Interim Consolidated Management Report

January – June 2021

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The purpose of this document is purely informative, and it does not claim to provide a financial advisory service or the offer of a sale, exchange, acquisition or invitation to acquire any kind of securities, product or financial services of CaixaBank, S.A. (hereinafter, CaixaBank, the Entity or CABK), or of any other companies mentioned within it. Anyone who purchases a security at any time must do so solely on the basis of their own judgment or the suitability of the security for their own purposes, and exclusively on the basis of the public information set out in the public documentation drawn up and registered by the issuer in the context of this specific information, availing themselves of advice if they consider this necessary or appropriate in accordance with the circumstances, and not on the basis of the information set out in this document.

This document may contain statements on forecasts and estimates with respect to businesses and future performance, particularly in relation to financial information on investee companies, which has been drawn up primarily on the basis of estimates made by the Institution. These forecasts and estimates represent the current judgments of the Institution with respect to future business expectations, but certain risks, uncertainties and other relevant factors may mean that results are materially different from expected. These variables include market conditions, macroeconomic factors, regulatory and government requirements; fluctuations in national or international stock markets or in interest and exchange rates; changes in the financial position or our customers, debtors or counterparties, and so forth. These risk factors, together with any others mentioned in past or future reports, could adversely affect our business and the levels of performance and results described. Other unknown or unforeseeable factors could also make the results or outcome differ significantly from those described in our projections and estimates.

Past financial statements and previous growth rates should not be considered a guarantee of the evolution, future results, behaviour, or price of shares. Nothing contained in this document should be construed as constituting a forecast of future results or profit. Additionally, it should be taken into account that this document has been prepared based on the accounting records held by CaixaBank and, where applicable, for the rest of the companies integrated into the Group (hereinafter, the Group or CaixaBank Group), and includes certain adjustments and reclassifications whose purpose is to homogenise the principles and criteria used by the integrated companies with those of CaixaBank. Therefore, in specific relation to BPI, S.A. (hereinafter, BPI), certain aspects of the information provided herein may not match the information reported by this bank.

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 € million.

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 2020 Consolidated Management Report written by the Board of Directors on 18 February 2021.

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

From 1 January 2021 until the time that this report was written, no significant events took place in terms of the development of the Group, not mentioned herein.

1. Fundamental corporate indicators

	30.06.2021	31.12.2020
Líder en banca y seguros		
Clientes (MM)	21.0	15.2
Clientes España	*19.1*	*13.4*
Clientes Portugal	*1.9*	*1.9*
Cuotas de mercado en España		
Créditos a hogares y empresas	24.9%	15.9%
Crédito al consumo	21.3%	16.1%
Crédito finalidad vivienda	26.6%	15.2%
Depósitos de hogares y empresas	25.1%	16.0%
Ahorro a largo plazo[1]	29.3%	23.4%
Planes de pensiones	33.7%	26.3%
Fondos de inversión	24.9%	17.7%
Seguros de vida	32.7%	26.3%
Seguros de ahorro[1]	33.0%	29.9%
Seguros vida-riesgo[1]	29.0%	21.5%
Seguros de salud[1]	28.9%	29.5%
Facturación de tarjetas	33.4%	23.2%
Facturación de TPVs	37.5%	26.4%

1. A marzo 2021

	30.06.2021	31.12.2020
Cuotas de mercado en Portugal		
Créditos[1]	10.8%	10.7%
Crédito finalidad vivienda[1]	12.4%	12.3%
Depósitos[1]	10.8%	10.6%
Domiciliación de nóminas[2]	9.8%	9.8%
Fondos de inversión (incluye PPRs)[1]	18.1%	18.7%
Seguros de capitalización (inlcuye PPRs)[1]	11.6%	11.5%

