CaixaBank

Interim Consolidated Management Report

January - June 2020

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Past financial statements and previous growth rates are no guarantee of the future performance, results or price of shares. Nothing contained in this document should be construed as constituting a forecast of future results or profit. Furthermore, this document was drawn up on the basis of the accounting records held by CaixaBank and the other Group companies, and includes certain adjustments and reclassifications to apply the principles and criteria operated by the Group companies on a consistent basis with those of CaixaBank. For this reason, and specifically in relation to BPI, the data contained in this document may not coincide with the information published by the institution in certain aspects.

The statement of profit or loss, the consolidated balance sheet and the various breakdowns thereof contained in this report are presented with management criteria. However, they have been drawn up in accordance with the International Financial Reporting Standards (hereinafter, 'IFRS') adopted by the European Union through Community Regulations, pursuant to Regulation 1606/2002 of the European Parliament and of the council, of 19 July 2002, and subsequent modifications. In preparing these statements, Circular 4/2017 of the Bank of Spain of 6 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.

This document features data supplied by third parties generally considered to be reliable information sources. However, the accuracy of the data has not been verified. None of the directors, officers or employees of CaixaBank are obliged, either explicitly or implicitly, to ensure that these contents are accurate or complete, or to keep them updated or correct them in the event any deficiencies, errors or omissions are detected.

In accordance with the Alternative Performance Measures (APMs), defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057), this report uses certain APMs that have not been audited, with a view for them to contribute to better understanding the Institution's financial evolution. 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. As such, they may not be comparable. Please consult the report for further details of the APMs used. The report also provides a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

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 € MM or billions of euros or € bn.

The information contained in this document refers to CaixaBank, S.A. and its subsidiaries that comprise the CaixaBank Group (hereinafter, CaixaBank, the CaixaBank Group or the Institution). Wherever the information does not refer to the Group, but rather to an element thereof, this will be expressly stated.

Contents

The Consolidated Interim Management Report, in accordance with Circular 3/2018 of the CNMV, must incorporate the most important events during the interim period, as well as a description of the main risks and uncertainties regarding that half of the year, which significantly alter any of the messages contained in the Consolidated Management Report drawn up in the previous financial year. For this reason, and in order to understand the information properly, it is important to read this document together with the 2019 Consolidated Management Report written by the Board of Directors on 20 February 2020.

The CNMV Listed Company Guide to Drawing up the Management Report was used to create this document.

From 1 January 2020 until the time that this report was written, no significant events took place in terms of the development of the Group, not mentioned herein.

CaixaBank

1. Main financial and non-financial indicators

	30.06.2020	31.12.2019
Leader in retail banking		
Customers (MM)	15.5	15.6
Customers in Spain	*13.6*	*13.7*
Customers in Portugal	*1.9*	*1.9*
Market shares in Spain		
Loans (other resident sectors)[1]	16.2%	16.0%
Loans to businesses[1]	16.2%	15.4%
Mortgage credit[1]	15.6%	15.7%
Deposits[1]	15.4%	15.2%
Long-terrm savings	23.1%	22.5%
Pension plans	26.0%	25.5%
Investment funds	17.5%	17.1%
Savings insurance[2]	28.7%	28.7%
Life-risk insurance[2]	27.8%	19.4%
Health insurance	27.8%	30.1%
Credit card turnover	23.40%	23.5%
PoS turnover	26.90%	27.5%
Market shares in Portugal		
Loans[1]	10.5%	10.4%
Mortgage credit[1]	12.1%	11.9%
Loans to businesses[1]	10.3%	10.6%
Deposits[1]	10.4%	10.1%
Direct payroll deposits[2]	9.6%	9.7%
Investment funds (including PPRs)[1]	19.9%	20.0%
Capitalization insurances (includes PPRs)[1]	11.3%	11.2%

(1) May 2020 (2) March 2020

	30.06.2020	31.12.2019
Innovation, omnichannel services and digitisation		
Digital customers (Spain)	64.7%	61.7%
Penetration among digital customers (Spain)	32.9%	30.0%
Digital customers (BPI)	46.0%	-
inTouch customers (MM)	1.4	1.3
Customers connecting daily (MM, average 12 months)	1.9	1.8

€ millions	30.06.2020	31.12.2019
Balance sheet and activity		
Total assets	445,572	391,414
Equity	24,393	25,151
Customer funds	400,675	384,286
Loans and advances to customers, gross	242,956	227,406
Assets under management	98,573	102,316
Investment funds	*65,619*	*68,584*
Pensions plans	*32,954*	*33,732*
Risk management		
NPL ratio	3.50%	3.60%
NPL coverage ratio	63%	55%
Cost of risk (last 12 months)	0.61%	0.15%
Strong liquidity		
Total liquid assets (€ MM)	106,609	89,427
Liquidity coverage ratio (last 12 months)	198%	186%
Net stable funding ratio	140%	129%
Loan to deposits	99%	100%
Salid capital		
Common Equity Tier 1 (CET 1)	12.3%	12.0%
Tier 1	13.8%	13.5%
Total capital	16.0%	15.7%
MREL	22.6%	21.8%
Risk weighted assets (RWA) (€ MM)	147,334	147,880
Leverage ratio	5.1%	5.90%
Share and shareholder structure		
Share prince (€)	1.901	2.798
Tangible book value (€/share)	3.39	3.49
Free float	55.7%	55.7%
Individuals	*35.8%*	*33.0%*
Institutional	*64.2%*	*67.0%*

	30.06.2020	31.12.2019
Local accesible banking		
Branches in Spain	4,012	4,118
Retail branches	3,797	3,918
Stores	*487*	*458*
BusinessBank	*45*	*42*
Business centers	128	127
Private banking	68	53
Institutional / corporate banking centers	15	16
International presence	27	27
Spanish tows where CaixaBank is the only bank	212	229
Branches in Portugal	448	477
ATMs in Spain	8,982	9,111
ATMs in Portugal	1,346	1,380
Employees		
CaixaBank Group	35,589	35,736
CaixaBank, S.A.	27,419	27,572
Banco BPI	4,817	4,840
Other subsidiaries	3,353	3,324

	Ene-Jun 2020	Ene-Jun 2019
Profitability indicators (last 12 months)		
Cost-to-income ratio	56.9%	67.0%
Cost-to-income ratio excluding extraordinary expenses	56.9%	55.4%
ROE	4.7%	4.9%
ROTE	5.6%	5.9%
ROA	0.3%	0.3%
RORWA	0.8%	0.8%
Financial inclusion and sustainable environmental business		
Microcredits and other loans with social impact	486	381
ODS bonds issued	1,000	1,000
Placement of green/social/sustainable bonds	5,200	4.900 [1]

(1) January-December 2019.

2. Our identity

CaixaBank is a financial group with a socially responsible universal banking model, with a long-term vision based on quality, proximity and specialisation. It offers a value proposal of products and services adapted to each segment, using innovation as a strategic challenge and a differentiating feature of its culture. Its leading position in retail banking in Spain and Portugal gives it a key role in contributing to sustainable economic growth.

CaixaBank, S.A. is the parent company of a group of financial services, whose stock is traded on the stock exchanges of Barcelona, Madrid, Valencia and Bilbao and on the continuous market. It has been part of the IBEX-35 since 2011, as well as the Euro Stoxx Bank Price EUR, the MSCI Europe and the MSCI Pan-Euro.

Our mission: Contribute to our customers' financial well-being and the progress of society on the whole

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.

Our **Values**

Quality | Social Commitment | Confidence

Our **Mission**

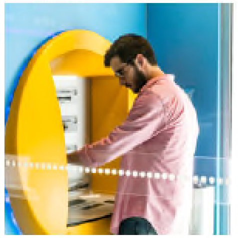
To Contribute to the financial well-being of our customers and to the progress of society.

Our **Culture**

People first | Flexibility as our attitude | Collaboration as our strength

Our **Strategy**

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



Clients & Customers

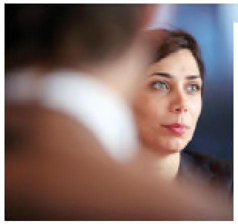
- Setting the benchmark.
- Relationship based on proximity and trust.
- Excellence in service.
- Value proposition for each segment.
- Commitment to innovation.

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.

Banking model
Universal

Socially responsible that covers all financial and insurance needs.

During the first half of 2020, the COVID-19 crisis gave even more meaning to **CaixaBank's Model of Socially Responsible Banking.** During this period, CaixaBank implemented its #ContigoMásQueNunca (*With you more than ever*) initiative, to remain alongside its customers, shareholders, employees and society on the whole throughout the coronavirus pandemic. Section *4. COVID-19: CaixaBank's response to the emergency and contribution to recovery*, describes the main measures taken in this context.

COVID-19 Social Bond

The measures include the issuance of **€1bn as a COVID-19 Social Bond.** The bonds are preferred senior debt, maturing over six years (with the option for early cancellation after the fifth year), and a fixed coupon of 0.75% (equivalent to mid-swap plus 117 basis points). It is worth noting the high demand over €3bn.

100% of the funds will be allocated to funding granted in 2020, as a result of Royal Decree-Law 8/2020, of 8 April, on anti-COVID measures, with the purpose of mitigating economic and social impacts derived from the pandemic. Loans were financed for entrepreneurs, micro-enterprises and SMEs in the most disadvantaged regions of Spain. **This represents further progress in terms of CaixaBank's contribution to the Sustainable Development Goals, specifically to the SDG 8.**

8 DECENT WORK AND ECONOMIC GROWTH

Promote financial productivity (diversification, technological modernisation, innovation and added value)

Promote entrepreneurship and innovation, and the growth of micro-enterprises and SMEs through access to financial services

Expand access to financial banking and insurance services for everybody

On 31 May 2020, the eligible portfolio, according to the criteria of *SDG Bond issuance framework*[1], amounted to €4bn, €1,7bn of which corresponds to new loans with the partial guarantee of the ICO, destined to tackle the financial impacts of the pandemic.

This is the second social bond issued under the *Framework of SDG-related bond issuances*, published in August 2019.

> The first social bond from CaixaBank (September 2019) was recognised as the Best Social Bond of the Year (banking) by *Environmental Finance*.

Environmental Finance Bond Awards 2020 Winner Social bond of the year – bank

[1] Bond issue framework related to the SDGs, Presentation and Independent Opinion of Sustainalytics in the following link to the CaixaBank corporate website: https://www.caixabank.com/inversores-institucionales/inversores-renta-fija/bonos-ods_es.html.

The issuance of the COVID-19 social bond allows CaixaBank to move forward with its strategic objective ***to be a benchmark in responsible banking and social commitment***, as well as the following milestones for this half of the year, among others.

Target gender equality

CaixaBank adheres to the international Target Gender Equality programme, promoted by the United Nations Global Compact. The objective of the programme is **to increase the representation of women on boards of directors and in senior management positions**.

This programme was born out of the need to accelerate progress in the field of gender equality in business. Target Gender Equality calls on all businesses and organisations of the Global Compact to apply measures to promote gender equality at all levels and in all areas of activity.

During the programme, participating companies will be given support in setting and achieving ambitious targets in terms of women's representation and leadership at all levels through an analysis of their performance, skill development workshops, learning between equals and dialogue with multiple stakeholders at a national and international level.

With the changes described in section *2.2 Corporate Governance*, in 2020 the representation of women on the CaixaBank Board of Directors is 40% (37.5% at 2019 year-end).

