanish National Securities Market Commission (CNMV) Circular 7/2015, of 22 December, for the purposes of the description of ICFR in Annual Corporate Governance Reports.

DELOITTE, S.L.

Francisco Ignacio Ambrós

24 February 2017