Condensed interim consolidated financial statements of the CaixaBank Group for the six months ended

30 June 2019

CaixaBank

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

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of CaixaBank, S.A., at the request of the Board of Directors:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of CaixaBank, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at June 30, 2019, and the income statement, the statement of recognized income and expenses, the total statement of changes in equity, the cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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Emphasis of Matter

We draw attention to Note 1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2018. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2019 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from CaixaBank, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors of the parent company in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ramón Aznar Pascua

26 july 2019

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
ASSETS
(Thousands of euros)

	30-06-2019	31-12-2018 (*)
Cash and cash balances at central banks and other demand deposits	**17,067,074**	**19,158,213**
Financial assets held for trading	**12,806,100**	**9,810,096**
Derivatives	10,819,432	8,706,727
Equity instruments	411,748	347,933
Debt securities	1,574,920	755,436
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**572,580**	**703,761**
Equity instruments	212,027	231,502
Debt securities	91,791	144,988
Loans and advances	268,762	327,271
Customers	268,762	327,271
Financial assets designated at fair value through profit or loss	**1,392**	
Debt securities	1,392	
Financial assets at fair value with changes in other comprehensive income (Note 8)	**20,358,825**	**21,888,237**
Equity instruments	2,750,704	3,564,945
Debt securities	17,608,121	18,323,292
Financial assets at amortised cost (Note 8)	**251,348,004**	**242,582,138**
Debt securities	17,000,386	17,059,634
Loans and advances	234,347,618	225,522,504
Central banks	5,000	5,000
Credit institutions	6,642,182	7,550,115
Customers	227,700,436	217,967,389
Derivatives - Hedge accounting (Note 10)	**2,034,249**	**2,056,204**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**874,697**	**232,451**
Investments in joint ventures and associates (Note 11)	**3,962,018**	**3,878,906**
Joint ventures	157,827	168,319
Associates	3,804,191	3,710,587
Assets under the insurance business (Note 9)	**70,774,105**	**61,688,347**
Tangible assets (Note 12)	**7,478,472**	**6,021,724**
Property, plant and equipment	4,828,417	3,209,485
For own use	4,828,417	3,209,485
Investment property	2,650,055	2,812,239
Intangible assets (Note 13)	**3,820,470**	**3,847,778**
Goodwill	3,050,845	3,050,845
Other intangible assets	769,625	796,933
Tax assets	**11,229,247**	**11,339,607**
Current tax assets	1,094,699	1,222,638
Deferred tax assets (Note 19)	10,134,548	10,116,969
Other assets (Note 14)	**2,394,839**	**2,175,328**
Inventories	62,766	56,735
Other assets	2,332,073	2,118,593
Non-current assets and disposal groups classified as held for sale (Note 15)	**1,284,967**	**1,239,460**
TOTAL ASSETS	**406,007,039**	**386,622,250**
Memorandum items		
Financial instruments loaned or delivered as collateral with the right of sale or pledge		
Financial assets held for trading	430,425	469,158
Financial assets at fair value with changes in other comprehensive income	4,147,129	2,801,468
Financial assets at amortised cost	93,989,338	97,766,628
Material asset – acquired under a lease (Note 1)	1,502,790	
Off-balance sheet exposures		
Loan commitments given (Note 23)	66,878,723	63,952,973
Financial guarantees given (Note 23)	5,706,435	5,734,730
Other commitments given (Note 23)	20,938,579	19,338,662

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
LIABILITIES
(Thousands of euros)

	30-06-2019	31-12-2018 (*)
Financial liabilities held for trading (Note 16)	**11,513,776**	**9,014,720**
Derivatives	10,944,368	8,615,817
Short positions	569,408	398,903
Financial liabilities designated at fair value through profit or loss	**1,392**	
Other financial liabilities	1,392	
Financial liabilities at amortised cost (Note 16)	**289,772,809**	**282,459,670**
Deposits	250,867,745	247,640,182
Central banks	16,732,854	29,406,062
Credit institutions	10,231,640	8,034,212
Customers	223,903,251	210,199,908
Debt securities issued	32,751,010	29,243,307
Other financial liabilities	6,154,054	5,576,181
Derivatives - Hedge accounting (Note 10)	**1,146,276**	**793,409**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**1,770,691**	**1,243,503**
Liabilities under the insurance business (Note 9)	**68,297,962**	**60,452,025**
Provisions (Note 17)	**5,483,739**	**4,610,395**
Pensions and other post-employment defined benefit obligations	2,192,457	1,988,802
Other long-term employee benefits	1,921,655	1,072,097
Pending legal issues and tax litigation	682,878	713,993
Commitments and guarantees given	309,447	354,662
Other provisions	377,302	480,841
Tax liabilities	**1,369,657**	**1,269,049**
Current tax liabilities	294,542	235,785
Deferred tax liabilities (Note 19)	1,075,115	1,033,264
Other liabilities (Note 14)	**2,584,707**	**2,638,774**
Liabilities included in disposal groups classified as held for sale	**82,086**	**82,260**
TOTAL LIABILITIES	**382,023,095**	**362,563,805**
Memorandum items		
Subordinated liabilities - Financial liabilities at amortised cost	5,445,959	5,456,302

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

EQUITY

(Thousands of euros)

	30-06-2019	31-12-2018 (*)
SHAREHOLDERS' EQUITY **(Note 18)**	25,217,872	25,384,370
Capital	5,981,438	5,981,438
Share premium	12,032,802	12,032,802
Other equity items	19,151	19,205
Retained earnings	7,783,835	7,299,634
Other reserves	(1,210,793)	(1,505,300)
Accumulated losses or reserves from investments in joint ventures and associates	368,744	223,937
Other	(1,579,537)	(1,729,237)
(-) Treasury shares	(10,101)	(9,539)
Profit/(loss) attributable to owners of the parent	621,540	1,984,647
(-) Interim dividends	0	(418,517)
ACCUMULATED OTHER COMPREHENSIVE INCOME **(Note 18)**	(1,262,036)	(1,355,419)
Items that will not be reclassified to profit or loss	(1,557,646)	(1,451,973)
Actuarial gains or (-) losses on defined benefit pension plans	(695,656)	(512,152)
Share of other recognised income and expense of investments in joint ventures and associates	(79,120)	(74,949)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	(782,862)	(864,872)
Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income	(8)	0
Fair value changes of equity instruments measured at fair value with changes other comprehensive income [hedged instrument]	(2,605)	0
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income [hedging instrument]	2,597	0
Items that may be reclassified to profit or loss	295,610	96,554
Foreign currency exchange	1,295	1,647
Hedging derivatives. Reserve of cash flow hedges [effective portion]	(17,490)	22,103
Fair value changes of debt securities measured at fair value with changes in other comprehensive income	328,989	126,837
Share of other recognised income and expense of investments in joint ventures and associates	(17,184)	(54,033)
MINORITY INTERESTS (non-controlling interests)	28,108	29,494
Accumulated other comprehensive income	109	181
Other items	27,999	29,313
TOTAL EQUITY	**23,983,944**	**24,058,445**
TOTAL LIABILITIES AND EQUITY	**406,007,039**	**386,622,250**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Thousands of euros)

	30-06-2019	30-06-2018 (*)
Interest income	3,524,640	3,464,229
Financial assets at fair value with changes in other comprehensive income (1)	982,168	940,485
Financial assets at amortised cost (2)	2,477,321	2,431,293
Other interest income	65,151	92,451
Interest expenses	(1,046,861)	(1,032,060)
NET INTEREST INCOME	**2,477,779**	**2,432,169**
Dividend income	161,130	120,958
Share of profit/(loss) of entities accounted for using the equity method (Note 11)	209,208	502,594
Fee and commission income	1,418,113	1,446,830
Fee and commission expenses	(170,233)	(154,108)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	213,850	153,116
Financial assets at amortised cost	(355)	118
Other financial assets and liabilities (Notes 8 and 9)	214,205	152,998
Gains/(losses) on financial assets and liabilities held for trading, net	93,371	31,435
Other gains or losses	93,371	31,435
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	(32,868)	73,735
Other gains or losses	(32,868)	73,735
Gains/(losses) from hedge accounting, net (Note 11)	48,888	36,202
Exchange differences (gain/loss), net	(62,007)	(1,352)
Other operating income	294,632	269,234
Other operating expenses	(470,595)	(539,013)
Income from assets under insurance and reinsurance contracts	551,047	618,796
Expenses from liabilities under insurance and reinsurance contracts	(287,158)	(336,937)
GROSS INCOME	**4,445,157**	**4,653,659**
Administrative expenses (Note 1)	(3,126,084)	(2,111,059)
Staff expenses	(2,500,873)	(1,470,282)
Other administrative expenses	(625,211)	(640,777)
Depreciation and amortisation	(260,371)	(200,855)
Provisions or reversal of provisions (Note 17)	(45,188)	(263,128)
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change	(249,947)	(267,192)
Financial assets at fair value with changes in other comprehensive income	1,200	(2)
Financial assets at amortised cost	(251,147)	(267,190)
Impairment or reversal of impairment on investments in joint ventures and associates (Note 11)	1,028	(53,587)
Impairment or reversal of impairment on non-financial assets	(9,220)	(12,466)
Tangible assets	(9,631)	(6,675)
Intangible assets	1,031	(15)
Other	(620)	(5,776)
Gains/(losses) on derecognition of non-financial assets, net	18,848	42,524
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(48,265)	(47,060)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**725,958**	**1,740,836**
Tax expense or income related to profit or loss from continuing operations	(103,803)	(400,760)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**622,155**	**1,340,076**
Profit/(loss) after tax from discontinued operations	1,138	905
PROFIT/(LOSS) FOR THE PERIOD	**623,293**	**1,340,981**
Attributable to minority interests (non-controlling interests)	1,753	42,737
Attributable to owners of the parent	621,540	1,298,244

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

(1) Also includes the interest on available-for-sale financial assets (IAS 39) of the insurance business.

(2) Also includes interest on loans and receivables (IAS 39) of the insurance business.

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

	30-06-2019	30-06-2018 (*)
PROFIT/(LOSS) FOR THE PERIOD	**623,293**	**1,340,981**
OTHER COMPREHENSIVE INCOME	**93,311**	**(717,312)**
Items that will not be reclassified to profit or loss	(105,746)	(313,771)
Actuarial gains or losses on defined benefit pension plans	(258,858)	118,896
Share of other recognised income and expense of investments in joint ventures and associates	(4,171)	(83,141)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	81,472	(346,362)
Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income	(9)	
Fair value changes of equity instruments measured at fair value with changes in equity [hedged instrument]	(2,606)	
Fair value changes of equity instruments measured at fair value with changes in equity [hedging instrument]	2,597	
Income tax relating to items that will not be reclassified	75,820	(3,164)
Items that may be reclassified to profit or loss	199,057	(403,541)
Foreign currency exchange	(1,006)	(180,184)
Translation gains/(losses) taken to equity	(1,006)	(180,184)
Cash flow hedges (effective portion)	(41,990)	(151,911)
Valuation gains/(losses) taken to equity	(4,391)	(131,230)
Transferred to profit or loss	(37,599)	(20,681)
Debt instruments classified as fair value financial assets with changes in other comprehensive income	366,854	(160,227)
Valuation gains/(losses) taken to equity	549,059	(41,430)
Transferred to profit or loss	(182,205)	(118,797)
Share of other recognised income and expense of investments in joint ventures and associates	36,849	19,312
Income tax relating to items that may be reclassified to profit or loss	(161,650)	69,469
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**716,604**	**623,669**
Attributable to minority interests (non-controlling interests)	1,681	26,916
Attributable to owners of the parent	714,923	596,753

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

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

(Thousands of euros)

	EQUITY ATTRIBUTABLE TO THE PARENT									MINORITY INTERESTS		
	SHAREHOLDERS' EQUITY											
	CAPITAL	SHARE PREMIUM	OTHER EQUITY	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	TOTAL
OPENING BALANCE 31-12-2018	5,981,438	12,032,802	19,205	6,785,624	(1,539,281)	(9,539)	1,984,647	(418,517)	(807,428)	181	29,313	24,058,445
Effects of changes in accounting policies				514,010	33,981				(547,991)			
Pension plan commitments (Note 1)				*514,010*	*33,981*				*(547,991)*			
BALANCE AT 01-01-2019	5,981,438	12,032,802	19,205	7,299,634	(1,505,300)	(9,539)	1,984,647	(418,517)	(1,355,419)	181	29,313	24,058,445
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							621,540		93,383	(72)	1,753	716,604
OTHER CHANGES IN EQUITY			(54)	484,201	294,507	(562)	(1,984,647)	418,517			(3,067)	(791,105)
Dividends (or remuneration to shareholders)				(597,783)							(2,674)	(600,457)
Purchase of treasury shares (Note 18)						(7,641)						(7,641)
Sale or cancellation of treasury shares (Note 18)					(225)	7,079						6,854
Transfers among components of equity				1,185,656	380,510		(1,984,647)	418,517			(36)	
Other increase/(decrease) in equity			(54)	(103,672)	(85,778)						(357)	(189,861)
CLOSING BALANCE AT 30-06-2019	5,981,438	12,032,802	19,151	7,783,835	(1,210,793)	(10,101)	621,540		(1,262,036)	109	27,999	23,983,944

	EQUITY ATTRIBUTABLE TO THE PARENT									MINORITY INTERESTS		
	SHAREHOLDERS' EQUITY											
	CAPITAL	SHARE PREMIUM	OTHER EQUITY ITEMS	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	TOTAL
OPENING BALANCE 31-12-2017	5,981,438	12,032,802	10,054	5,553,704	(628,066)	(11,753)	1,684,167	(418,451)	45,366	25,760	408,260	24,683,281
Effects of changes in accounting policies				484,456	(504,170)				(541,438)	(47,310)	52,553	(555,909)
First application of IFRS 9					*(538,438)*				*(22,714)*	*(3,965)*	*9,208*	*(555,909)*
Pension plan commitments (Note 1)				*484,456*	*34,268*				*(518,724)*	*(43,345)*	*43,345*	
BALANCE AT 01-01-2018	5,981,438	12,032,802	10,054	6,038,160	(1,132,236)	(11,753)	1,684,167	(418,451)	(496,072)	(21,550)	460,813	24,127,372
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD							1,298,244		(701,491)	(15,821)	42,737	623,669
OTHER CHANGES IN EQUITY			675	695,423	181,745	1,957	(1,684,167)	418,451			(266,102)	(652,018)
Dividends (or remuneration to shareholders)				(478,305)							(3,916)	(482,221)
Purchase of treasury shares						(1,505)						(1,505)
Sale or cancellation of treasury shares					802	3,462						4,264
Transfers among components of equity				1,282,391	250,355		(1,684,167)	418,451			(267,030)	
Other increase/(decrease) in equity			675	(108,663)	(69,412)						4,844	(172,556)
CLOSING BALANCE AT 30-06-2018	5,981,438	12,032,802	10,729	6,733,583	(950,491)	(9,796)	1,298,244		(1,197,563)	(37,371)	237,448	24,099,023

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(Thousands of euros)

	30-06-2019	30-06-2018 (**)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(3,655,797)	2,757,264
Profit/(loss) for the period (*)	623,293	1,340,981
Adjustments to obtain cash flows from operating activities	2,259,083	1,900,468
Depreciation and amortisation	260,371	200,855
Other adjustments	1,998,712	1,699,613
Net increase/(decrease) in operating assets	(14,149,869)	(12,672,752)
Financial assets held for trading	(2,996,005)	(436,594)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	131,181	77,466
Financial assets at fair value with changes in other comprehensive income	2,010,180	(790,524)
Financial assets at amortised cost	(9,299,177)	(9,946,086)
Other operating assets	(3,996,048)	(1,577,014)
Net increase/(decrease) in operating liabilities	7,492,093	11,993,785
Financial liabilities held for trading	2,499,056	723,319
Financial liabilities designated at fair value through profit or loss	0	(116)
Financial liabilities at amortised cost	3,510,301	10,858,203
Other operating liabilities	1,482,736	412,379
Income tax (paid)/received	119,603	194,782
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(66,922)	625,713
Payments:	(370,691)	(580,091)
Tangible assets	(255,454)	(246,570)
Intangible assets	(77,370)	(98,119)
Investments in joint ventures and associates	(4,300)	(5,115)
Subsidiaries and other business units	0	(204,568)
Non-current assets and liabilities classified as held for sale	(33,567)	(25,719)
Proceeds:	303,769	1,205,804
Tangible assets	150,626	512,279
Intangible assets	9,923	13,012
Investments in joint ventures and associates	510	40,057
Non-current assets and liabilities classified as held for sale	142,710	640,456
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	1,631,755	(863,357)
Payments:	(2,757,324)	(5,742,622)
Dividends	(600,457)	(482,221)
Subordinated liabilities	0	(2,072,000)
Purchase of own equity instruments	(7,641)	(1,505)
Other payments related to financing activities	(2,149,226)	(3,186,896)
Proceeds:	4,389,079	4,879,265
Subordinated liabilities	0	2,250,000
Disposal of own equity instruments	7,079	4,265
Other proceeds related to financing activities	4,382,000	2,625,000
D) EFFECT OF EXCHANGE RATE CHANGES	(175)	(4,615)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(2,091,139)	2,515,005
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,158,213	20,155,318
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	17,067,074	22,670,323
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	2,201,368	1,716,806
Cash equivalents at central banks	13,917,933	20,005,581
Other financial assets	947,773	947,936
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**17,067,074**	**22,670,323**
(*) Of which: Interest received (millions of euros)	3,478	3,542
Of which: Interest paid (millions of euros)	1,144	1,265
Of which: Dividends received (millions of euros)	274	251

(**) Presented for comparison purposes only.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE CAIXABANK GROUP AT 30 JUNE 2019

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EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

As required by current legislation governing the content of condensed interim consolidated financial statements, these explanatory notes include the condensed interim consolidated balance sheet, statement of profit or loss, statement of other comprehensive income, statement of total changes in equity and statement of cash flows and comparative information with the annual consolidated financial statements, along with explanations of events and disclosures for an adequate understanding of the most significant changes in the first six months of the year.

1. Corporate information, basis of presentation and other information

1.1. Corporate information

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

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

The corporate object of CaixaBank mainly entails:

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

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

1.2. Basis of presentation

On 21 February 2019, CaixaBank's Board of Directors authorised for issue the Group's 2018 consolidated financial statements in accordance with the financial reporting regulatory framework applicable to the Group, namely the International Financial Reporting Standards (hereinafter "IFRS-EU"). Both the consolidated financial statements and the proposed distribution of profit for 2018 were approved at the Ordinary Annual General Meeting held on 5 April 2019.

In the preparation of the 2018 consolidated financial statements, the consolidation principles, accounting policies and measurement bases described in Note 2 therein were applied to give a true and fair view of the equity and financial position of the Group at 31 December 2018 and of the results of its operations, the changes in consolidated equity and the cash flows in the year then ended.

The accompanying condensed interim consolidated financial statements of the Group for the first six months of the year were prepared using the same principles, accounting policies and criteria as applied in the consolidated financial statements for 2018 and, in particular, IAS 34 ("Interim Financial Reporting"), except for the regulatory changes that came into effect on 1 January 2019 and are set out in the section "Standards and interpretations issued by the International Accounting Standard Board (IASB), that became effective during 2019." In preparing these statements, Bank of Spain Circular 4/2017 of 27 November and subsequent amendments have been taken into account, which constitute the adaptation of the IFRS-EU to Spanish credit institutions. These condensed interim consolidated financial statements were authorised for issue by the Board of Directors of CaixaBank at its meeting of 25 July 2019.

In accordance with IAS 34, the interim notes include primarily an explanation of the events and changes that are significant to an understanding of the changes in financial position and performance of the bank since the end of the last annual reporting period. Accordingly, the notes focus on new activities, events, and circumstances in the stated period and do not duplicate information previously reported. Therefore, for an appropriate understanding of the information contained in the accompanying condensed interim consolidated financial statements, they should be read in conjunction with the Group's 2018 consolidated financial statements.

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

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in 2019

On 1 January 2019 the Group adopted the following accounting standards (see Note 2):

STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE IN 2019

STANDARDS AND INTERPRETATIONS	TITLE
IFRS 16	Leases
Amendment to IFRS 9	Prepayment Features with Negative Compensation
IFRIC 23 interpretation *	Uncertainty over Income Tax Treatments
Amendment to IAS 28 **	Long-term Interests in Associates and Joint Ventures
Amendment to IAS 19 *	Plan Amendment, Curtailment or Settlement

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

- **IFRS 16 Leases**

This standard establishes the principles applicable to the recognition, assessment and presentation of leases, as well as the disclosures in this regard. Its date of first application is 1 January 2019, when it replaced IAS 17 “Leases” and IFRIC 4 “Determining whether an arrangement contains a lease”, which applied until 31 December 2018. There are relevant differences as regards these standards, namely the accounting treatment given to the lessee, as there are no changes in terms of how these agreements are recognised by the lessor.

The impact of the adoption of this standard on the Group is described in Note 1.4, after considering the provisions in the transitory provisions for application of the standard (see section “Comparison of information”).

- **Amendment to IFRS 9 “Prepayment Features with Negative Compensation”:**

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

The Group had already taken these amendments into consideration when applying IFRS 9, including the estimate of impacts described in the financial statements for 2018.

Standards and interpretations issued by the IASB but not yet effective

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

STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET EFFECTIVE

STANDARDS AND INTERPRETATIONS	TITLE	MANDATORY APPLICATION FOR ANNUAL PERIODS BEGINNING ON OR AFTER:
NOT APPROVED FOR USE		
Amendment to IFRS 3 *	Business combinations	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

(*) No impact on the Group

1.3. Responsibility for the information and for the estimates made

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

- The criterion to temporarily allocate income obtained from secondary activities provided to the profit and loss account.
- The fair value of certain financial assets and liabilities (Note 24).
- Impairment losses on financial assets, and of the fair value of guarantees associated thereto, according to their classification in accounts, which entail the need to make judgements regarding: i) the consideration of "significant increase in credit risk" (SICR); ii) definition of default; and iii) the inclusion of forward-looking information (Note 8).
- The measurement of investments in joint ventures and associates (Note 11).
- Determination of the share of profit/(loss) of associates (Note 11).
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 9).
- The useful life of and impairment losses on tangible assets, including right-of-use assets, and intangible assets (Notes 12 and 13).
- The measurement of goodwill and intangible assets (Note 13).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 15).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 17).
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 17).
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 19).
- The term of the lease agreements and the discount rate used in the assessment of the lease liabilities (Note 2).

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

1.4. Comparison of information

The figures at 31 December 2018 and for the six months ended 30 June 2018 contained in the accompanying condensed interim consolidated financial statements are presented solely for comparison purposes.

IFRS 16 - Leases

As stated in this note in the "Basis of presentation" section, the Group has applied IFRS 16 from 1 January 2019. Along these lines, it has opted not to reassess whether an agreement is a lease or contains a leasing component in accordance with the standard's criteria, applying it solely for agreements that had been identified as leases according to the previous standard.

For leases in which the Group intervenes as lessee, previously classified as operational leases, the Group has opted to apply the new leasing criteria retroactively through the modified retrospective approach, whereby enabling an estimation of the value of the right of use by referencing the financial liability in operations; generating no adjustment in reserves whatsoever at 1 January 2019. Additionally, the Group has decided to exclude from the scope, in accordance with the simplifications considered in the new regulatory framework on financial information, lease agreements whose term expires within the twelve months following the initial application date.

The main type of contracts identified for which a right-of-use asset and a lease liability had to be estimated at 1 January 2019 are real estate leases (office buildings) in connection with the operating activity.

For sale transactions with subsequent leasing carried out before 1 January 2019 in which the Group has acted as a seller-lessee, the subsequent lease has been recorded as any other existing operational lease at 1 January 2019.

The breakdowns, at 31 December 2018, of balance sheet items referring to lease agreements in this report have not been restated, which is why it cannot be compared with the information referring to 30 June 2019.

The reconciliation between operational lease commitments at 31 December 2018 and the lease liabilities recorded on 1 January 2019 in application of IFRS 16 is as follows:

COMMITMENTS FOR OPERATIONAL LEASES
(Thousands of euros)

COMMITMENTS FOR OPERATIONAL LEASES AT 31 DECEMBER 2018	**1,889,709**
Different processing of the lease term	(307,629)
Separation of non-leasing components	(65,603)
Other adjustments (includes the financial discount on future payments)	(107,770)
LEASE LIABILITIES AT 1 JANUARY 2019	**1,408,707**

Discount rate applied (according to the term)
Spain [0.10%-1.66%]

Recognition of actuarial gains and losses

In order to improve the accurate picture of the Group's financial statements, during 2019, the accounting recognition criterion of the actuarial losses and gains has been amended, whereby the new presentation more suitably reflects the impacts on equity deriving from the measurement of the assets and liabilities linked to the Group's pension commitments. Following on from this, the actuarial losses and gains previously recognised at each closing date under the heading “Shareholders' equity - Retained earnings” are now shown under the heading “Accumulated Other Comprehensive Income – Items that will not be reclassified to profit or loss - Actuarial gains or losses on defined benefit pension plans.”

As a result of the change of accounting criterion, the equity figures corresponding to 31 December 2018 have been restated for comparison purposes, whereby amounts of EUR 514 million under the heading “Shareholders' equity - Retained earnings” and EUR 34 million under the heading “Shareholders' equity - Other reserves” have been reclassified to the heading “Accumulated Other Comprehensive Income – Items that will not be reclassified to profit or loss - Actuarial gains or losses on defined benefit pension plans.” The amount of the aforementioned reclassification at 1 January 2018 stands at EUR 562 million and it is included under the heading “Effects of changes in accounting policies” of the Consolidated Statement of Total Changes in Equity corresponding to 2018.” Given that the impact of applying the aforementioned change of presentation at the start of 2018 is non-significant, the Group has chosen not to present the balance sheet for 1 January 2018.

1.5. Seasonality of the transactions

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

SPECIFIC CASES APPLYING IFRIC 21
(Millions of euros)

	2019	2018	DATE WHEN THE OBLIGATION IS RECOGNISED
Single Resolution Fund (SRF) (*) – CaixaBank	85	80	Upon receiving notification of payment (2nd quarter)
Single Resolution Fund (SRF) (*) and National Resolution Fund (NRF) – Banco BPI	18	17	Upon receiving notification of payment (2nd quarter)

(*) With respect to the SFR, 15% of the annual contribution is implemented through a cash delivery, due to its irrevocable payment commitment nature. The amount paid for this item at 30 June 2019 and 2018 stands at EUR 17 million and EUR 16 million, respectively, and it is registered under the heading "Financial assets at amortised cost".