1. A mayo 2021 2. A marzo 2021

	30.06.2021	31.12.2020
Innovación, multicanalidad y digitalización		
CaixaBank España		
Clientes digitales (Clientes Now) (MM)	10.4	6.9
Clientes digitales (Clientes Now)	70.6%	67.7%
Clientes que se conectan diariamente (MM, media 12 meses)[1]	2.7	2.5
Clientes inTouch (MM)	2.2	1.4
Clientes imagin[2]	3.0	3.0

1. Perímetro pre-integración

2. Incluye 1,8 MM de clientes mayores de 18 años, 1,1 MM clientes menores y usuarios registrados no clientes.

	30.06.2021	31.12.2020
BPI		
Clientes digitales (BPI Net)	49.4%	46.7%
Balance y actividad (MM€)		
Activo total	674,088	451,520
Patrimonio neto	34,571	25,278
Recursos de clientes	600,993	415,408
Crédito a la clientela, bruto	363,012	243,924
Activos bajo gestión	151,456	106,643
Fondos de inversión	*105,040*	*71,315*
Planes de pensiones	*46,416*	*35,328*
Ratios bursátiles		
Cotización (€)	2.594	2.101
Capitalización bursátil (MM€)	20,890	12,558
Valor teórico contable tangible (€/acción)	3.65	3.49
P / VC tangible (valor cotización s/ valor contable tangible)	0.71	0.60
Beneficio neto atribuido por acción (€/acción) (12 meses)	0.37	0.21
PER (Precio /Beneficios; veces)	7.02	10.14

	30.06.2021	31.12.2020
Gestión del riesgo		
Ratio de morosidad	3.60%	3.30%
Dudosos	14,005	8,601
Ratio de cobertura de la morosidad	64%	67%
Provisiones	9,001	5,755
Coste del riesgo (últimos doce meses)[1]	0.31%	0.75%
Holgada liquidez		
Activos líquidos totales	162,731	114,451
Liquidity coverage ratio (últimos doce meses)	292%	248%
Net stable funding ratio (NSFR)	148%	145%
Loan to deposits	94%	97%
Solidez de capital		
Common Equity Tier 1 (CET1)	12.9%	13.6%
Tier 1	14.8%	15.7%
Capital total	17.4%	18.1%
MREL	25.1%	26.3%
Activos ponderados por riesgo (APR) (MM€)	220,660	144,073
Leverage ratio	5.1%	5.6%
Rentabilidad (últimos doce meses)		
Ratio de eficiencia	75.8%	54.5%
Ratio de eficiencia sin gastos extraordinarios	54.3%	54.5%
ROE[1]	8.2%	5.0%
ROTE[1]	9.8%	6.1%
ROA[1]	0.5%	0.3%
RORWA[1]	1.5%	0.8%

1 Estas ratios no incluyen en el numerador los resultados de Bankia generados con anterioridad a 31 de marzo de 2021, fecha de referencia del registro contable de la fusión ni, por consistencia, la aportación en el denominador de las masas de balance o APR's previos a dicha fecha. Tampoco consideran extraordinarios asociados a la fusión.

	30.06.2021	31.12.2020
Banca próxima y accesible		
Red España		
Oficinas	5,771	3,782
Oficinas retail	5,433	3,571
de las que Store	*574*	*548*
de las que Business Bank	*57*	*49*
de las que oficinas rurales AgroBank	*1,316*	*888*
Centros de Banca Privada	127	68
Centros de Empresa	195	128
Centros Institucional Banking	15	14
Centros Corporate Banking	1	1
Puntos de presencia internacional	27	27
Ciudadanos en municipios pequeños (< 5.000 habitantes) cubiertos por oficina o agente de CaixaBank	43%	33%
Oficinas accesibles[1]	89%	94%
Cajeros red España	13,827	8,827
Red Portugal		
Oficinas Portugal	385	421
Oficinas accesibles	26%	26%
Cajeros red Portugal	1,458	1,456