VidaCaixa has formalised its adhesion to the United Nations Principles for Sustainable Insurance (PSI)

The United Nations Environment Programme Finance Initiative (UNEP FI) establishes a global framework of reference for the insurance sector with which to approach environmental, social and governance risks and opportunities.

Human rights: due diligence and assessment 2020

The first half of 2020 saw the conclusion of the human rights due diligence process, which CaixaBank performs periodically with an independent third party[2]. **The evaluation given is satisfactory, and demonstrates a suitable environment of control.**

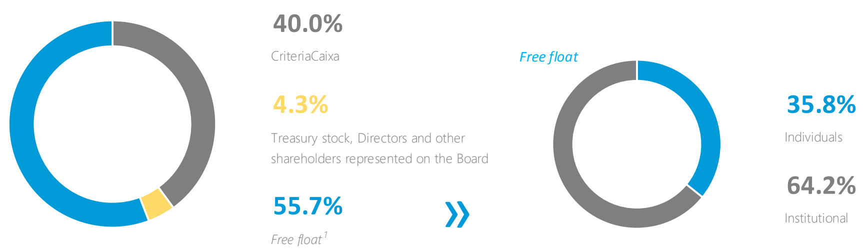
- CaixaBank has a sufficient degree of coverage for each of the human rights risk events.
- CaixaBank holds a matured position in terms of protecting and respecting human rights, and responds to the commitments defined in its Corporate Policy on human rights.

[2] Further information at: https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad_corporativa/Resumen_Proceso_Debida_Diligencia_Assessment_DDHH_Junio_2020_VF.pdf

2.1 Share structure

On 30 June 2020, CaixaBank's stock capital is represented by 5,981,438,031 shares, each with a nominal value of 1 euro, of the same class and series, with identical political and economic rights, represented through book entries. The aforementioned capital stock is distributed as follows:

Shareholder structure



[1]Management data. Number of shares available for the public, calculated as the number of shares issued minus the number of brought-back shares and those held by Directors and shareholders represented on the Board of Directors.

Share tranches	Shareholders[1]	Shares	Share capital
from 1 a 499	248,290	51,674,473	0.9%
from 500 a 999	111,536	79,987,514	1.3%
from 1,000 a 4,999	171,903	375,373,337	6.3%
from 5,000 a 49,999	46,593	532,984,896	8.9%
from 50,000 a 100,000	977	65,860,856	1.1%
Over 100,000[2]	629	4,875,556,955	81.5%
Total	**579,928**	**5,981,438,031**	**100%**

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

The purchase and sale of own shares, by the Company or by its subsidiary companies, will be adapted to the provisions of regulations in force and the agreements of the Annual General Meeting.

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.

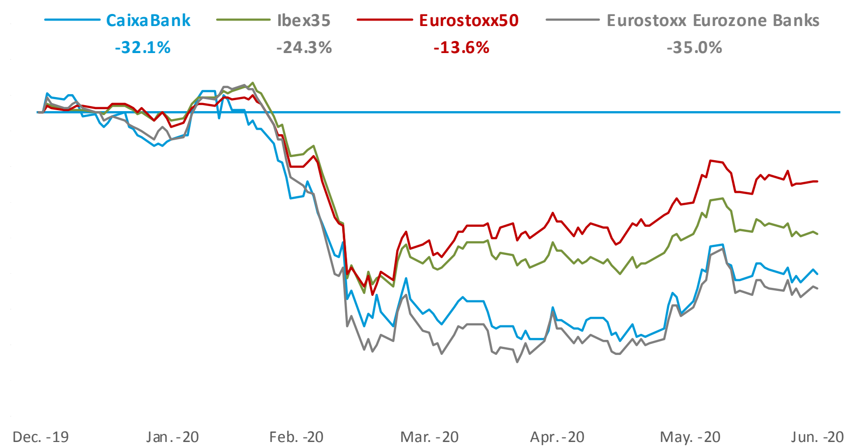
Evolution of stock in the first half of 2020

The CaixaBank share closed on 30 June 2020 at €1.901 per share, recovering some of the losses up until May and finishing the first half of the year with an accumulated annual decrease of -32.1%. In relative terms, it recorded a better evolution than selective benchmark banks, with Eurostoxx Banks registering a decline of 35.0% and Ibex Bancos 40.7%. The general indexes also recorded double-digit declines, but somewhat less: the Eurostoxx 50 dropped 13.6% and the Ibex 35 fell by 24.3%.

The first half of the financial year was marked by the COVID-19 pandemic, dealing with the confinement and huge uncertainties around the corresponding economic impact, which, in March, led to the biggest slump in the financial markets in many decades. Since then, the continuous deployment of monetary and fiscal incentives and the gradual reopening of the economies reassured investors and revived risk appetite. This led to some recovery to the stock exchanges during the second quarter, which slowed down again in June due to the increased number of cases in the Americas and second outbreaks in Asia and Europe.

At the European level, the response of the financial authorities since the start of the crisis has been substantial. Among other things, this included the EC Recovery Plan ('Next Generation EU'), or the set of measures launched by the ECB to guarantee the liquidity of the markets, extend the funding capacity of financial institutions and support loans and advances to businesses and households, in an economic environment that is expected to be exigent in the coming quarters.

Evolution of the stock in the first half of 2020



2.2 Corporate governance

2020 Annual General Meeting

Taking into account the importance of the General Meeting for the standard functioning of CaixaBank, for the sake of social interest and the protection of its shareholders, customers, employees and investors in general, and with the purpose of guaranteeing the rights and equal treatment of shareholders, the 2020 Annual General Meeting (AGM2020) was held on the same dates and times established in the call published on 16 April. The meeting planned for 2 and 3 April had already been cancelled due to the uncertainty.

The AGM2020 took place, in its second call, on 22 May 2020. As a result of the continued health risk derived from the spread of COVID-19, the limitations to mobility and the inability to hold physical meetings with multiple people, the AGM2020 was held exclusively online through a platform set up on CaixaBank's corporate website.

All the items on the agenda were approved in the AGM2020, including the management and results of the 2019 financial year and changes to the composition of the Board. A new proposal to distribute income according to the figures indicated in the Annual Accounts drawn up on 20 February was also approved, as a measure to accommodate the Institution's situation in the context of COVID-19. All the information relating to the AGM2020 is available on the corporate website, in the Information for shareholders and investors menu and the Annual General Meeting section.

66.3% quorum of share capital
(65.6% in 2019)

96% approval on average
(96% in 2019)

Changes in the composition of the Board and its committees

The AGM2020 approved the reduction of the Board of Directors by one member, setting the number of directors at 15. CaixaBank thus complies with the recommendation 13 of the CNMV Code of Good Commerce.

The independent director John S Reed was appointed Coordinating Director, replacing Xavier Vives, who, after 12 years in the position and once his mandate expired, was not nominated for re-election as a director in the AGM2020.

The AGM2020 approved the appointment of Francisco Javier Garcia Sanz as a member of the Board of Directors, as a proprietary director, at the proposal of the Fundación Bancaria Caixa d'Estalvis I Pensions de Barcelona, "la Caixa", for a four-year period, to cover the vacancy following Marcelino Armenter's resignation.

The appointment of Francisco Javier Garcia Sanz is subject to a suitability verification by the competent banking supervisor.

As well as the changes to the composition of the Board of Directors, an agreement was made to reorganise the composition of the Board committees:

Appointment	Board Position and Committee	Substitutes
Koro Usarraga	Vocal de la Comisión Ejecutiva	Xavier Vives
Eduardo Javier Sanchiz	Vocal de la Comisión de Nombramientos	Xavier Vives
Cristina Garmendia	Vocal de la Comisión de Auditoría y Control	
	Vocal de la Comisión de Retribuciones	Verónica Fisas
Verónica Fisas	Vocal de la Comisión de Riesgos	
Tomás Muniesa	Vocal de la Comisión de Riesgos	

3. Context and perspectives

Economic context (scenarios subject to a degree of extreme uncertainty)

The scenarios that follow have been built in an unusual situation of high uncertainty, arising from the many unknown epidemiological and health aspects of the COVID-19 pandemic, and the variety of economic policy responses that can be implemented in the different countries in dealing with this shock.

Global and eurozone evolution

COVID-19 and the activity restrictions needed to contain it have plunged the world into an unusually abrupt recession. Besides the halted activity in the most affected economies, where the available data shows a strong impact of the lockdown measures (GDP in China shrunk by around 10% in the first quarter, whilst in the Eurozone it is estimated that GDP fell by around 25% in the last weeks of March, when the lockdown was consolidated), all economies are exposed to the shock of COVID-19 due to the decrease in global demand, international supply chain disruptions and the hardened conditions of the financial environment.

Throughout the second quarter, whilst the economic reactivation in China was gaining traction (and activity may have already normalised in sectors such as industry), in the main advanced economies activity fell sharply in April, but since May, the progressive lifting of restrictions has brought about a gradual recovery of the indicators. Overall, unprecedented falls in GDP are expected in the advanced economies for the whole of the second quarter.

Going forward, the activity should re-establish itself gradually in the coming months. However, without a vaccine or effective treatment, global activity will continue to be conditioned by social distancing measures. Subsequently, it is forecast that the global GDP in 2020 will register a fall greater than that of the Great Recession of 2009, but in 2021 the global economy will once again be back on a path of growth.

When dealing with this scenario, all spheres of economic politics are deploying a set of measures on an extraordinary scale, and the monetary policy of the main central banks has been especially aggressive to placate the financial stress, protect the proper functioning of the markets and anchor an environment of low interest rates for a long period of time. However, the evolution of the pandemic and the medical advances will be the main determining factor of this scenario in the coming quarters.

In the eurozone, the available indicators suggest that the fall in activity for the whole of the second quarter of the year will have been around -20%. With this, although it is expected that activity will continue to re-establish itself gradually in the coming months, estimates suggest that the fall in GDP in 2020 could be around 10% (followed by a rebound of more than 8% in 2021), although with key differences between countries. Economies that have been affected by the pandemic to a lesser extent, those with an economic structure less sensitive to the restrictions on mobility and/or more able to take action with regard to fiscal policy will better ride out this situation.

In this context of shock with asymmetrical effects depending on the country, both actions that are being carried out by the European Central Bank (ECB) and the Recovery Plan agreed upon by EU leaders constitute important actions to favour synchronised reactivation among European economies. Furthermore, we should highlight that the importance of the Recovery Plan exceeds the strict framework for supporting the EU's way out of the recession, as it contains elements that could entail a step forward in terms of European construction.

Spanish economy overview

The Spanish economy will follow a dynamic that is similar to the European level, although the importance of sectors that are particularly sensitive to mobility restrictions will probably suffer somewhat more intense declines in activity (the tourism sector represents 12.3% of the GDP and, overall, sectors such as accommodation and food services, trade, leisure and transport represent around 25% of the GDP).

Therefore, we forecast that the contraction of GDP for the whole of 2020 will be around 13%-15%, the actual figure will depend on the ability to quickly control any new outbreaks and minimise their impact on economic activity. In this situation, it is expected that the recovery that began halfway through this year will gain traction in 2021, with a rebound of 10%-11%. The measures taken by the authorities, both domestic and at EU level, which must be extended if necessary, and the expected recovery from the pandemic with a vaccine or effective treatment well into the coming year will contribute to this.

Although this is the most likely scenario, we cannot rule out a more favourable outcome if occupation rates during the tourist season exceed 50% and if improved confidence supports a stronger short-term rebound of consumption and investment.