1.6. Restructuring labour agreement

On 8 May 2019, CaixaBank signed a labour agreement with trade union representatives which involved reducing staff by 2,023 employees. The cost associated with this restructuring has been recorded under the "Administrative expenses" of the accompanying consolidated statement of profit or loss and stands at EUR 978 million.

1.7. Subsequent events

Between 30 June 2019 and the date these condensed interim consolidated financial statements were authorised for issue, no further events occurred with a material impact on the accompanying financial statements that are not described in the remaining explanatory notes.

2. Accounting policies and measurement bases

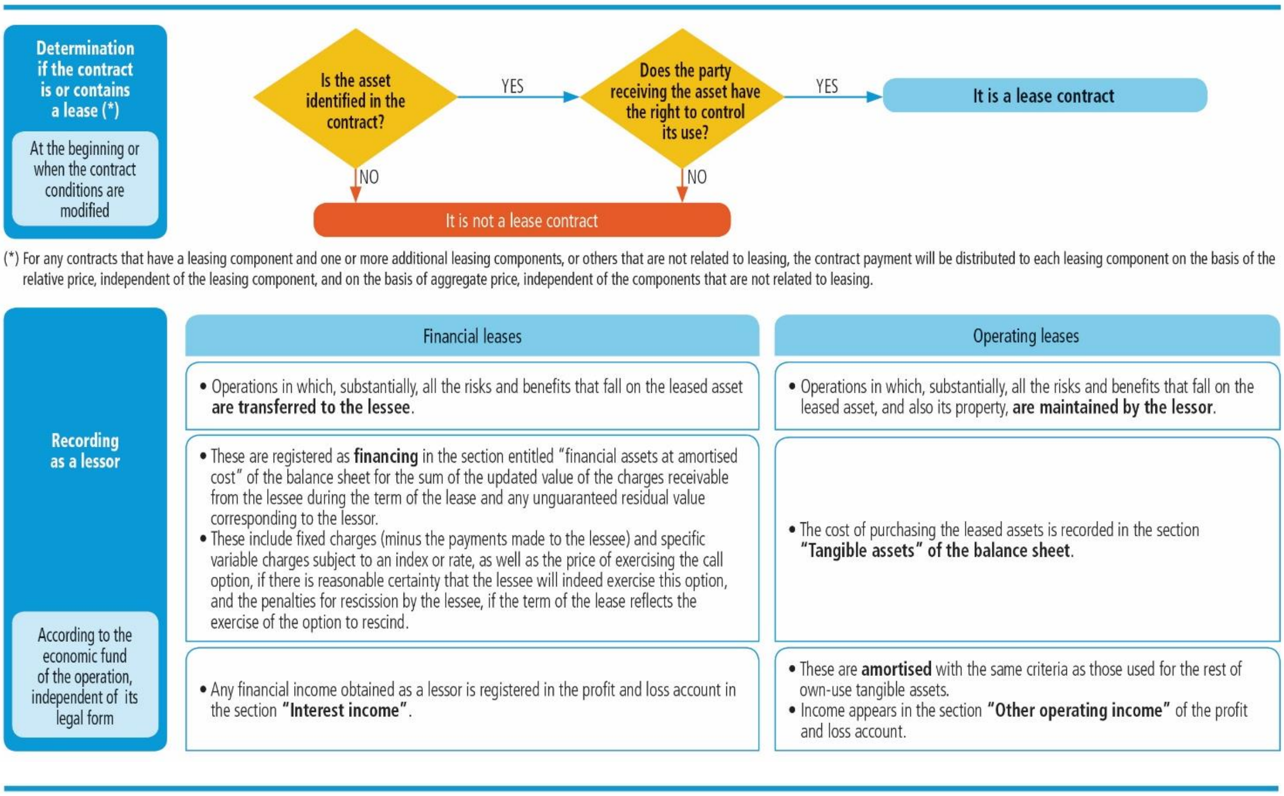
Except for those stated hereafter, the accompanying condensed interim consolidated financial statements of the Group were prepared using the same accounting principles, policies and criteria as those used in the 2018 consolidated financial statements.

All accounting principles and measurement bases that could have a significant effect were applied in the preparation of the condensed interim consolidated financial statements.

For all the areas not stated in these interim financial statements, the definitions, criteria and policies described in Note 2 of the report of the consolidated financial statements of 2018 continue to be applied.

2.1. Leases

During the first quarter of 2019, the Group adopted IFRS 16 "Leases". As a result of this, an assessment has been carried out on the accounting policies in the areas indicated in this note, applicable from 1 January 2019. The main changes in the Group's accounting policies, deriving from the aforementioned regulatory change, are set out below:



Accounting as a lessee

Term of the contract

- **Fixed-term contracts with or without the early termination option** in favour of the Entity and without permission from the other party (with only a non-significant compensation): Generally, the lease term matches the initial agreed duration.
- **Fixed-term contracts with the option to renew** on the part of the Entity and without permission from the other party: It has been surmised that this option will be exercised, considering that there are financial incentives and in light of the Company's past practices.
- The term of specific contracts can be affected as a result of possible restructuring plans undertaken by the Company.

Accounting record

		At the beginning date of the contract	Subsequently
Contracts with a term longer than 12 months or contracts in which the underlying asset does not have a low value (set at 6,000 euros)	Lease liability ("Other financial liabilities")	A lease liability is valued based on the current value of any lease payments that have not been paid by said date, using, as a discount rate, the interest rate that the lessee would have to pay to borrow - with a similar term and guarantee - the funds necessary to purchase an asset whose value is similar to that of the right-of-use asset in an similar economic climate. This rate is called "additional financing rate".	It is valued at amortised cost using the effective interest rate method and is re-valued (with the corresponding adjustment in the relative right-of-use asset) when there is a change in the future lease payments during renegotiation, changes to an index or rate or a new evaluation of contract options.
	Right-of-use asset ("Tangible assets - Plots and buildings")	The asset is valued at cost and includes the amount of the initial valuation of the lease liability, the payments made on or before the start date and the initial direct costs, dismantling costs or restoring costs when there is obligation to bear the same.	It is amortised on a straight-line basis and is subject to any loss due to depreciation, where applicable, in accordance with the procedure established for the rest of the tangible and intangible assets.
Rest of contracts		Lease liabilities are recorded as operating leases.	

(*) The Group has calculated the additional financing rate, taking the issued debt instruments - mortgage bonds and senior debt - as a reference, which are weighted according to the issue capacity of each one. The Group uses a specific rate according to the term of the operation and the business (Spain or Portugal) where the agreements are formalised.

Sale and leaseback transactions

- When the **Group** acts **as seller-lessee**:
  - **If the Group does not retain control of the asset:**
    - It derecognises the sold asset
    - It values the right-of-use asset derived from the subsequent lease at an amount equal to the part of the prior carrying amount of the leased asset corresponding to the proportion represented by the right of use withheld by the bank from the value of the sold asset
    - A lease liability is recognised
  - **If the Group retains control of the asset:**
    - It does not derecognise the sold asset
    - It recognises a financial liability for the amount of the received payment
- The **results generated in the operation** are recognised immediately in the profit loss account if it is determined that a sale has taken place (only for the amount of the profit or loss in relation to transferred rights of the asset), in such a way that the buyer-lessor acquires control of asset.
- The Group has established a procedure to carry out a prospective follow-up of the operation, paying special attention to the evolution on the market of office rental prices in comparison to the fixed contractual rents and to the situation of the sold assets.

2.2. Pension commitments

The accounting recognition criterion of the actuarial losses and gains on equity deriving from the measurement of the assets and liabilities linked to the Group's pension commitments have been amended during 2019. Following on from this, the actuarial losses and gains previously recognised under the heading "Shareholders' equity - Retained earnings" and "Shareholders' equity - Other reserves" are now shown under the heading "Accumulated Other Comprehensive Income – Items that will not be reclassified to profit or loss - Actuarial gains or losses on defined benefit pension plans."

3. Risk management

Note 3 of the 2018 Group's Consolidated Annual Accounts describes the Government, risk management and control, as well as risk monitoring, measurement and mitigation policies. The following are the most relevant aspects of Risk Management in the first half of 2019:

3.1. Environment and risk factors

- Economic context:
  - Global economy
    - Tensions between the United States and China remain at the forefront with continued mutual threats to extend trade barriers. The meeting between Trump and Xi at the G20 summit at the end of June could represent the starting point for reinstated negotiations, but the geopolitical uncertainty is likely to remain in the medium term.
    - The United States is performing solidly and decelerated growth resulting from the fading of the effect of the tax stimulus and the economy's late cycle phase, is expected to be gentle.
    - The persistence of downside risks is leading central banks to suggest a more accommodative policy over the coming months. Both the Fed and the ECB have coincided in reasserting a positive medium-term central scenario, but they have indicated to a significant probability of a relaxed monetary policy in the coming months, in order to offer safeguards against the prevalence of the downside risk.
  - Euro area
    - Despite a first-quarter GDP above expectations, Eurozone activity indicators still point to moderate growth. The risks continue with a downward trend mainly due to the geopolitical scenario (for example, trade tensions, Brexit, Italy).
    - The risk of an unorderly Brexit has increased in view of the possibility of a hard Brexiteer being appointed Prime Minister. Nonetheless, the existence of a clear majority against a no-deal exit has been demonstrated on many occasions in the House of Commons.
  - Spain
    - The economy upholds dynamic performance and growth rates above those of the Euro area. Thus, there is a very gradual deceleration towards more sustainable growth rates.
    - In light of the dynamism of domestic demand, the surplus of the foreign sector is deteriorating due to the deceleration of the world economy and the global climate of increased uncertainty. Thus, foreign demand will probably maintain a more moderate contribution to growth, while these forces continue to influence the foreign environment.
  - Portugal
    - The Portuguese economy is also better weathering the deceleration of the Euro area. Activity indicators point to a growth figure close to – although possibly somewhat below – 2% in 2019. However, the positive performance of the internal demand contrasts with (and is partly responsible for) the depreciation of the external balance.
- Regulatory context. The main developments and enquiries principals open from the field of risks are shown below:
  - Approval and publication in the Official Journal of the European Union (OJ) of the "***Proposal of CRDV Package***": once the trilogue was been completed during first few months of the year, the review started in November 2016 by the European Commission of the "banking package" that covers the texts CRD V, CRR II, BRRD II and SRMR II was approved on 16 April in the plenary session of the European Parliament.[1]. The review basically transposes the standards agreed by the Basel Committee on Banking Supervision (prior to the 2017 agreement on the completion of Basel III, the adaptation of which will be addressed from the second half of 2019). The aforementioned legislative package came into force on 27 June 2019,

[1] The initials refer to the Capital Requirements Regulation and Directive (CRR/CRD), the Bank Recovery and Resolution Directive (BRRD), and the Single Resolution Mechanism Regulation (SRMR).

with December 2020 the deadline for the adaptation of the directives, whereas the majority of the changes included in the CRR II regulation are applicable from June 2021.

- ***Brexit*, Contingency Action Plan**: on 1 March 2019 the Spanish Government approved Royal Decree-Law 5/2019, adopting contingency measures in the event of a Hard Brexit of the United Kingdom from the EU, on the condition of reciprocity within 2 months of entry into force. Additionally the European Banking Association (EBA), the Prudential Regulation Authority (PRA), and Financial Conduct Authority (FCA) agreed a template for the memorandum of understanding (MoU), establishing the basis of terms of cooperation and information exchange between EU and UK authorities.
- On 6 February 2019 the ECB launched the **liquidity stress test** with the aim of assessing the reaction capacity of the banks under its supervision in the event of idiosyncratic liquidity shocks. The results of the test will nourish the ECB's regular monitoring process, including SREP.
- On 21 February 2019 the Congress of Deputies approved the **Property Credit Contract Regulatory Act**, reducing the expenses associated with changes in mortgage contracts and establishing measures to improve transparency in the conditions, closing the process of transposing the EU directive. Similarly, on 26 April the Ministry of Economy and Business completed the law with the approval of a **Royal Decree** and a **Ministerial Order**, implementing aspects such as the transparency of information; calculation of financial loss and indexes and reference rates to apply; training and competence requirements of the trading personnel; and criteria applicable to the related marketing.
- **Exposure associated with major risks**: the EBA published the final guidelines that will apply as of 1 July 2019, on the specification of the type of exposures to be associated with particularly high risks according to Article 128 (3) of the CRR, which would receive weighting of 150% under the standard method.
- On 25 February the EBA published the new **Guidelines on outsourcing**, including and repealing Guidelines on outsourcing to cloud service providers. These guidelines apply as of 30 September 2019, and affect all outsourcing contracts that are signed, revised or amended from that date. For contracts already existing at that date, the guidelines will start to apply from the revision date of the contracts, or at the latest, from 31 December 2021**.**
- On 25 February the EBA completed a consultation on its **Guidelines on Credit Risk Mitigation techniques in the context of the advanced internal rating-based approach with estimates specific to LGD**. The guidelines aim to eliminate existing differences in the risk mitigation techniques, deriving from supervisory practices or from choices specific to the bank.
- On 6 March the EBA published the final version of its **Guidelines for the estimation of LGD appropriate for an economic downturn** (Downturn LGD estimation), supplementing the EBA Guidelines on PD and LGD estimation. The GL will apply as of 1 January 2021, and differentiate 3 types of approaches according to the available information: i) calibration based on observed impact, ii) calibration based on estimated impact using historical loss data, and iii) free modelling flexibility with minimum fixed add-on.
- On 13 March the reference period for the **EBA Guidelines on ICT and security risk management** linked to all the activities of credit institutions and investment firms was finalised. The guidelines establish the requirements applicable to credit institutions, investment firms and payment services providers in relation to governance, and the mitigation and management of the ICT and security risks.
- Publication in the OJ of Regulation 2019/630, amending Regulation (EU) 575/2013 (CRR) as regards **minimum loss coverage for non-performing exposures** (NPLs) or prudential backstop. Establishing minimum coverage levels for new loans that become NPLs, which in the event of not being reached will involve deductions in own funds. The standard establishes a common NPE definition, in accordance with that used for the purpose of supervisory reporting. In force and applicable from 26 April 2019.
- On 2 May the EBA released for public consultation the draft Regulatory Technical Standards (RTS) on the **standardised approach for counterparty credit risk**. The article provides a methodological proposal for the identification of operations with a single risk factor, more than one risk factor and their discrimination, as well as, for interest-rate specific risk, suggesting a formula compatible with a negative interest rate environment.
- On 7 June the FSB (Financial Stability Board) released for public consultation the **evaluation of financial regulation on the financing of SMEs** examining the effects of the G20's regulatory reforms after the crisis, in terms of impact on the actual economy.

- On 18 June, the extension of the mandate of the **Technical Expert Group on Sustainable Finance** was announced, which aims to assist the European Commission in the implementation of the Action Plan for financing sustainable development. Simultaneously, within the same framework, the Commission has published new **Guidelines on climate-related disclosures**.
- On 19 June the EBA launched the consultation process on its draft **Guidelines on loan origination and monitoring** with the aim of ensuring that the institutions have robust and prudent standards for credit risk taking, management and monitoring. The proposal oversees the alignment with the regulation in force on consumer protection and the prevention of money laundering.
- On 26 June the EBA published – and proposed for debate – the **2020 EU-wide stress test** draft methodology, templates and guidance. In principle, a total of 50 banks will take part in the exercise, 38 of which are from the Euro area. The methodology is based on that implemented during 2018, adding improvements deriving from the previous year. The final version will be published by the end of the year, the exercise will be launched in January 2020 and the results will be published at the end of July 2020.

3.2. Credit risk

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

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

Financing for real estate construction and development

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

FINANCING FOR REAL ESTATE CONSTRUCTION AND DEVELOPMENT - 30-06-2019

(Thousands of euros)

	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	CARRYING AMOUNT	EXCESS OVER THE MAXIMUM RECOVERABLE VALUE OF COLLATERAL
Financing for real estate construction and development (including land)	**5,837,532**	**(304,312)**	**5,533,220**	**842,605**
Of which: Non-performing	*574,479*	*(225,564)*	*348,915*	*218,888*
Memorandum items: Asset write-offs	2,684,657			
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	192,013,812			

FINANCING FOR REAL ESTATE CONSTRUCTION AND DEVELOPMENT - 31-12-2018

(Thousands of euros)

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

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

FINANCING FOR REAL ESTATE DEVELOPERS AND DEVELOPMENTS BY COLLATERAL

(Thousands of euros)

	GROSS AMOUNT	
	30-06-2019	31-12-2018
Not real estate mortgage secured	**497,582**	**477,468**
Real estate mortgage secured	**5,339,950**	**5,526,569**
Buildings and other completed constructions	3,578,064	3,773,663
Homes	2,351,125	2,556,079
Other	1,226,939	1,217,584
Buildings and other constructions under construction	1,226,979	1,185,054
Homes	1,167,538	1,056,075
Other	59,441	128,979
Land	534,907	567,852
Consolidated urban land	375,767	345,480
Other land	159,140	222,372
TOTAL	**5,837,532**	**6,004,037**

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

GUARANTEES RECEIVED FOR REAL ESTATE DEVELOPMENT TRANSACTIONS

(Thousands of euros)

	30-06-2019	31-12-2018
Value of collateral	**13,870,486**	**13,471,229**
Of which: Guarantees non-performing risks	*1,035,127*	*1,382,641*
TOTAL	**13,870,486**	**13,471,229**

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

FINANCIAL GUARANTEES

(Thousands of euros)

	30-06-2019	31-12-2018
Financial guarantees given related to real estate construction and development	**98,433**	**93,087**
Amount recognised under liabilities	0	0

Information regarding financing for home purchasing.

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)

	30-06-2019		31-12-2018	
	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*
Not real estate mortgage secured	**724,691**	**12,158**	**761,510**	**12,152**
Real estate mortgage secured, by LTV ranges (*)	**78,856,217**	**3,012,272**	**79,917,182**	**3,102,849**
LTV ≤ 40%	21,567,907	216,580	21,373,882	223,814
40% < LTV ≤ 60%	29,374,681	387,427	30,022,075	411,948
60% < LTV ≤ 80%	20,011,926	561,564	20,668,259	595,188
80% < LTV ≤ 100%	4,186,246	563,076	4,347,918	591,313
LTV > 100%	3,715,457	1,283,625	3,505,048	1,280,586
TOTAL	**79,580,908**	**3,024,430**	**80,678,692**	**3,115,001**

(*) LTV calculated based on the latest available appraisals. The ranges for non-performing transactions are updated in accordance with prevailing regulations.

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

FORECLOSED REAL ESTATE ASSETS - 30-06-2019 (*)

(Thousands of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT OF ASSETS (**)	*OF WHICH: ALLOWANCES FOR IMPAIRMENT OF ASSETS (***)*	NET CARRYING AMOUNT
Property acquired from loans to real estate constructors and developers	**1,686,423**	**(466,337)**	***(203,220)***	**1,220,086**
Buildings and other completed constructions	1,537,082	(404,100)	*(179,208)*	1,132,982
Homes	1,297,190	(318,418)	(125,611)	978,772
Other	239,892	(85,682)	(53,597)	154,210
Buildings and other constructions under construction	30,788	(16,569)	*(8,945)*	14,219
Homes	12,700	(7,733)	(3,233)	4,967
Other	18,088	(8,836)	(5,712)	9,252
Land	118,553	(45,668)	*(15,067)*	72,885
Consolidated urban land	63,496	(19,113)	(5,628)	44,383
Other land	55,057	(26,555)	(9,439)	28,502
Property acquired from mortgage loans to homebuyers	**2,339,457**	**(527,842)**	**(223,664)**	**1,811,615**
Other real estate assets or received in lieu of payment of debt	**483,216**	**(151,108)**	**(47,133)**	**332,108**
TOTAL	**4,509,096**	**(1,145,287)**	***(474,017)***	**3,363,809**

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 2,329 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 172 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 21 million, as this is not included in business in Spain.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 5,720 million and total write-downs of this portfolio amounted to EUR 2,356 million, EUR 1,145 million of which are impairment allowances recognised in the balance sheet.

(***) From foreclosure

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

(Thousands of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT OF ASSETS (**)	*OF WHICH: ALLOWANCES FOR IMPAIRMENT OF ASSETS (***)*	NET CARRYING AMOUNT
Property acquired from loans to real estate constructors and developers	**1,787,216**	**(494,264)**	**(215,276)**	**1,292,952**
Buildings and other completed constructions	1,646,011	(435,707)	(193,414)	1,210,304
Buildings and other constructions under construction	29,206	(15,903)	(8,363)	13,303
Land	111,999	(42,654)	(13,499)	69,345
Property acquired from mortgage loans to homebuyers	**2,313,925**	**(495,648)**	**(200,863)**	**1,818,277**
Other real estate assets or received in lieu of payment of debt	**467,581**	**(146,480)**	**(46,020)**	**321,101**
TOTAL	**4,568,722**	**(1,136,392)**	***(462,159)***	**3,432,330**

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

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

(***) From foreclosure

3.2.2. Refinancing

The detail of refinancing by economic sector is as follows:

REFINANCING - 30-06-2019

(Thousands of euros)

	TOTAL						
	WITHOUT COLLATERAL		WITH COLLATERAL				ACCUMULATED IMPAIRMENT IN FAIR VALUE DUE TO CREDIT RISK (*)
					MAXIMUM AMOUNT OF THE COLLATERAL THAT CAN BE CONSIDERED		
	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	24	182,636	433	69,616	47,695	0	(4,438)
Other financial corporations and individual entrepreneurs (financial business)	39	6,243	7	1,961	1,867	25	(854)
Non-financial corporations and individual entrepreneurs (non-financial business)	4,917	2,045,180	11,161	2,049,518	1,390,894	13,279	(1,377,588)
Of which: Financing for real estate construction and development (including land)	*323*	*93,696*	*3,200*	*703,535*	*496,339*	*371*	*(216,531)*
Other households	39,246	364,865	90,412	4,818,972	3,995,424	9,378	(988,416)
TOTAL	**44,226**	**2,598,924**	**102,013**	**6,940,067**	**5,435,880**	**22,682**	**(2,371,296)**

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

(Thousands of euros)

	OF WHICH NON-PERFORMING						
	WITHOUT COLLATERAL		WITH COLLATERAL				ACCUMULATED IMPAIRMENT IN FAIR VALUE DUE TO CREDIT RISK (*)
					MAXIMUM AMOUNT OF THE COLLATERAL THAT CAN BE CONSIDERED		
	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	NUMBER OF TRANSACTIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	13	4,556	143	14,355	8,042	0	(4,424)
Other financial corporations and individual entrepreneurs (financial business)	27	1,001	6	1,370	1,290	25	(667)
Non-financial corporations and individual entrepreneurs (non-financial business)	2,955	1,164,726	7,411	1,283,924	727,578	6,131	(1,274,541)
Of which: Financing for real estate construction and development (including land)	*233*	*62,108*	*1,992*	*392,807*	*247,966*	*347*	*(181,899)*
Other households	21,290	222,459	53,294	3,014,206	2,325,989	5,176	(870,880)
TOTAL	**24,285**	**1,392,742**	**60,854**	**4,313,855**	**3,062,899**	**11,332**	**(2,150,512)**

Memorandum items: Financing classified as non-current assets held for sale (*)
(*) Corresponds to "Non-current assets and disposal groups classified as held for sale".