1. Oficinas fusionadas.

Acceso a la vivienda		
Viviendas programa de alquiler social[1]	11,552	14,455
Viviendas con subvención	4,723	5,562
Viviendas sin subvención	5,220	7,568
Programa de alquiler	1,609	1,325

1. Perímetro pre-integración. En proceso de homogeneización de criterios.

	30.06.2021	31.12.2020
Personas que trabajan en CaixaBank		
Empleados Grupo CaixaBank	51,071	35,434
CaixaBank, S.A.	*42,864*	*27,404*
Banco BPI	*4,562*	*4,622*
Otras sociedades del Grupo	*3,645*	*3,408*
Edad media (años)	46	44
Antigüedad media (años)	18	16
Número de empleados con discapacidad	602	362
Empleados con contrato fijo o indefinido a tiempo completo	99.7%	99.3%
Mujeres	55.2%	54.6%
Mujeres en posiciones directivas a partir de subdirección de oficina A y B[1]	41.3%	41.6%

1. Dato de CaixaBank, S.A. calculado sobre elcolectivo pre-integración.

Productos de inversión socialmente responsables - Patrimonio (MM€)		
Exposición a bonos sostenibles *(verdes/sociales/sostenibles/sustainability linked)*		
Grupo VidaCaixa	1,567	1,307
Grupo CaixaBank Asset Management[2]	3,365	1,330
VidaCaixa, S.A.		
AuMs[1] e inversiones con conisderación de aspectos ASG[1]	93,129	92,422
AuMs e inversiones con consideración de aspectos ASG (%)	100%	100%
Patrimonio de productos afectados por la SFRD[1]	33,227	-
Patrimonio con calificación alta de sostenibilidad (SFRD) (%)	44%	-
CaixaBank Asset Management, SGIIC, S.A.[2]		
AuMs[1] con conisderación de aspectos ASG[1]	58,821	54,109
AuMs con consideración de aspectos ASG (%)	100%	-
Patrimonio de productos afectados por la SFRD[1]	52,492	-
Patrimonio con calificación alta de sostenibilidad (SFRD) (%)[3]	44%	-

1. AuMs: Assets Under Management. ASG: Ambiental, Social, Gobernanza. SFRD: Non-financial Reporting Directive.
2. No se consideran los activos de Bankia Fondos.
3. Datos estimados para 31.12.21 pendiente de autorización y registro CNMV.

	Ene-Jun 2021	Ene-Dic 2020
Inclusión financiera		
Bonos sociales emitidos CaixaBank	1,000	1,000
Participación en la colocación de bonos sociales	-	-
Microcréditos y otros préstamos con impacto social concedidos (MM€)	467	900
Familiares	*248*	*373*
Negocios	*106*	*374*
Oras finanzas con impacto social	*113*	*108*
Microcréditos y otros préstamos con impacto social concedidos (uds)	53,629	105,378
Productos bancarios para colectivos vulnerables[1]	166,012	125,878
Productos bancarios para colectivos vulnerables - Altas	53,689	62,377

1. Stock a 30.06.21 y 31.12.20.

Financiación sostenible - Producción (MM€)		
Bonos verdes emitidos CaixaBank	2,582	1,000
Participación en la colocación de bonos sostenibles	5,000	1,700
Participación en la colocación de bonos verdes	7,322	4,700
Préstamos referenciados a índices de sostenibilidad	7,784	2,997
Promociones inmobiliarias con calificación prevista A o B	534	1,001
Real estate comercial con	154	306
Project Finance energías renovables	1,170	3,163
Préstamos con Green Certificate según GLP	335	2,021
Ecofinanciación (Consumo y Agro)	36	54
Financiación sostenible - BPI	119	226

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.

2.1 Share structure

On 30 June 2021, CaixaBank's share capital is represented by 8,060,647,033 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 share capital is distributed as follows:

Shareholder structure

[1] Management data. Number of shares available for the public, calculated as the number of shares issued less treasury shares, which are held by members of the Board of Directors and those in the hands of "la Caixa" Foundation and the FROB.