Portuguese economy overview

Portugal, which also has a significant dependence on tourism and foreign demand (the tourism sector exceeds 14% of the GDP, and total exports represent almost 45% of GDP), is faced with a scenario similar to Spain's. The available indicators suggest that the economic halt in April will be reflected in a sharp fall in GDP for the whole of Q2, despite the gradual recovery in May.

So, combined with the difficulties faced by tourism and the expectation that the recovery of the activity will be gradual, it is forecast that there will be a fall in GDP in 2020 of around -12% followed by a rebound of around 8% in 2021.

Social, technological and competitive context

COVID-19 and the financial crisis derived from mobility and activity restrictions are having significant economic consequences, and have given rise to a range of major (and potentially permanent) changes to habits and behaviours. Among others, there is a heightened relevance to managing environmental risks, due to the parallel nature of the economic shock caused by the health crisis and the shocks that could be caused by climate change, customers' increased preference for remote interactions and the generalised adoption of remote working.

Strategy

In this new context, the Institution considers that the 5 strategic lines defined in the 2019-2021 Strategic Plan are still fully in force, given that they perfectly reflect these trends accelerating after COVID-19. However, if is convenient to redefine the priorities of each of these lines and review some of the objectives established (both financial and non-financial), in order to: a) ensure that the objectives are viable given the new macroeconomic scenario; b) further accelerate the Institution's digital transformation; c) incorporate delays into ongoing projects due to the health crisis. This review will be completed throughout Q3 this year, when there is more clarity regarding the intensity of economic recovery.

Business profitability

Undoubtedly, the main impact of COVID-19 is the severe deterioration of the economic climate during the first half of 2020, as well as the high level of uncertainty regarding the speed of recovery. This new economic environment will put downward pressure on banking performance levels. In particular, revenue will be affected by a climate of minimal interest rates for a prolonged period of time, which will end up compressing net interest income. On the other hand, business volume will also suffer following the fall in activity. Additionally, we can expect that the weakened financial situation among families and businesses will cause a significant upturn in arrearage. This fact will lead to a reduced volume of productive assets with the capacity to contribute to the net interest margin, and an increase in provisions due to asset impairment (which will erode the gross margin). In this regard, decreased revenue in the banking sector highlights the need to make additional efforts to reduce operating costs and improve efficiency levels.

Solvency

The higher capital levels (in relation to the 2008-2014 crisis) give the Spanish banking sector a higher capacity to absorb the increased cost of risk that may arise in this more adverse climate. Furthermore, the response of the authorities in terms of monetary policy and prudential supervision has been quick and significant. Nevertheless, a prolonged economic deterioration over time could significant impair the solvency of the sector.

Sustainability

The areas of financial inclusion and education, corporate governance and environmental risk management continue to gain relevance. In particular, the growing attention (both from investors and society at large) on ESG aspects (environmental, social and governance) is now accompanied by increasing regulations on all levels. Among others, we can highlight the publication of recommendations and standards that aim to guide businesses, investors and supervisors, and provide them with the right tools for proper management and governance. As an example of this, there is the European Banking Authority's Action Plan for Sustainable Finance by 2025, which will progressively be translated into specific regulatory initiatives, and the ECB guide on climate and environmental risks, which will be mandatory once the definitive version is published (around the end of 2020), and which emphasises the dissemination of non-financial reporting, the management of climate risks and the decarbonisation of the portfolio. Meanwhile, there is also the European Commission's Post-COVID-19 economic recovery plan, which leverages on the European Green Deal, and in Spain, the Climate Change and Energy Transition Act, which is currently being processed in the Congress of Deputies. Both initiatives could be translated into a bigger boost of activities that help to mitigate and adapt to climate change, but also into a greater potential exposure to sectors that have high carbon emissions or are exposed to transition risks.

In this environment, the principles and values that CaixaBank bases itself on demonstrate a strong alignment with the ESG principles. Furthermore, CaixaBank deems it essential to accelerate the transition to a low-carbon economy, which promotes sustainable development and is socially inclusive. In line with this, CaixaBank has an Environmental Strategy and works to contribute to this transition by reducing the direct impact of operations, and financing and investing in sustainable projects. Meanwhile, CaixaBank is also a signatory and is adhered to multiple initiatives and working groups to address improved management and reporting in these areas, among other aspects.

Finally, CaixaBank is also committed to improving financial culture and inclusion to help provide access to financial services to the whole of society, and with active social policies that go beyond financial activity and aim to help with social problems. This commitment has been particularly relevant during the COVID-19 pandemic, which saw the Institution work intensely to mitigate the economic and social effects of the situation, and to provide a response to the groups most affected by the crisis.

Digitisation and customer experience

With respect to the acceleration of other trends following the COVID-19 crisis, habits and behaviours have accelerated the digitalisation tendency, which has long conditioned the competitive environment in which financial institutions work. Among other things, this environment is characterised by a growing customer-focused approach. Thus, new technologies and digitalisation have increased the standards of service that the customer expects (with respect to convenience, immediacy, customisation or cost). Faced with this increasing exigency from customers, the requirements for keeping them happy and loyal are greater, and caring for the user experience is essential. Similarly, the digitalisation of the sector is also encouraging the appearance of new untraditional competitors, such as FinTech companies and BigTech digital platforms, with high disruptive potential in terms of competition. These new competitors tend to hone in on specific financial services, which differs from the traditional banking model. The entrance of this new competitors in specific businesses may entail a fragmentation of the chain of value, with an impact on margins and on the capacity to cross-sell.

CaixaBank is facing the challenge of digitalisation with a well-defined strategy, focused on improving the customer experience. In this regard, the digital transformation offers the Institution new opportunities to understand its customers and offer them a higher-value proposal, using a multi-channel assistance model. Furthermore, to respond to the change of habits derived from the health crisis, the Institution will particularly emphasise initiatives that allow for greater interaction with customers through remote channels. Meanwhile, the digital transformation is also leading the Institution to delve deeper into the development of skills like advanced analytics and the provision of native digital services. With respect to this last point, CaixaBank will continue to foster new business models, including Imagin, a digital ecosystem focussed on the youngest segment, which offers financial and non-financial products and services. The Institution is also driving new ways of working (more cross-cutting and collaborative), and is looking to collaborate more actively with new entrants, as a way to improve the service offered to customers.

Cybersecurity

The increase in digital operations makes it necessary to enhance the focus on cybersecurity and information protection. CaixaBank is aware of the current threat level, which is why it continually monitors the field of technology and applications, in order to ensure the integrity and privacy of information, the availability of IT systems and business continuity. This monitoring is carried out through planned reviews and a continued audit (which includes monitoring risk indicators). Furthermore, CaixaBank conducts the pertinent analyses to adapt safety protocols to new challenges, and has a strategic information security plan, which seeks to keep the Institution at the cutting edge of information protection, in accordance with the best market standards.

4. COVID-19: CaixaBank's response to the emergency and contribution to recovery

CaixaBank has been given the Euromoney award 'Excellence in Leadership in Western Europe 2020', due to its social commitment in its response to the COVID-19 crisis

4.1 Support to customers and suppliers

The CaixaBank Group wants to be a key part in the contribution to society's well-being, particularly among the most vulnerable groups, and to help ensure that the recovery of the Spanish and Portuguese economies is as quick as possible. To do this, a range of measures have been implemented, and products with conditions adapted to the current context have been developed, taking on the impact that these decisions can have on the growth and profit generation.

#WITHOURFAMILIES

#Moratoriums: in Spain, two types of moratoriums have been put into place, adapted to the current situation; (i) a government-approved mortgage moratorium due to the coronavirus, which offers a deferral of three months of principal and interests (it can also be applied to personal loans for the same duration); (ii) a mortgage moratorium, implemented by the majority of banks in the country, with a period of up to twelve months' deferral (and up to six months for personal loans), capital only.

In Portugal, customers who meet accessibility criteria were also offered moratoriums for capital or capital and interests, both for mortgages, initially for the period up to 30 September but later in June extended to 31 March 2021, and personal loans, with a period of up to twelve months.

Section 6.*Income statement and financial information* shows extended details on these measures.

#ICO rents: after the agreement with the ICO, a new line of financing has been set up for tenants in a situation of financial vulnerability, who cannot pay their rent as a result of COVID-19. These are ICO-backed loans for customers and non-customers who need help to pay their rent for six months.

#FamilyMicrocredits: access to family microcredits to holders with joint income of less than €19,300 (previously €17,200). This figure corresponds to the result of multiplying the Public Index of Multiple Purpose Income (IPREM) by 3.

#Cancellation of own property rentals: during the months of April, May and June 2020, CaixaBank wrote off 100% of the rent of its properties, and 50% in July, in case the tenant, or a member of their family unit, had their income decreased (unemployment, reduced working hours, business closure or income reduction of more than 40%). Approximately 4,600 tenants benefited from this measure.

#Coverage of insurance in case of a pandemic: all our insurance products have continued to offer coverage, even if derived from the pandemic (COVID-19) (not applying the pandemic exclusion), in order to guarantee the best protection to our customers.

In collaboration with Allianz, Banco BPI offered all its customers a phone line for medical consultations, available 24 hours a day.

#WITHOURBUSINESSES

#WITHOURSELF-EMPLOYED&SMES

#Loans to companies: A priority of ours is to facilitate granting loans and advances so that they go where they are needed, in coordination with the state guarantee schemes established by the authorities. CaixaBank has launched a range of funding lines for the self-employed and SMEs, available for those who need new financing, as well as the ICO line driven by the Government to help businesses affected by the COVID-19 crisis.

In Portugal, businesses who meet accessibility criteria were offered moratoriums for capital or capital and interest, initially for the period up to 30 September but later, in June, extended to 31 March 2021. BPI has also promoted the placement of lines of credit with a government guarantee, created in response to COVID-19. To speed up access to these government-backed lines of credit, BPI created a simplified line that allows for 20% of funds to be advanced, subject to analysis and approval by the Bank.

Section *6.Income statement and financial information* shows extended details on these measures.

CaixaBank has also decided to maintain access to working capital financing for shops and the self-employed, despite their potential loss of turnover, and shortcomings have been also offered in the area of rental of capital goods and vehicle renting quotas. As part of its measures to support small businesses, CaixaBank has also subsidised POS terminal fees and launched a new e-commerce technological solution to help small merchants to boost their online sales.

In Portugal, previously contracted lines of credit have been maintained up to 30 September 2020, without changing the interest rate. To support shops, BPI removed the minimum commission on POS terminal transactions, and made POS commissions and monthly fees exempt for establishments that temporarily closed as a result of the pandemic.

#FEI-COVID19 Business Loan: self-employed workers and micro-enterprises has been offered a new specific line to attend to working capital needs derived from the crisis: FEI-COVID19 Business Loan. This line has been carried out thanks to the European Commission sub-programme COSME COVID19, and offers a line of loans of €310 MM for all businesses that have liquidity problems, and which cannot access an ICO line or need to complement it. The maximum amount of the loan is €50,000, and allows applicants to request a principal grace period of up to twelve months. The product will be valid until available funds have been exhausted.

#Social enterprises — EaSI Loan: aimed at social enterprises whose objective is to generate a positive impact in society, has been a major alternative in these difficult times, particularly for businesses who have been on the frontline as a result of being related to sectors such as healthcare, the fight against poverty and socio-labour inclusion. This line is supported by the European Investment Fund.

#Streamlining supplier payments: CaixaBank has made an effort to streamline the payment flow to our suppliers, providing them with key liquidity at these times and thus contributing to the maintenance of their businesses. The measures implemented have been focussed on maximising early payments, without considering maturities, streamlining invoice authorisations and making an effort to settle old invoices. In little more than a month, the amount of invoices pending payment has been reduced by 79%.