REFINANCING - 31-12-2018

(Thousands of euros)

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

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

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

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

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

3.2.3. Concentration risk

Risk concentration by geographic area

CONCENTRATION BY GEOGRAPHIC LOCATION 30-06-2019
(Miles de euros)

	TOTAL	SPAIN	PORTUGAL	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	35,168,388	16,696,587	5,162,550	10,921,111	879,177	1,508,963
Public administrations	97,854,937	85,783,873	3,366,379	7,362,725	1,001,671	340,289
Central government	83,130,279	72,313,992	2,175,261	7,362,725	938,816	339,485
Other public administrations	14,724,658	13,469,881	1,191,118	0	62,855	804
Other financial corporations and individual entrepreneurs (financial business)	22,848,434	7,660,147	494,491	13,412,710	1,059,428	221,658
Non-financial corporations and individual entrepreneurs (non-financial business)	104,007,006	74,134,678	10,961,727	11,507,922	5,437,860	1,964,819
Real estate construction and development (including land)	6,137,986	5,601,864	530,430	4,264	646	782
Civil engineering	4,730,096	3,985,400	274,743	196,431	273,481	41
Other	93,138,924	64,547,414	10,156,554	11,307,227	5,163,733	1,963,996
Large corporations	57,676,027	36,555,027	6,355,194	8,925,504	4,468,352	1,371,950
SMEs and individual entrepreneurs	35,462,897	27,992,387	3,801,360	2,381,723	695,381	592,046
Other households	122,352,171	108,384,501	12,224,318	1,102,548	165,834	474,970
Home purchase	94,146,443	81,959,742	10,860,721	858,696	142,078	325,206
Consumer	16,049,401	14,853,795	990,734	159,477	8,304	37,091
Other	12,156,327	11,570,964	372,863	84,375	15,452	112,673
TOTAL	**382,230,936**	**292,659,786**	**32,209,465**	**44,307,016**	**8,543,970**	**4,510,699**

CONCENTRATION BY GEOGRAPHIC LOCATION 31-12-2018
(Miles de euros)

	TOTAL	SPAIN	PORTUGAL	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	38,170,974	18,932,281	4,775,675	12,118,699	744,391	1,599,928
Public administrations	89,495,669	77,926,403	3,325,694	6,991,798	909,069	342,705
Other financial corporations and individual entrepreneurs (financial business)	16,159,225	7,153,786	488,741	7,602,756	725,938	188,004
Non-financial corporations and individual entrepreneurs (non-financial business)	99,032,221	74,371,047	11,041,410	7,376,865	4,597,053	1,645,846
Other households	121,949,947	107,272,821	12,304,166	1,819,015	166,644	387,301
TOTAL	**364,808,036**	**285,656,338**	**31,935,686**	**35,909,133**	**7,143,095**	**4,163,784**

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

CONCENTRATION BY AUTONOMOUS COMMUNITY 30-06-2019

(Thousands of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	OTHER (*)
Central banks and credit institutions	16,696,587	154,338			2,695	1,815	493,203	13,614,174		346,687	1,569,414	514,261
Public administrations	85,783,873	1,407,740	342,422	165,476	364,093	156,522	4,356,180	3,549,363	444,992	925,879	651,650	1,105,564
Central government	72,313,992											
Other public administrations	13,469,881	1,407,740	342,422	165,476	364,093	156,522	4,356,180	3,549,363	444,992	925,879	651,650	1.105.564
Other financial corporations and individual entrepreneurs (financial business)	7,660,147	87,837	4,829	7,876	3,677	31,068	1,590,873	5,512,157	16,431	172,070	198,766	34,563
Non-financial corporations and individual entrepreneurs (non-financial business)	74,134,678	5,848,412	2,274,468	2,441,434	1,298,763	1,455,659	15,895,672	28,510,904	1,188,067	4,584,166	3,987,749	6,649,384
Real estate construction and development (including land)	5,601,864	681,056	221,085	246,204	21,671	162,516	1,350,166	1,924,848	173,942	396,132	177,445	246,799
Civil engineering	3,985,400	236,713	59,855	94,587	65,002	55,519	1,082,352	1,578,437	105,595	200,027	137,310	370,003
Other	64,547,414	4,930,643	1,993,528	2,100,643	1,212,090	1,237,624	13,463,154	25,007,619	908,530	3,988,007	3,672,994	6,032,582
Large corporations	36,555,027	1,017,591	970,841	963,311	333,161	360,184	6,278,393	19,422,623	427,848	1,249,294	2,745,228	2,786,553
SMEs and individual entrepreneurs	27,992,387	3,913,052	1,022,687	1,137,332	878,929	877,440	7,184,761	5,584,996	480,682	2,738,713	927,766	3,246,029
Other households	108,384,501	17,771,942	4,178,114	6,190,223	2,672,581	3,752,153	31,656,420	16,352,834	3,311,145	8,602,985	3,513,696	10,382,408
Home purchase	81,959,742	12,817,095	3,239,545	4,941,055	2,063,642	2,981,891	22,908,774	13,048,001	2,686,582	6,529,988	2,821,358	7,921,811
Consumer	14,853,795	2,689,410	551,164	865,983	349,586	401,251	4,845,831	1,733,757	350,200	1,229,269	396,051	1,441,293
Other	11,570,964	2,265,437	387,405	383,185	259,353	369,011	3,901,815	1,571,076	274,363	843,728	296,287	1,019,304
TOTAL	**292,659,786**	**25,270,269**	**6,799,833**	**8,805,009**	**4,341,809**	**5,397,217**	**53,992,348**	**67,539,432**	**4,960,635**	**14,631,787**	**9,921,275**	**18,686,180**

CONCENTRATION BY AUTONOMOUS COMMUNITY 31-12-2018

(Thousands of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	OTHER (*)
Central banks and credit institutions	18,932,281	133,237			1,697	875	532,397	16,149,594	960	1,243,623	541,504	328,394
Public administrations	77,926,403	1,159,098	145,077	193,927	191,811	264,267	4,009,423	3,631,076	533,106	668,312	658,804	378,562
Other financial corporations and individual entrepreneurs (financial business)	7,153,786	55,269	1,951	9,456	3,917	60,843	1,346,046	5,300,785	17,505	142,388	179,930	35,696
Non-financial corporations and individual entrepreneurs (non-financial business)	74,371,047	5,798,397	2,053,756	2,413,846	1,267,270	1,522,190	15,873,105	29,105,095	1,149,538	4,706,367	3,881,685	6,599,798
Other households	107,272,821	17,823,792	4,138,246	6,201,063	2,677,879	3,724,396	30,974,899	16,151,577	3,324,630	8,505,643	3,451,070	10,299,626
TOTAL	**285,656,338**	**24,969,793**	**6,339,030**	**8,818,292**	**4,142,574**	**5,572,571**	**52,735,870**	**70,338,127**	**5,025,739**	**15,266,333**	**8,712,993**	**17,642,076**

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

Concentration by economic sector

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

CONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS 30-06-2019

(Thousands of euros)

	TOTAL	*OF WHICH: MORTGAGE COLLATERAL*	*OF WHICH: OTHER COLLATERAL*	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE) ≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	13,326,658	*416,588*	*363,492*	118,733	202,532	212,788	149,487	96,540
Other financial corporations and individual entrepreneurs (financial business)	2,157,056	*277,196*	*582,700*	652,959	147,745	29,404	9,365	20,423
Non-financial corporations and individual entrepreneurs (non-financial business)	85,941,393	*21,702,162*	*5,213,416*	10,147,714	7,938,162	4,126,742	2,167,035	2,535,925
Real estate construction and development (including land)	5,828,729	*5,192,239*	*65,488*	1,529,714	1,841,815	1,052,337	481,124	352.737
Civil engineering	4,311,773	*531,841*	*74,257*	233,069	168,780	131,480	23,595	49.174
Other	75,800,891	*15,978,082*	*5,073,671*	8,384,931	5,927,567	2,942,925	1,662,316	2.134.014
Large corporations	42,167,667	*4,575,052*	*3,096,190*	2,803,554	1,633,728	1,104,271	729.275	1.400.414
SMEs and individual entrepreneurs	33,633,224	*11,403,030*	*1,977,481*	5,581,377	4,293,839	1,838,654	933.041	733.600
Other households	121,784,290	*102,156,690*	*1,056,784*	30,557,811	37,306,122	27,275,854	5,349,807	2,723,880
Home purchase	94,074,984	*92,896,181*	*309,911*	26,209,279	34,248,401	25,620,776	4,805,866	2.321.770
Consumer	16,049,400	*3,427,057*	*414,966*	1,802,584	1,138,714	578,919	211,517	110.289
Other	11,659,906	*5,833,452*	*331,907*	2,545,948	1,919,007	1,076,159	332,424	291.821
TOTAL	**223,209,397**	***124,552,636***	***7,216,392***	**41,477,217**	**45,594,561**	**31,644,788**	**7,675,694**	**5,376,768**
Memorandum items: Refinancing, refinanced and restructured transactions	7,167,695	*5,575,232*	*166,983*	1,017,420	1,512,436	2,061,750	679,075	471,534

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

(Thousands of euros)

	TOTAL	*OF WHICH: MORTGAGE COLLATERAL*	*OF WHICH: OTHER COLLATERAL*	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE) ≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	11,424,525	*438,640*	*387,023*	107,368	223,364	253,628	148,325	92,978
Other financial corporations and individual entrepreneurs (financial business)	1,539,638	*362,855*	*582,847*	616,512	239,087	79,052	8,963	2,088
Non-financial corporations and individual entrepreneurs (non-financial business)	81,844,107	*21,578,055*	*4,266,629*	9,247,236	7,921,958	3,994,721	2,243,164	2,437,605
Other households	121,149,064	*103,515,739*	*1,078,384*	30,285,847	37,734,020	28,045,999	6,000,659	2,527,598
TOTAL	**215,957,334**	***125,895,289***	***6,314,883***	**40,256,963**	**46,118,429**	**32,373,400**	**8,401,111**	**5,060,269**
Memorandum items: Refinancing, refinanced and restructured transactions	7,662,003	*6,195,186*	*200,220*	1,155,599	1,547,972	2,279,549	796,567	615,719

Concentration according to credit quality

The risk concentration according to credit quality of credit risk exposures is stated as follows:

CONCENTRATION ACCORDING TO CREDIT QUALITY - 30-16-2019
(Thousands of euros)

	GROUP (EXC. INSURANCE GROUP)										INSURANCE GROUP ***		
	FA AT AMORTISED COST							FINANCIAL GUARANTEES, LOAN COMMITMENTS AND OTHER COMMITMENTS GIVEN					
	LOANS AND ADVANCES TO CUSTOMERS				FA HELD FOR TRADING *	FA NOT HELD FOR TRADING **	FA AT FV W/ CHANGES IN OCI				FA HELD FOR TRADING *	AVAILABLE-FOR-SALE FINANCIAL ASSETS *	LOANS AND RECEIVABLES *
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.				STAGE 1	STAGE 2	STAGE 3			
AAA/AA+/AA/AA-	29,503,636	78,454	138		109,271		833,849	13,545,798	16,200	374		1,031,169	
A+/A/A-	27,874,550	249,414	435	11,539,758	664,857		8,443,030	9,937,575	36,913	736	628,845	52,338,771	15,012
BBB+/BBB/BBB-	27,015,119	369,073	430	3,145,323	552,991	1,043	7,438,325	17,593,383	59,938	787	285,377	5,305,680	163,265
INVESTMENT GRADE	**84,393,305**	**696,941**	**1,003**	**14,685,081**	**1,327,119**	**1,043**	**16,715,204**	**41,076,756**	**113,051**	**1,897**	**914,222**	**58,675,620**	**178,277**
Allowances for impairment	(241,622)	(12,630)	(624)	(67)				(11,723)	(44)	(471)			
BB+/BB/BB-	39,403,473	3,008,021	1,760	710,360	9,354	57,040	742,565	17,045,550	611,461	1,987		133,387	
B+/B/B-	13,280,587	5,050,484	8,519	0	119		0	6,066,345	952,206	4,726			
CCC+/CCC/CCC-	533,985	2,736,074	47,211	0	1,213		29,633	335,169	366,470	54,684			
No rating	70,269,401	3,756,268	9,870,211	1,609,421	237,115	33,708	120,719	26,003,769	294,408	595,258	52	41,621	405,562
NON-INVESTMENT GRADE	**123,487,446**	**14,550,847**	**9,927,701**	**2,319,781**	**247,801**	**90,748**	**892,917**	**49,450,833**	**2,224,545**	**656,655**	**52**	**175,008**	**405,562**
Allowances for impairment	(427,328)	(718,851)	(3,955,752)	(4,409)				(57,459)	(19,915)	(219,835)			
TOTAL	**207,211,801**	**14,516,307**	**5,972,328**	**17,000,386**	**1,574,920**	**91,791**	**17,608,121**	**90,527,589**	**2,337,596**	**658,552**	**914,274**	**58,850,628**	**583,839**

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

	GROUP (EXC. INSURANCE GROUP)										INSURANCE GROUP ***		
	FA AT AMORTISED COST							FINANCIAL GUARANTEES, LOAN COMMITMENTS AND OTHER COMMITMENTS GIVEN					
	LOANS AND ADVANCES TO CUSTOMERS				FA HELD FOR TRADING *	FA NOT HELD FOR TRADING *	FA AT FV W/ CHANGES IN OCI				FA HELD FOR TRADING *	AVAILABLE-FOR-SALE FINANCIAL ASSETS *	LOANS AND RECEIVABLES *
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.				STAGE 1	STAGE 2	STAGE 3			
AAA/AA+/AA/AA-	29,413,953	67,207	11		123		880,305	13,121,218	13,895	66		917,870	
A+/A/A-	27,145,951	261,793	149	10,190,331	623,149		10,186,734	10,385,733	33,220	283	392,732	45,451,984	
BBB+/BBB/BBB-	26,595,338	317,582	106	3,269,171	121,202	1,079	7,181,322	15,640,078	40,544	294	552,780	4,744,154	264,496
INVESTMENT GRADE	**83,155,242**	**646,582**	**266**	**13,459,502**	**744,474**	**1,079**	**18,248,361**	**39,147,029**	**87,659**	**643**	**945,512**	**51,114,008**	**264,496**
Allowances for impairment	(262,002)	(5,552)	(168)	(22)				(9,831)	(25)	(139)			
BB+/BB/BB-	39,502,257	1,504,229	884	574,505	107	53,868	36,500	16,493,381	194,403	1,363		191,932	
B+/B/B-	15,011,255	4,063,405	7,019	30,003				5,901,868	611,117	2,985			8,408
CCC+/CCC/CCC-	620,866	2,791,359	70,845	0				277,894	307,736	52,456			
No rating	58,345,277	7,321,982	10,639,038	3,000,366	10,855	90,041	38,431	24,108,798	1,173,792	665,241	52	38,697	381,786
NON-INVESTMENT GRADE	**113,479,655**	**15,680,975**	**10,717,786**	**3,604,874**	**10,962**	**143,909**	**74,931**	**46,781,941**	**2,287,048**	**722,045**	**52**	**230,629**	**390,194**
Allowances for impairment	(432,287)	(736,170)	(4,276,938)	(4,720)				(58,838)	(27,071)	(258,758)			
TOTAL	**195,940,608**	**15,585,835**	**6,440,946**	**17,059,634**	**755,436**	**144,988**	**18,323,292**	**85,928,970**	**2,374,707**	**722,688**	**945,564**	**51,344,637**	**654,690**

DEBT SEC.: debt securities; FA: Financial assets; OCI: Other Comprehensive Income

(*) Covers the debt securities of each of the portfolios

(**) Compulsorily measured at fair value through profit or loss

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

Sovereign risk

The carrying amounts of the main items related to sovereign risk exposure are shown below:

SOVEREIGN RISK EXPOSURE - 30-06-2019
(Thousands of euros)

		GROUP (EXC. INSURANCE GROUP)					INSURANCE GROUP	
COUNTRY	RESIDUAL MATURITY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING*	FL HELD FOR TRADING - SHORT POSITIONS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FA HELD FOR TRADING - DEBT SEC.
Spain	Less than 3 months	1,709,383	38,555	307,596		(71,921)	248,312	205,531
	Between 3 months and 1 year	4,915,096	202,852	1,979,140		(30,044)	1,141,091	423,260
	Between 1 and 2 years	2,562,224	74,516	2,519,301		(62,493)	1,387,941	
	Between 2 and 3 years	8,258,664	10,289	2,443,778		(83,112)	2,766,711	
	Between 3 and 5 years	729,293	93,538	3,372,115	213,658	(37,690)	2,096,350	
	Between 5 and 10 years	4,016,329	521,179	1,964,116		(168,747)	14,809,258	
	Over 10 years	1,899,962	53,955	272		(45,987)	28,536,314	
	TOTAL	**24,090,951**	**994,884**	**12,586,318**	**213,658**	**(499,994)**	**50,985,977**	**628,791**
Italy	Less than 3 months		27			(3,023)		
	Between 3 months and 1 year		1,492				459,011	101
	Between 1 and 2 years	501,518					339	
	Between 2 and 3 years		1,988	224,160		(3,254)	346,938	
	Between 3 and 5 years		9,120			(2,381)	595,323	
	Between 5 and 10 years		128,150	545,242		(7,406)	763,999	
	Over 10 years		411	362,839			2,180,017	
	TOTAL	**501,518**	**141,188**	**1,132,241**		**(16,064)**	**4,345,627**	**101**
Portugal	Less than 3 months		35	225,237				193,052
	Between 3 months and 1 year		1,424	576,565				90,448
	Between 1 and 2 years	536,705	2,023					
	Between 2 and 3 years	55,051	1,894					
	Between 3 and 5 years	31,773	433	137,294				25
	Between 5 and 10 years	145,624	233					
	Over 10 years	104,687						339
	TOTAL	**873,840**	**6,042**	**939,096**				**283,864**
US	Between 3 and 5 years			912,046				
	TOTAL			**912,046**				
Other **	Less than 3 months	219,914		711				
	Between 3 months and 1 year						1,186	
	Between 1 and 2 years	113,944					3,447	
	Between 2 and 3 years						10,581	
	Between 3 and 5 years	59,690	124				1,996	
	Between 5 and 10 years	112,814					15,448	
	Over 10 years	3,534					33,977	
	TOTAL	**509,896**	**124**	**711**			**66,635**	
TOTAL COUNTRIES		**25,976,205**	**1,142,238**	**15,570,412**	**213,658**	**(516,058)**	**55,398,239**	**912,756**

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

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

	GROUP (EXC. INSURANCE GROUP)					INSURANCE GROUP	
COUNTRY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING*	FL HELD FOR TRADING - SHORT POSITIONS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	FA HELD FOR TRADING - DEBT SEC.
Spain	22,105,678	604,887	14,194,402	273,171	(331,071)	44,261,920	392,843
Italy	501,958	17,527	1,342,277		(15,760)	3,958,696	1,723
Portugal	1,093,414	7,762	790,662			17,117	547,569
US			880,305			66,823	
Other **	380,401	123	706				
TOTAL COUNTRIES	**24,081,451**	**630,299**	**17,208,352**	**273,171**	**(346,831)**	**48,304,556**	**942,135**

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

3.3. Market risk

The table below shows the average 1-day VaR at 99% attributable to the various risk factors at CaixaBank. The consumption levels are moderate and are concentrated on risk in the interest rate curve, which includes the credit spread on sovereign debt, credit spread, inflation and share price volatility. The risk amounts for other factors have less significance. With respect to the previous year, there is a decrease in interest rate risk, which includes the sovereign debt spread, and an increase in the credit spread.

PARAMETRIC VaR BY RISK FACTOR
(Thousands of

	TOTAL	INTEREST RATE	EXCHANGE RATE	SHARE PRICE	INFLATION	COMMODITY PRICE	CREDIT SPREAD	INTEREST RATE VOLATILITY	EXCHANGE RATE VOLATILITY	SHARE PRICE VOLATILITY
Average VaR 2019	1,035	323	132	161	254	0	377	51	127	291
Average VaR 2018	1,020	517	167	158	241	0	236	25	72	241

The tables below show, using a static gap, the breakdown of maturities and interest rate maturities and revaluations of sensitive items on the Group's balance sheet:

MATRIX OF MATURITIES AND REVALUATIONS OF THE BALANCE SHEET SENSITIVE TO INTEREST RATES - 31-05-2019

(Thousands of euros)

	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	>5 YEARS	TOTAL
ASSETS							
Interbank and Central Banks	28,882,100	150,000	1,050,000	80,000	0	25,000	30,187,100
Loans and advances to customers *	167,556,569	17,094,227	5,260,663	3,868,575	4,113,071	18,197,384	216,090,489
Fixed income portfolio	7,648,156	5,488,320	10,839,218	4,320,074	393,921	7,219,717	35,909,406
TOTAL ASSETS	204,086,825	22,732,547	17,149,881	8,268,649	4,506,992	25,442,101	282,186,995
LIABILITIES							
Interbank and Central Banks	13,875,562	28,779,219	137,560	96,015	34,973	199,701	43,123,030
Customer deposits	125,042,960	20,051,419	10,198,009	9,184,614	9,272,728	42,679,381	216,429,111
Issuances	7,938,368	3,793,335	2,249,000	3,917,222	5,797,400	12,895,011	36,590,336
TOTAL LIABILITIES	146,856,890	52,623,973	12,584,569	13,197,851	15,105,101	55,774,093	296,142,477
ASSETS LESS LIABILITIES	**57,229,935**	**(29,891,426)**	**4,565,312**	**(4,929,202)**	**(10,598,109)**	**(30,331,992)**	**(13,955,482)**
HEDGES	(15,165,818)	4,249,646	2,164,278	1,870,740	4,386,679	2,472,617	(21,858)
TOTAL DIFFERENCE	**42,064,117**	**(25,641,780)**	**6,729,590**	**(3,058,462)**	**(6,211,430)**	**(27,859,375)**	**(13,977,340)**

(*) Includes the non-performing credit modelling (stage 3 under IFRS 9).

Below is the sensitivity of the net interest income and economic value to sensitive balance sheet assets and liabilities for a scenario of rising and falling interest rates of 100 basis points:

INTEREST RATE SENSITIVITY

(incremental % with respect to the market baseline scenario / implicit rates)

	+100 BP	-100 BP (3)
Net interest income (1)	7.7%	-6.4%
Economic value of equity for sensitive balance sheet aggregates (2)	5.3%	3.5%

(1) Sensitivity of the 1-year NII of sensitive balance sheet aggregates.

(2) Sensitivity of the economic value of sensitive balance sheet aggregates on TIER I.

(3) In the case of falling-rate scenarios the applied internal methodology enables the interest rates to be negative. At the current level of rates, this methodology enables the falling shock to reach approximately -1%. For example, if the interest rates of the EONIA curve are -0.40% the interest rate levels that this curve could reach, in the shock of -100 basis points, is -1.40%.

3.5. Liquidity risk

The following table presents a breakdown of the Group's liquid assets based on the criteria established for determining high-quality liquid assets to calculate the LCR (HQLA) numerator and assets available in facility not formed by HQLAs:

LIQUID ASSETS
(Thousands of euros)

	30-06-2019		31-12-2018	
	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT
Level 1 assets	51,815,352	51,815,345	54,841,393	54,770,920
Level 2A assets	46,820	39,797	50,695	43,091
Level 2B assets	4,262,729	2,256,362	4,308,277	2,279,136
TOTAL HIGH-QUALITY LIQUID ASSETS (HQLAS) (1)	**56,124,900**	**54,111,504**	**59,200,365**	**57,093,147**
Available in facility not made up of HQLAs assets		33,462,676		22,437,200
TOTAL LIQUID ASSETS		**87,574,179**		**79,530,347**

(1) Assets under the calculation of the LCR (Liquidity Coverage Ratio). It corresponds to high-quality liquid assets available to meet liquidity needs for a 30 calendar day stress scenario.

The following table presents the calculation of the LCR for the Group:

LCR (*)
(Thousands of euros)

	30-06-2019	31-12-2018
High-quality liquid assets - HQLAs (numerator)	54,111,504	57,093,147
Total net cash outflows (denominator)	30,236,176	28,602,427
Cash outflows	37,667,923	33,819,467
Cash inflows	7,431,747	5,217,040
LCR (LIQUIDITY COVERAGE RATIO) (%)	**179%**	**200%**

(*) According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to liquidity coverage requirement for credit institutions. The established regulatory limit for the LCR stands at 100% from 1 January 2018.

CaixaBank's key credit ratings are displayed below:

CAIXABANK CREDIT RATINGS

	LONG-TERM DEBT	SHORT-TERM DEBT	OUTLOOK	REVIEW DATE	MORTGAGE COVERED BONDS
Moody's Investors Service	Baa1	P-2	Stable	17-05-2019	Aa1
Standard & Poor's Global Ratings	BBB+	A-2	Stable	31-05-2019	AA
Fitch Ratings	BBB+	F2	Stable	08-10-2018	
DBRS Ratings Limited	A	R-1(low)	Stable	29-03-2019	AAA

3.6. Other risks

During the first six months of 2019 there have been no significant changes in the policies or levels for risk in the banking book, operational risk, actuarial risk, and sovereign risk exposure that would have a material effect on the financial statements.

4. Capital adequacy management

The composition of the Group's eligible own funds is as follows:

ELIGIBLE OWN FUNDS (*)
(Thousands of euros)

	30-06-2019		31-12-2018	
	AMOUNT	AS %	AMOUNT	AS %
Net equity	**23,983,944**		**24,058,445**	
Shareholders' equity	25,217,872		25,384,370	
Capital	5,981,438		5,981,438	
Profit/(loss)	621,540		1,984,647	
Reserves and other (1)	18,614,894		17,418,285	
Minority interests and OCI (2)	(1,233,928)		(1,325,925)	
Other CET1 instruments	**(550,209)**		**(800,976)**	
Adjustments applied to the eligibility of minority interests and OCI	(9,708)		(43,385)	
Other adjustments (3)	(540,501)		(757,591)	
CET1 instruments	**23,433,735**		**23,257,469**	
Deductions from CET1	**(6,417,725)**		**(6,457,791)**	
Intangible assets	(4,223,125)		(4,250,284)	
Deferred tax assets	(1,949,479)		(1,976,746)	
Other deductions from CET1	(245,121)		(230,761)	
CET1	17,016,010	11.6%	16,799,678	11.5%
AT1 instruments	2,234,578		2,233,437	
Deductions from AT1	0		0	
TIER 1	19,250,588	13.1%	19,033,115	13.0%
T2 instruments	3,277,663		3,295,383	
Deductions from T2	0		0	
TIER 2	3,277,663	2.2%	3,295,383	2.3%
TOTAL CAPITAL	**22,528,251**	**15.3%**	**22,328,498**	**15.3%**
Other MREL eligible subordinated instruments (4)	4,682,134		2,302,517	
SUBORDINATED MREL	**27,210,385**	**18.5%**	**24,631,015**	**16.9%**
Other MREL eligible instruments	4,000,318		2,942,604	
MREL (5)	**31,210,703**	**21.2%**	**27,573,619**	**18.9%**
RISK WEIGHTED ASSETS (RWA)	**147,183,718**		**145,942,433**	

(*) From 01-01-2019 the regulatory and fully-loaded data are the same. The figures at 31-12-2018 are those expected for the end of the transitional period (fully-loaded). In 2019 the impact of -11 basis points is included for the first application of IFRS 16.
(1) The variation in "Reserves and other" in 2019 is due to the dividends paid and the addition of the previous year's profit.
(2) The heading covers, inter alia, the change in the share prices of holdings recognised at their fair value.
(3) Mainly the forecast for dividends.
(4) Mainly senior non-preferred debt (SNP). In the first quarter of 2019 a new issuance amounting to EUR 1,000 million was made and in the second quarter another issuance of EUR 1,250 million and two further private issuances for EUR 50 million and EUR 82 million were made, the latter disbursed on 3 July 2019.
(5) On 24 April 2019, the Bank of Spain notified CaixaBank about the MREL requirement. In accordance with this notification, CaixaBank must reach – as of 1 January 2021 – a volume of own funds and eligible liabilities of approximately 22.5% of the RWAs at a consolidated level.

The individual CaixaBank ratios are 13.3% CET1, 15.0% Tier 1 and 17.4% Total Capital, with RWAs of EUR 132,943,446 thousand.

The following chart sets out a summary of the minimum requirements of eligible own funds:

MINIMUM REQUIREMENTS
(Thousands of euros)

	30-06-2019		31-12-2018	
	AMOUNT	AS %	AMOUNT	AS %
BIS II minimum requirements				
CET1	12,906,540	8.77%	11,767,338	8.063%
Tier 1	15,114,296	10.27%	13,956,475	9.563%
Total Capital	18,057,970	12.27%	16,875,324	11.563%

(*) At 30 June 2019 the CET1 includes the Pillar 1 regulatory minimum (4.5%); the ECB's Pillar 2 requirement (1.5%); the capital conservation buffer (2.5%); the O-SII buffer (0.25%) and the countercyclical buffer due to exposure in others countries (mainly the United Kingdom and Norway) (0.02%). Similarly, taking minimum applicable Pillar 1 requirements for Tier 1 (6%) and for total capital (8%), capital requirements would be 10.25% for Tier 1 and 12.25% for total capital.

The following chart provides a breakdown of the leverage ratio:

LEVERAGE RATIO (*)
(Thousands of euros)

	30-06-2019	31-12-2018
Exposure	349,146,503	344,484,570
Leverage ratio (Tier 1/Exposure)	5.5%	5.5%

(*) The figures at 31 December 2018 are those expected for the end of the transitional period (fully-loaded).

5. Shareholder remuneration and earnings per share

5.1. Shareholder remuneration

Under the new dividend policy approved, the Board of Directors at its meeting of 23 February 2017 resolved that remuneration for 2018 would be paid through half-yearly cash dividends.

On 31 January 2019, the Board of Directors approved the amendment of the dividend policy in accordance with which the shareholders will be remunerated through the payment of a single cash dividend, which will be paid after the end of the financial year, around April. This amendment has begun to be applied starting from the payment of dividends charged to 2019 profit.

In line with the 2019-2021 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash greater than 50% of consolidated net profit, setting the maximum amount to be distributed charged to 2019 at 60% of the consolidated net profit).