[2] Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona, "la Caixa" (Fundación Bancaria "la Caixa"). In accordance with the last notification submitted to the Spanish securities market regulator (CNMV) on 29 March 2021, via Criteria Caixa, S.A.U.

[3] In accordance with the last notification submitted to the CNMV on 30 March 2021, via BFA Tenedora de Acciones, S.A.

Share tranches	Shareholders[1]	Shares	Share capital
from 1 a 499	311,445	58,850,310	0.7%
from 500 a 999	123,778	88,894,972	1.1%
from 1,000 a 4,999	191,536	417,833,691	5.2%
from 5,000 a 49,999	50,761	574,748,239	7.1%
from 50,000 a 100,000	1,053	71,258,175	0.9%
Over 100,000[2]	723	6,849,061,646	85.0%
Total	**679,296**	**8,060,647,033**	**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.

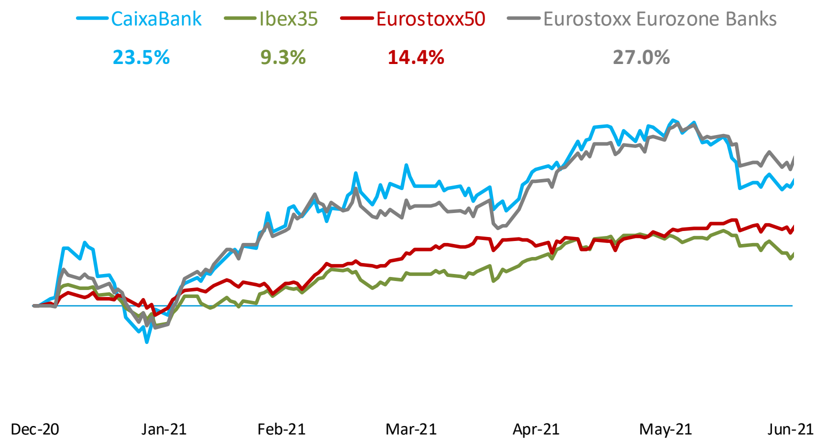
Information on the acquisition and disposal of shares held in treasury during the period is included in Note 18 "Equity" to the accompanying six-monthly Financial Statements.

Evolution of the share in the first half of 2021

The CaixaBank share closed on 30 June 2021 at 2.594 euros per share, with a cumulative annual rise of +23.5%. In spite of a certain decline late in the half, the good performance of the markets in the first half of 2021 has boosted the selective bank benchmarks (+27.0% EURO STOXX Banks and +28.7% IBEX 35 Banks in the year) and the general indices (+14.4% EURO STOXX 50 and +9.3% IBEX 35).

2021 began with economic activity still highly conditioned by the effects of the pandemic, but with a tone of recovery in the markets, encouraged by the effectiveness of vaccines and new fiscal stimulus. Similarly, in the first quarter, the readjustment of investor expectations toward a reflation scenario encouraged securities in sectors more sensitive to the economic cycle. This included bank shares that have also been buoyed in the first half of the year by the prospect of the elimination in the coming months of the ECB's recommendation to limit the distribution of dividends. In the second quarter, with the advance of vaccines and the progressive withdrawal of restrictions to mobility, the reactivation of economic activity gained strength, driving the continued recovery on the markets. However, in June, the consolidation of the risk of inflation, the Fed's tougher tone and the threat to the efforts made to contain the advance of new coronavirus strains shook the boat again, driving investors away from the securities that are most cyclical or exposed to the future of the tourist season.