#WITHOURPENSIONERS

#WITHTHOSEWHONEEDITMOST

#Advance payment of pensions and unemployment benefits: since the declaration of the state of alarm due to the COVID-19 pandemic, CaixaBank has been one of the first financial institutions to bring forward the payment, by 7/10 days, both of unemployment benefits and pensions.

There is a two-fold objective to the measure: on the one hand, to support people so they can make their usual payments at the start of the month; and on the other, to help reduce and spread out the presence of customers in our physical branches. Furthermore, if customers require part of their benefit in cash, they have more days to be able to visit cash machines to make withdrawals. These advances are made automatically, and customers do not need to carry out any procedures to request them.

In April and May, BPI also brought forward retirement pension payments.

CaixaBank has

2.0 MM customers with pensions set up with direct debit (≈€1,800 MM)

1.6 MM customers with unemployment benefits (≈€1,200 MM)

...and in Portugal

0.2 MM customers with pensions set up with direct debit (≈€141 MM)

#WITHTHOSEWHOLOOKAFTERUS

#Protecting healthcare workers: with the aim of contributing to protecting the health of those who are fighting for the whole of society during this pandemic, VidaCaixa has participated in the creation of a sectorial charity fund of more than €37 MM to protect Spain's healthcare staff. The fund, which includes the collaboration of more than a hundred insurers, allows for the ability to offer free life and hospitalisation insurance to 700,000 doctors, nurses, nursing assistants, porters and ambulance and residence staff who are working to fight against the coronavirus. For this, we have contributed a total of €7.3 MM to this initiative.

4.2 Continue to offer an essential service

Maintaining business continuity at all times, whilst offering customers essential financial and insurance services for their day to day, is a priority for CaixaBank, with the maximum safety standards for everybody.

CaixaBank also understands financial inclusion, a pillar of its responsible banking model, as the commitment to be close to its customers, serving as an accessible, proximity-based bank. The firm commitment of the last few years to a multi-channel approach has been a determining factor in the sound development of the business in this period of mobility restrictions.

Branch network

On average, CaixaBank kept around 92% of its branches open from March to June 2020. The highest percentages of branch closures were around 15%, between the third week of March and the second week of April.

CaixaBank is still the only banking institution present in 212 Spanish towns (229 on 31 December 2019).

ATMs were kept 100% operational, even those in branches that were closed for a period. CaixaBank also joined the entities integrated in the Spanish Confederation of Savings Banks (CECA), in order to not charge fees in ATMs throughout the state of alarm.

During this period, Banco BPI assured that it would keep 86% of its branches and 100% of its business centres open. A universe of 109 main branches that must remain open and fully operational was defined, along with a list of 39 branches deemed high priority.

On 30 June 2020 CaixaBank has:

in Spain

4,012 branches

(4,118 on 31 December 2019)

8,982 ATMs

(9,111 on 31 December 2019)

in Portugal

448 branches

(477 on 31 December 2019)

1,346 ATMs

(1,380 on 31 December 2019)

Digitisation, key

To avoid unnecessary travel and to protect the health of our customers and employees, we have bolstered the use of digital channels, reviewing and reinforcing the main processes, and increasing the capacities of remote services and for contracting new products and services.

We can highlight the ability to apply for loan moratoriums through CaixaBankNow, BPI Net and BPI Net Businesses.

Another example is the increased number of operations related to VidaCaixa products available through digital channels. During the COVID-19 crisis, we made it possible to redeem various kinds of pension and insurance plans online, responding to the new temporary redemption contingency for these products if the holder is financial affected by the health crisis. Similarly, partial or total redemptions, not in person, were made possible for savings insurances.

The growth recorded during the first half of 2020 has consolidated CaixaBank as the leading financial institution in terms of digital banking in Spain.

CaixaBank Now

64.7% digital customers

(61.7% on 31 December 2019)

32.9% penetration among digital customers in Spain (Comscore)

(30% in December 2019)

2.5 MM customers that log in daily to CABK applications in June 2020

(≈1.8 MM average 2019)

BPI Net

46.0% digital customers

Furthermore, the contactless limit was increased from twenty to fifty euros, in order for users not to have to enter their PIN and avoiding contact with physical surfaces.

Customer Contact Centre (CCC)

The CCC services manages consultations, requests, suggestions and dissatisfaction among customers and non-customers over the phone, in writing (chat, WhatsApp, email and letters), and through interactions on social media (Twitter).

During the exceptional situation provoked by COVID-19, the remote contact services that the Group offers to its customers have been particularly relevant. CaixaBank has reinforced these services, increasing the number of agents and re-assigning resources, in order to tackle the increased demand of April, May and June 2020 compared with the same period in 2019.

The online assistants that CaixaBank has developed in recent years to automatically respond to customer queries (bots) have been a determining factor in facing these demand increases, making the service better and more flexible. 55% of contacts have been attended to by virtual assistants (2,692,567 contacts assisted by bots).

4,886,803 contacts received, January-June 2020

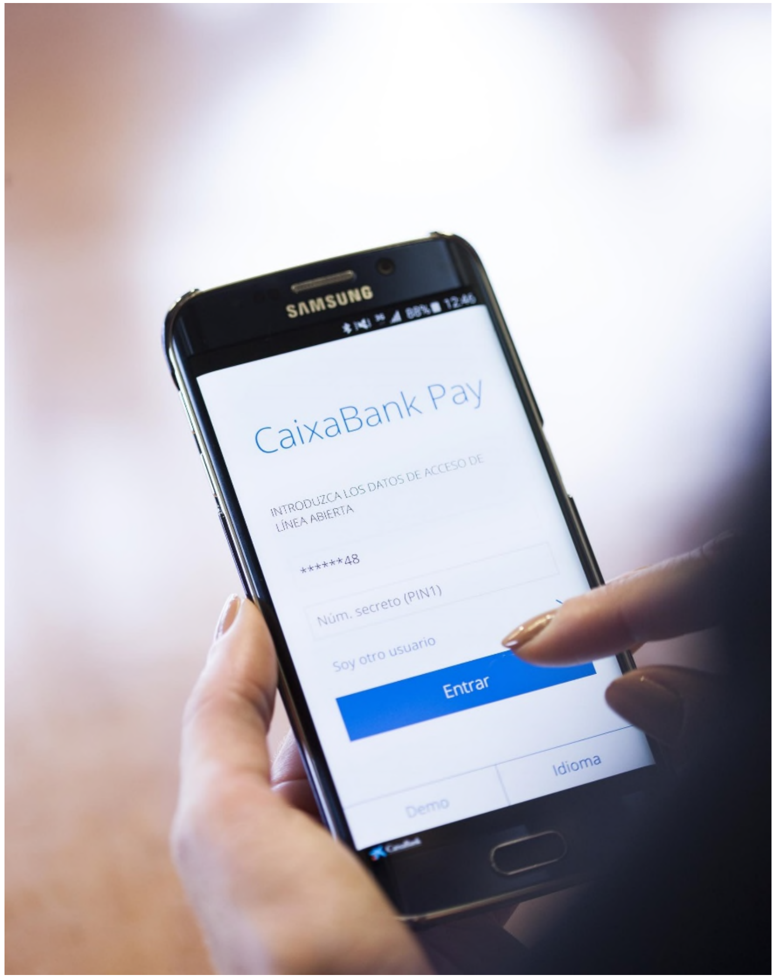
(3,100,880 throughout the whole of 2019)

Of these contacts, 66,982 are related to COVID-19. Of these queries, we can highlight those regarding moratorium questions (70%), availability of branches (16%) and pensions or unemployment payments (6%), among others.

Focus on cybersecurity

The situation derived from COVID-19 has made CaixaBank prioritise certain aspects in the field of cybersecurity, including:

- Responding to mass remote work needs, adapting security levels to new requirements and with an intensive use of collaborative tools.
- Improving monitoring and protection controls with respect to phishing campaigns (malicious emails) related to COVID-19, which has been a topic used by external attackers to compromise the security of business systems around the world.
- Adapting security controls to mitigate the impact of the increase in malware infecting customer computers, with a view to commit fraud, particularly RAT (Remote Access Trojan) malware, which allows attackers to control customer computers remotely.



4.3 Accountability with the staff that make up CaixaBank

Health and safety measures

CaixaBank is among the businesses whose job positions do not involve a risk of professional exposure to COVID-19, which means that spread among employees in the workplace could only happen in exceptional circumstances. The company must adopt preventive measures to avoid and reduce the risk, agreed on and recommended by the health authorities. The Institution has adopted the recommendations established by the Spanish government and the competent health authorities, taking into account the consideration of CaixaBank's activity as essential, according to Royal Decree-Law 10/2020.

Prior to adopting preventive measures, the Institution performed a risk assessment specific to COVID-19, which concluded that there is a 'low chance of exposure', and drew up a protocol to identify and manage situations that could involve a risk of spread, which was updated according to the criteria of the health authorities.

Furthermore, BPI is also represented on the Business Continuity Monitoring Committee, and thus the prevention measures implemented in Portugal are the same.

(i) Organisational measures adopted gradually to minimise the workforce's contact with third parties, ensuring that the safety distance is maintained at all times:

- Temporary suspension of events, acts and meetings of more than 30 people.
- Increased preferential use of video calls and other collaborative tools.
- Ban on international travel and national journeys restricted to those that are strictly necessary.
- Incorporation of remote work in Corporate and Territorial Services, with the exception of the critical workforce or teams that cannot carry out their work due to technical issues, whilst the branches network is carrying this out partially.
- Start and finish times made more flexible in work centres. In particular in the branch network:
- The public opening hours are reduced in all branches to 8.30am to 2.30pm.
- The capacity of customers allowed into branches is limited; customers are scattered throughout the day and the amount of time the customer spends in the branches is restricted to the shortest time necessary.
- There are vinyl markings on the floor to show the distance limits between customers.
- A campaign to install methacrylate screens on the table was carried out, as protection between the customer and the employee, which reaches all customer-facing positions.
- Staff avoid sharing work tools and equipment, as well as moving between offices (support team).
- In general, cash management is carried out through ATMs.

(ii) Hygiene measures aimed at personal cleanliness and cleaning the area and spaces:

- Hand sanitiser and paper towels are distributed throughout.
- Surfaces with high levels of contact are cleaned more intensely, using cleaning products that follow the suitability criteria indicated by the health authorities, and applying an action protocol to minimise the risk to the person applying the products.
- When CaixaBank is informed of a case of COVID-19 in one of its work centres, it proceeds to disinfect and clean the area. The Joint Prevention Service assesses the suitability of actions carried out and performs an activity resumption report.
- With respect to the use of personal protection equipment, the Institution follows the guidelines of the World Health Organisation, established for a scenario of low probability of exposure. Given that we have adopted technical measures to ensure the safety distance (2 metres) and protection (campaign to install methacrylate screens), in general, it is not necessary to use masks or gloves, except in certain situations. These measures are adjusted to the decisions and recommendations of the health authorities at all times

(iii) Informative measures to employees on the risks they are exposed to as a result of performing their usual tasks in exceptional circumstances, as well as the specific preventive measures they need to apply:

- Informative materials available on the corporate intranet have been drawn up, including, among other things, recommendations on hand cleaning, a self-assessment questionnaire on the remote working environment, ergonomic recommendations for working healthily and to prevent psycho-social and emotional prevention.
- Elaboration of an obligatory course for the whole workforce on preventive measures to adopt to tackle COVID-19, available in the Virtaula online learning platform.
- Information is given to customers through informational signs at the entrance to branches, indicating the measures they need to take. They are informed of the ban on entering facilities if they have symptoms compatible with COVID-19, or if they have had contact with anyone who has tested positive, and they are reminded of the preferential use of digital channels set up to avoid unnecessary travel to branches.