The following dividends were distributed in this year:

DIVIDENDS PAID IN 2019
(Thousands of euros)

	EUROS PER SHARE	AMOUNT PAID IN CASH	ANNOUNCEMENT DATE	PAYMENT DATE
Final dividend for 2018	0.10	597,811	31-01-2019	15-04-2019
TOTAL	**0.10**	**597,811**		

5.2. Earnings per share

Basic and diluted earnings per share of the Group are as follows:

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE
(Thousands of euros)

	30-06-2019	30-06-2018
Numerator	555,452	1,262,319
Profit attributable to the Parent	621,540	1,298,244
Less: Preference share coupon amount (AT1)	(66,088)	(35,925)
Denominator (thousands of shares)	5,978,266	5,978,079
Average number of shares outstanding (1)	5,978,266	5,978,079
Adjusted number of shares (basic earnings per share)	5,978,266	5,978,079
Basic earnings per share (in euros) (2)	0.09	0.21
Diluted earnings per share (euro) (3)	0.09	0.21

(1) Number of shares outstanding at the beginning of the year, excluding average number of treasury shares held during the period. Includes the retrospective adjustments set out in IAS 33.

(2) Including CaixaBank's individual profit at 30 June 2019, basic and diluted earnings per share would be EUR 0.08.

(3) Preference shares did not have any impact on the calculation of diluted earnings per share, since their capacity to be convertible was unlikely. Additionally, equity instruments associated with remuneration components were not significant.

6. Business combinations, acquisition and disposal of ownership interests in subsidiaries

Annex 1 to the 2018 consolidated financial statements provides information pertaining to the subsidiary entities.

There were no business combinations in the first six months of 2019.

7. Remuneration of key management personnel

7.1. Remuneration of the Board of Directors

Note 9 to the Group's 2018 consolidated financial statements provides details on remuneration and other benefits paid to members of the Board of Directors and Senior Management in 2018.

Details of remuneration and other benefits received by the members of the Board of Directors of CaixaBank for their membership in that body related to the periods in which they belonged to this group are shown below:

REMUNERATION OF THE BOARD OF DIRECTORS
(Thousands of euros)

	30-06-2019	30-06-2018
Remuneration for board membership	1,730	1,812
Non-variable remuneration	778	709
Variable remuneration (1)	454	496
In cash	*177*	*219*
Share based payments	*277*	*277*
Other long-term benefits (2)	259	194
Other items (3)	55	56
Of which life insurance premiums	*53*	*51*
Other positions in Group companies	560	485
TOTAL	**3,836**	**3,752**
Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group (4)	101	431
TOTAL REMUNERATION	**3,937**	**4,183**
NUMBER OF PEOPLE AT END OF PERIOD	**16**	**18**

(1) Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating a 100% achievement, as well as the accrued portion of the long-term share-based variable remuneration plan approved at the Annual General Meeting held on 5 April 2019.

(2) Includes insurance premiums and discretionary pension benefits.

(3) Includes remuneration in kind (health and life insurance premiums paid in favour of Executive Directors), interest accrued on the cash of the deferred variable remuneration, other insurance premiums paid and other benefits.

(4) This remuneration is registered in the statement of profit or loss of the respective companies.

Within the framework of the Board-Member Appointment Policy, on 5 April 2019 the Annual General Meeting approved the reduction of Board-Members, setting the number of Directors at 16. The following changes were also approved on the composition of the Board:

- The following posts were not renewed: Alain Minc, Juan Rosell Lastortras, Antonio Sáinz de Vicuña y Barroso and Javier Ibarz Alegria.
- Cristina Garmendia Mendizabal was appointed Independent Director and Marcelino Armenter Vidal was appointed Proprietary Member.

CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

There are no termination benefits agreed in the event of termination of the appointment as Director, except for those agreed with the Chief Executive Officer.

7.2. Remuneration of Senior Management

The total remuneration paid to Senior Management of CaixaBank (Excluding those who are members of the Board of Directors) for the period during which they belonged to this group is set out in the table below. This remuneration is recognised in "Staff expenses" in the Group's statement of profit or loss.

REMUNERATION OF SENIOR MANAGEMENT
(Thousands of euros)

	30-06-2019	30-06-2018
Salary (1)	4,677	4,660
Post-employment benefits (2)	815	704
Other long-term benefits	125	92
Other positions in Group companies	569	247
TOTAL	**6,186**	**5,703**
Remuneration received for representing the bank on Boards of Directors of listed companies and others in which the bank has a presence, outside of the consolidated group (3)	52	53
TOTAL REMUNERATION	**6,238**	**5,756**
Composition of Senior Management	11	10
General Managers	*3*	*3*
Deputy General Managers	-	*1*
Executive Managers	*7*	*5*
General Secretary and Secretary to the Board of Directors	*1*	*1*

(1) This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating a 100% achievement, and includes the accrued portion of the long-term share-based variable remuneration plan approved at the Annual General Meeting held on 5 April 2019.
(2) Includes insurance premiums and discretionary pension benefits.
(3) Registered in the statement of profit or loss of the respective companies.

The employment contracts with members of the Management Committee contain clauses on termination benefits for the early termination or rescission of such contracts.

The value of obligations accrued as defined contribution post-employment commitments with executive Directors and Senior Management are as follows:

DEFINED CONTRIBUTION COMMITMENT WITH EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES
(Thousands of euros)

	30-06-2019	31-12-2018
Defined contribution post-employment obligations	13,793	15,904

8. Financial assets

8.1. Exposure to credit risk of loans to customers

The headings "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" and "Financial assets at amortised cost" are shown below by activity:

BREAKDOWN OF CREDIT RISK - LOANS TO CUSTOMERS (*)
(Thousands of euros)

	30-06-2019		31-12-2018	
	ACCOUNTING EXPOSURE	HEDGING	ACCOUNTING EXPOSURE	HEDGING
Public administrations	13,342,429	(15,770)	11,447,878	(23,353)
Other financial corporations and individual entrepreneurs (financial business)	2,173,371	(16,315)	1,562,304	(22,666)
Non-financial corporations and individual entrepreneurs (non-financial business)	88,705,872	(2,764,479)	84,920,857	(3,076,750)
Other households	124,352,182	(2,567,892)	123,747,600	(2,598,536)
Home purchase	95,535,227	(1,460,243)	96,499,154	(1,537,198)
Other	28,816,955	(1,107,649)	27,248,446	(1,061,338)
TOTAL	**228,573,854**	**(5,364,456)**	**221,678,639**	**(5,721,305)**
Allowance identified individually		(1,095,100)		(1,404,696)
Allowance identified collectively		(4,269,356)		(4,316,609)

(*) Does not include advances to customers

8.2. Financial assets at fair value with changes in other comprehensive income

The detail of this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME
(Thousands of euros)

	30-06-2019	31-12-2018
Equity instruments	**2,750,704**	**3,564,945**
Shares in listed companies	1,880,465	2,697,310
Shares in non-listed companies	870,239	867,635
Debt securities (*)	**17,608,121**	**18,323,292**
Spanish government debt securities	12,586,318	14,194,402
Government bonds and debentures	10,346,136	11,790,995
Other issuances	2,240,182	2,403,407
Foreign government debt securities	2,984,094	3,013,950
Issued by credit institutions	212,419	144,203
Other Spanish issuers	36,964	36,166
Other foreign issuers	1,788,326	934,571
TOTAL	**20,358,825**	**21,888,237**

(*) In the first six months of 2019 there have been fixed income portfolio sales with a nominal amount of 6,625 million and a profit of EUR 156 million, recorded under the heading "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net".

The detail of the changes under this heading is as follows:

CHANGES IN EQUITY INSTRUMENTS - 30-06-2019
(Thousands of

	31-12-2018	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	GAINS (-) / LOSSES (+) TRANSFERRED TO RESERVES	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	30-06-2019
Telefónica, SA *	1,905,291	0	0	0	(30,634)		1,874,657
Repsol, S.A.	786,498		(943,183)	105,822	50,863		
Other	873,156	1,736	(3,998)	(4,203)	1,307	8,049	876,047
TOTAL	**3,564,945**	**1,736**	**(947,181)**	**101,619**	**21,536**	**8,049**	**2,750,704**

(*) at the date of authorisation for issue of these interim consolidated financial statements, there is a fair value hedge on 1% of Telefónica, S.A.

8.3. Financial assets at amortised cost

Debt securities

The detail of the net balances under this heading is as follows:

BREAKDOWN OF DEBT SECURITIES
(Thousands of euros)

	30-06-2019	31-12-2018
Spanish government debt securities	12,580,006	13,947,125
Other Spanish issuers	1,269,442	1,269,523
Other foreign issuers	3,150,938	1,842,986
TOTAL	**17,000,386**	**17,059,634**

Loans and advances to customers

The headings are set out below by stage:

LOANS AND ADVANCES - CUSTOMERS PER STAGE - 30-06-2019
(Thousands of euros)

	ACCOUNTING EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Loans and advances - Customers	207,880,751	15,247,788	9,928,704	(668,950)	(731,481)	(3,956,376)

LOANS AND ADVANCES - CUSTOMERS PER STAGE - 31-12-2018
(Thousands of euros)

	ACCOUNTING EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Loans and advances - Customers	196,634,897	16,327,557	10,718,052	(694,289)	(741,722)	(4,277,106)

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

GARANTIAS RECEIVED (*)
(Thousands of euros)

	30-06-2019	31-12-2018
Value of collateral	**349,067,023**	**330,487,177**
Of which: Guarantees non-performing risks	14,547,138	15,604,700
TOTAL	**349,067,023**	**330,487,177**

(*) 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 its fair value.

The detail of changes in the gross book value is as follows:

CHANGES IN LOANS AND ADVANCES TO CUSTOMERS - 2019
(Thousands of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**196,634,897**	**16,327,557**	**10,718,052**	**223,680,506**
Transfers	**(278,440)**	**(133,538)**	**411,978**	**0**
From stage 1:	(3,042,381)	2,818,179	224,202	0
From stage 2:	2,706,457	(3,340,916)	634,459	0
From stage 3:	57,484	389,199	(446,683)	0
New financial assets	24,578,909	479,474	183,372	25,241,755
Financial asset disposals (other than write-offs)	(13,054,615)	(1,425,705)	(554,489)	(15,034,809)
Write-offs			(830,209)	(830,209)
CLOSING BALANCE	**207,880,751**	**15,247,788**	**9,928,704**	**233,057,243**

The changes in hedges are as follows:

CHANGES IN IMPAIRMENT ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS - 2019
(Thousands of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**694,289**	**741,722**	**4,277,106**	**5,713,117**
Net allowances	(25,339)	(10,241)	223,726	188,146
From stage 1:	(75,079)	13,207	88,714	26,842
From stage 2:	(3,880)	(23,789)	91,675	64,006
From stage 3:	(3,195)	(19,998)	(5,276)	(28,469)
New financial assets	84,002	32,425	83,778	200,205
Disposals	(27,187)	(12,086)	(35,165)	(74,438)
Amounts used			(486,798)	(486,798)
Transfers and other			(57,658)	(57,658)
CLOSING BALANCE	**668,950**	**731,481**	**3,956,376**	**5,356,807**

8.4. Writen-off assets

Changes in the items derecognised from the balance sheet because recovery was deemed remote are summarised below. These financial assets are recognised under "Suspended assets" in the memorandum accounts supplementing the balance sheet:

CHANGES IN WRITTEN-OFF ASSETS
(Thousands of euros)

	30-06-2019
OPENING BALANCE	**14,638,659**
Additions:	**820,620**
Disposals:	**749,816**
Cash recovery of principal	178,904
Cash recovery of past-due receivables	13,659
Disposal of written-off assets	340,543
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	216,710
CLOSING BALANCE	**14,709,463**

9. Assets and liabilities under the insurance business

The breakdown of the balances linked to the insurance business is as follows:

ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS

(Thousands of euros)

	30-06-2019		31-12-2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Financial assets under the insurance business	**70,774,105**		**61,688,347**	
Financial assets held for trading	914,410		945,693	
Equity instruments	136		129	
Debt securities	914,274		945,564	
Financial assets designated at fair value through profit or loss *	9,991,340		7,990,023	
Equity instruments	6,719,403		5,265,108	
Debt securities	2,781,862		2,343,324	
Loans and advances - Credit institutions	490,075		381,591	
Available-for-sale financial assets	58,851,188		51,345,090	
Equity instruments	560		453	
Debt securities	58,850,628		51,344,637	
Loans and receivables	818,689		1,182,739	
Debt securities	583,839		654,690	
Loans and advances - Credit institutions	234,850		528,049	
Assets under insurance and reinsurance contracts	198,478		224,802	
Liabilities under the insurance business		**68,297,962**		**60,452,025**
Contracts designated at fair value through profit or loss		10,557,273		9,052,749
Liabilities under insurance contracts		57,740,689		51,399,276
Unearned premiums		8,519		3,891
Mathematical provisions		57,053,482		50,705,052
Claims		656,631		668,271
Bonuses and rebates		21,948		21,953
Other technical provisions		109		109

(*) Includes i) the investments linked to the operations of life insurance products when the risk of the investment is assumed by the policyholder, called unit-linked, as well as ii) the investments under the product Immediate Flexible Life Annuity, in which part of the commitments with the policyholders are calculated by referencing the fair value of the affected assets, the nature of which is similar to unit-linked operations.

Available-for-sale financial assets

The breakdown of the balances of this section is as follows:

BREAKDOWN OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

(Thousands of euros)

	30-06-2019	31-12-2018
Equity instruments	**560**	**453**
Shares in non-listed companies	560	453
Debt securities (*)	**58,850,628**	**51,344,637**
Spanish government debt securities	50,985,977	44,261,920
Foreign government debt securities	4,412,262	4,042,636
Issued by credit institutions	2,480,712	2,410,696
Other Spanish issuers	17,160	
Other foreign issuers	954,517	629,385
TOTAL	**58,851,188**	**51,345,090**

(*) In the first six months of 2019 there have been fixed income portfolio sales with a nominal amount of 656 million and a profit of EUR 56 million, recorded under the heading "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net".

10. Derivatives – Hedge accounting (assets and liabilities)

The detail of the balances of these headings is as follows:

BREAKDOWN OF HEDGING DERIVATIVES
(Thousands of euros)

	30-06-2019		31-12-2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Micro-hedge	6,379	68,250	94,675	120,461
Macro-hedge *	2,017,959	956,605	1,748,590	332,976
TOTAL FAIR VALUE HEDGES	2,024,338	1,024,855	1,843,265	453,437
Micro-hedge	8,007	121,361	209,627	339,972
Macro-hedge	1,904	60	3,312	0
TOTAL CASH FLOW HEDGES	9,911	121,421	212,939	339,972
TOTAL	**2,034,249**	**1,146,276**	**2,056,204**	**793,409**

(*) The variation in the first half of 2019 is mainly due to the variation of interest rates.

11. Investments in joint ventures and associates

Annexes 2 and 3 to the 2018 consolidated financial statements specify the investments in joint ventures and associate companies.

The changes in investments in joint ventures and associates in 2019 are as follows:

CHANGES IN INVESTEMENTS - 2019
(Thousands of euros)

	31-12-2018						30-06-2019	
	CARRYING AMOUNT	*STAKE%*	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	MEASURED USING THE EQUITY METHOD	TRANSFERS AND OTHER	CARRYING AMOUNT (***)	*STAKE%*
UNDERLYING CURRENT AMOUNT	3,368,329		0	(1,138)	130,626	(38,050)	3,459,767	
Erste Group Bank AG *	1,381,086	*9.92%*	0	0	20,021	(916)	1,400,191	*9.92%*
Coral Homes	1,081,766	*20.00%*	0	0	268	(34,551)	1,047,483	*20.00%*
SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros	624,423	*49.92%*	0	0	90,724	(936)	714,211	*49.92%*
Other	281,054			(1,138)	19,613	(1,647)	297,882	
GOODWILL	360,875		0	0	0	0	360,875	
SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros	299,618						299,618	
Other	61,257						61,257	
IMPAIRMENT ALLOWANCES	(18,617)		0	1,138	0	1,028	(16,451)	
Other	(18,617)			1,138		1,028	(16,451)	
TOTAL ASSOCIATES	**3,710,587**		**0**	**0**	**130,626**	**(37,022)**	**3,804,191**	
UNDERLYING CURRENT AMOUNT	167,266		4,300	0	(10,777)	(4,046)	156,743	
Comercia Global Payments, Entidad de Pago, SL	123,188	*49.00%*	0	0	(10,952)	0	112,236	*49.00%*
Other	44,078		4,300		175	(4,046)	44,507	
GOODWILL	1,452		0	0	0	31	1,483	
Other	1,452					31	1,483	
IMPAIRMENT ALLOWANCES	(399)		0	0	0	0	(399)	
Other	(399)						(399)	
TOTAL JOINT VENTURES	**168,319**		**4,300**	**0**	**(10,777)**		**157,827**	

(*) At 4 March 2019 the micro-hedge of cash flows that CaixaBank had taken out on 1.36% of this stake was cancelled, generating a profit of EUR 49 million, registered under the heading "Gains/(losses) from hedge accounting, net" of the accompanying consolidated statement of profit or loss.
At 30 June 2019 the market value of the 9.92% of the stake is EUR 1,391,582 thousands.

Allowances for impairment of associates and joint ventures

The Group has a methodology in place (described in Note 16 of the 2018 consolidated financial statements) for assessing recoverable amounts and potential impairment of its investments in associates and joint ventures.

The Group carries out, at least annually, a verification of the value of shares by updating the projected cash flows, with a sensitivity analysis on the most significant variables. At the date of closing the balance sheet, an assessment of the review of signs of impairment is conducted, contrasting certain indicators with external and internal sources. If significant signs exist, the bank would estimate the recoverable value of the assets.

At 30 June 2019, there are no signs that question whether the recoverable amount of the shares exceeds their book value.

12. Tangible assets

This heading in the accompanying condensed interim consolidated balance sheet includes the acquired properties held to earn rentals or for own use.

At 1 January 2019 the standard IFRS 16 – Leases came into force, and it has resulted in change, represented by an additional EUR 1,409 million in right-of-use assets (see Note 1 - Comparison of information).

In the first six months of 2019, there were no significant gains or losses on any individual sale.

At 30 June 2019, the Group had no significant commitments to acquire items of property and equipment.

In addition, property and equipment for own use are allocated to the banking business cash-generating unit (CGU). The Group carries out, at least annually, a verification of the value of the fixed assets assigned to the Banking Business CGU by updating the projected cash flows, with a sensitivity analysis on the most significant variables. At the date of closing the balance sheet, an assessment of the review of signs of impairment is conducted, contrasting certain indicators with external and internal sources. If significant signs exist, the bank would estimate the recoverable value of the assets.

At 30 June 2019, there are no signs that question whether the recoverable amount of the assets exceeds their book value.

13. Intangible assets

13.1. Goodwill

At 30 June 2019, the balance of this heading in the accompanying condensed interim consolidated balance sheet was not different from the balance at 31 December 2018 (see Note 19 to the 2018 consolidated financial statements).

As set out in Note 19 to the 2018 consolidated financial statements, the Group carries out, at least annually, a verification of the value of the fixed assets assigned to the CGU of the Banking Business and insurance business by updating the projected cash flows, with a sensitivity analysis on the most significant variables. At the date of closing the balance sheet, an assessment of the review of signs of impairment is conducted, contrasting certain indicators with external and internal sources. If significant signs exist, the bank would estimate the recoverable value of the assets.

At 30 June 2019, there are no signs that question whether the recoverable amount of the assets exceeds their book value.

13.2. Other intangible assets

There were no relevant movements under this heading in the first half of 2019.

14. Other assets and other liabilities

The breakdown of these items in the balance sheet is as follows:

BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES
(Thousands of euros)

	30-06-2019	31-12-2018
Inventories	62,766	56,735
Other assets	2,332,073	2,118,593
Prepayments and accrued income	990,943	710,258
Ongoing transactions	324,544	434,954
Dividends on equity securities accrued and receivable	10,227	23,501
Other	1,006,359	949,880
TOTAL OTHER ASSETS	**2,394,839**	**2,175,328**
Prepayments and accrued income	1,066,952	1,036,403
Ongoing transactions	943,025	1,026,862
Other	574,730	575,509
TOTAL OTHER LIABILITIES	**2,584,707**	**2,638,774**

15. Non-current assets and disposal groups classified as held for sale

The proceeds from sales of "Non-current assets and disposal groups classified as held for sale" during the first six months of 2019 do not include individually material operations.

16. Financial liabilities

At 1 January 2019 the standard IFRS 16 – Leases came into force, and it has resulted in change, represented by an additional EUR 1,409 million recorded under the heading "Other financial liabilities - Lease liabilities" (see Note 1 - Comparison of information).

Furthermore, maturities during the first six months of 2019 amounted to EUR XXX million. The following issuances were carried out in the first half of 2019:

ISSUANCES IN THE FIRST SIX MONTHS OF 2019
(Millions of euros)

ISSUANCE	AMOUNT	MATURITY	Cost*
Senior debt	1,000	7 years	Coupon 1.195% (midswap + 0.90%)
Senior non-preferred debt	1,000	5 years	Coupon 2.47% (midswap + 2.25%)
Senior non-preferred debt	50	10 years	Coupon 2.00% (midswap + 1.56%)
Senior non-preferred debt	1,250	7 years	Coupon 1.464% (midswap + 1.45%)
Mortgage covered bonds **	500	15 years	Coupon 1.40% (midswap + 0.442%)
Obrigações hipotecárias (Mortgage covered bonds)	500	5 years	Coupon 0.343% (midswap +0.25%)

(*) Meaning the yield on the issuance

(**) Corresponding to 6 private placements with an average weighted cost of 1.40%.

17. Provisions

The detail of the changes of the balance under this heading is as follows:

CHANGES IN PROVISIONS - 30-06-2019
(Thousands of euros)

	BALANCE AT 31-12-2018	PROVISIONS NET OF RELEASES CHARGED TO INCOME	OTHER ALLOWANCES (NOTE 1.6)	ACTUARIAL (GAINS) / LOSSES	AMOUNTS USED	TRANSFERS AND OTHERS	BALANCE AT 30-06-2019
Provisions for pensions and other post-employment defined benefit obligations	1,988,802		13,093	245,544	(63,269)	8,287	2,192,457
Provisions for other long-term employee benefits	1,072,097	1,336	977,217		(128,985)	(10)	1,921,655
Provisions for pending legal issues and tax litigation	713,993	90,828			(121,983)	40	682,878
Legal contingencies	428,747	81,238			(102,065)	(23)	407,897
Provisions for taxes	285,246	9,590			(19,918)	63	274,981
Provisions for commitments and guarantees given	354,662	(45,616)				401	309,447
Country risk allowance	23	0					23
Allowance for identified losses	354,639	(45,616)				401	309,424
Contingent liabilities	286,709	(47,332)				108	239,485
Contingent commitments	67,930	1,716				293	69,939
Other provisions	480,841	(1,360)			(64,468)	(37,711)	377,302
TOTAL PROVISIONS	**4,610,395**	**45,188**	**990,310**	**245,544**	**(378,705)**	**(28,993)**	**5,483,739**

Note 23 to the 2018 consolidated financial statements discloses the nature of the recorded provisions.

Provisions for pensions and similar obligations – Defined benefit post-employment plans

The assumptions used in the calculations regarding business in Spain are as follows

ACTUARIAL ASSUMPTIONS IN SPAIN

	2019	2018
Long-term discount rate (1)	0.90%	1.64%
Short-term discount rate (1)	-0.26%	0.05%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
Annual cumulative CPI (3)	1.60%	1.2% 2018, 1.8% 2019 and onwards
Annual salary increase rate	CPI+0.5%	1.25% 2018; CPI + 0.5% 2019 and onwards

(1) 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.
(3) Using the Spanish zero coupon inflation curve in 2019.

The assumptions used in the calculations regarding BPI's business in Portugal are as follows:

ACTUARIAL ASSUMPTION IN PORTUGAL

	30-06-2019	31-12-2018
Discount rate (1)	1.45%	1.97%
Mortality tables for males	TV 88/90	TV 88/90
Mortality tables for females	TV 88/90 – 3 years	TV 88/90 – 3 years
Annual pension review rate	0.50%	0.50%
Annual salary increase rate	[1-2]%	[1-2]%

(1) Rate obtained by using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed.

Provisions for taxes

The detail of the balance of this heading in the balance sheet is as follows:

BREAKDOWN FOR PROVISIONS OF TAXES
(Thousands of euros)

	30-06-2019	31-12-2018
Income tax assessments for years 2004 to 2006 (1)	33,171	33,171
Income tax assessments for years 2007 to 2009 (2)	11,802	11,713
Income tax assessments for years 2010 to 2012 (3)	13,496	13,496
Tax on deposits	17,788	17,788
Other	198,724	209,078
TOTAL	**274,981**	**285,246**

(1) Corresponds to the maximum risk that could arise from Corporation Tax and VAT assessments signed under protest resulting from inspections carried out by the Tax Authorities ended in the year 2010. During 2017, the National High Court issued rulings partially upholding the appeals lodged against these tax assessments, which have been contested before the Spanish High Court.
(2) Corresponds to the maximum risk that could arise from Corporation Tax and VAT assessments signed under protest resulting from inspections carried out by the Tax Authorities ended in the year 2013. The assessments relating to VAT are on appeal before the Supreme Court and the Spanish High Court has issued a ruling partially upholding the appeal in relation to the Corporation Tax assessments.
(3) During 2017 the verification proceedings were completed, after economic-administrative claims were filed against the assessments signed under protest in relation to Corporation Tax and VAT. With regard to Corporation Tax, the Central Economic Administrative rejected the allegations filed, having appealed to the Spanish High Court.

Other provisions

Reference rate for mortgages in Spain (IRPH)

In relation to the reference rate for mortgages in Spain, a preliminary ruling has been filed before the Court of Justice of the European Union (the "CJEU") which challenges the legitimacy, due to alleged lack of transparency, of mortgage loan contracts subject to the official benchmark rate denominated IRPH (Índice de Referencia de Préstamos Hipotecarios).

The legal matter under debate is the transparency test based on article 4.2 of Directive 93/13, when the borrower is a consumer. Since the IRPH is the price of the contract and it falls within the definition of the main subject matter of the contract, it must be drafted in plain, intelligible language, so that the consumer is in a position to evaluate, on the basis of clear, intelligible criteria, what the economic consequences derived from such contract are for him.

While the European Commission believes that transparency requires full explanation of the index features and functioning, available or official index comparisons, historical evolution and forecast of the mortgage indexes, etc., Spain, the United Kingdom and the bank which is a party to the proceedings, believe that an official index is public and transparent, monitored by the competent authorities, and that the main and compulsory legal tool for comparing prices is the APR indicator (annual percentage rate or "TAE" in Spain), which encompasses the full price and financial burden of the loan, comprised of costs, fees, index and the spread applied.