Evolution of the share in the first half of 2021

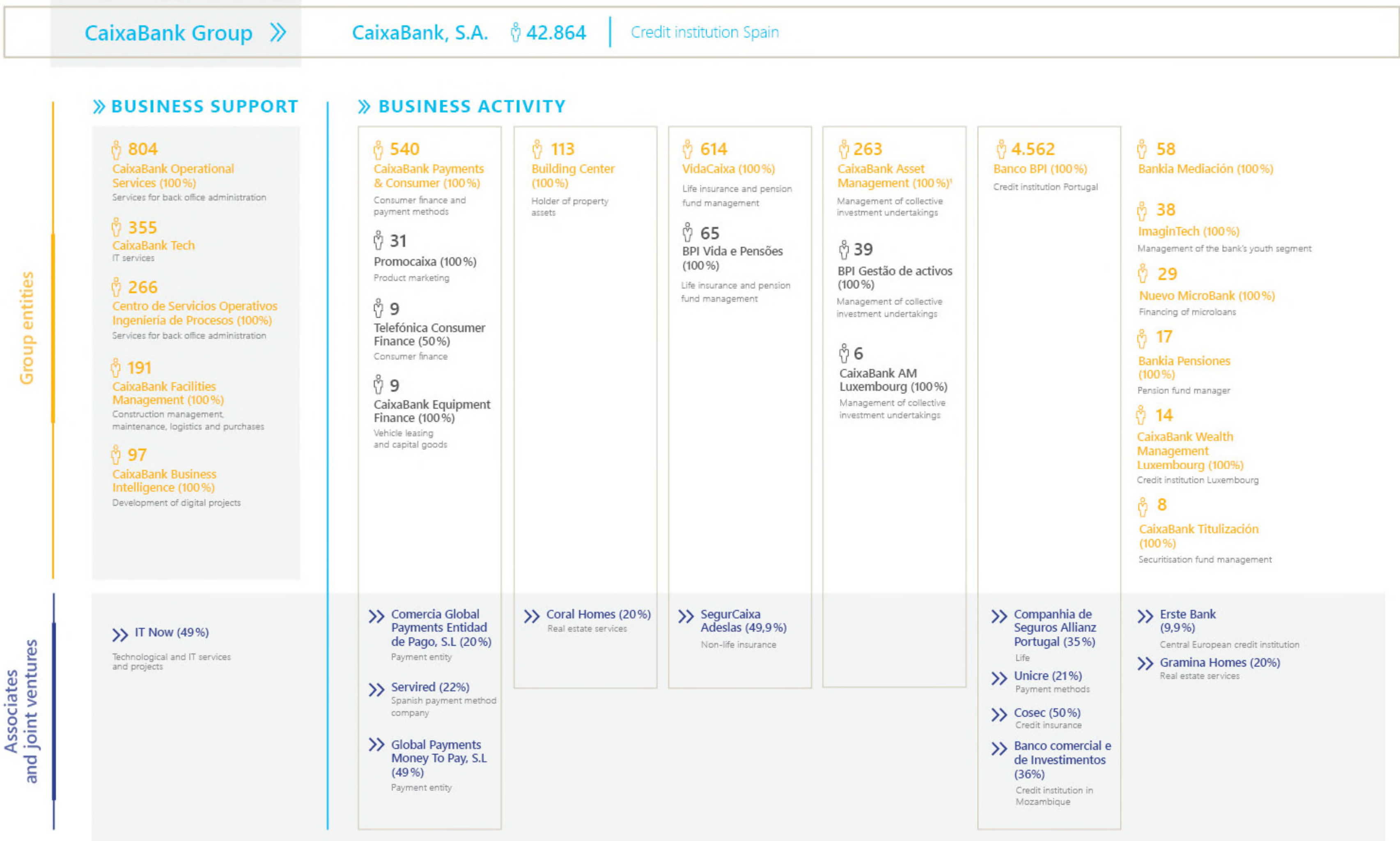


Shareholder remuneration

- On 24 May 2021, 0.0268 euros were paid per share. This was the total shareholder remuneration charged to 2020 profits. The payment of this dividend will entail that shareholder remuneration for the 2020[1] Fiscal Year is equivalent to 15% of the proforma adjusted consolidated net profit of Bankia and CaixaBank, and is aligned with the recommendation issued by the European Central Bank.
- As regards the dividend policy, and following the European Central Bank's announcement on 23 July 2021 of not extending its recommendation on dividend distributions beyond September 2021, the Board of Directors approved on 29 July 2021 the Dividends Policy for 2021, establishing the distribution of a cash dividend of 50% of the consolidated net profit adjusted by the extraordinary impacts from the merger with Bankia in a single payout in 2022.