(iv) Transmission control measures, depending on the circumstances:

- *People who have symptoms compatible with a potential infection, but are not aware of having had contact with a confirmed case*. As a preventive measure, these people must remain in their homes and immediately contact the health services.
- *People that have been in recent contact with suspected cases.* If they do not have compatible symptoms, they can carry out their life normally and monitor their health for 14 days. But if they do have compatible symptoms, they must stay at home and immediately contact the health authorities.
- *People who have had 'close direct contact' with confirmed cases*. These people must stay at home and immediately contact the health services.
- *Confirmed case of infection with COVID-19 in a CaixaBank work centre*. This circumstance should be reported to the manager or human resources in the vicinity as soon as possible. CaixaBank will follow the measures established in the specific case and inform the health authorities.
- *Employees belonging to at-risk groups* must provisionally stay in their homes working remotely.

(v) Monitoring, guidance and employee assistance measures:

- Within the CaixaBank workforce there are employees with underlying health conditions that make them particularly sensitive to COVID-19. In all these cases, remote working is implemented to reduce the level of exposure due to work. To manage this at-risk group, a digital channel has been set up where employees can send their application to be evaluated and accepted, if relevant, by the Health Surveillance Service.
- Medical monitoring by the Health Surveillance Service and the Mutual Insurance Company for staff who have had 'close contact' with confirmed cases or have tested positive themselves, to track the evolution of the employee, guide them and provide medical recommendations.
- Medical, psychological and emotional health care to all staff through a medical advisory service and psychological and medical guidance over the phone, free of charge, unlimited and anonymous, to accompany and help to resolve queries or concerns that may arise.

Remote work and development of the return to in-person work

CaixaBank has incorporated 100% of the Corporate and Territorial Services workforce into remote working, with the exception of the critical workforce or teams that cannot carry out their work due to technical issues. Meanwhile, this has been carried out partially in the branches network, and the Institution has been adapting itself to the evolution of the pandemic (50% - 75% - 100% physical presence).

In the initial phase (mid-March 2020), Territorial Management departments, according to their needs and circumstances:

- Established shifts in the branches network, so that approximately 50% of the workforce could work remotely (performing tasks via telephone management and digital access).
- Authorised recoverable leave days to handle justified situations that hinder the ability to go to the work centre.

BPI, during the period of the state of the alarm, also opted for remote working, representing around 90% of those in Central Services and 53% of the Commercial Network (figures from late April). In the commercial network, a weekly shift system was set up in the sales teams, combining remote work with on-site work. Currently, teams are returning to on-site activity.

After more than two months since the start of the COVID-19 health crisis, staff are progressively returning to on-site activity, both in the commercial network and in corporate centres. An internal protocol was drawn up, defining the process of returning to on-site work, gradually and in a flexible way, and with strict observance of occupational risk prevention measures, as always prioritising employees and customers. The protocol is an ongoing document that is being worked on with worker representatives in the field of the Single Committee on Occupational Health and Safety, and is subject to the regulatory changes that could occur and the evolution of the health crisis.

Corporate buildings and InTouch centres

A progressive reincorporation of on-site activity is expected, up until reaching the percentage of reincorporated workforce allowed for by the restrictions and prevention measures, aligned with the indications of the health authorities and defined by CaixaBank on this basis. A prior test procedure is established for employees. If they choose not to take this test, they must fill out a self-declaration.

The following access and mobility measures will be implemented in centres: (i) access/departure will be carried out gradually in 30-minute periods; (ii) entry/exit points in the building will be limited; (iii) safety instructions will be installed; (iv) unnecessary movements will be avoided within the centres; (v) managers will establish the occupation levels of workplaces and will ensure compliance with distancing measures in force at any time.

Branch network

We are working on the progressive, gradual and flexible incorporation of the workforce, always maintaining the recommended technical and organisational measures on protection as an essential element.

Capacity will be established based on the situation of each branch, so that the safety distance in force is always maintained.

Workplaces must guarantee the protection measures needed to comply with the prevention requirement established by the health authorities and defined by CaixaBank. All public-facing workplaces must be equipped with protective screens, and those that cannot guarantee social distancing measures in place at any time must not be used.

Preferably, customers will book an appointment to visit a branch and each employee will organise the visiting schedule in advance.

Work-life balance and flexibility

Life moments are valued as a distinguishing experience by CaixaBank employees, and in particular we can highlight the Institution's adaptation to personal situations, and the institutional support it provides during the times when it is needed. This perception is caused by the significant number of measures that the Institution makes available to the whole workforce, and which are designed to facilitate work-life balance.

Faced with the pandemic, we implemented work-life balance measures in addition to those already in place, applicable from 11 May, subject to the organisational possibilities of the work centre in question and for those employees who have been unable to use their annual leave, having expired.

Recoverable paid leave:

Up until 30 September, it is possible to request recoverable paid leave, in writing and with due justification, or for full days, and limited to 100 hours.

Improvement on the legally established leave for looking after a minor:

Exceptionally, until 15 September, the age of minors that gives rise to this leave has increased to 14. When the child turns 14, if the need persists, employees must use the other measures in force at any time.

Unpaid leave 2020:

Until 30 September, due to extraordinary needs related to COVID-19, employees can request unpaid leave, subject to approval, of up to 3 months.

Holidays 2020:

To help achieve work-life balance, holidays in 2020 are not limited to the three periods established by internal regulations.

4.4 Strengthening the financial soundness of the Institution

Modification of the allocation of income from 2019

With a view to accommodate the bank's position to the new environment, in its meeting on 26 March 2020, the Board of Directors agreed to render the proposal to allocate the income from the financial year ending on 31 December 2019 null and void, which the Board of Directors had proposed on 20 February 2020, contained in the individual and consolidated income statement of CaixaBank corresponding to the year ending on 31 December 2019. This proposal included the payment of a dividend of €0.15 gross per share, in line with the CaixaBank Dividend Policy and the 2019-2021 Strategic Plan, which forecast the distribution of an amount of cash that was more than 50% of the consolidated net profit.

Within the framework of the measures adopted as a result of the situation created by COVID-19, and under an attitude of prudence and social responsibility, the Board of Directors, in the same meeting of 26 March 2020, agreed **to reduce the amount of the dividend from 0.15 to 0.07 euros per share, representing a payout of 24.6%.** The dividend was paid on 15 April, allocated to the profits of 2019. This is the only shareholder remuneration planned to be charged to 2019.

Profit/(loss) for the year (€)	2,073,521,148
To dividends (April 2020)	418,445,322
To voluntary reserve	1,655,075,826

€0.07/share
Shareholder returns corresponding to 2019

2.5%
Dividend yield
(of share price on 31.12.19)

With respect to the **dividend policy in force, consisting in the distribution of a cash dividend of more than 50% of consolidated net profit**, this is exclusively modified for 2020. The Board of Directors stated its intent to allocate at least an amount higher than 50% of consolidated net profit to the cash remuneration for future financial years, once the circumstances that led to the modification for 2020 have dissipated. Furthermore, it declared its will to distribute capital surplus above the CET1 capital adequacy ratio of 12%, as an extraordinary dividend and/or share buy-back.

This extraordinary payout of excess capital will be conditional on the macroeconomic situation in which the Group operates returning to normal and will not take place in any event before 2021.

These decisions were made based on the CaixaBank Group's solid position of capital adequacy and liquidity at 2019 year-end, with a CET1 capital ratio of 12.0%, which represented a management margin with respect to supervisory requirements of 3.25%, and a position of liquid assets at more than €89,000 million.

On 30 June 2020, CaixaBank continues to have a CET1 capital ratio of 12.3% and a total amount of liquid assets of €106,609 million.

Modification of the capital objectives

After considering the new regulatory and supervisory aspects, among others, the impact of the standards laid down in the Capital Requirements Directive V (CRD V) with regard to the composition of the Pillar 2 Requirement (P2R); the Board agreed to **reduce the target CET1 capital adequacy ratio established in the 2019-2021 Strategic Plan to 11.5% for December 2021**, rendering null and void the objective of a CET1 ratio of 12% plus a buffer of 1%, which was allocated to absorb the effects of implementing the Basel IV developments and other regulatory impacts, whose implementation is now estimated to be delayed.

Compensation package for Senior Management

Following a principle of prudence in variable remuneration, and as an act of co-responsibility between CaixaBank Senior Management and the Institution, the CEO and members of the Steering Committee decided to forego their 2020 variable compensation, both with respect to the annual bonus and their participation in the second cycle of the 2020 Long-Term Incentives Plan. In addition, it has been agreed not to propose the granting of shares in this second cycle of the Long-Term Incentives Plan for the other 78 managers included therein.

Increased provisions for credit risk

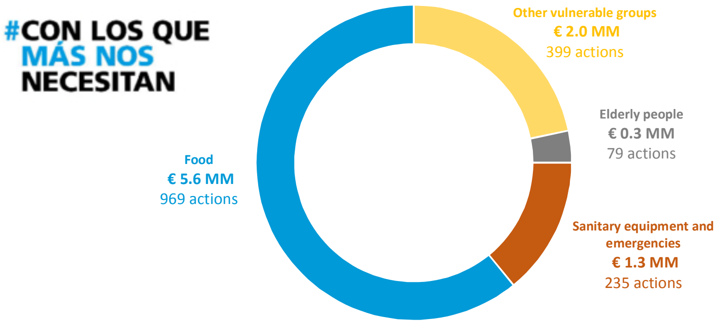
In the first half of 2020, CaixaBank strengthened its coverage for credit risk, **with an extraordinary provision of €1,155 million**, anticipating future impacts of COVID-19.

4.5 Social action

Thanks to its capillarity and proximity to people, the CaixaBank branch network is a very efficient medium for detecting needs, thus allowing it to allocate resources from the "la Caixa" Banking Foundation with a large impact on all territories where CaixaBank is present.

In this health and social crisis caused by COVID-19, CaixaBank has acted quickly, identifying social emergencies at all times and re-assigning resources to contribute to alleviating difficulties among the most vulnerable groups. In the moments when COVID-19 was most prominent, in our environment, the following actions were carried out:

#Decentralised Social Work channelling funds to urgent needs, €9.2 MM to 1,682 social actions, including:



#NoHomeWithoutFood (activity to help Food Banks): €2.3 MM collected and €1 MM contributed by the "la Caixa" Banking Foundation.

#New online activities from the "la Caixa" Volunteers Association: more than 400 activities with nearly 1,600 volunteers signed up.

#More than 192,000 solidarity phone calls have been made to customers over the age of 75.

#Distribution of more than 2,400 tablets, to more than 700 organisations that take in vulnerable people, in collaboration with Samsung Spain.

#ReUtilízame *(reuse me)*: 14 donations have been made to 13 different organisations by 5 business customers of CaixaBank, who have donated clothing, hygiene material and leisure materials to hospitals.

#WithOurTraditions: social communications to accompany our customers in the main traditional holidays taking place differently this year as a result of the pandemic.

Banco BPI

The collaboration between BPI and the "la Caixa" Banking Foundation have focused their action during this period on responding to the health and social crisis derived from COVID-19, conducting the following actions:

#Food emergency network: via RTP (Radio and Television of Portugal) association, society was mobilised to support the Food Emergency Network. €1.7 MM were donated.