This preliminary ruling was formulated by a First Instance Court several months after the Spanish Supreme Court, on December 14, 2017, established the accordance with the law of these contracts.

The existence of this previous decision of the Spanish Supreme Court, the fact that IRPH is an official benchmark rate, published and managed by the Bank of Spain, the existence of jurisprudence (jurisprudencia) of the CJEU which confirms transparency of contracts referenced to other official benchmark rates, and the existence of an APR indicator, which must be mandatorily informed to consumers, and which allows for the comprehension of the economic burden and the comparison of different mortgage offers, whatever the benchmark rate index applied is, determine that the probability of an unfavorable ruling is low.

Should the CJEU issue an unfavorable ruling, its impact is difficult to quantify in advance, as it depends on a set of factors, among: i) which what will be the rule for substitution of such index stands out (i.e. how must the interest of the loan be calculated), ii) but also if it has to be applied retroactively or not, until what date (if the decision is to apply it retroactively), iii) or what number of well-grounded claims on lack of transparency there would be. In such an adverse scenario, the impact would be material.

As of 30 June 2019, the total amount of performing mortgage loans indexed to IRPH with individuals was approximately EUR 6,446 million (most of them, but not all, with consumers).

18. Equity

18.1. Shareholders' equity

Share capital

Selected information on the figures and type of share capital figures is presented below:

INFORMATION ABOUT SHARE CAPITAL

	30-06-2019	31-12-2018
Number of fully subscribed and paid up shares (units) (1)	5,981,438,031	5,981,438,031
Par value per share (euros)	1	1
Closing price at year-end (euros)	2.518	3.164
Market cap at year end, excluding treasury shares (million euros) (2)	15,053	18,916

(1) All shares have been recognised by book entries and provide the same rights.
(2) CaixaBank's shares are traded on the continuous electronic trading system, forming part of the Ibex-35.

Treasury shares

The detail of the changes of the balance under this heading is as follows:

CHANGES IN TREASURY SHARES - 2019
(Thousands of euros)

	31-12-2018	ACQUISITION AND OTHER	DISPOSAL AND OTHER	30-06-2019
Number of treasury shares	2,805,039	2,597,344	(2,230,423)	3,171,960
% of share capital	0.050%	0.043%	(0.037%)	0.053%
Cost / Sale	9,539	7,641	(7,079)	10,101

.2. Accumulated other comprehensive income

The main changes in Accumulated other comprehensive income are specified in the Statement of other comprehensive income.

19. Tax position

19.1. Tax consolidation

The consolidated tax group for Income Tax includes CaixaBank, as the parent, and subsidiaries include Spanish companies in the commercial group that comply with the requirements for inclusion under regulations, including the ”la Caixa” Banking Foundation and CriteriaCaixa. The other companies in the commercial group file taxes in accordance with applicable tax legislation.

Similarly, CaixaBank and some of its subsidiaries have belonged to a consolidated tax group for value added tax (VAT) since 2008, the parent company of which is CaixaBank.

19.2. Deferred tax assets and liabilities

The changes in the balance of these headings is as follows:

CHANGES IN DEFERRED TAX ASSETS - 2019
(Thousands of euros)

	31-12-2018	REGULARISATIONS	INCREASES DUE TO MOVEMENTS IN THE YEAR	DECREASES DUE TO MOVEMENTS IN THE YEAR	30-06-2019
Pension plan contributions	594,042		3,962	(7,800)	590,204
Allowances for credit losses	4,124,181			(15,091)	4,109,090
Allowances for non-performing loans (IFRS 9)	167,310	(1,320)		(41,828)	124,162
Early retirement obligations	18,226			(3,962)	14,264
Provision for foreclosed property	943,491			(1,519)	941,972
Origination fees for loans and receivables	6,911				6,911
Unused tax credits	924,629			(17,004)	907,625
Tax loss carryforwards	1,645,391			(1,244)	1,644,147
Assets measured at fair value through equity	104,431			(21,746)	82,685
Other deferred tax assets arising on business combinations	142,216			(9,793)	132,423
Other *	1,446,141		217,408	(82,484)	1,581,065
TOTAL	**10,116,969**	**(1,320)**	**221,370**	**(202,471)**	**10,134,548**
Of which: monetisable (millions of euros)	5,680				5,656

(*) Includes, inter alia, eliminations from intra-group operations and those corresponding to different provisions, and other adjustments due to differences between accounting and tax rules.

CHANGES IN DEFERRED TAX LIABILITIES - 2019
(Thousands of euros)

	31-12-2018	REGULARISATIONS	INCREASES DUE TO MOVEMENTS IN THE YEAR	DECREASES DUE TO MOVEMENTS IN THE YEAR	30-06-2019
Revaluation of property on first time application of IFRS	214,846			(1,301)	213,545
Assets measured at fair value through equity	76,450		64,301		140,751
Intangible assets generated in business combinations	32,599	(9,317)		(1,874)	21,408
Mathematical provisions	203,837				203,837
Other deferred tax liabilities arising on business combinations	233,154	(2,627)		(13,655)	216,872
Other	272,378		6,324		278,702
TOTAL	**1,033,264**	**(11,944)**	**70,625**	**(16,830)**	**1,075,115**

The Group assesses the recoverable amount of its recognised deferred tax assets. To do so, it has developed a model based on the Group's projected results. At 30 June 2019, this model, which was created in collaboration with an independent expert, indicated that the tax assets should be recovered before the legal recovery period lapses.

The model is updated every six months so that the assumptions used are adjusted continually during the analysis to include any potential deviations. At 30 June 2019, the results of the model and the backtesting exercises support the recoverability of the deferred tax assets within the legal recovery period.

In the current interest-rate environment, the nominal value of deferred tax assets does not differ significantly from their present value.

20. Related party transactions

The table below shows the most significant balances between CaixaBank and subsidiaries, joint ventures and associates, and with CaixaBank Directors, Senior Management and other related parties (relatives and companies with links to "key management personnel") and those with other related parties, as well as with the employee pension plan: Details are also provided of the amounts recognised in the statement of profit or loss from transactions carried out. All transactions between related parties form part of the ordinary course of business and are carried out under normal market conditions.

RELATED PARTY BALANCES AND OPERATIONS
(Thousands of euros)

	SIGNIFICANT SHAREHOLDER (1)		ASSOCIATES AND JOINT VENTURES		DIRECTORS AND SENIOR MANAGEMENT (2)		OTHER RELATED PARTIES (3)		EMPLOYEE PENSION PLAN	
	30-06-2019	31-12-2018	30-06-2019	31-12-2018	30-06-2019	31-12-2018	30-06-2019	31-12-2018	30-06-2019	31-12-2018
ASSETS										
Loans and advances	28,049	32,398	590,747	603,125	7,126	7,114	14,267	10,998	0	0
Mortgage loans	*27,986*	*30,806*	*1,799*	*1,785*	*6,957*	*7,041*	*10,656*	*5,765*		
Other	*63*	*1,592*	*588,948*	*601,340*	*169*	*73*	*3,611*	*5,233*		
Of which: valuation adjustments			*(435)*	*(436)*	*(5)*	*(4)*	*(5)*	*(9)*		
Debt securities	209	508								
TOTAL	**28,258**	**32,906**	**590,747**	**603,125**	**7,126**	**7,114**	**14,267**	**10,998**	**0**	**0**
LIABILITIES										
Customer deposits	438,209	339,403	1,038,129	431,029	43,449	38,787	74,837	96,717	86,429	36,336
TOTAL	**438,209**	**339,403**	**1,038,129**	**431,029**	**43,449**	**38,787**	**74,837**	**96,717**	**86,429**	**36,336**
PROFIT OR LOSS										
Interest income	248	1,805	1,666	2,538	21	23	110	187		
Interest expenses	(183)	(1)	(8)	(15)	(2)	(2)	(13)	(21)		(155)
Fee and commission income	217	245	106,903	210,894	3	(1)	23	8	140	401
Fee and commission expenses	(32)		(9)		(1)	(1)	0	(1)		
TOTAL	**250**	**2,049**	**108,552**	**213,417**	**21**	**19**	**120**	**173**	**140**	**246**
OTHER										
Contingent liabilities	1,506	1,592	37,780	25,127	13		64	237		
Contingent commitments	407	246	192,840	308,009	1,651	1,293	2,823	11,985		
Assets under management (AUMs) and assets under custody (4)	14,341,424	14,552,077	1,641,540	1,699,859	204,066	210,251	388,770	458,144		

(1) "Significant shareholder" refers to any shareholder that is the parent of or has joint control of or significant influence over the Group, the latter term as defined in IAS 28, irrespective of its economic rights. Along these lines they solely refer to balances and operations made with "la Caixa" Banking Foundation, CriteriaCaixa and its subsidiaries. At 30 June 2019 and 31 December 2018, CriteriaCaixa's stake in CaixaBank stands at 40%.
(2) Directors and Senior Management of CaixaBank.
(3) Family members and entities related to members of the Board of Directors and Senior Management of CaixaBank.
(4) Includes collective investment institutions, insurance contracts, pension funds and securities depositary.

21. Segment information

The objective of business segment reporting is to allow internal supervision and management of the Group's activity and profits. The information is broken down into several lines of business according to the Group's organisation and structure. The segments are defined and segregated taking into account the inherent risks and management characteristics of each one, based on the basic business units which have accounting and management figures.

The following is applied to create them: i) the same presentation principles are applied as those used in Group management information, and ii) the same accounting principles and policies as those used to prepare the financial statements.

After the sale of 80% of the real estate business in December 2018, starting from 2019 the non-core real estate business will no longer be reported separately and the remaining property assets are integrated – except for the stake in Coral Homes – in the Banking and Insurance business, which is integrated in the equity investment business. The 2018 information is presented with both sectors included for comparative purposes.

As a result, the Group is made up of the following business segments:

Banking and insurance: includes the results of the banking business (retail, corporate and institutional banking, cash management and markets), together with the insurance business and asset management, primarily carried out in Spain through the branch network and the other complementary channels. It covers the activity and results generated by the Group's customers, as well as management of liquidity and the Assets and Liabilities Committee, income from financing the other businesses and the corporate centre. In addition, it includes the businesses acquired by CaixaBank from BPI during 2018 (i.e., insurance, asset management, and cards).

The insurance and banking business is presented in a unified way consistent with the joint business and risk management, since it is a comprehensive business model within a regulatory framework that shares similar monitoring and accounting objectives. The Group markets insurance products, in addition to the other financial products, through its commercial network with the same client base, because the majority of the insurance products offer savings alternatives (life-savings and pensions) to the banking products (savings and investment funds).

Equity investments: includes income from dividends and/or profit from banks accounted for using the equity method, net of financing costs, from the interests and gains/(losses) on financial assets and liabilities held in Erste Group Bank, Repsol, Telefónica, BFA and BCI. From 1 January 2019 the 20% stake in Coral Homes is added to this segment, after the sale of the real estate business at the end of December 2018. Similarly, it includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain or consolidated through BPI as part of its drive to diversify across sectors.

It includes the stakes in BFA, which after reassessing the significant influence at year-end 2018 is classified as Financial assets at fair value with changes in other comprehensive income, and in Repsol, until completing its sale in the second quarter of 2019.

BPI: covers the income from the BPI's domestic banking business, essentially in Portugal. The income statement includes the reversion of the adjustments resulting from the application of fair value to the assets and liabilities in the business combination. Furthermore, it excludes the financial statement and equity capital associated with BPI's assets assigned to the aforementioned equity business (essentially BFA and BCI).

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

In 2019, the allocation of capital to the investment businesses has been adapted to the Group's new capital corporate objective of maintaining a fully-loaded Common Equity Tier 1 (CET1) ratio of 12%, taking into account both the 12% consumption of capital for risk-weighted assets (11% in 2018) and any applicable deductions.

The allocation of capital to BPI is at sub-consolidated level, i.e. taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to the investment business.

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

The performance of the Group by business segment is shown below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE CAIXABANK GROUP - BY BUSINESS SEGMENT
(Millions of euros)

	BANKING AND INSURANCE BUSINESS				INVESTMENTS		BPI		CAIXABANK GROUP	
	JANUARY-JUNE				JANUARY-JUNE		JANUARY-JUNE		JANUARY-JUNE	
	2019		2018							
		OF WHICH: INSURANCE ACTIVITY		*OF WHICH: INSURANCE ACTIVITY*	2019	2018	2019	2018	2019	2018
NET INTEREST INCOME	2,350	156	2,315	149	(72)	(80)	200	197	2,478	2,432
Dividend income and share of profit/(loss) of entities accounted for using the equity method (1)	107	83	117	79	252	500	11	7	370	624
Net fee and commission income	1,121	(39)	1,149	(79)	0	0	127	144	1,248	1,293
Gains/(losses) on financial assets and liabilities and others	205	57	245	1	50	17	6	31	261	293
Income and expenses under insurance and reinsurance contracts	264	264	282	282	0	0	0	0	264	282
Other operating income and expenses	(158)	2	(249)	2	0	0	(18)	(21)	(176)	(270)
GROSS INCOME	3,889	523	3,859	434	230	437	326	358	4,445	4,654
Administrative expenses	(2,925)	(51)	(1,890)	(44)	(2)	(2)	(199)	(220)	(3,126)	(2,112)
Depreciation and amortisation	(227)	(10)	(182)	(11)	0	0	(33)	(18)	(260)	(200)
PRE-IMPAIRMENT INCOME	737	462	1,787	379(	228	435	94	120	1,059	2,342
Impairment losses on financial assets and other provisions	(334)	0	(534)	0	0	0	39	3	(295)	(531)
NET OPERATING INCOME/(LOSS)	403	462	1,253	379	228	435	133	123	764	1,811
Gains/(losses) on disposal of assets and others	(40)	0	(70)	0	0	0	2	0	(38)	(70)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	363	462	1,183	379	228	435	135	123	726	1,741
Income tax	(68)	(111)	(375)	(89)	1	8	(37)	(34)	(104)	(401)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	295	351	808	290	229	443	98	89	622	1,340
Profit/(loss) attributable to minority interests	0	0	1	0	0	28	0	13	0	42
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**295**	**351**	**807**	**290**	**229**	**415**	**98**	**76**	**622**	**1,298**
Total assets	369,906	74,342	357,745	66,434	4,919	6,612	31,182	31,760	406,007	396,117

(1) Insurance business includes the contribution of the stake in SegurCaixa Adeslas.

The banking and insurance businesses have an integrated Banking-Insurance management model. Under a regulatory framework with similar accounting and supervision objectives, sales and risks are managed jointly, as the model is integrated. The results of the Banking-Insurance business are presented as a single business segment in the segment reporting because of this integrated Banking-Insurance management model.

The income of the Group by segment, geographical area and distribution of ordinary income is as follows:

DISTRIBUTION OF INTEREST AND SIMILAR INCOME BY GEOGRAPHICAL AREA
(Thousands of euros)

	JANUARY - JUNE			
	CAIXABANK		CAIXABANK GROUP	
	2019	2018	2019	2018
Domestic market	**2,098,327**	**2,134,386**	**3,275,951**	**3,229,143**
International market	**18,221**	**9,614**	**248,689**	**235,086**
European Union	16,030	7,878	246,498	233,244
Euro zone	3,150	91	233,618	225,457
Non-Euro zone	12,880	7,787	12,880	7,787
Other	2,191	1,736	2,191	1,842
TOTAL	**2,116,548**	**2,144,0000**	**3,524,640**	**3,464,229**

DISTRIBUTION OF ORDINARY INCOME (*)
(Thousands of euros)

	JANUARY-JUNE					
	ORDINARY INCOME FROM CUSTOMERS		ORDINARY INCOME BETWEEN SEGMENTS		TOTAL ORDINARY INCOME	
	2019	2018	2019	2018	2019	2018
Banking and insurance	5,811,900	5,785,966	140,346	163,506	5,952,246	5,949,472
Spain	5,733,996	5,752,543	140,346	163,506	5,874,342	5,916,049
Other countries	77,904	33,423		0	77,904	33,423
Investments	299,709	516,914		0	299,709	516,914
Spain	103,700	270,840		0	103,700	270,840
Other countries	196,009	246,074		0	196,009	246,074
BPI	370,402	414,249	30,149	26,607	400,551	440,856
Portugal/Spain	368,541	409,983	30,149	26,607	398,690	436,590
Other countries	1,861	4,266		0	1,861	4,266
Ordinary adjustments and eliminations between segments		0	(170,495)	(190,113)	(170,495)	(190,113)
TOTAL	**6,482,011**	**6,717,129**	**0**	**0**	**6,482,011**	**6,717,129**

(*) Corresponding to the following items in the Group's public statement of profit or loss.
1. Interest income
2. Dividend income
3. Share of profit/(loss) of entities accounted for using the equity method
4. Fee and commission income
5. Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
6. Gains/(losses) on financial assets and liabilities held for trading, net
7. Gains/(losses) on assets not designated for trading compulsorily measured at fair value through profit or loss, net
8. Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net
9. Gains/(losses) from hedge accounting, net
10. Other operating income
11. Income from assets under insurance and reinsurance contracts

22. Average workforce and number of branches

The following table shows the breakdown of average headcount by gender for the six months ended 30 June 2019 and 2018.

AVERAGE NUMBER OF EMPLOYEES (*)
(Number of employees)

	30-06-2019		30-06-2018	
	CAIXABANK	CAIXABANK GROUP	CAIXABANK	CAIXABANK GROUP
Male	13,620	17,439	13,563	17,495
Female	15,875	20,071	15,725	19,969
TOTAL	**29,495**	**37,510**	**29,288**	**37,464**

At 30 June 2019 there were 355 employees with a disability equal to or above 33% (284 employees as at 30 June 2018).

The branches of the Group are specified below:

BRANCHES OF THE GROUP
(No. of branches)

	30-06-2019	31-12-2018
Spain	4,430	4,608
Abroad	493	502
TOTAL	**4,923**	**5,110**

23. Guarantees and contingent commitments given

The breakdown of "Contingent liabilities" and "Contingent commitments" in the accompanying condensed interim consolidated balance sheet are as follows:

BREAKDOWN OF EXPOSURE AND COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS AT 30-06-2019
(Thousands of euros)

	OFF-BALANCE SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	5,283,864	202,821	219,750	(6,628)	(5,115)	(90,939)
Loan commitments given	65,007,115	1,674,033	197,575	(37,170)	(3,224)	(29,541)
Other commitments given	20,236,610	460,742	241,227	(25,384)	(11,620)	(99,826)

BREAKDOWN OF EXPOSURE AND HEDGING ON GUARANTEES AND CONTINGENT COMMITMENTS AT 31-12-2018
(Thousands of euros)

	OFF-BALANCE SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	5,328,254	182,132	224,344	(37,822)	(23,962)	(135,317)
Loan commitments given	62,004,404	1,690,986	257,583	(23,730)	(2,417)	(17,546)
Other commitments given	18,596,312	501,589	240,761	(7,117)	(717)	(106,034)

The provisions relating to contingent liabilities and commitments are recognised under "Provisions" in the accompanying consolidated balance sheet (see Note 17).

24. Information on the fair value

24.1. Fair value of financial assets

Note 40 to the Group's 2018 consolidated financial statements provides the criteria for classification into levels using the hierarchy for determining fair value by valuation technique and the methods used to determine fair value of the instruments in accordance with level. During the first half of 2019, there were no significant changes in the valuation techniques, inputs, and sensitivity analysis results from those described in the notes to the previous year's consolidated financial statements.

Financial assets held by the Group, excluding the financial assets under the insurance business, by measurement method, were as follows:

FAIR VALUE OF FINANCIAL ASSETS (EXCLUDING INSURANCE GROUP)
(Thousands of euros)

	30-06-2019					31-12-2018				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading	**12,806,100**	**12,806,100**	**1,965,502**	**10,830,674**	**9,924**	**9,810,096**	**9,810,096**	**1,119,384**	**8,681,351**	**9,361**
Derivatives	10,819,432	10,819,432	25,964	10,793,468		8,706,727	8,706,727	31,971	8,674,756	
Equity instruments	411,748	411,748	411,748			347,933	347,933	347,933		
Debt securities	1,574,920	1,574,920	1,527,790	37,206	9,924	755,436	755,436	739,480	6,595	9,361
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**572,580**	**572,580**	**211,961**		**360,619**	**703,761**	**703,761**	**223,092**		**480,669**
Equity instruments	212,027	212,027	211,941		86	231,502	231,502	223,092		8,410
Debt securities	91,791	91,791	20		91,771	144,988	144,988			144,988
Loans and advances - Customers	268,762	268,762			268,762	327,271	327,271			327,271
Financial assets designated at fair value through profit or loss	**1,392**	**1,392**	**1,392**							
Debt securities	1,392	1,392	1,392							
Financial assets at fair value with changes in other comprehensive income	**20,358,825**	**20,358,825**	**19,364,553**	**119,000**	**875,272**	**21,888,237**	**21,888,237**	**20,870,938**	**144,818**	**872,481**
Equity instruments	2,750,704	2,750,704	1,867,255	13,210	870,239	3,564,945	3,564,945	2,685,896	11,414	867,635
Debt securities	17,608,121	17,608,121	17,497,298	105,790	5,033	18,323,292	18,323,292	18,185,042	133,404	4,846
Financial assets at amortised cost	**251,348,004**	**270,901,471**	**11,812,219**	**1,813,831**	**257,275,421**	**242,582,138**	**259,358,213**	**11,653,166**	**637,593**	**247,067,454**
Debt securities	17,000,386	17,405,158	11,812,219	1,813,831	3,779,108	17,059,634	17,294,807	11,653,166	637,593	5,004,048
Loans and advances	234,347,618	253,496,313			253,496,313	225,522,504	242,063,406			242,063,406
Central banks	5,000	5,000			5,000	5,000	5,000			5,000
Credit institutions	6,642,182	7,239,136			7,239,136	7,550,115	8,263,031			8,263,031
Customers	227,700,436	246,252,177			246,252,177	217,967,389	233,795,375			233,795,375
Derivatives - Hedge accounting	**2,034,249**	**2,034,249**		**2,034,249**		**2,056,204**	**2,056,204**		**2,056,204**	

Changes in Level 3 balances of financial instruments recognised at fair value, excluding the insurance business, were as follows:

CHANGES IN LEVEL 3 OF FINANCIAL INSTRUMENTS (EXCLUDING INSURANCE GROUP) - 30-06-2019
(Thousands of euros)

	FA DESIGNATED FOR TRADING *- DEBT SECURITIES	FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME		TOTAL
		DEBT SECURITIES	EQUITY INSTRUMENTS	
OPENING BALANCE	**144,988**	**4,846**	**867,635**	**1,017,469**
Reclassifications to other levels	0	188	0	188
Total gains/(losses)	(53,580)	(1)	(6,410)	(59,991)
To reserves:	(53,580)	0	(1,612)	(55,192)
To equity valuation adjustments	0	(1)	(4,798)	(4,799)
Acquisitions	375	0	446	821
Settlements and other	(12)	0	8,568	8,556
BALANCE AT 30-06-2019	**91,771**	**5,033**	**870,239**	**967,043**

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

Fair value of financial liabilities

Note 40 to the Group's 2018 consolidated financial statements provides the methods used to determine the fair value of the instruments and classification criteria in accordance with level. During the first half of 2019, there were no significant changes in the valuation techniques, inputs, and sensitivity analysis results from those described in the notes to the previous year's consolidated financial statements.

Financial liabilities held by the Group, excluding the liabilities under the insurance business, by measurement method, were as follows:

FAIR VALUE OF FINANCIAL LIABILITIES (EXCLUDING INSURANCE GROUP)
(Thousands of euros)

	30-06-2019					31-12-2018				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities held for trading	**11,513,776**	**11,513,776**	**620,590**	**10,893,186**		**9,014,720**	**9,014,720**	**476,350**	**8,538,370**	
Derivatives	10,944,368	10,944,368	51,182	10,893,186		8,615,817	8,615,817	77,447	8,538,370	
Short positions	569,408	569,408	569,408			398,903	398,903	398,903		
Financial liabilities designated at fair value through profit or loss (Note 1)	**1,392**	**1,392**	**1,392**							
Other financial liabilities	1,392	1,392	1,392							
Financial liabilities at amortised cost (Note 16)	**289,772,809**	**293,394,957**	**30,259,007**		**263,135,950**	**282,459,670**	**283,016,969**	**26,940,607**		**256,076,362**
Deposits	250,867,745	252,574,667			252,574,667	247,640,182	247,458,083			247,458,083
Central banks	16,732,854	16,866,674			16,866,674	29,406,062	29,669,345			29,669,345
Credit institutions	10,231,640	10,262,796			10,262,796	8,034,212	7,992,642			7,992,642
Customers	223,903,251	225,445,197			225,445,197	210,199,908	209,796,096			209,796,096
Debt securities issued	32,751,010	34,664,866	30,259,007		4,405,859	29,243,307	29,981,924	26,940,607		3,041,317
Other financial liabilities	6,154,054	6,155,424			6,155,424	5,576,181	5,576,962			5,576,962
Derivatives - Hedge accounting (Note 10)	**1,146,276**	**1,146,276**		**1,146,276**		**793,409**	**793,409**		**793,409**	

24.3. Fair value of the insurance business

Financial instruments under the insurance business, by fair value measurement method, were as follows:

FAIR VALUE OF ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS - 30-06-2019
(Thousands of euros)

	CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS					
Financial assets held for trading	**914,410**	**914,410**	**913,769**		**641**
Equity instruments	136	136	136		
Debt securities	914,274	914,274	913,633		641
Financial assets designated at fair value through profit or loss	**9,991,340**	**9,991,340**	**9,991,340**		
Equity instruments	6,719,403	6,719,403	6,719,403		
Debt securities	2,781,862	2,781,862	2,781,862		
Loans and advances - Credit institutions	490,075	490,075	490,075		
Available-for-sale financial assets	**58,851,188**	**58,851,188**	**58,847,083**	**2,916**	**1,189**
Equity instruments	560	560		560	
Debt securities	58,850,628	58,850,628	58,847,083	2,356	1,189
Loans and receivables	**818,689**	**818,689**			**818,689**
Debt securities	583,839	583,839			583,839
Loans and advances - Credit institutions	234,850	234,850			234,850
FINANCIAL LIABILITIES					
Contracts designated at fair value through profit or loss	**10,557,273**	**10,557,273**	**10,557,273**		

FAIR VALUE OF ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS - 31-12-2018
(Thousands of euros)

	CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS					
Financial assets held for trading	**945,693**	**945,693**	**943,751**		**1,942**
Equity instruments	129	129	129		
Debt securities	945,564	945,564	943,622		1,942
Financial assets designated at fair value through profit or loss	**7,990,023**	**7,990,023**	**7,990,023**		
Equity instruments	5,265,108	5,265,108	5,265,108		
Debt securities	2,343,324	2,343,324	2,343,324		
Loans and advances - Credit institutions	381,591	381,591	381,591		
Available-for-sale financial assets	**51,345,090**	**51,345,090**	**51,344,295**	**795**	
Equity instruments	453	453		453	
Debt securities	51,344,637	51,344,637	51,344,295	342	
Loans and receivables	**1,182,739**	**1,182,739**			**1,182,739**
Debt securities	654,690	654,690			654,690
Loans and advances - Credit institutions	528,049	528,049			528,049
FINANCIAL LIABILITIES					
Contracts designated at fair value through profit or loss	**9,052,749**	**9,052,749**	**9,052,749**		

Changes in the balances of Level 3 of the insurance business were as follows:

CHANGES IN LEVEL 3 OF FINANCIAL INSTRUMENTS AT FAIR VALUE - 2019 - INSURANCE GROUP
(Thousands of euros)

	AVAILABLE-FOR-SALE FINANCIAL ASSETS
	DEBT SECURITIES
OPENING BALANCE AT 31-12-2018	**0**
Total gains/(losses)	**(15)**
To profit or loss	
To equity valuation adjustments	(15)
Acquisitions	1,204
BALANCE AT 30-06-2019	**1,189**

The following table shows the fair value at the end of the year, differentiating between assets with cash flows that would solely represent payments of principal and interest (SPPI) in accordance with IFRS 9, and those managed by their fair value (non-SPPI):

FAIR VALUE AT 30-06-2019
(Thousands of euros)

	SPPI*	NON-SPPI *	TOTAL
Financial assets not held for trading and not managed by their fair value	58,850,701	487	58,851,188
Financial assets held for trading or managed by their fair value	Not applicable	Not applicable	

AMOUNT OF THE CHANGE IN THE FAIR VALUE DURING 2019
(Thousands of euros)

	SPPI*	NON-SPPI *	TOTAL
Financial assets not held for trading and not managed by their fair value	7,506,064	34	7,506,098
Financial assets held for trading or managed by their fair value	Not applicable	Not applicable	

(*) The insurance companies use a combination of financial instruments in the financial immunisation strategies to cover the risks to which their activities are exposed. For these purposes, in the investment operations of the Group's insurance business, different fixed-income securities include financial swaps which, in accordance with the sector practice and the applicable monitoring criteria, are recognised jointly, whether it is in "Available-for-sale financial assets" or in the amortised cost portfolio, and the fair value is shown in the top table.