[1] Maximum amount that can be distributed is 15% of the profit of the CaixaBank Group plus Bankia, adjusted by the payment of coupons of both entities, reclassifications of OCIs against P&L and the amortisation of intangible assets with a neutral impact on capital adequacy.

2.2 Group structure



— Company subgroups. (%) Percentage of stake at 30 June 2020

xx Number of employees.

N.B.: The most significant entities are included according to their contribution to the Group, excluding shareholder operations (dividends), extraordinary operations and non-core activities: Inversiones Inmobiliarias Teguise Resort S.L. (67 employees), Líderes de Empresa Siglo XXI, S.L. (26) and Credifimo, EFC, S.A. (17 employees), among others.[1] En julio de 2021 se ha producido la fusión por integración de Bankia Fondos por parte de CaixaBank Asset Management.

[1] In July 2021, the merger by integration of Bankia Fondos by CaixaBank Asset Management took place.

3. Milestones 1st half 2021

Broad response to the difficulties arising from the health and economic crisis

The CaixaBank Group is firmly committed to being a key figure in helping alleviate the effects caused by the COVID-19 health crisis by providing all its human, technological and financial resources in awarding loans, as well as other actions to help families, companies and society as a whole (see Section *8.Results and financial information* breakdown of moratoriums and loans backed by public guarantee).

CaixaBank and Bankia merger

The leader in banking and insurance in Spain was created, with the closure and registration of the Bankia takeover by CaixaBank in the first half of 2021. Efforts have focused on successfully undertaking the merger while upholding the focus on business and customer service.

On 30 June 2021 CaixaBank has

€674,088m assets
(451,520m on 31 December 2020)

21.0m customers
(15.2m on 31 December 2020)

19.1m in Spain

1.9m in Portugal

Market shares in Spain

24.9% loans to households and businesses
(+8.9 pp with regard to 2020)

25.1% deposits of households and companies
(+9.1 pp with regard to 2020)

29.3% long-term saving
(+5.9 pp with regard to 2020)

21.3% consumer credit
(+5.2 pp with regard to 2020)

Market shares in Portugal

10.8% share of loans
(+10 bps with regard to 2020)

10.8% share of deposits
(+20 bps with regard to 2020)

On 17 September 2020, the Board of Directors of CaixaBank and Bankia entered a Shared Merger Project involving the takeover merger of Bankia (acquired company) by CaixaBank (acquiring company), hereinafter, the "Merger".

This Shared Merger Project was approved by the General Shareholders' Meetings of CaixaBank and Bankia, which were held in the beginning of December 2020, agreeing the following:

- The takeover merger of Bankia (acquired company) by CaixaBank (acquiring company), entailing the extinction of the former, via dissolution without liquidation, and the transfer of the entirety of its assets to CaixaBank, which acquires the rights and obligations of Bankia through universal succession.
- The Merger exchange ratio is set at 0.6845 shares of CaixaBank, with a nominal value of one euro each, for each share of Bankia, with a nominal value of one euro each (hereinafter, the "Exchange Ratio"). CaixaBank covered the Exchange Ratio by means of newly issued shares.

Effective control was set for 23 March 2021, once all conditions precedent were met.

Considering Bankia's share capital at this date, the Exchange Ratio and the closing price of the CaixaBank share at such date, the total value of the capital increase and, accordingly, the cost of acquisition of the business combination amounted to €5,314 million (the par value of the newly issued shares was €2,079 million and the increase of issue premium was €3,235 million).