#Donation of 526 tablets: in a joint work with the Ministry of Health, facilitating communication between patients and relatives.

#€1.8 MM for innovation projects linked to COVID-19, assigned via the express CaixaImpulse contest.

#Support to develop the Portuguese respirator in the CEiiA -*Centre for Engineering and Product Development*, with the contribution of €300,000.

#The 'BPI la Caixa' Awards were adapted to support the groups most affected by COVID-19, allocated to 5 social organisations, with a total provision of €3.75 MM.

#Support to artists with the initiative *Portugal #EntraEmCena*. The creation of this digital marketplace, in collaboration with the Ministry of Culture, allows artists to launch ideas and get investment.

5. Environmental strategy

POR UNA RECUPERACIÓN SOSTENIBLE

CaixaBank has joined the Manifesto for sustainable economic recovery. The manifesto aimed at the Social and Economic Reconstruction Committee has been created in the Congress of Deputies, and asks for stimulus policies derived from COVID-19 to not only be effective from an economic and social perspective, but also to be aligned with sustainability policies and the European Green Deal. The initiative has been promoted by the Spanish Green Growth Group, which CaixaBank is a part of.

In the same regard, CaixaBank has joined the Green Recovery Call to Action initiative, promoted by the European Parliament, which seeks to align the economic recovery plans in Europe with the Paris Agreements and a sustainable future.

Thus, with the environment being one of CaixaBank's strategic priorities, in the first half of 2020, we continued to intensively develop the 2019-2021 Road Map to advance with the implementation of the bank's environmental strategy.

CaixaBank is part of the CDP *Leadership* category

For the sixth consecutive year CaixaBank forms part of the CDP *Leadership* category (A-). This puts it in the top 23% of the most active banks in terms of the fight against climate change. CDP performs an assessment of internal environmental management (70%) and environmental risk management (30%).

Analysis of Climate Change Scenarios

Since mid-2019, CaixaBank has been collaborating with the second pilot project of the United Nations Environment Programme Finance Initiative (UNEP FI) to implement the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) in the banking sector (TCFD Banking Pilot Phase II). Within the framework of this project, and following the methodology proposed by the UNEP FI, CaixaBank is undertaking a climate risk analysis pilot for the most relevant sectors of its credit portfolio, from a perspective of climate transition risk, performing an analysis of qualitative and quantitative scenarios.

The qualitative analysis hones in on the sectors of Energy, Transportation and Construction to identify the sectors potentially most affected by transition risk through the study of the main variables, establishing sensitivity heat maps for different time horizons (2025, 2030 and 2040), geographies and climate scenarios, taking into account the characteristics of the CaixaBank credit portfolio.

The quantitative analysis is conducted for the Energy sector, differentiating between oil & gas and power utilities. We are evaluating how climate transition risk may be reflected in the main financial magnitudes of a sample of businesses from these sectors in the short, medium and long term (2025, 2030 and 2040) in the strictest transition scenario, 1.5°C, which limits the increase of the average global temperature to 1.5°C above pre-industrial levels. To do this, the predictions of the REMIND model of the Potsdam Institute for Climate Impact Research (PIK) are used as a basis. This is an IAM (Integrated Assessment Models) model, which integrates climate models with macroeconomic models. The study involves a detailed analysis of the strategies for transitioning towards a low-carbon economy among the various companies of the sample, both through the study of public information and through the engagement process, conducting meetings with the businesses involved to discuss their positions in terms of climate change.

The ongoing pilot is the first step in deploying the analysis of scenarios in a recurring way. On the basis of the pilot, the scenario analysis will be extended both to other exposures of the Energy sector and other relevant sectors in terms of climate risks. Furthermore, we will monitor the path of decarbonisation on the basis of the strategic plans of the main companies of the sectors analysed to ensure the resilience of the Institution's strategy.

Environmentally sustainable financing

During the first half of 2020, CaixaBank continued to finance environmentally sustainable activities:

- Real estate developments with an energy efficiency rating of A or B have been formalised for €574 MM.
- The Institution participated in financing 12 renewable energy projects for €908 MM.
- CaixaBank has signed 8 loans with a volume of €867 MM, whose conditions are attached to ESG indexes conducted by independent entities recognising good sustainability performance among companies.
- The Company has granted loans for €28 MM in consumer and Agrobank ecofinancing lines.
- With regard to Green Loans, such as Lead Bank, CaixaBank ranks 2nd in Europe in terms of volume, at 383 million USD.
- Similarly, in the field of operations of the Green activity and ESG Loans, according to Refinitiv, in the first half of the year, as the Mandated Lead Arranger, CaixaBank ranked 9th in the world in terms of number of operations and 12th for volume, with 18 operations for 1,654 million USD.
- Additionally, in the first half of 2020, CaixaBank participated in the placement of 5 green bonds for the amount of €3,700 MM (€2,550 MM in the whole 2019).

In this field, we can highlight the signing of the first sustainable factoring agreement in Spain. The operation stands out as it includes sustainability criteria in the pricing policy of this short-term financing method.

The inclusion of ESG criteria (environmental, social and governance) means that the factoring conditions will improve according to the sustainability rating of the client company. This evaluation, which is conducted each year by an external consultant, considers the company's behaviour in the environment (GHG emissions, energy consumption, etc.), the social sphere (relationship with the community and stakeholders) and in terms of governance.

In BPI, the total environmentally sustainable financing granted in the first six months amounts to €38 MM.

Minimise the environmental impact

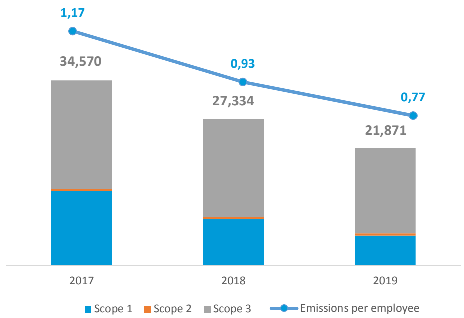
One of the priorities of the institution's environmental strategy is the minimisation of its carbon footprint and continual improvement in its environmental and energy management. In this context, in the first half of 2020, CaixaBank, S.A. offset all the calculated CO_2 emissions corresponding to the bank and the previous year, thus making it a carbon neutral company for the third year in a row. These emissions amount to 21,871 tonnes of CO_2, which represents a 20% decrease with respect to 2018, and an accumulated reduction of 80% compared with 2009, the base year of the calculation (the first year for which there are records).

To offset them, CaixaBank, S.A. purchased carbon credits certified under the VCS (Verified Carbon Standard), corresponding to a sustainable forest management project (REDD+)[1] located in the state of Pará, in the eastern Amazon region of Brazil. Additionally, it also used emission credits obtained from two of its own reforestation projects, a forest in Ejulve (Teruel) and another in Montserrat (Barcelona).

Reduction of CO_2 emissions (CaixaBank, S.A.)

-20% with respect to 2018 and **- 80%** with respect to 2009

Evolution of CO_2 emissions (tonnes of CO_2), CaixaBank, S.A.



100% emissions offset

[1] REDD+ (*Reducing Emissions from Deforestation and Degradation*): rating promoted by the United Nations for projects against deforestation and degradation, and those that also involve conservation; the creation of job positions and community development, and the extension of forest carbon stock, among others benefits.

6. Income statement and financial information

Segmentation of businesses

For the purpose of presenting the financial information, the Group is set up with following business sectors:

Banking and Insurance: 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. It also includes the business acquired by CaixaBank from BPI during 2018 (insurance, asset management and cards) as well as the non-core real estate business (with the exception of Coral Homes) after the sale of 80% of this business in 2018.

Equity investments: This line of business essentially shows earnings on dividends and/or equity-accounted profits from the stakes, as well as the Trading income, held in Erste Group Bank, Telefónica, BFA, BCI and Coral Homes (since 1 January 2019). Similarly, it includes the significant impacts on income of other relevant stakes acquired in various sectors.

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).

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

N.B. Further information in the Q2 Activity and Income Report in the following link https://www.caixabank.com/informacion-para-accionistas-e-inversores/informacion-economicofinanciera/resultados-trimestrales/2020_en.html.

€ millions	1H2019	1H2020 (breakdown by business segment)			
	Group	Group	Banking and insurance	Investments	BPI
Net interest income	**2,478**	**2,425**	**2,254**	**(47)**	**217**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	370	191	85	97	9
Net fees and commission income	1,248	1,266	1,148		118
Gains/losses due to financial assets and liabilities and others	261	142	160	(6)	(12)
Income and expense under insurance and reinsurance contracts	264	292	292		
Other operating income and expense	(176)	(199)	(178)		(20)
Gross income	**4,445**	**4,117**	**3,760**	**45**	**312**
Recurring administrative expenses, depreciation and amortisation	(2,408)	(2,345)	(2,118)	(2)	(225)
Extraordinary expenses	(978)	-			
Operating income/loss	**1,059**	**1,772**	**1,643**	**43**	**87**
Allowances for insolvency risk	(204)	(1,334)	(1,315)		(19)
Other charges to provisions	(91)	(184)	(183)		(1)
Gains/(losses) on disposal of assets and others	(38)	(49)	(50)		1
Profit/loss before tax	**726**	**204**	**94**	**43**	**67**
Income tax	(104)	(1)	9	12	(22)
Profit for the period	**622**	**203**	**103**	**55**	**45**
Profit/loss attributable to minority interests and others	-	(1)	(1)		
Profit/loss attributable to the Group	**622**	**205**	**105**	**55**	**45**
Cost-to-Income Ratio	*67.0%*	*56.9%*			
Cost-to-income ratio excluding extraordinary expenses	*55.4%*	*56.9%*			
ROE	*4.9%*	*4.7%*			
ROTE	*5.9%*	*5.6%*			
ROA	*0.3%*	*0.3%*			
RORWA	*0.8%*	*0.8%*			

Results

The attributed earnings are €205 million in the first half of 2020, 67.0% less than the same period in 2019.

Core earnings[1] show a slight reduction in the year at €4,064 million (-0.5%), despite the difficult associated with the current economic context. Net interest income fell (-2.1%), and there was a strong evolution of fee and commission income (+1.5%), as well as of income and expenses under the framework of insurance contracts (+10.5%).

In the evolution of Gross income (-7.4%), the following are particularly influential: (i) the reduction of Trading income (in the first half of 2019, materialisation of fixed income gains); (ii) lower income attributed to investee companies as a result of the current economic context.

Recurring administrative expenses, depreciation and amortisation have been reduced by 2.6% following intense cost base management, with a reduction greater than the loss of core income. In the second quarter of 2019, the agreement reached with worker representatives on a compensated termination plan for €978 million gross was registered.

The performance of Losses due to the impairment of financial assets is impacted by the further provisions for credit risk, which includes an extraordinary provisions to anticipate future impacts associated with COVID-19 for €1,155 million.

Other charges to provisions include the allocation of €109 million associated to pre-retirements.

[1] Includes net interest income, fee and commission income, income from the life-risk insurance business, the income resulting from the equity method of SegurCaixa Adeslas and income from investee insurance companies of BPI.

Net interest income

Net interest income amounts to €2,425 million (-2.1% compared with the first half of 2019). In an environment of negative interest rates, this decrease can be attributed to: (i) diminished income from loans and advances due to a reduced rate, affected by the change of structure of the credit portfolio (increase in ICO loans), due to reduced income from consumer credit and the decline in the interest rate curve. This decline of the interest rate has been partially offset by increased volume; (ii) smaller contribution of the fixed income portfolio due to a reduced average rate, partially mitigated by greater volume.