These financial swaps individually assessed only taking into account their legal form will not pass the SPPI test considered in IFRS 9. Following on from this, within the framework of the project to implement IFRS 9 which is ongoing in the insurance companies, the Group has analysed the different accounting alternatives considered in the regulatory framework (including hedge accounting) jointly with the main changes that will be introduced by IFRS 17 Insurance Contracts in the assessment of actuarial reserves; the ultimate aim of all the foregoing is to avoid asymmetries in the income statement and assets of the Group.

As regards the fixed-income instruments, the insurance companies have not estimated as 'material' the expected loss which, in the first application of IFRS 9, would be recorded under reserves.

25. Disclosures required under the Mortgage Market Law

In accordance with regulations governing the mortgage market, issuers of mortgage covered bonds are required to disclose relevant information regarding their issuances. Consequently, CaixaBank, SA presents the following information regarding its total mortgage covered bond issuances:

Information on support and privileges available to holders of mortgage covered bonds issued by the Group

CaixaBank is the only Group entity that issues mortgage covered bonds in Spain.

Mortgage covered bonds are securities in which the principal and interest are especially secured, with no need for registration, by mortgages on all the bonds registered in favour of the Entity, without prejudice to liability of the Entity's assets.

The securities include credit rights for holders vis-à-vis the Entity, guaranteed as stated in the preceding paragraphs, and entail execution to claim payment for the issuer after they mature. The holders of these securities are considered to be creditors with special preference, as stipulated in section 3 of Article 1,923 of the Civil Code, vis-à-vis any other creditor, in relation to the total mortgage credits and loans registered in favour of the issuer. All holders of bonds, irrespective of their date of issue, have the same seniority over the loans and credits which guarantee the bonds.

The members of the Board of Directors certify that CaixaBank has express policies and procedures in place covering all activities carried out within the scope of its mortgage market issuances, and that they guarantee strict compliance with the mortgage market regulations applicable to such activities. These policies and procedures cover issues such as:

- Relationship between the sum of loans and credits and the appraisal value of the mortgaged asset.
- Relationship between the debt and the borrower's income, and verification of the information provided by the borrower and its solvency.
- Prevention of mismatches between flows from the hedging portfolio and those arising from payments owed on issued securities.
- Proper procedures for the selection of appraisers.

Information concerning mortgage market issuances

The table below shows the nominal value of the mortgage covered bonds, mortgage participations and mortgage transfer certificates issued by CaixaBank and outstanding:

MORTGAGE MARKET ISSUES
(Thousands of euros)

	30-06-2019	31-12-2018
Mortgage covered bonds issued in public offers (debt securities)	**0**	**0**
Mortgage covered bonds not issued in public offers (debt securities)	**46,949,033**	**50,043,843**
Residual maturity up to 1 year	0	2,600,000
Residual maturity between 1 and 2 years	3,850,000	1,175,000
Residual maturity between 2 and 3 years	7,750,000	7,425,000
Residual maturity between 3 and 5 years	14,040,000	13,140,000
Residual maturity between 5 and 10 years	19,324,956	24,221,135
Residual maturity over 10 years	1,984,077	1,482,708
Deposits	**2,953,044**	**2,953,044**
Residual maturity up to 1 year	432,617	53,659
Residual maturity between 1 and 2 years	675,000	378,958
Residual maturity between 2 and 3 years	250,000	675,000
Residual maturity between 3 and 5 years	467,222	717,222
Residual maturity between 5 and 10 years	678,205	678,205
Residual maturity over 10 years	450,000	450,000
TOTAL MORTGAGE COVERED BONDS	**49,902,077**	**52,996,887**
Of which: recognised under liabilities	*17,548,127*	*19,092,237*
Mortgage participations issued in public offers		
Mortgage participations not issued in public offers (*)	**4,872,973**	**5,172,609**
TOTAL MORTGAGE PARTICIPATIONS	**4,872,973**	**5,172,609**
Mortgage transfer certificates issued in public offers		
Mortgage transfer certificates not issued in public offers (**)	**19,780,603**	**20,676,439**
TOTAL MORTGAGE TRANSFER CERTIFICATES	**19,780,603**	**20,676,439**

(*) The weighted average maturity at 30 June 2019 is 141 months (144 months at 31 December 2018).
(**) The weighted average maturity at 30 June 2019 is 181 months (176 months at 31 December 2018).

Information on mortgage loans and credits

The nominal amount of all CaixaBank's mortgage loans and credits as well as those which are eligible, pursuant to applicable regulations, for the purposes calculating the mortgage covered bonds issuance limit, is as follows:

MORTGAGE LOANS. ELIGIBILITY AND ACCOUNTABILITY IN RELATION TO THE MORTGAGE MARKET
(Thousands of euros)

	30-06-2019	31-12-2018
Total loans	**113,829,099**	**115,923,645**
Mortgage participations issued	**4,873,947**	**5,173,801**
Of which: On balance sheet loans	*4,872,973*	*5,172,609*
Mortgage transfer certificates issued	**19,783,605**	**20,679,781**
Of which: On balance sheet loans	*19,780,603*	*20,676,439*
Loans backing mortgage bonds issuances and covered bond issuances	**89,171,547**	**90,070,063**
Non-eligible loans	22,211,808	22,301,943
Meet eligibility requirements, except for limits established in article 5.1. of Royal Decree 716/2009 of 24 April	8,633,905	9,168,099
Other	13,577,903	13,133,844
Eligible loans	66,959,739	67,768,120
Non-computable amounts	108,304	101,253
Computable amounts	66,851,435	67,666,867

Information is also provided on all pending mortgage loans and credits, and those that are eligible without taking into account the calculation limits set out in Article 12 of Royal Decree 716/2009 of 24 April:

MORTGAGE LOANS AND CREDITS
(Thousands of euros)

	30-06-2019		31-12-2018	
	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS
By source	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Originated by the Entity	88,029,222	66,224,473	89,120,794	67,155,968
Other	1,142,325	735,266	949,269	612,152
By currency	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Euro	88,426,509	66,406,921	89,275,600	67,180,645
Other	745,038	552,818	794,463	587,475
By payment situation	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Business as usual	82,652,557	65,538,939	82,927,626	66,279,531
Past-due	6,518,990	1,420,800	7,142,437	1,488,589
By average residual maturity	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Up to 10 years	18,044,642	12,949,103	18,083,850	13,095,414
From 10 to 20 years	45,904,996	36,605,082	46,671,133	37,327,820
From 20 to 30 years	22,826,472	16,907,203	22,853,060	16,732,822
Over 30 years	2,395,437	498,351	2,462,020	612,064
By type of interest rate	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Fixed	19,065,078	15,801,359	17,461,882	14,429,927
Floating	70,091,744	51,146,147	72,592,661	53,325,053
Mixed	14,725	12,233	15,520	13,140
By holder	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Legal entities and entrepreneurs	18,418,311	8,657,502	18,813,670	9,131,115
Of which: Real estate developers	3,935,902	1,670,514	4,051,954	1,792,194
Other individuals and not-for-profit institutions	70,753,236	58,302,237	71,256,393	58,637,005
By collateral	**89,171,547**	**66,959,739**	**90,070,063**	**67,768,120**
Assets / completed buildings	**85,388,146**	**65,597,133**	**86,339,855**	**66,398,300**
Homes	73,919,363	60,384,509	74,668,261	60,869,837
Of which: Subsidised housing	2,051,576	1,678,545	2,153,799	1,745,411
Commercial	3,563,639	1,907,282	3,781,475	2,042,044
Other	7,905,144	3,305,342	7,890,119	3,486,419
Assets / buildings under construction	**2,656,151**	**887,718**	**2,494,073**	**842,403**
Homes	1,955,122	750,192	1,817,424	711,867
Of which: Subsidised housing	27,435	8,292	27,579	7,857
Commercial	87,127	28,998	82,316	31,477
Other	613,902	108,528	594,333	99,059
Land	**1,127,250**	**474,888**	**1,236,135**	**527,417**
Built	832,526	425,898	968,683	519,818
Other	294,724	48,990	267,452	7,599

The table below shows the breakdown of eligible mortgage loans and credits tied to CaixaBank's mortgage covered bond issuances, according to the principal amount receivable on the loans and credits divided by the latest fair value of the corresponding collateral (LTV):

ELIGIBLE MORTGAGE LOANS AND CREDITS
(Thousands of euros)

	30-06-2019	31-12-2018
Mortgage on homes	**61,073,497**	**61,520,957**
Transactions with LTV below 40%	26,162,521	26,099,321
Transactions with LTV between 40% and 60%	23,698,606	24,388,433
Transactions with LTV between 60% and 80%	11,212,370	11,033,203
Other assets received as collateral	**5,886,242**	**6,247,163**
Transactions with LTV below 40%	3,786,827	4,015,508
Transactions with LTV between 40% and 60%	2,024,862	2,155,422
Transactions with LTV over 60%	74,553	76,233
TOTAL	**66,959,739**	**67,768,120**

Changes in mortgage loans and credits, which back the issuance of mortgage covered bonds, are shown below:

MORTGAGE LOANS AND CREDITS CHANGES IN NOMINAL AMOUNT DURING THE YEAR
(Thousands of euros)

	30-06-2019	
	ELIGIBLE LOANS	NON-ELIGIBLE LOANS
Opening balance	**67,768,120**	**22,301,943**
Reductions in the year	**4,091,057**	**2,420,475**
Cancellations on maturity	2	2,936
Early cancellation	72,267	241,731
Assumed by other entities	53,693	27,544
Other	3,965,095	2,148,264
Additions in the year	**3,282,676**	**2,330,340**
Originated by the Entity	3,173,683	1,843,734
Assumed by other entities	**578**	**0**
Other	108,415	486,606
Closing balance	**66,959,739**	**22,211,808**

The amounts available (undrawn committed amounts) of the entire portfolio of mortgage loans and credits pending payment are as follows:

AVAILABLE MORTGAGE LOANS AND CREDITS
(Thousands of euros)

	30-06-2019	31-12-2018
Potentially eligible	17,298,523	17,353,427
Other	4,001,605	3,785,752
TOTAL	**21,300,128**	**21,139,179**

The calculation of the collateralisation and overcollateralisation of CaixaBank's mortgage covered bonds issued is as follows:

DEGREE OF COLLATERALISATION AND OVERCOLLATERALISATION
(Thousands of euros)

		30-06-2019	31-12-2018
Non-registered mortgage covered bonds		46,949,033	50,043,843
Registered mortgage covered bonds placed as customer deposits		2,953,044	2,953,044
Registered mortgage covered bonds issued by credit institutions		0	0
MORTGAGE COVERED BONDS ISSUED	**(A)**	**49,902,077**	**52,996,887**
Total outstanding mortgage loans and credits (*)		113,829,099	115,923,645
Mortgage participations issued		(4,873,947)	(5,173,801)
Mortgage transfer certificates issued		(19,783,605)	(20,679,781)
PORTFOLIO OF LOANS AND CREDIT COLLATERAL FOR MORTGAGE COVERED BONDS	**(B)**	**89,171,547**	**90,070,063**
COLLATERALISATION:	**(B)/(A)**	**179%**	**170%**
OVERCOLLATERALISATION:	**[(B)/(A)]-1**	**79%**	**70%**

(*) Includes on- and off-balance-sheet portfolio

Interim Consolidated Management Report of the CaixaBank Group

January – June 2019

Our identity

CaixaBank (hereinafter, CaixaBank, the CaixaBank Group, or the Bank) is a financial group with a socially responsible, long-term universal banking model, based on quality, trust, and specialisation, which offers a value proposition of products and services adapted for each sector, adopting innovation as a strategic challenge and a distinguishing feature of its corporate culture, and whose leading position in retail banking in Spain and Portugal makes it a key player in supporting sustainable economic growth.

CaixaBank, S.A. is the parent company of a group of financial services whose shares are traded on the stock exchanges of Barcelona, Madrid, Valencia and Bilbao, as well as on the continuous market, forming part of the IBEX 35 since 2008. It is also listed on the Euro Stoxx Banks Price EUR, the MSCI Europe, and the MSCI Pan-Euro.

Our mission

"Improving the financial well-being of our customers and helping society prosper"

CaixaBank offers its customers the best tools and expert advice to make decisions and develop habits that form the basis of **financial well-being** and enable them, for example, to appropriately plan to address recurring expenses, cover unforeseen events, maintain purchasing power during retirement or to make their dreams and projects come true. We do this with:

- specialised advice,
- personal finance simulation and monitoring tools,
- comfortable and secure payment methods,
- a broad range of saving, pension and insurance products,
- responsibly-granted loans,
- and, overseeing the security of our customers' personal information.

Besides contributing to our customers' financial well-being, our aim is to **support the progress of the whole of society.** We are a deeply-rooted retail bank in all areas in which we work and, for this reason, we feel a part of the progress of the communities where we engage our business. We contribute to the progress of society:

- effectively and prudently channelling savings and financing, and guaranteeing an efficient and secure payment system,
- through financial inclusion and education; environmental sustainability; support for diversity; with housing aid programs; and promoting corporate voluntary work,
- and, of course, through our collaboration with the Obra Social (social work) of the “la Caixa” Banking Foundation, whose budget is partly nourished through the dividends that CriteriaCaixa earns from its stake in CaixaBank. A major part of this budget is funnelled into identified local needs through the CaixaBank branch network in Spain and BPI in Portugal.

CaixaBank

OUR
MISSION

To contribute to the financial well-being of our customers and the **advancement of society**

OUR
VALUES

- Quality
- Social commitment
- Confidence

OUR
CULTURE

- People, first
- Agility, our attitude
- Collaboration, our strength

OUR
STRATEGIC VISION

Leading and innovative financial group with the best **customer service** and setting the benchmark for **socially responsible banking**

CUSTOMERS
- Setting the benchmark
- Relationship based on proximity and trust
- Excellence in service
- Value proposition for each segment
- Commitment to innovation

SHAREHOLDERS
- Long-term creation of value
- Offering attractive returns
- Close and transparent relationship

SOCIETY
- Maximising our contribution to the national economy
- Establishing stable relationships and trust with the environment
- Helping to solve the most urgent social challenges
- Transition to a low carbon economy

EMPLOYEES
- Ensuring their well-being
- Fostering their professional development
- Promoting diversity, equal opportunities, and reconciliation
- Fostering a meritocratic model

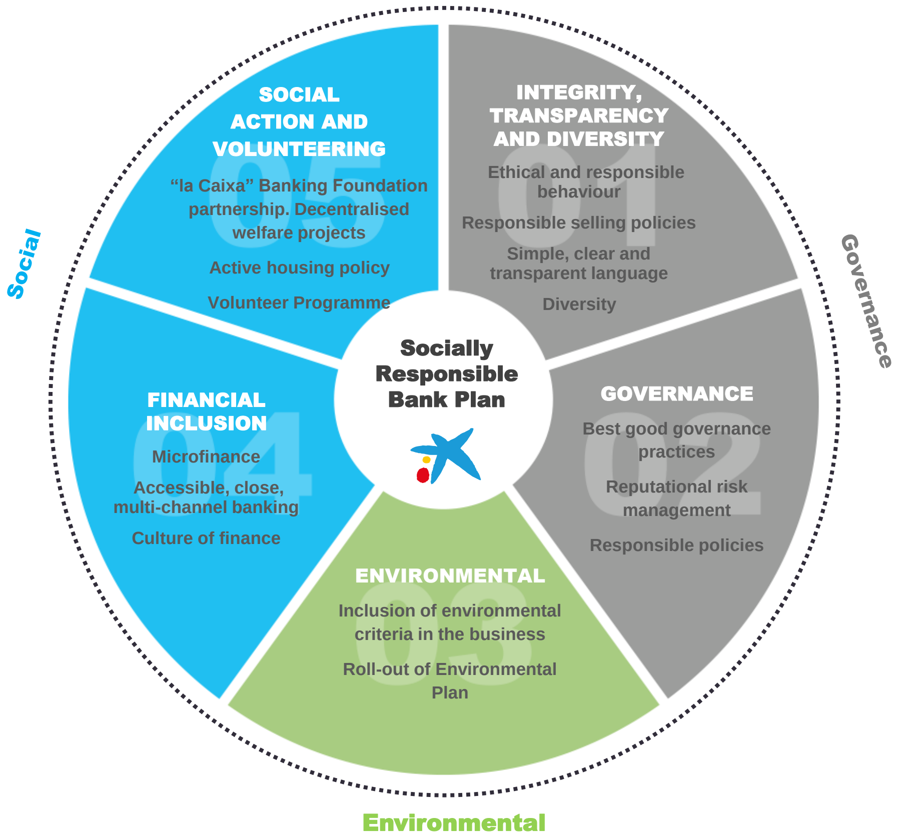
UNIVERSAL BANKING MODEL

A socially responsible banking model covering all financial and insurance needs

Responsible and ethical behaviour

CaixaBank's **Corporate Social Responsibility Policy** has been approved by the Board of Directors and is monitored by top-level CaixaBank committees with the direct involvement of Senior Management, which establishes the foundations for responsible activity and economic efficiency with a commitment to the socio-economic development of people and the country. This commitment provides added value to the Company and its stakeholders, and encompasses the entire value chain of the organisation: economic and financial factors of the business, environmental responsibility, customer satisfaction, creation of value through shareholders, the needs and aspirations of employees, the relationship with suppliers and contributors, and the impact on the communities and environments in which it operates.

CaixaBank's Corporate Social Responsibility Policy, based on ESG (Environment, Society and Governance), has established five key strategic areas under the 2019-2021 Strategic Plan with the primary aim of being leaders in responsible management and social commitment.



Respecting human rights is a key part of CaixaBank's corporate values and the minimum standard of action to conduct business legitimately. Therefore, CaixaBank implements a **Human Rights Policy** and **Code of Ethics and Action Principles**, which constitute the highest level of regulations in CaixaBank's internal hierarchy. These policies have been approved by the Board of Directors and are inspired by the principles of the UN International Bill of Human Rights and the Declaration of the International Labour Organization, as well as other ethical standards and codes of conduct. Access to these documents is provided through the CaixaBank website (www.caixabank.com).

CaixaBank strives to understand the impact of its activity on human rights and is committed to preventing and mitigating any adverse impacts. Therefore, it implements periodic due diligence processes related to human rights (most recently in 2016) and reviews and updates its Human Rights Policy on a regular basis.

The following policies were updated in the first half of 2019:

- **Code of Ethics and Action Principles** (January 2019).
- **Anti-corruption Policy** (January 2019).
- **Environmental Risk Management Policy** (February 2019).
- **Purchasing Policy and Supplier Code of Conduct** (May 2019).

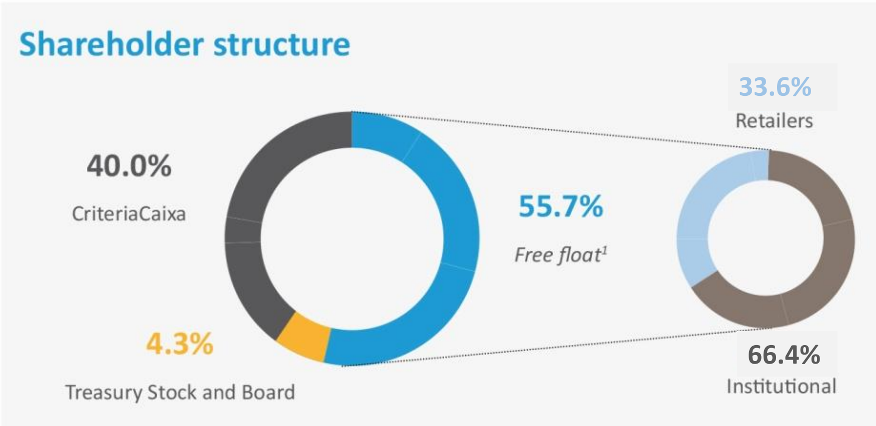
CaixaBank is **committed to transparency** and provides to its customers with accurate, truthful, and comprehensible information about its operations, fees, and procedures to submit complaints and resolve issues. Furthermore, CaixaBank makes all the relevant financial and corporate information available to its shareholders.

CaixaBank follows the Markets in Financial Instruments Directive (MiFID), an EU directive governing the provision of investment services. This directive directly affects how the bank provides information, advises, sells financial products to customers and potential customers. Order ECC/2316/2015, on disclosure obligations and the classification of financial products is also applicable.

In order to maintain the trust of shareholders, customers, and the operating environment of CaixaBank, specific high-level committees have been created around the Board of Directors. The actions of these committees are key to ensuring that the internal processes help to reinforce the honest, responsible and transparent activity of the Company. Under the management of these committees, authorisations are granted for the marketing of new products and services after analysing their characteristics, associated risks, suitability for the target public, and compliance with regulations on transparency and customer protection.

Shareholder structure

At 30 June 2019, CaixaBank had a capital stock of 5,981,438,031 shares, each with a face value of 1 euro, belonging to a single class and series, with identical ownership and financial rights, and entered in the corresponding register. The aforementioned capital stock is distributed as follows:



[1] The number of shares available for the public, calculated as the number of issued shares minus the shares held in the treasury, advisers, and shareholders represented on the Board of Directors.

According to share tranches, the shareholder and capital stock distribution is as follows:

Share tranches	Shareholders [1]	Shares [1]	Share capital
from 1 a 499	257,127	53,445,007	3.0%
from 500 a 999	115,055	82,153,719	1.4%
from 1,000 a 4,999	172,984	373,176,168	6.2%
from 5,000 a 49,999	43,129	483,662,431	8.1%
from 50,000 a 100,000	817	55,785,414	0.9%
Over 100,000[2]	569	4,933,215,292	82.5%
Total	**589,681**	**5,981,438,031**	**100%**

[1] For shares held by investors trading through a custodian entity located outside of Spain, the custodian is considered to be the shareholder and appears as such in the corresponding book entry register.
[2] Includes treasury shares.

Dividend policy

In accordance with the updated dividend policy approved by the Board of Directors on 31 January 2019, the remuneration of shareholders, as of 2019, will be a single cash dividend paid after the close of the financial year (around April). In line with the 2019-2021 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash greater than 50% of consolidated net profit, setting the maximum amount to be distributed charged to 2019 at 60% of the consolidated net profit).

CaixaBank's dividends policy complies with the conditions outlined in the ECB recommendation published on 10 January 2019. Therefore, it does not present any limitations for the Company.

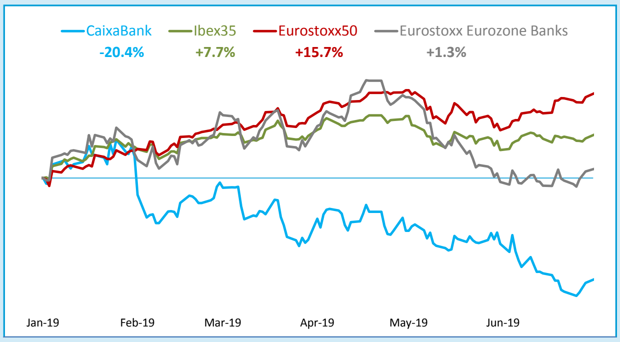
Total shareholder remuneration for 2018 was €0.17 per share, after paying a supplementary dividend in cash of €0.10/share in April 2019. The total amount paid is equivalent to 51% of net consolidated profit, in line with the target envisaged in the 2015-2018 Strategic Plan.

Shareholder remuneration last 12 months [1]	Market capitalisation	Price at period-end	Shares outstanding
0.17	**15,053**	**2,518**	**5,978,254**
€/share	€m, net of own securities	€/share	Thous. shares, net of own shares

[1] €0.07/share 2018 interim cash dividend (paid 05.11.18). €0.10/share 2018 complementary cash dividend (paid 15.04.19).

Performance of the share in 2019

- The CaixaBank share closed 30 June 2019 at a price of 2,518 euros per share, dropping 20.4% in the six-month period, marked by the volatility of the markets and by the ECB confirming the extension of its accommodative monetary policy. The banking stocks have reflected the prolonged low interest rate expectations, with the European index (Eurostoxx Banks) progressing +1.3 % in the six-month period and the Ibex 35 Bancos dropping -2.7% in the same period, while the general indices have displayed greater resistance (Ibex 35 +7.7% and Eurostoxx 50 +15.7%).