The assets, liabilities and contingent liabilities of the acquired company were measured in the Purchase Price Allocation (PPA) process, establishing their fair value, and the corresponding deferred tax asset or liability was recognised, where applicable. The adjustments totalled a net amount of €-3,474 million (€-4,029 million, gross). The Group recognised a positive amount equivalent to the negative difference arising on consolidation of €4,300 million under Gains/(losses) on disposal of assets and others of the consolidated income statement (before and after tax).

The recognition date for accounting purposes is 31 March 2021. Therefore, the financial statements included Bankia's assets and liabilities on that date at fair value. As of the second quarter, the results generated by Bankia are included in the various lines of CaixaBank's income statement.

The milestones foreseen in the merger have occurred according to the planned schedule: (i) the unification of the brand in the branch network has been completed in June;(ii) on 1 July 2021, CaixaBank and employee representatives reached a labour agreement for the restructuring of the bank (see Section *6.The people who make up CaixaBank*) and, (iii) the technological integration is expected to be completed in the fourth quarter of 2021.

Agreement to sell certain Bankia business lines

CaixaBank has agreed to sell certain lines of business directly pursued by Bankia to the following investees:

- Sale of the acquiring business (POS) to Comercia Global Payments EP, SL ("CGP") for €260 million. Global Payments Inc and CABK hold an 80% and 20% stake, respectively, in CGP.
- Sale of the prepaid card business to Global Payments MoneytoPay, EDE, SL ("MTP") for €17 million. Global Payments Inc and CABK hold a 51% and 49% stake, respectively, in MTP.

The execution of the aforementioned operations, which are independent of each other, is subject to the relevant authorisations. These include CaixaBank's authorisation from the Ministry of Economic Affairs and Digital Transformation for each of the operations and the authorisation from the Securities and Exchange Commission for the purchase of the acquiring business by CGP.

The above-mentioned operations will generate a consolidated net gain of €187m in the income statement for the second quarter of 2021, with an impact on CET1 of +11 basis points, based on the ratio at 31 March 2021.

The operations are expected to be completed in the fourth quarter of 2021.

CaixaBank named *Best Bank in Spain 2021* and *Best Bank in Western Europe 2021* by Global Finance Magazine

The bank reaffirmed its first place in the Spanish ranking for the seventh consecutive year and was ranked for the third time as the best bank in Western Europe.

The jury valued, among other factors, its financial soundness, its support for the economy in an environment marked by COVID-19, and its leadership in banking consolidation on the continent with the merger agreement with Bankia.

EUROMONEY AWARDS FOR EXCELLENCE 2021 SPAIN BEST BANK | THE INNOVATORS 2021 GLOBAL FINANCE | BEST BANK AWARD 2021 GLOBAL FINANCE

CaixaBank named the *Most Innovative Bank in Western Europe 2021* by *Global Finance magazine*

The US magazine has acknowledged the bank among European banking for its ongoing innovation in designing new solutions, and for leveraging its technological leadership to continue to accompany its customers during the pandemic.

CaixaBank provides a unique omnichannel distribution platform with multi-product capabilities that continuously evolves to anticipate customer needs and preferences.

On 30 June 2021 CaixaBank has

CaixaBank Now

70.6% digital customers

(67.6% on 31 December 2020)

2.2m inTouch customers

(1.4m in December 2020)

2.7m customers who log in each day (12-month average)

(≈2.5m at 31.12.20) (CaixaBank, S.A. pre-merger)

BPI Net

49.4% digital customers

(46.7% on 31 December 2020)

in Spain

5,771 branches

(3,782 on 31 December 2020)

13,827 ATMs

(8,827 on 31 December 2020)

in Portugal

385 branches

(421 on 31 December in 2020)

1,458 ATMs

(1,456 on 31 December in 2020)

CaixaBank as an actor committed to sustainability

With the changes to the organisational structure resulting from the merger, the subject processing rank has been raised, by creating the Sustainability Directorate. Integrated in the Bank's Management Committee, with four dependent divisions.