These effects have been partially offset by: (iii) reduction in the cost of credit institutions, which benefited from the measures taken by the ECB in October 2019 (increase in the excess above the cash ratio not penalised with negative rates), and due to increased financing taken with the ECB with better conditions; (iv) saving in the costs of institutional financing due to a price drop as a result of the curve decline; (v) slight drop in the cost of retail financing; (vi) greater contribution of the insurance business.

€ millions	1H2020		1H2019	
	Average balance	% rate	Average balance	% rate
Financial Institutions	26,463	0.89%	27,730	0.66%
Loans and advances (a)	219,580	2.07%	211,798	2.27%
Debt securities	41,962	0.66%	37,915	0.97%
Other assets with returns	64,003	2.57%	58,341	2.96%
Other assets	59,328		64,498	-
Total average assets (b)	**411,336**	**1.63%**	**400,282**	**1.78%**
Financial Institutions	40,337	0.36%	42,362	0.63%
Retail customer funds (c)	222,257	0.02%	210,016	0.03%
Wholesale marketable debt securities & other	30,152	0.76%	27,719	0.90%
Subordinated debt securities	5,400	1.35%	5,400	1.38%
Other funds with cost	72,483	1.80%	66,862	2.10%
Other funds	40,707		47,923	-
Total average funds (d)	**411,336**	**0.45%**	**400,282**	**0.53%**
Customer spread (a-c)		**2.05%**		**2.24%**
Balance sheet spread (b-d)		**1.18%**		**1.25%**

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. The heading of financial intermediaries on the assets side incorporates negative interests of financial intermediaries on the liabilities side, whereby income from ECB financing measures are the most significant (TLTRO and MRO). 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 funds" correspond to balances with returns/cost. "Other assets" and "Other funds" 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.

Fees and commissions

Fee and commission income amounts to €1,266 million, +1.5% compared with the first half of 2019. The decreased economic activity (from the second half of March 2020 onwards) and the impact of the markets influence their evolution.

In the evolution of recurring bank fees (-4.6% compared with the first half of 2019), essentially this is a question of lower fees from payment methods, given that the other concepts of fee and commission income have shown strong resistance to reduced economic activity. Positive behaviour in the first half of the year, specifically in Q2 2020, of non-recurring fees from investment banking, mitigates the aforementioned diminishment. Thus, total banking fees have increased 0.7% year-on-year.

Fees from the sale of insurance products have decreased since 2019 (-11.3%), primarily due to reduced commercial activity.

Fee and commission income from investment funds, portfolios and SICAVs show year-on-year growth of 4.3%, despite the volatility of the markets in 2020.

Fees for managing pension plans have also grown 2.6% compared with the same period last year, basically due to an increase in average net assets.

The positive evolution of Unit Link fees compared with the first half of 2019 (+20.8%) is essentially due to the greater volume managed, despite the market drop.

€ millions	1H2020	1H2019
Banking services, securities and other fees	725	719
of which: recurring (transaction processing, risk activities, deposit management, payment methods)	*625*	*654*
of which: non-recurring (investment banking)	*100*	*65*
Insurance sales	97	110
Investment funds, portfolios and SICAVs	268	257
Pension plans	107	105
Unit Linked and Flexible Investment Life (the managed part)	69	57
Net fees and commission income	**1,266**	**1,248**

Administration and amortisation expenses

The year-on-year evolution of recurring administrative expenses, depreciation and amortisation (-2.6%) includes the management of the cost base. Personnel expenses have fallen by 4.6%, following savings associated to the 2019 labour agreement and 2020 pre-retirements[1], among other things, offsetting natural growth factors. The increase in depreciation and amortisation (+4.4%) incorporates the effort to invest in projects to transform the institution throughout last year.

The effort to reduce costs, with a year-on-year reduction of 2.6%, greater than the loss of core income (-0.5%), impacted by the current context.

€ millions	1H2020	1H2019
Gross income	**4,117**	**4,445**
Staff expenses	(1,454)	(1,524)
General expenses	(619)	(624)
Depreciation and amortisation	(272)	(260)
Recurring administrative expenses, depreciation and amortisation	**(2,345)**	**(2,408)**
Extraordinary expenses		**(978)**

[1] As of 1 April 2020, effective departure of employees related with the retirement agreement

Losses due to the impairment of financial assets

Losses due to the impairment of financial assets amount to -€1,334 million (-€204 million in the first half of 2019).

In the first half of 2020 the Group has changed the macroeconomic scenarios and the weighting established for each scenario employed in the estimate of expected loss due to credit risk. For this purpose, internal economic projection scenarios based on the impact of the Covid-19 health crisis on the economy and different levels of severity have been used. Combining scenarios allows reducing the uncertainty of projections in the current context, although these provisions will be updated in coming quarters based on new available information.

As a result, a provision was recorded for credit risk at €1,155 million, €755 million of which was allocated to the second quarter following a review of the scenarios. In this second quarter the weight provided to macroeconomic projections with a lesser contextual bias was discarded.

The cost of risk (12 months) is 0.61% and the cost of risk of the half of the year, annualised, is 1.06%.

Balance sheet

€ millions	31.12.19	30.06.20 (breakdown by business segment)			
	Group	Group	Banking and insurance	Investments	BPI
Total assets	391,414	445,572	404,867	3,890	36,815
Total liabilities	366,263	421,179	384,228	3,086	33,865
Equity	25,151	24,393	20,614	804	2,950
Capital assigned to the businesses	100%	100%	85%	3%	12%

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

During 2020, the allocation of capital to the Investments business has been adapted to the Group's new capital objective to maintain a Common Equity Tier 1 (CET1) regulatory ratio of 11.5% (12% in 2019), and considers both the consumption of equity for risk-weighted assets at 11.5% and the 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 this business.

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

Customer funds

Customer funds amount to €400,675 million on 30 June 2020 (+4.3% in the year).

On-balance sheet funds amount to €294,288 million (+6.1% in the year), including:

- Growth of demand deposits up to €209,341 million. Its evolution (+10.4%) was down to the strength of the franchise in a context in which families and businesses have managed their liquidity needs, and the usual seasonal effect of double salary payments in the second quarter of each year.

- Term deposits are at €25,581 million (-11.7%). Their performance continues to be marked by the reduction of deposits against a backdrop of rock-bottom interest rates on renewal of maturities.

- The increase of liabilities under insurance contracts[2] in the year (0.4%) reflects the progressive recovery of the market in the second quarter in terms of the valuation of the Unit Links, whereby the positive net subscriptions both in the Unit Links and the rest of the insurance products throughout the six-month period is notable.

Assets under management stand at €98,573 million. Its decrease over the year (-3.7%) is determined, practically in its entirety, by the fall in the markets recorded in the first quarter and its partial recovery in the second. The assets managed in investment funds, portfolios and SICAVs stand at €65,619 million (+3.8% in the year). Pension plans stand at €32,954 million (-2.3% over the year).

Other accounts mainly includes temporary funds associated with transfers and collections, whose progress in the second quarter is due, among other reasons, to the collection of the income tax campaign coinciding with the end of the quarter.

€ millions	31.12.19	30.06.20 (breakdown by business segment)		
	Group	Group	of which: banking and insurance	of which: BPI
Customer funds	218,532	234,922	210,195	24,727
Demand deposits	*189,552*	*209,341*	*192,914*	*16,427*
Time deposits [1]	*28,980*	*25,581*	*17,281*	*8,300*
Liabilities under insurance contracts	57,446	57,700	57,700	
Repurchase agreement and others	1,294	1,666	1,650	16
On-balance sheet funds	**277,272**	**294,288**	**269,545**	**24,743**
Mutual funds, managed accounts and SICAV's	68,584	65,619	60,649	4,970
Pension plans	33,732	32,954	32,954	
Assets under management	**102,316**	**98,573**	**93,603**	**4,970**
Other accounts	**4,698**	**7,814**	**6,376**	**1,438**
Total customer funds	**384,286**	**400,675**	**369,524**	**31,151**

[1] Includes retail debt securities amounting to €1,474 million at 30 June 2020.

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

Loans and advances to customers

Gross loans and advances to customers stand at €242,956 million (+6.8% in the first half of 2020). The strong growth of loans to business is notable, as well as the seasonal effect of the early payment to pensioners in June for the amount of €1,824 million (+6.0% annual growth excluding this latter impact).

Loans for home purchases (-1.9% over the year) continue to be marked by the deleveraging of families, in line with the trend of previous quarters, accented by the reduction in mortgages as a result of the situation of recent months.

Loans and advances to individuals – other purposes has increased by 4.1% in the year. In the second quarter of 2020 there was growth of 5.8%, among other factors, due to the granting of financing to the self-employed with a government guarantee (ICO) for the amount of €944 million and the advance double payment of pensions in June.

The decline in consumer credit (-2.8% in the first half of 2020) can be explained by the restraint in consumerism during the state of alarm, despite the strong commercial activity during the first months of the year and the signs of recovery in June following the start of the de-escalation period.

Business financing grew 15.9% in the year. At the end of Q1 2020 there was significant growth in response to the demand for loans and advances, in a context in which businesses anticipated their liquidity needs for subsequent quarters.

In the second quarter, loans to businesses grew 12.5%, particularly due to the granting of government-backed financing for the amount of €9,491 million (which in Spain corresponds to €9,168 million in ICO loans).

Loans to the public sector has increased 9.9% over the year, impacted by singular operations essentially granted up to February.

€ millions	31.12.19	30.06.20 (breakdown by business segment)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	124,334	124,152	110,861	13,291
Home purchases	*88,475*	*86,828*	*75,199*	*11,629*
Other	*35,859*	*37,325*	*35,662*	*1,662*
of which: consumer lending	*14,728*	*14,320*	*12,967*	*1,353*
Loans to businesses	91,308	105,870	96,091	9,779
Corporates and SME's	*85,245*	*99,761*	*90,186*	*9,575*
Real estate developers	*6,063*	*6,109*	*5,905*	*204*
Public sector	11,764	12,934	11,072	1,862
Loans and advances to customers, gross	**227,406**	**242,956**	**218,024**	**24,932**
Provisions for insolvency risk	(4,704)	(5,655)	(5,105)	(550)
Loans and advances to customers (net)	**222,702**	**237,301**	**212,920**	**24,382**
Contingent liabilities	16,856	17,305	15,767	1,538

Details of government-backed financing granted under the state guarantee schemes implemented in the context of Covid-19:

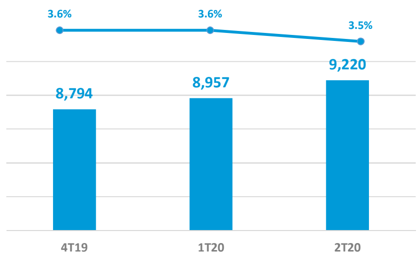
€ millions	30.06.20		
	Total	Spain (ICO)	Portugal
Loans to individuals	1,014	1,014	
Others (self-employed)	*1,014*	*1,014*	
Loans to businesses	9,878	9,555	323
Corporates and SME's	*9,834*	*9,513*	*321*
Real estate developers	*44*	*42*	*2*
Public sector	2	2	
Loans and advances to customers, gross	**10,894**	**10,571**	**323**

Asset quality

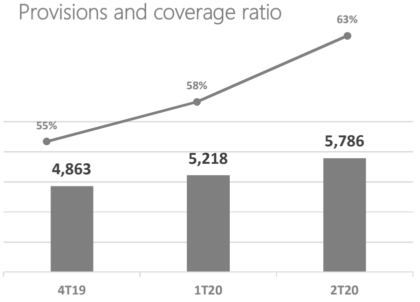
The non-performing loan ratio has reduced to 3.5% (-6 base points over the year, -3 of which corresponds to the seasonal effect of the early payments to pensioners). Non-performing loans increased by €426 million over the year, essentially due to reduced recovery activity during the state of alarm. The coverage ratio increased to 63% (+8 percentage points in the year following the strengthening of provisions).