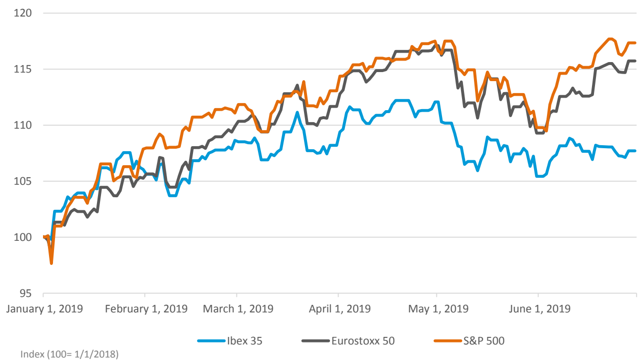


Environment and strategy

Economic context

After an end of 2018 marked by financial turbulence, the first half of 2019 has featured a succession of calm periods followed by episodes of recovered volatility. Specifically, in the first section of the year greater optimism emerged among investors, resulting of what appeared to be a re-routing of the trade tensions between the United States and China, and from curbed tightening of the monetary policy of the main central banks. Nonetheless, the feeling veered sharply with the breakdown of trade negotiations between the United States and China and the threat and imposition of new tariffs and other barriers to trade. Thus, in its second section, the first six months have been characterised by recovered volatility and aversion to risk, as the main central banks have showed signs of a more accommodative monetary policy for latter part of the year in order to support the financial environment.

Main index



Index (100= 1/1/2018)

Fuente: CaixaBank Research, data from Bloomberg.

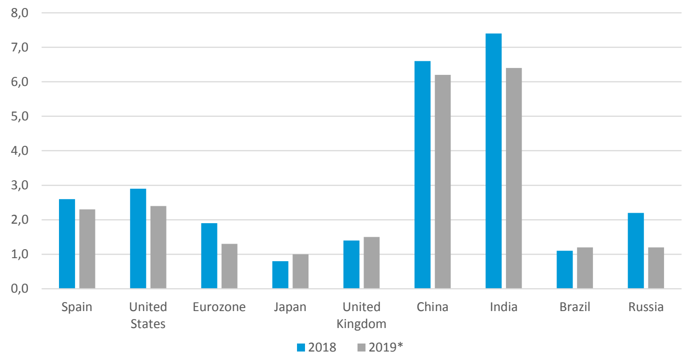
In this context, in the first half of the year the world economy has progressed at a slower pace (estimated 3.2%, compared to 3.5% in the second half of 2018), burdened by increased financial volatility and deteriorated confidence due to trade tensions. This comes in addition to a succession of idiosyncratic elements in key advanced economies (particularly in Europe). Nonetheless, in this less favourable environment, the growth figures of the main international economies are reasonably good. Thus, among the emerging economies, China showed favourable growth data (6.4% in the first quarter of 2019, the same figure as in the fourth quarter of 2018). This contrasts with various indicators, especially those related to exports, imports and manufacturing production, which imply that the climate of trade tensions has eroded the performance of external and industrial sectors. However, this burden has been offset by various stimulus measures implemented by the authorities in the fields of tax and monetary policies.

On the other hand, the strong economy of the US continues to stand out amongst the advanced economies, with a progressing GDP in first half of the year, which is likely to end up being only slightly lower than 2018's 2.9%. This is an economy with continued full employment and contained inflationary pressures. In turn, the eurozone has displayed a more discordant side, growing at a solely moderate pace (slightly above 1%), stalled by temporary factors (moderate international trade, uncertain domestic and global politics and the production disruptions in the automotive sector). Furthermore, the persistence of these temporary hindrances, which also notably include extended uncertainty surrounding Brexit in the United Kingdom (where the date to leave the Union was postponed from 31 March to 31 October 2019, due to the disability of the British Parliament to approve an EU exit agreement), together with intensified trade tensions and financial volatility in the final parts of the period, led the ECB to postpone the indicative date for the first rate hike until mid-2020. Additionally, to provide The Euro area with greater resilience, the ECB also announced a new round of liquidity injections into the financial system (named TLTRO, which will begin in September 2019 and will be issued with a maturity of 2 years at a cost that will fluctuate between the interest rate of the facility of deposits and that of short-term refinancing operations).

In turn, the Spanish and Portuguese economies have weathered the global economic downturn better than their partners. Specifically, in Spain the GDP climbed a solid 2.4% in the first quarter of 2019 (2.3% in the fourth quarter of 2018) and indicators suggest that there will be a similar trend in the second quarter. Likewise, Portugal's GDP grew by 1.8% in the first quarter of 2019 (1.7% in the fourth quarter of 2018) and the information available on its activity suggests that this growth rate will continue. In both cases these positive figures are the result of a contrast between the solid performance of the domestic demand, well supported by both their dynamic labour markets and investment, and a deterioration of the external sector's contribution to the growth so far this year, which is moderate in Spain and somewhat more accentuated in Portugal.

For the rest of the year, CaixaBank Research forecasts that the world's economy will continue growing at a rhythm higher than 3%, in an environment marked by the convergence of key economies, such as the United States and China, towards more sustainable growth rates. However, it is possible that risk factors that have intensified in previous quarters, especially those of geopolitical nature, will continue shadowing over the scenario. The main central banks indicated in June that they will implement adjustments aimed at reinforcing the economic and financial environment if this climate of uncertainty continues. Specifically, the Fed, supported by the margin provided by the contained inflationary pressures, may reduce once or twice their benchmark interest rates in the final stretch of the year, with the aim of countering the impact of the global uncertainties with a more flexible financial environment.

GDP: main economies
annual change (%)



Nota: Forecast por 2019 made by CaixaBank Research

Similarly, in Europe, the ECB could respond to this continuation of uncertainties with interest rate cuts on the deposit facility and a delay in the indicative date for the first rate hike. These measures, together with the new round of liquidity injections which will start in start in September, will contribute to provide the European economic and financial environment with further resilience. This is because, although the Euro area is expected to maintain a moderate but sustained pace of progress for the rest of the year (nearly 1.5%, in line with the second half of 2018), various sources of domestic political uncertainty could be added to the burden that global trade tensions have imposed on its economic scenario. These notably include, on the one hand, the tensions between the European Commission and Italy surrounding the transalpine tax policy. Although it is hoped that Italy's Government will finally avoid implementing openly disruptive policies that could result in a more significant financial crisis, the tensions are likely to remain dormant. On the other hand, in the United Kingdom, the Parliament has shown that there is a majority against an unorderly split with the EU, but the difficulties of approving an exit agreement are keeping a wide range of possibilities open (including general elections, a second referendum, and the approval of the exit agreement).

In this environment, the Spanish economy will maintain a moderate growth above 2% (clearly higher than the European average), although lower than the rhythm experienced in previous years mainly due to the fading of temporary tail winds. In light of the labour market's strong performance and the continuity of a scenario of low interest rates, the internal demand will remain the main driving force for economic growth, especially thanks to the contribution of domestic consumption and investment. The external demand, which has penalised by the trade tensions and the slower growth of the eurozone will probably continue to contribute moderately while these obstacles continue to hinder the global environment.

Lastly, in Portugal, forecasts indicate that the activity will continue to show growth rates similar to those in the first half of the year (close to, but slightly lower than, 2%). Similarly, Spain's economic growth will be supported by the buoyant domestic demand, while the external sector is expected to continue showing a negative trend, partly by the boost of imports resulting from investment in recent quarters, which even though it has a negative effect on the trade balance in the short term, it could have a positive impact on the potential for growth of the Portuguese economy in the medium term.

Competitive and social context

The competitive environment in which the Company operates is characterised by:

- **An environment of low interest rates**. However, we expect interest rates to increase gradually as the European Central Bank withdraws monetary incentives.
- **Recovery of credit volumes,** especially for homes.
- **Greater demand for long-term savings products**, such as savings insurance and pension plans, in response to the increased need for financial planning.
- **Digital innovation**, which transforms customer relations and offers new opportunities to be a faster, more efficient and flexible organisation. This new environment gives rise to new value propositions and new players seeking to disaggregate the value chain. Also, increased importance is placed on cybersecurity and data protection.
- **Increased competence of new players**: fintechs and agile banks, as well as competition from global asset managers and bigtechs that are potentially disruptive in terms of competences or services. Possibility of impacts due to disaggregation and disintermediation of the value chain, impact on margins and cross-selling and competition with other more agile and flexible entities with very low cost structures; all of which can be aggravated according to the trend of regulatory demands to which it can be subjected.
- **Growing sensitivity through responsible business management** by customers and society, who increasingly value companies and entities with a social and environmental commitment. For the banking sector, it is also worth highlighting the areas of inclusion and financial education, and the importance of a culture of control and compliance within an environment of increased litigation.

In this context, the CaixaBank Group strives to offer the best experience through all its channels and services with high added value. We want to continue to be the leading bank in Spain, while also extending our business model with BPI in Portugal, where there is a clear course towards growth.

Regulatory context

The active involvement of the industry in the development of regulatory and supervision standards is extremely important to help to shape a solid and robust regulatory framework, as well as to promote consistency, convergence and harmonisation in the area of regulation and the supervisory culture at a European and international level. In this regard, CaixaBank participates in the regulatory and legislative processes that concern the national, European and global financial and banking sectors, with the active involvement of Senior Management in the monitoring of the proposed regulatory proposals and defining the Company's strategy and stance related to these proposals.

CaixaBank shares its views on the regulatory processes with the public authorities by means of position papers and impact analysis documents, either at the request of these public authorities or on their own initiative. In general, CaixaBank shares its opinions through different associations after reaching a consensus within the industry. CaixaBank is member of a wide range of associations in the sector. However, in the field of banking, most of its activity is channelled through CECA (Spanish Confederation of Savings Banks) nationally, ESBG (the European Savings and Retail Banking Group) on a European level, and IIF (the Institute of International Finance) globally. Furthermore, Banco BPI is a member of the APB (Portuguese Banking Association), which in turn is a member of the EBF (European Banking Federation). In the area of insurance, CaixaBank is notable for its participation in Insurance Europe (The European insurance and reinsurance federation) and CFO Forum (The European Insurance CFO Forum).

Following the trends of 2018, in the first quarter of 2019 the major milestones of the regulatory agenda and their impact for the group were developed at European level in the areas of prudential supervision and bank resolution, as part of the key pillars of the Banking Union, as well as in the regulation of aspects related to consumer and investor protection, and the challenges posed by digital transformation. On a national level, it is important to highlight the regulation of aspects related to consumer and investor protection. In particular, the processing of the regulatory law on real estate loan contracts.

Consumer protection and transparency

- Directive regulating real estate credit contracts (MCD),
- Directive on Basic Payment Accounts (PAD)
- Payment Services Directive (PSD2)
- General Data Protection Regulation
- Markets In Financial Instruments Directive / Regulation (MiFID2 / MiFIR)
- Benchmarks Regulations (BMR)
- International Accounting Standards (IFRS)
- Regulation on Privacy and Electronic Communications (ePrivacy)

Financial stability and strengthening of the financial sector

- Bank Recovery and Resolution Directive (BRRD)
- Capital Requirements Directive and Regualtiuon (CRD IV / CRR)
- Second progress report on the reduction of NPLs in Europe
- Sustainable Finance Action Plan
- European Covered Bonds
- Anti-money laundering directive
- Counter-terrorist financing (AMLD 4)
- Benchmarks Regulations (BMR)
- International Accounting Standards (IFRS)

Innovation and digitalisation

- FinTech Action Plan
- Spanish regulatory sandbox
- EBA guidelines on outsourcing to cloud services
- Initiatives on crowdfunding service providers
- Regulation on Privacy and Electronic Communications (ePrivacy)

Taxation

- Draft Bills of October 2018 on Financial Transaction Tax
- Tax on certain Digital Services
- Tax Fraud Prevention and control measures.

2019-2021 Strategic Plan

The CaixaBank Group has successfully achieved the objectives of the 2015-2018 Strategic Plan, including the following milestones:

- **reinforcing the commercial leadership in Spain** based on a banking model of customer proximity, with the best omnichannel services and specialised and innovative value propositions covering all sectors;
- **acquiring BPI**, the best bank in Portugal in 2018 according to Euromoney**;**
- **increasing profitability to exceed the cost of capital** thanks to the improvement in *core* income, the containment of operational costs, and the lower cost of risk;
- **improving the balance sheet quality** and **reducing non-strategic assets**, enabling the Group to place more focus on its *core* business in Spain and Portugal; and
- **the prudential deconsolidation of the CriteriaCaixa Group**, a process that has been significantly reinforced by the bank's corporate governance**.**

Following the conclusion of the 2015-2018 Strategic Plan, the Group initiates the new 2019-2021 Strategic Plan with the aim to **be a leading and innovative financial group with the best customer service and a benchmark of socially responsible banking. Five strategic lines:**

Offering the best customer experience

The ambitious Plan will see the Group stepping up its digital transformation process to ensure better customer orientation and adapt to new customer behaviour. The aim is to offer the best experience across any channel, based on the knowledge that most modern consumers prefer omnichannel services. Therefore, the following leverage factors have been established:

- **Continued transformation of the distribution network** to offer greater value to customers: the Store urban branch model is consolidated (increase to a minimum of 600 branches in 2021) and the AgroBank model is strengthened in rural areas (over 1,000 branches in towns with under 10,000 inhabitants). This reconfiguration will maintain customer proximity while also improving commercial efficiency, productivity and service.
- **Enhancing the remote and digital customer service model**: boosting the inTouch model and an opportunity to continue growing at imaginBank, and the high-added value services offered through our digital channels.
- **Continued expansion of our range of products and services**: we will continue to expand our ecosystem to cover all the financial and insurance needs of our customers, through new banking and non-banking products and services.
- **Segmentation and review of customer journeys**: optimisation of processes and usability to provide the best customer experience through any selected channel.

Speeding up digital transformation to become more efficient and flexible

The current environment and new technologies offer new opportunities (e.g., blockchain, artificial intelligence, and clouds) that will enable us to be a faster, more efficient and flexible bank. The main priorities in this area are:

- **Reducing time-to-market** for new product launches.
- **Improving the efficiency of**
- Harnessing the **potential** of **big data** for the whole organisation.
- Continuing to improve the **flexibility, scalability and efficiency of our infrastructures**, including increased cloud usage, architecture developments, expansion of agile methodologies, and continued investments in cybersecurity.

Fostering an agile and collaborative culture that puts people first

The main goal of this strategic line is to strengthen our corporate culture and keep people at the heart of the organisation. The new plan will continue to **promote talent** (ensuring the development of their potential through a merit-based approach, diversity and empowerment), as well as defining and implementing the best **value proposition for employees** (improving the employee experience), and promoting **agility and collaboration**. This will include the following initiatives, among others:

- Simplifying processes and structures to make them more agile, cross-cutting and closer to customers.
- Fostering horizontal collaboration and communication.
- Increasing teams using the agile work methodology.
- Rewarding and promoting innovation.

Generating attractive returns for shareholders while remaining financially sound.

The objective for the 2019-2021 Plan is to **sustain a high return** (even in an environment of stable rates) by maintaining a strong balance sheet. We expect to achieve a return on tangible equity (ROTE) **over 12%** in 2021, based on the following leverage factors:

- Improving core income, supported by the following drivers:
  - Long-term insurance and saving, businesses with a high potential for growth.
  - Consumer finance, offering customers efficient solutions.
  - Loans to companies, helping them to grow.
  - Payment methods: our leadership generates opportunities for growth through increased electronic trade.
  - BPI: opportunity to replicate the CaixaBank model in Portugal.
- High investment and transformational effort, making it possible to enhance the service provided and boost productivity.
- Reduction of problematic assets: significant reduction in bad loans, achieving a NPL ratio of under 3% in 2021.
- Consolidating financial stability: the CET1 fully-loaded capital ratio will be around 12% with an additional temporary buffer of 100 basis points over the following three years to absorb any potential regulatory impacts.

Due to the greater return, combined with the maintained financial stability, we will be able to sustain an attractive dividend policy for our shareholders (>50% cash payout for the whole period).

Setting the benchmark for responsible management and social commitment

CaixaBank strives to be an industry leader in socially responsible banking, by **reinforcing responsible business management** (with an emphasis on transparency with customers), **ensuring best practices in internal control and corporate governance**, and maintaining its **commitment to society**. The priorities of the Socially Responsible Banking Plan are as follows:

- To strengthen the culture of transparency with customers.
- To have a more diverse and skilled team.
- To maintain our commitment to financial inclusion.
- To promote the responsible and sustainable financing.
- To promote financial culture.

Milestones of the first six months of 2019

Customer experience

- CaixaBank named the **Best Bank in Spain 2019**, by Euromoney. CaixaBank received the award for the fifth time in the last eight years. It has also received this award from Global Finance for the fifth consecutive year.
- Global Finance also acknowledges CaixaBank as the **Best Bank in Western Europe**, assessing factors such as growth, financial soundness and product innovation.

Customers CaixaBank Group	Penetration share of private customers in Spain	Store branches	Payroll deposits market share
15.6 million *of which* **1.9** *in Portugal*	**29.3%** **26.3%** *as main bank among individual customers in Spain*	**405** +122 vs. 2018	**27.3%** (+0,5 pp vs. 2018) ~ **604,400** new salaries in 1H19

Innovation and Digitisation

- CaixaBank, named **Best Bank Transformation in Europe in 2019**, by Euromoney.
- Global Finance recognised CaixaBank as **Most Innovative Bank in Western Europe**.
- On 23 May 2019, the Board of Directors agreed to establish **the Committee on Innovation, Technology and Digital Transformation**, as an advisory committee to the Board of Directors.

  The Committee will assist the CaixaBank Board of Directors in all matters regarding technological innovation and digital transformation, as well as in the monitoring and analysis of the trends and innovations which may affect CaixaBank's strategy and business model in this field.
- The world's first financial institution to offer its customers the ability to use facial recognition to withdraw cash at ATMs, without having to enter their PIN. Based on biometric technology, it offers an enhanced user experience and provides further security in transactions.

Digital customers	inTouch customers
59.4% **6.3** million	**1.1** million *(+0.5 million vs. Nov-18)*

People management

- CaixaBank reached an agreement with the employees' union representatives to draw up a **plan involving 2,023 compensated terminations**. The employee representatives also agreed other measures that provide further labour flexibility, including longer opening times, geographical reorganisation of the workforce, an increase in Store and Business Bank branches to a total of 700, an increase in employees assigned to the inTouch remote service model up to a total of 2,000 and restructuring of the labour agreements relating to the rural network, in order to improve flexibility and efficiency, among other labour flexibility measures.

  The impact on the second quarter's income statement reached €-978 million, gross. The first employees will leave in July and most of them will do so during the third quarter of 2019, which will result in costs savings (approximately €200 million per year). The above data are consistent with the financial objectives established in the 2019-21 Strategic Plan.
- **CaixaBank has been added to the 2019 Bloomberg Gender-Equality Index**, which distinguishes companies committed to transparency in gender reporting and advancing equality between men and women in the workplace.

Sustainability

- Euromoney selects **CaixaBank as the Best Responsible Bank in Europe.**
- Merco named CaixaBank the **Best financial sector institution in Spain in corporate social responsibility and corporate governance in 2018.**
- **The international organisation CDP (Carbon Disclosure Project) acknowledges CaixaBank as one of the leading companies in the struggle against climate change.** CaixaBank received an A- rating, which makes it the best-rated Spanish financial institution and the only one included in the highest categories. This acknowledgement consolidates CaixaBank as an international and national leading company, due to its firm commitment towards preventing and mitigating the climate change.
- MicroBank presents a **line of funding intended exclusively for social companies.** This line of funding, which has the support of the European Union, will enable the bank to offer loans – without the need to provide guarantees – to social economy companies throughout Spain over the next two years.
- **CaixaBank offers the agricultural sector 100 million euros for renewable energies.** The line of funding is intended for sector customers that invest in renewable systems for self-consumption.
- **CaixaBank issues the first Green Letter of Credit in the European market** to Acciona Energía, valued at USD 129 million.

  The transaction, issued as an import letter of credit, was used to purchase photovoltaic modules to supply a solar farm in Mexico. This is the first green and sustainability rating issued for this type of financial instrument.
- **Colonial signs a sustainable loan with CaixaBank.** The 75-million-euro loan, maturing in July 2024, links its conditions to the impact of the company's sustainability policies, verified using indicators prepared by independent companies.

Financial reporting and results

The information in this section is presented according to management criteria and expands upon the information contained in the notes to the consolidated six-monthly financial statements for the period January-June 2019.

Business segmentation

This section shows financial information on the different businesses of the CaixaBank Group. After the sale of 80% of the real estate business in December 2018, starting from 2019 the non-core real estate business will no longer be reported separately and the remaining property assets are integrated – except for the stake in Coral Homes – in the Banking and Insurance business, which is integrated in the equity investment business. The 2018 information is presented with both sectors included for comparative purposes.

As a result, the Group is made up of the following business segments:

- **Banking and insurance business:** shows earnings from the Group's banking, insurance and asset management activity mainly in Spain, as well as liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre. In addition, it includes the businesses acquired by CaixaBank from BPI during 2018 (i.e. insurance, asset management, and cards).
- **Equity investments:** this line of business essentially shows earnings on dividends and/or equity-accounted profits from the stakes, as well as the gains on financial transactions, held in Erste Group Bank, Repsol, Telefónica, BFA and BCI, net of the related finance costs. From 1 January 2019 the 20% stake in Coral Homes is added to this segment, after the sale of the real estate business at the end of December 2018. Similarly, it includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain or consolidated through BPI as part of its drive to diversify across sectors.

  It includes the stakes in BFA, which after reassessing the significant influence at year-end 2018 is classified as Financial assets at fair value with changes in other comprehensive income, and in Repsol, until completing its sale in the second quarter of 2019.
- **BPI:** covers the income from BPI's domestic banking business. The income statement shows the reversal of the fair value adjustments of the assets and liabilities resulting from the business combination and excludes the results and balance sheet figures associated with the assets of BPI assigned to the equity investments business (essentially BFA and BCI), as discussed previously.

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

In 2019, the allocation of capital to the investment businesses has been adapted to the Group's new capital corporate objective of maintaining a Common Equity Tier 1 (CET1) ratio of 12%, and takes into account both the 12% consumption of capital for risk-weighted assets (11% in 2018) and any applicable deductions.

The allocation of capital to BPI is at sub-consolidated level, i.e. taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to the investment business.

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

Results

millions of euros	1H18	1H19 (breakdown by businesses)			
	Group	Group	Banking and insurance	Investments	BPI
Net interest income	**2,432**	**2,478**	**2,350**	**(72)**	**200**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	624	370	107	252	11
Net fee and commission income	1,293	1,248	1,121	-	127
Gains/losses due to financial assets and liabilities and others	293	261	205	50	6
Income and expense under insurance and reinsurance contracts	282	264	264	-	-
Other operating income and expenses	(270)	(176)	(158)	-	(18)
Gross income	**4,654**	**4,445**	**3,889**	**230**	**326**
Recurring administration and amortisation expenses	(2,304)	(2,408)	(2,174)	(2)	(232)
Extraordinary expenses	(8)	(978)	(978)	-	-
Operating income/(loss)	**2,342**	**1,059**	**737**	**228**	**94**
Impairment losses on financial assets	(248)	(204)	(243)	-	39
Other provision allowances	(283)	(91)	(91)	-	-
Gains/(losses) on disposal of assets and others	(70)	(38)	(40)	-	2
Profit/(loss) before tax	**1,741**	**726**	**363**	**228**	**135**
Income tax	(401)	(104)	(68)	1	(37)
Profit for the period	**1,340**	**622**	**295**	**229**	**98**
Profit attributable to minority interests and discontinued operations	42	-	-	-	-
Profit/(loss) attributable to the Group	**1,298**	**622**	**295**	**229**	**98**
Cost-to-Income Ratio	*53.1%*	*67.0%*			
Cost-to-income ratio excluding extraordinary expenses	*53.0%*	*55.4%*			
ROE	*8.6%*	*4.9%*			
ROTE	*10.5%*	*6.0%*			
ROA	*0.6%*	*0.3%*			
RORWA	*1.4%*	*0.8%*			

Attributable profit for the first half of 2019 reached €622 million, down 52.1% year-on-year, mainly due to recording the labour agreement in 2019 (+0.7% excluding this effect).

Gross income stands at 4,445 (-4.5%) mainly due to the reduction in the share of profits of entities accounted for using the equity method (-58.4%), which was a consequence of not accounting for Repsol's and BFA's profits and the lower extraordinary gains on financial transactions in 2019 (-10.9%).

On the other hand, **Other operating income and expenses** improved due to lower property expenses, as a result of the sale of the real estate business in 2018.

Recurring **administrative expenses, depreciation and amortisation** gained 4.5%.

Impairment losses on financial assets were down 17.6% when compared to last year.

The 51% repurchase transaction of Servihabitat was included in 2018, which generated a loss of €-204 million (€-152 million recorded in Other provisions and €-52 million in Gains/(losses) on disposal of assets and other), which explains the year-on-year evolution of these headings.

Net interest income

The **net interest income** in the first half totalled €2,478 million (+1.9% on the same period in 2018) mainly boosted by the increase of income from loans and lower retail and institutional funding expenses.

This growth is due to:

- Higher income from loans mainly due to a larger volume and the maintenance of an environment of negative interest rates.
- Sound management of retail financing, which involved a reduction of the cost of cancelling retail subordinated debt in June 2018 and of 4 basis points in the cost of maturity deposits.
- The savings in the costs of institutional funding due to a lower price and the higher volume of the fixed income portfolio which compensate the rate drop.
- Greater contribution of the insurance business (savings products).

millions of euros	1H18		1H19		Chg. in yield/cost	
	Average balance	Rate %	Average balance	Rate %	By: interest rate	By: volume
Financial Institutions	19,981	0.87%	27,730	0.66%	(20.9)	24.9
Lending portfolio (a)	208,228	2.28%	211,798	2.27%	(7.2)	40.2
Debt securities	33,766	1.09%	37,915	0.97%	(19.8)	19.8
Other assets with returns	53,770	3.12%	58,341	2.96%	(42.8)	66.8
Other assets	65,426	-	64,498	-	- -	-
Average total assets (b)	**381,171**	**1.83%**	**400,282**	**1.78%**	**(90.7)**	**151.7**
Financial Institutions	44,533	0.42%	42,362	0.63%	(46.6)	6.6
Resources of retail activity (c)	194,587	0.04%	210,016	0.03%	6.7	(0.7)
Wholesale marketable debt securities & other	27,720	0.98%	27,719	0.90%	10.8	0.2
Subordinated liabilities	6,763	1.93%	5,400	1.38%	18.6	9.4
Other funds with cost	63,404	2.17%	66,862	2.10%	21.9	(35.9)
Other funds	44,164	-	47,923	-	- -	(6.0)
Average total funds (d)	**381,171**	**0.54%**	**400,282**	**0.53%**	**11.5**	**(26.5)**
Customer spread (a-c)		**2.24%**		**2.24%**		
Balance sheet spread (b-d)		**1.29%**		**1.25%**		

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

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being TLTRO II income. Conversely, the heading financial intermediaries on the liabilities side shows the negative interest on the balances of financial intermediaries on the assets side. Only the net amount between income and expense for both headings has economic significance.
- Other assets with returns and Other funds with cost relate largely to the Group’s life insurance activity.
- The balances of all headings except “other assets” and “other liabilities” correspond to balances with returns/cost. “Other assets” and “other liabilities” incorporate balance items that do not have an impact on the net interest income and on returns and costs that are not assigned to any other item.
- Until the fourth quarter of 2018, BPI's interest rate hedges were accounted for at net value in the Other liabilities heading. As of the first quarter of 2019, the presentation criteria has been unified with the rest of the Group's, and the impacts are recognised in the headings that include the hedged elements. The overall net impact of the hedges have remained the same in 1Q19 on 4Q18; however, the reclassification has had a positive impact on "Maturity deposits and Other liabilities" and a negative impact on "Debt securities and Loans and advances to customers".