%	31.12.19	30.06.20 (breakdown by business segment)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	4.4%	4.6%		
Home purchases	*3.4%*	*3.6%*		
Other	*6.7%*	*7.0%*		
of which: consumer lending	*4.0%*	*5.0%*		
Loans to businesses	3.2%	3.0%		
Corporates and SME's	2.9%	2.6%		
Real estate developers	8.0%	7.9%		
Public sector	0.3%	0.3%		
NPL ratio (loans + guarantees)	**3.6%**	**3.5%**	**3.6%**	**2.8%**
NPL coverage ratio	**55%**	**63%**	**61%**	**81%**

Non-performing loans balance and ratio



Provisions and coverage ratio



N.B. Figures include account loans and contingent liabilities.

Breakdown of moratoriums

Below are the moratoria requests[1] approved and under analysis on 30 June 2020:

€ millions	30.06.20					
	Spain		Portugal		Total	
	Operations	Amount	Operations	Amount	Amount	% of portfolio
Moratoriums to individuals	355,545	9,778	73,288	3,070	12,848	10.3%
Home purchases	*75,279*	*6,790*	*40,946*	*2,615*	*9,404*	*10.8%*
Other	*280,266*	*2,989*	*32,342*	*455*	*3,444*	*9.2%*
of which: consumer lending	*232,402*	*1,103*	*30,531*	*364*	*1,467*	*10.2%*
Moratoriums to businesses	1,943	70	32,081	2,565	2,634	2.5%
Corporates and SME's	*1,786*	*57*	*32,036*	*2,543*	*2,600*	*2.6%*
Real estate developers	*157*	*13*	*45*	*22*	*35*	*0.6%*
Moratoriums to public sector	-	-	2	16	16	0.2%
Approved moratoriums	**357,488**	**9,848**	**105,371**	**5,650**	**15,498**	**6.4%**
In analysis moratoriums[2]	54,614	1,173	1,693	78	1,251	-
Total moratoriums	**412,102**	**11,021**	**107,064**	**5,728**	**16,749**	**6.9%**

[1]. Moratoria according to RDL 8/2020, 11/2020 or Sector Understanding.

[2] Moratoria under review refers to moratorium requests pending approval (excludes operations that have been rejected, cancelled or withdrawn by the customer)

Liquidity

The Bank manages the liquidity risk to maintain sufficient liquidity levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework.

Note 3.3 'Liquidity risk' of the report of these six-month accounts describes the Institution's strategic principles, risk strategy and liquidity and financing risk appetite.

Total liquid assets stand at €106,609 million on 30 June 2020, with a growth of €17,182 million over the year, primarily due to the generation and contribution of collateral to the ECB facility.

The Liquidity Coverage Ratio of the Group (LCR) on 30 June 2020 is of 283%, showing a liquidity position comfortable (198% last average LCR 12 months), well above of the minimum required of 100%.

The Net Stable Funding Ratio (NSFR)[1] stands at 140% on 30 June 2020, above the regulatory minimum of 100%, required from June 2021.

The balance drawn from the ECB facility on 30 June 2020 stands at €49,725 million, corresponding to TLTRO III. In the first quarter of 2020, €1,409 million of TLTRO II were repaid early, an extraordinary LTRO of €21,500 million and $2,000 million of ECB financing was amortised, and €40,700 million was drawn under TLTRO III.

CaixaBank has a solid retail financing structure with a loan to deposits ratio of 100%, whilst institutional financing stands at €33,340 million. Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €2,900 million at the end of June 2020.

[1] Since 30 June 2019, the regulatory criteria established in Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, have been applied. The regulation comes into force in June 2021 (better understanding of the application of these criteria). The aforementioned calculations follow the criteria laid down by Basel.

Capital management

The Common Equity Tier 1 (CET1) ratio stands at 12.3%. The first half includes +32 basis points from the one-off impact of reducing the established dividend against 2019 earnings, as one of the measures adopted by the Board of Directors due to Covid-19. The organic generation of capital has remained stable, the forecast of dividends resulted in -6 basis points and market and other influenced in -49 basis points. The adoption of the transitional period of IFRS 9 have had an effect of +48 basis points. The CET1 ratio without applying the IFRS 9 transitional period stands at 11.8%.

The measures approved by the CRR 2.5 have had an impact of +37 basis points in CET1: +22 basis points due to changes in the method for calculating the IFRS 9 transitional adjustment and +15 basis points due to the drop of €1,800 million of risk-weighted assets as a result of the reduction factors of capital consumption in loans for SMEs and infrastructure projects.

As for the MREL requirement (22.7% of RWAs and 10.6% on TLOF at a consolidated level as of 31 December 2020), CaixaBank had a ratio of 22.6% on RWA and 9.0% on TLOF at 30 June, considering all liabilities currently classified as eligible by the Single Resolution Board. Including the new issue of the social bond carried out in July for €1,000 million in Senior preferred debt, the pro-forma MREL ratio would be 23.3%. At a subordinated level, including only Senior non-preferred debt, the MREL ratio reached 19.8%.

€ millions	30.06.20	31.12.19
CET1 Instruments	24,646	24,114
Shareholders' equity	*25,996*	*26,247*
Capital	*5,981*	*5,981*
Profit/(loss) attributable to the Group	*205*	*1,705*
Reserves and other	*19,811*	*18,561*
Other CET1 instruments1	*(1,350)*	*(2,133)*
Deductions from CET1	(6,538)	(6,327)
CET1	**18,108**	**17,787**
AT1 instruments	2,237	2,236
AT1 Deductions		
TIER 1	**20,345**	**20,023**
T2 instruments	3,196	3,224
T2 Deductions		
TIER 2	**3,196**	**3,224**
TOTAL CAPITAL	**23,541**	**23,247**
Other computable subordinated instruments MREL	5,667	5,680
MREL, subordinated	**29,208**	**28,927**
Other computable instruments MREL2	4,111	3,362
MREL	**33,319**	**32,289**
Risk-weighted assets	147,334	147,880
CET1 Ratio	12.3%	12.0%
Tier 1 Ratio	13.8%	13.5%
Total Capital Ratio	16.0%	15.7%
MDA Buffer	5,480	4,805
MREL Ratio, subordinated	19.8%	19.6%
MREL Ratio	22.6%	21.8%
Leverage ratio	5.1%	5.9%

Glossary – Alternative Performance Measures (APMs) definition

Non-financial information

Digital customers; (i) Spain: digital customers between the age of 20 and 74 years who have been active in the last 12 months. As a percentage of all customers. (ii) Portugal: active clients in BPI Net, BPI App, BPI Net Businesses o App BPI Businesses in the last 90 days over total clients.

Clients: any natural or legal person with a total position equal to or greater than €5 in the Entity that has made at least two non-automatic movements in the last two months.

Employees: active or structural workforce at year-end. Absences, partial retirees, non-computable staff, staff in centers pending destination, grant holders and ETTs are not considered.

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.

Micro-credits: collateral-free loans of up to €25,000 granted to individuals whose economic and social circumstances make access to traditional bank financing difficult. Its purpose is to promote productive activity, job creation and personal and family development. Other financing with social impact: loans that contribute to generating a positive and measurable social impact on society, aimed at sectors related to entrepreneurship and innovation, the social economy, education and health. Its aim is to contribute to maximising social impact in these sectors.

Branches: number of total centres. It includes retail branches and other specialised segments. It does not include windows (public service centres that are displaced, lack a main manager and are dependent on another main branch). It does not include branches and offices outside Spain or virtual/digital offices

N.B. Further information in the Q2 Activity and Income Report in the following link https://www.caixabank.com/informacion-para-accionistas-e-inversores/informacion-economicofinanciera/resultados-trimestrales/2020_en.html.

Financial information

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

Customer spread: this is the difference between; (i) average rate of return on loans (income from loans and advances to customers divided by the net average balance of loans and advances to customers and; (ii) average rate for retail customer funds (cost of retail customer funds divided by the average balance of those same retail customer funds, excluding subordinated liabilities).

Balance sheet spread: this is the difference between; (i) average rate of return on assets (interest income divided by total average assets); (ii) average cost of funds (interest expenses divided by total average funds).

ROE: profit attributable to the Group (adjusted by the amount of the *Additional Tier 1* coupon, reported in shareholders' equity) divided by average shareholder equity plus valuation adjustments for the last 12 months. Allows the Group to monitor the return on its shareholders' equity.

ROTE: quotient between: (i) profit attributable to the Group (adjusted by the amount of the *Additional Tier 1* coupon reported in shareholder equity); (ii) 12-month average shareholder equity plus 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). Metric used to measure the return on a company's tangible equity.

ROA: quotient between the net profit (adjusted by the amount of the *Additional Tier 1* coupon, reported in shareholder equity) and the average total assets, from the last twelve months.

RORWA: quotient between the net profit (adjusted by the amount of the *Additional Tier 1* coupon, reported in shareholder equity) and the average risk-weighted total assets, from the last twelve months.

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

Risk management

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

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 and advances to customers and contingent liabilities, using management criteria.

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.

Liquidity

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).

Loan-to-deposits: quotient between net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions), and on- balance sheet customer funds. Metric showing the retail funding structure (allows us to value the proportion of retail lending being funded by customer funds).

Other relevant indicators

Core income: includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for SegurCaixa Adeslas and income from the insurance investees of BPI.

TBVPS (Tangible book value per share): quotient between equity less minority interests and intangible assets and the number of fully-diluted outstanding shares at a specific date.

Adaptation of the structure of the publicly reported 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 compulsorily measured 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).

Administrative expenses, depreciation and amortisation. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Operating income/(loss)

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

Allowances for insolvency risk and charges to 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 or net profit or loss due to a change.
- Provisions/(reversal) of provisions.

Of which: Allowances for insolvency risk.

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

Of which: Other charges to provisions.

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

Gains/(losses) on disposal 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 2020 € million	
Financial assets at amortised cost - Customers (public balance sheet)	**236,291**
Reverse repo (public and private sector)	(866)
Clearing houses	(1,084)
Other non-retail financial assets	(226)
AFinancial assets not designated for trading compulsorily measured at fair value through profit or loss - Loans and advances to customers (public balance sheet)	**143**
Fixed-income bonds considered retail financing (Financial assets at amortised cost Debt securities on the public balance sheet)	**2,663**
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	**381**
Provisions for insolvency risk	**5,655**
Gross loans to customers with management criteria	**242,956**

Liabilities under insurance contracts

June 2020 € millions	
Liabilities under the insurance business (Public Balance Sheet)	**70,769**
Capital gains/(losses) associated with the assets of the insurance business (excluding unit linked)	(13,069)
Liabilities under the insurance business, using management criteria	**57,700**

Customer funds

June 2020 € millions	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	**238,674**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	(3,559)
Multi-issuer covered bonds and subordinated deposits	(2,553)
Counterparties and others	(1,006)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	1,474
Retail issuances and other	1,474
Liabilities under insurance contracts under management criteria	**57,700**
Total on-balance sheet customer funds	**294,288**
Assets under management	**98,573**
Other accounts[1]	**7,814**
Total customer funds	**400,675**

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