Fees and commissions

Fee and commission income reached €1,248 million, -3.5% on the same period of the previous year.

- Banking services, securities and other fees amounted to €719 million (-3.0%). This includes income on securities, transactions, risk activities, deposit management, payment methods and investment banking.

  The change versus the first half of 2018 is affected by the drop in one-off investment banking transactions, in addition to other factors.
- The fees and commissions from marketing insurance dropped when compared to 2018 (-10.4%), impacted by schedule differences in the launching of new products and one-off impacts and non-recurring income in 2018.
- Commissions from investment funds, managed accounts and SICAVs came to €257 million (-6.2%). This change was impacted by, among other factors, the reduction of the average net assets managed as a result of the markets' negative trend in the end of 2018.
- Commissions from managing pension plans stand at €105 million (-2.6%). This year-on-year evolution was impacted by, among other factors, the entry into force of the limitation in pension plan management fees.
- Growth in Unit Link fees and commissions in the year (+20.4%).

millions of euros	1H18	1H19
Banking services, securities and other fees	742	719
Investment funds, portfolios and SICAVs	274	257
Pension plans	107	105
Insurance sales	123	110
Unit Link and others [1]	47	57
Net fee and commission income	**1,293**	**1,248**

[1] Includes income corresponding to Unit Link and flexible investment life annuity.

Income from equity investments

The **share of profits of entities accounted for using the equity method** dropped €294 million (-58.4%) on the same period of the previous year, mainly due to not accounting for Repsol's and BFA's profits in 2019 (€312 million accounted for in 2018). Stripping out this impact, the performance of this heading would have been positive (+9.4%).

millions of euros	1H18	1H19
Dividend income	121	161
Entities accounted for using the equity method	503	209
Income from equity investments	**624**	**370**

Gains/losses due to financial assets and liabilities and others

Gains on financial transactions reached €261 million (-10.9%), which includes in the second quarter, among others, the realisation of gains from fixed-income assets.

In 2018 it also included the repricing of BPI's stake in Viacer as part of its divestment process and the result of the hedging transactions in connection with the subordinated bonds redeemed ahead of maturity.

Income and expenses under insurance contracts.

Income derived from the life risk insurance activity reached €264 million, -6.4% in the year due to, among others, a different schedule for launching new products.

Other operating income and expenses

The year-on-year change of **Other operating income and expenses**, -34.8%, is essentially impacted by lower property expenses (Property Tax and maintenance and management costs from the portfolio of foreclosed assets), as a result of the sale of the real estate business in the fourth quarter of 2018.

The heading includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes.

- It includes the contribution to the Single Resolution Fund (SRF) of €103 million (€97 million in 2018), including BPI's contribution of €7 million to the Portuguese Resolution Fund (Fundo de Resoluçao).
- Recognition of an estimation of the Spanish property tax that will likely accrue (estimated at €16 million for 2019 compared to €48 million in 2018).

millions of euros	1H18	1H19
Contribution to the Single Resolution Fund / Deposit Guarantee Fund	(97)	(103)
Other real estate income and expenses (including Spanish Property Tax)	(121)	(12)
Other	(52)	(61)
Other operating income and expenses	**(270)**	**(176)**

Administration expenses, depreciation and amortisation

Recurring administrative expenses, depreciation and amortisation stood at €2,408 million (+4.5%). The year-on-year performance was impacted by:

- Personnel expenditure increased by 4.2% due to its organic rise.
- General expenses dropped 2.6%, among other factors, due to the coming into force of the IFRS 16 (€75 million). Excluding this effect, greater expenditure due to the transformation of the distribution model (store branches, inTouch), greater expenditure on technology, and new regulatory requirements have an impact on its growth.
- Depreciations and amortisations rose 29.6% as a result, among other factors, of the coming into force of the IFRS 16, which involves the recognition and subsequent amortisation of leased property usage rights and is compensated mainly by a reduction of general expenses.

In the second quarter of 2019 **extraordinary expenses** included the agreement reached with the employee representatives regarding a plan of 2,023 compensated terminations, as well as other measures that provide further labour flexibility (longer opening times, geographical reorganisation of the workforce, more Store and Business Bank branches, and more employees assigned to the inTouch remote service model, among other factors).

The impact on the second quarter's income statement reached €-978 million, gross. The first employees will leave in July and most of them will do so during the third quarter of 2019, which will result in costs savings (approximate savings of €200 million on an annual basis and €80 million in the second quarter of 2019).

millions of euros	1H18	1H19
Gross income	**4,654**	**4,445**
Staff expenses	(1,463)	(1,524)
General expenses	(641)	(624)
Depreciation and amortisation	(200)	(260)
Recurring administration and amortisation expenses	**(2,304)**	**(2,408)**
Extraordinary expenses	(8)	(978)

Allowances for insolvency risk and other provisions

Loan loss provisions totalled €204 million, -17.6% on the same period of the previous year.

The **cost of risk** (12 months) fell to **0.02%**.

Other provisions mainly shows the coverage of future contingencies and impairment of other assets.

The second quarter of 2018 included the recognition of €-152 million resulting from the difference between the repurchase price from TPG for 51% of the real estate servicer and the fair value assigned to this holding at that given time.

millions of euros	1H18	1H19
Allowances for insolvency risk	(248)	(204)
Other charges to provisions	(283)	(91)
Allowances for insolvency risk and other provisions	**(531)**	**(295)**

Gains/(losses) on disposal of assets and others

Gains/(losses) on disposal of assets and others includes, essentially, the results of individual operations resulting from the sales of assets and write-downs, without any relevant aspects in the first half of the year of 2019.

The year-on-year performance (-46.7%) mainly reflects the 49% write-down of the stake previously held in Servihabitat so as to bring its book value in line with its new fair value (€-52 million).

millions of euros	1H18	1H19
Real estate results	(51)	(15)
Other	(19)	(23)
Gains/(losses) on disposal of assets and others	**(70)**	**(38)**

Business performance

The **Group's Total assets amounted to €406,007 million** at 30 June 2019 (up 5.0% compared to 2018).

millions of euros	31.12.2018	30.06.19 (breakdown by businesses)			
	Group	Group	Banking and insurance	Investments	BPI
Total assets	386,622	406,007	369,906	4,919	31,182
Total liabilities	362,564	382,023	349,761	3,773	28,489
Shareholders' equity[1]	24,058	23,984	20,111	1,146	2,693
Assigned capital	100%	100%	84%	5%	11%

Loans and advances to customers

The **gross loans to customers** stands at **€230,867 million**, +2.7% in the year with a 3.3% growth in the **performing portfolio**. If we strip out the seasonal impact of the pension prepayments made in June (€1,684 million) the **performing portfolio grew 2.5% in the year to date**.

millions of euros	31.12.2018	30.06.19 (breakdown by businesses)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	127,046	127,944	115,283	12,661
Acquisition of property	*91,642*	*90,482*	*79,371*	*11,111*
Other purposes	*35,404*	*37,462*	*35,912*	*1,550*
Loans to businesses	85,817	89,074	79,894	9,180
Corporates and SMEs	*79,515*	*82,951*	*73,952*	*8,999*
Developers[2]	*6,302*	*6,123*	*5,942*	*181*
Public sector	11,830	13,849	12,078	1,771
Loans and advances to customers, gross	**224,693**	**230,867**	**207,255**	**23,612**
(Fund for credit losses)	(5,728)	(5,369)	(4,603)	(766)
Loans and advances to customers (net)	**218,965**	**225,498**	**202,652**	**22,846**
Contingent liabilities	14,588	15,688	14,026	1,662

Highlight changes by segment include:

- **Loans for buying property** (-1.3% in the year) continue to be marked by the deleveraging of families. However, there have been positive indicators of new growth in the last quarters.
- Loans **to individuals - other** was up 5.8% in 2019, on the back of **consumer lending activity** (+8.2% in the year) and the positive seasonal impact from the pension prepayments in the second quarter. Excluding the seasonal impact, loans to individuals - other was up 1.1% in the year.
- Financing for **former-developer companies and productive sectors** increased by +4.3% in 2019.
- Financing for developers drops 2.8% in the year and the exposure to the **public sector** grew by +17.1%, although the change was affected by various one-off transactions.

[1] Capital allocated to businesses for the purpose of calculating the ROTE (shareholders' equity + valuation adjustments).

[2] After a homogenisation of BPI's segmentation criteria with the Group's criteria, €527 million of developer loans were resegmented at 2018 year-end mainly to financing for former-developer productive sectors. Similarly, this impacts the NPL by sector.

Customer funds

Customer funds came to €380,864 million, up +6.2% in 2019, impacted among other factors by the usual seasonal nature of the second quarter and the positive market performance, mainly in the first quarter of 2019.

The funds in the balance sheet stand at €276,876 million (+6.7%).

- **Demand deposits** were up to €189,951 million. Its growth (+9.0% in the year) was down to, among others, the seasonal effect of double salary payments and the strength of the franchise.
- **Term deposits** totalled €30,813 million. Their yearly performance was impacted by the issue of a retail note in the previous quarter for €950 million with a 5-year maturity, which compensated the reduction of deposits in a backdrop of rock-bottom interest rates on renewal of maturities.
- Increase of **liabilities under insurance contracts**[1] (+4.0% in the year) thanks to the evolution of the product portfolio and adaptation to the customers' needs. The positive trend of the Unit Link and others, growing 16.6% in the year, is noteworthy.

Assets under management grow, reaching €98,199 million. The increase in this heading (+4.5%) was largely down to more lively market performance following the slump seen at the end of the fourth quarter of 2018.

- The assets managed in **investment funds, portfolios and SICAVs** stand at €66,513 million (+3.1% in the year).
- **Pension plans** stand at €31,686 million (+7.7% in the year).

Other accounts, without any relevant changes, mainly includes temporary funds associated with transfers and collections, among others.

millions of euros	31.12.2018	30.06.19 (breakdown by businesses)		
	Group	Group	of which: banking and insurance	of which: BPI
Customer funds	204,980	220,764	197,862	22,902
Demand deposits	*174,256*	*189,951*	*175,588*	*14,363*
Term deposits[2]	*30,724*	*30,813*	*22,274*	*8,539*
Liabilities under insurance contracts	52,383	54,497	54,497	-
Repurchase agreement and others	2,060	1,615	1,598	17
On-balance sheet funds	**259,423**	**276,876**	**253,957**	**22,919**
Investment funds, portfolios and SICAVs	64,542	66,513	61,445	5,068
Pension plans	29,409	31,686	31,686	-
Assets under management	**93,951**	**98,199**	**93,131**	**5,068**
Other accounts	**5,108**	**5,789**	**4,017**	**1,772**
Total customer funds	**358,482**	**380,864**	**351,105**	**29,759**

[1] Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Link and Flexible Investment Life Annuity (the part managed) products.

[2] Includes retail debt securities amounting to €1,773 million at 30 June 2019, of which €950 million correspond to the retail note issued in the first quarter of 2019.

Asset quality

Doubtful balances have dropped €793 million in the first half of the year, standing at €10,402 million which, in addition to the active management of the doubtful portfolio and the standardisation of the asset's quality indicators, includes the sale of portfolios. The NPL ratio dropped to 4.2% (-46 basis points in the first half of the year).

On 30 June 2019, funds for credit losses stood at €5,608 million. The change in provisions in the period is largely down to the adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs. The coverage ratio remained stable at 54% (stable in the year).

(%)	31.12.2018	30.06.19 (breakdown by businesses)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	4.7%	4.6%		
Acquisition of property	*3.8%*	*3.7%*		
Other purposes	*7.2%*	*6.8%*		
Loans to businesses	5.4%	4.5%		
Productive sectors (exc. real estate developers)	*4.7%*	*4.1%*		
Developers	*14.3%*	*10.1%*		
Public sector	0.4%	0.3%		
NPL ratio (loans + guarantees)	**4.7%**	**4.2%**	**4.2%**	**4.0%**
NPL coverage ratio	**54%**	**54%**	**51%**	**84%**

Foreclosed real estate assets

The portfolio of net foreclosed real estate assets available for sale[1] in Spain stood at €863 million (€+123 million in the year). The coverage ratio was 39% while the coverage ratio with accounting provisions was 30%.

Net foreclosed assets held for rent in Spain fell to €2,329 million (€-150 million in the year).

[1] Does not include foreclosure rights deriving from auctions (€172 million, net, at 30 June 2019).

Liquidity and financing structure

€ million and %	31.12.2018	30.06.2019
Total liquid assets	79,530	87,574
Of which: available balance in ECB policy	*22,437*	*33,462*
Of which: HQLA	*57,093*	*54,112*
Institutional Financing	29,453	31,678
Loan to deposits	105%	100%
Liquidity coverage ratio	196%	195%
Net Stable Funding Ratio	124%	117%

Total liquid assets amounted to €87,574 million at 30 June 2019, up €8,044 million in the year due to the shift in the loan-deposit gap and the fact that new issues exceeded maturities.

The Group's average Liquidity Coverage Ratio (LCR) at 30 June 2019 was 195%, well clear of the minimum requirement of 100% applicable from 1 January 2018 onward.

The Net Stable Funding Ratio (NSFR) stood at 124% at 30 June 2019.

The balance drawn under the ECB facility, which reached €28,183 million at 31 March 2019, dropped to €14,773 million at 30 June 2019 (€-13,410 million in the year due to the anticipated partial return of the TLTRO II).

Institutional financing is up to €31,678 million with CaixaBank's successful access to the markets during 2019 by issuing different debt instruments.

Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €6,033 million at the end of June 2018.

millions of euros	Amount	Maturity	Yield	Demand	Issuer
Mortgage covered bonds[1]	500	15 years	1.40% (midswap+0.442%)	Private	CaixaBank
Senior debt	1,000	7 years	1.195% (midswap+0.90%)	2,250	CaixaBank
Senior non-preferred debt	1,000	5 years	2.47% (midswap+2.25%)	2,400	CaixaBank
Senior non-preferred debt	50	10 years	2.00% (midswap+1.56%)	Private	CaixaBank
Senior non-preferred debt	1,250	7 years	1.464% (midswap+1.45%)	4,000	CaixaBank
Mortgage covered bonds	500	5 years	0.343% (midswap+0.25%)	3,100	BPI

Following the end of June 2019, CaixaBank completed a private placement in yen for an amount of €82 million in senior non-preferred debt with a coupon in JPY at 1.231%.

[1] The Mortgage Covered Bonds correspond to 6 private placements with an average weighted cost of 1.40%.

Capital management

€ million and %	31.12.2018	30.06.2019
Common Equity Tier 1 (CET1)	11.5%	11.6%
Tier 1	13.0%	13.1%
Total capital	15.3%	15.3%
MREL	18.9%	21.2%
Risk-weighted assets (RWAs)	145,942	147,184
Leverage ratio	5.5%	5.5%

The Common Equity Tier 1 (CET1) ratio grows up to 11.6%[1]. Excluding the extraordinary impact of the first quarter (-11 basis points due to the first-time application of the IFRS 16 regulation and -5 basis points due to the adjustment to credit risk requirements for the speculative financing of property according to the applicable regulation[2]), the half year's growth registered +14 basis points due to organic generation of capital (+1 basis point in the quarter) and +7 basis points mostly caused by the positive performance of the markets and other impacts (-5 basis points in the quarter).

These levels of CET1 lay the foundations for achieving the new capital objective set in the 2019-2021 Strategic Plan, which stands at approximately 12%, with an additional a 1-percentage point prudential buffer being established until the end of 2021 to cover any future regulatory changes, including the end of the Basel 3 framework.

The Tier 1 (CET1) ratio was up to 13.1%. Since last year, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the equity regulations.

The Total Capital ratio stood at 15.3%.

Meanwhile, the leverage ratio was 5.5%.

With regard to the MREL requirement (22.5% of the APRs at a consolidated level as of 1 January 2021), at 30 June CaixaBank had an APR ratio of 21.2% taking into account all the liabilities currently eligible[3] by the Single Resolution Board. An issue of €1,250 million of Senior non-preferred debt and two other private issues of €50 million and €82[4] million were carried out this quarter. At a subordinated level, primarily including Senior non-preferred debt, the MREL ratio reached 18.5%.

Similarly, CaixaBank is subject to minimum capital requirements on an individual basis. The regulatory CET1 ratio under this perimeter is 13.3%, with risk-weighted assets (RWAs) totalling €132,943 million.

BPI is also compliant with its minimum capital requirements. The bank's CET1 ratio at a sub-consolidated level stood at 13.4% at 30 June 2019.

The decisions of the European Central Bank (ECB) and the national supervisor required the Group to maintain, during 2019, CET1[5], Tier 1 and Total Capital ratios of 8.77%, 10.27% and 12.27%, respectively.

The Group's current level of capital adequacy confirms that the applicable requirements would not lead to any automatic restrictions of the provision of the capital adequacy regulations regarding the distribution of dividends, variable remuneration, and the interests of holders of Additional Tier 1 capital securities (there is a margin of 279 basis points, equating to €4,110 million euros, until the Group's MDA trigger).

CaixaBank's dividend policy satisfies the conditions established by the ECB in its recommendation of 10 January 2019, meaning that it does not limit or confine the Bank in any way.

[1] From 1 January 2019, CaixaBank's capital ratios in a fully-loaded perspective are equal to the regulatory ratios.

[2] See article 128 of Regulation 575/2013 Capital Requirements Regulation (CRR).

[3] Among the liabilities eligible by the Single Resolution Board are the Senior preferred debt and other pari-passu liabilities.

[4] Disbursed on July 3, 2019.

[5] Includes the countercyclical buffer of 0.02% due to exposure in other countries (mainly the United Kingdom and Norway).

Acquisition and disposal of shares held in treasury

Operations involving the purchase and sale of treasury shares by the Company or its controlled companies, will conform to the provisions of the regulations in force and in the agreements of the general shareholders' meeting in this regard.

Information on the acquisition and disposal of shares held in treasury during the period is included in Note 18 "Equity" to the accompanying six-monthly Financial Statements.

Events after the reporting period

From 30 June 2019 to date of issue of the accompanying Financial Statements, no other events have occurred that have not been previously mentioned in the notes to the accompanying six-monthly Financial Statements, that significantly affect the results of the Group or the situation of equity of the same at their issue date.

Framework for the preparation of the consolidated management report

The CaixaBank Group's **Interim Consolidated Management Report** for the first six months of 2019 has been prepared in accordance with the "*Guía para la Elaboración del Informe de Gestión de las Entidades Cotizadas*" [Guidelines for Preparing Management Reports of Listed Companies] of the CNMV (Spanish National Securities Market Commission).

The forward-looking information contained in the different sections of this document reflects the plans, predictions or estimates of the management of the Group on the date of publication. This information is based on assumptions that are deemed to be reasonable. However, the information presented herein should not be interpreted as a guarantee of CaixaBank's future performance. Indeed, any plans, predictions and estimates are subject to numerous risks and uncertainties and, therefore, CaixaBank's future performance may not necessarily coincide with its initial projections.

This report should be read together with the six-monthly Consolidated Financial Statements for the period January-June 2019, which have been subjected to independent auditing.

Framework to prepare the financial information

The profit and loss account, the consolidated balance sheet, and the various breakdowns of the information contained in this financial report are presented in accordance with management criteria, in addition to having been drafted in line with the International Financial Information Standards of the United Nations through EU Regulations. Circular 4/2017 of the Bank of Spain and its successive modifications have been taken into account when preparing the presented information.

This information has been prepared from the accounting records by CaixaBank, S.A. and its Subsidiary Corporations, and includes specific adjustments and reclassifications in order to homogenise the principles and criteria followed by the companies integrated with the companies of CaixaBank. For this reason, and specifically in the case of BPI, the information contained in this document does not coincide with certain aspects presented in BPI's publication of financial information. Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.

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

Glossary

Non-financial information

This glossary contains definitions of the indicators and other terms related to the non-financial information presented in the consolidated management report:

Digital customers (% and number): *Individual customers 20-74 years old that have carried out at least one transaction in the last 12 months. As a percentage of all customers.*

Market share in salary direct deposits (%): *Quotient between the number of customers with salary direct deposits and customers covered by Social Security (not including self-employed workers and domestic employees), multiplied by a correction factor of 95%.*

Penetration of private customers in Spain (%): *Percentage of the market dominated by CaixaBank in terms of customers. The universe comprises bank account holders over the age of 18 years living in towns of more than 2,000 inhabitants. Source: FRS Inmark*.

Free Float (%): *The number of shares available for the public, calculated as the number of issued shares minus the shares held in the treasury, advisers, and shareholders represented on the Board of Directors. The Annual Corporate Governance Report specifies a different free float calculation to that used for management purposes, calculated according to the current regulations for the report.*

Financial information

In addition to the financial information prepared in accordance with International Financial Reporting Standards (IFRSs), this document includes certain Alternative Performance Measures (APMs) as defined in the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) (the "ESMA Guidelines"). CaixaBank uses certain APMs, which have not been audited, for a better understanding of the company's financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRSs. Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

ESMA guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

In accordance with these guidelines, following is a list of the APMs used, along with a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS:

Profitability and Efficiency

a) **Customer spread:** this is the difference between:

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

b) Balance sheet spread: this is the difference between:

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

- average cost of funds (annualised interest expenses for the quarter divided by total average funds for the quarter).

c) ROE: Profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon, reported in equity) divided by average shareholder equity for the last 12 months.

d) ROTE: quotient between:

- profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon, reported in equity), and

- 12-month average shareholder equity and valuation adjustments, deducting intangible assets using management criteria (calculated as the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of provisions, recognised in Investments in joint ventures and associates in the public balance sheet).

e) ROA: quotient between net profit (adjusted by the amount of the Additional Tier 1 coupon, reported in equity) divided by average total assets for the last 12 months.

f) RORWA: quotient between the net profit (adjusted by the amount of the Additional Tier 1 coupon, reported in equity) divided by average total risk-weighted assets for the last 12 months.

g) Cost-to-income ratio: operating expenses (administrative expenses, depreciation and amortisation) divided by gross income for the last 12 months.

<u>Risk management</u>

a) Cost of risk (CoR): quotient between the total allowances for insolvency risk (12 months) divided by average lending, gross, plus contingent liabilities, using management criteria**.**

b) Non-performing loan ratio quotient between the non-performing loans and advances to customers and contingent liabilities, using management criteria, and the total gross loans to customers and contingent liabilities, using management criteria.

c) Coverage ratio: quotient between the total credit loss provisions for loans to customers and contingent liabilities, using management criteria, and non-performing loans and advances to customers and contingent liabilities, using management criteria.

d) Real estate available for sale coverage ratio: quotient between the gross debt cancelled at the foreclosure or surrender of the real estate asset minus the present net book value of the real estate asset; and the gross debt cancelled at the foreclosure or surrender of the real estate asset.

e) Real estate available for sale coverage ratio with accounting provisions: quotient between accounting coverage: the accounting provisions for foreclosed real estate assets, and the gross book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

<u>Liquidity</u>

a) Total liquid assets: sum of HQLAs (High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014) plus the available balance under the facility with the European Central Bank (non-HQLA).

b) Loan to deposits: quotient between net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions), and customer deposits on the balance sheet.

Other relevant indicators

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

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

Average number of shares outstanding: *Average shares issued less the average number of treasury shares.*

MREL: *minimum requirement of own funds and eligible liabilities with the capacity to offset losses, in addition to the issues eligible by the Single Resolution Board for total capital, it includes Senior non-preferred debt, Senior preferred debt and other pari-passu liabilities.*

Adjustment of the structure of the public income statement to the management format

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

- Fee for commission income.
- Fee for commission expense.

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

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

Operating expenses. Includes the following line items:

- Administrative expenses.
- Amortisation.

Pre-impairment income.

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

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

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

Of which: Allowances for insolvency risk.

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

Of which: Other provisions.

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

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

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

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

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

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

June 2019 € million	
Financial assets at amortised cost - Customers (Public Balance Sheet)	**227,700**
Reverse repurchase agreements (public and private sector)	(520)
Clearing Houses	(4,264)
Other, non-retail, financial assets	(170)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	**269**
Other, non-retail, financial assets	(214)
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	**2,113**
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	**584**
Provisions for insolvency risk	**5,369**
Loans and advances to customers (gross) using management criteria	**230,867**

Liabilities under insurance contracts

June 2019 € million	
Liabilities under the insurance business (Public Balance Sheet)	**68,298**
Capital gains/(losses) under the insurance business (excluding unit linked and other)	(13,801)
Liabilities under the insurance business, using management criteria	**54,497**

Customer funds

June 2019 € million	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	**223,903**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	**(3,297)**
Multi-issuer covered bonds and subordinated deposits	(2,986)
Counterparties and other	(311)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	**1,773**
Retail issues and other	1,773
Liabilities under insurance contracts, using management criteria	**54,497**
Total on-balance sheet customer funds	**276,876**
Assets under management	**98,199**
Other accounts[1]	**5,789**
Total customer funds	**380,864**

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

Institutional issuances for banking liquidity purposes

June 2019	
€ million	
Financial liabilities at amortised cost - Debt securities (Public Balance Sheet)	**32,751**
Institutional financing not considered for the purpose of managing bank liquidity	**(4,059)**
Securitised bonds	(1,644)
Value adjustments	(759)
Retail	(1,773)
Issues acquired by companies within the group and other	117
Customer deposits for the purpose of managing bank liquidity[2]	**2,986**
Institutional financing for the purpose of managing bank liquidity	**31,678**

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

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

June 2019	
€ million	
Non-current assets and disposal groups classifed as held for sale (Public Balance Sheet)	**1,285**
Other assets	(485)
Inventories under the heading - Other assets (Public Balance Sheet)	**63**
Foreclosed available for sale real estate assets	**863**
Tangible assets (Public Balance Sheet)	**7,478**
Tangible assets for own use	(4,828)
Other assets	(321)
Foreclosed rental real estate assets	**2,329**