The structure of governing bodies has also been adapted in the same sense, giving greater relevance to the area of sustainability; (i) the Appointments Committee is renamed the Appointments and Sustainability Committee and (ii) the Sustainability Committee has been created and is dependent on both the Management Committee and the Global Risk Committee.

CaixaBank signs the Net Zero Bank Alliance (NZBA), an initiative that promotes net zero emissions by 2050, as a founding member

Through this new agreement, 43 signatory banks from 23 countries pledge to achieve net-zero emissions by 2050 in line with the 1.5°C increase limit target and to establish, before the end of 2022, a decarbonisation target for their most polluting portfolios by 2030 (see further information in Section *7.Environmental strategy*).

CaixaBank as a transformative agent – Implementation of Sustainable Finance Disclosure Regulation (SFDR[1])

The implementation of the new European Sustainable Finance Disclosure Regulation (SFDR)[1] has concentrated great efforts in the Group (especially VidaCaixa and CaixaBank Asset Management) in the first half of 2021.

Information has been published on the corporate website[2] on how CaixaBank integrates sustainability risks in the provision of its investment advisory services and discretionary portfolio management.

In this context, and seeking not only to comply with the regulation but to be a transformational agent, CaixaBank has signed an agreement with BlackRock to boost impact investment. The BlackRock Fundamental Equity Impact team will provide consultancy on impact investing in equity portfolios due to its differentiated methodology in selecting companies that have a true impact on society and the planet.

CaixaBank will launch a new range of investment funds and pension plans, Impact Solutions SI Range, with the highest sustainability ranking, according to European regulations (article 9).

100% of assets under management take into account ESG aspects as of 30 June 2021[3]

44%[4] of the equity of funds, insurance and pension plans will have a high sustainability rating (articles 8 and 9 according to SFRD[1])

- **44%** of the fund equity of CaixaBank Asset Management (€23,146m)
- **44%**[5] of VidaCaixa's pension plan assets (€14,694m)

[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information regarding sustainability in the financial services sector. Funds and plans that directly promote environmental or social characteristics are classified as **article 8** and those that pursue a sustainable investment objective are classified as **article 9**.

[2] https://www.caixabank.com/es/sostenibilidad/practicas-responsables/gestion-responsable.html

[3] Does not include information on BPI Vida e Pesoes. The Portuguese subsidiary is in an advanced process of integration, although it does not reach all assets at the close of the year. Nor does it include assets under management integrated into the merger with Bankia, both in terms of asset management and insurance and pension plans.

[4] Calculated on the assets affected by the SFDR of VidaCaixa, S.A. and in the case of CaixaBank Asset Management, S.A. on the investment funds. The assets of Bankia Funds are not considered. Data estimated for 31.12.21 pending authorisation and recording in CNMV.

[5] Calculated percentage of plans affected by SFDR, including EPSV and Unit Linked.

Furthermore, CaixaBank Group has become the first bank in Spain to receive the Sustainable Finances Certification under ESG criteria (Environmental, Social and Governance) from AENOR. This new certification endorses the work and efforts undertaken by the Group's two management firms to integrate these criteria into the investment decision-making processes, as well as how these processes have afforded CaixaBank the necessary levers for improvement in the control and monitoring of management in this area.

Bond issues - SDG (Sustainable Development Goals of the United Nations)

In 2021, CaixaBank has issued three green bonds and a social bond[1]. Since the publication in 2019 of the SDG Bond Issuance Framework, CaixaBank has made seven issues under this framework, which seek to positively impact society and the planet. The details of the issuances made in 2021 are set out below:

SDG Bonds 2021 Issues	ISIN	Date of issue	Type	Outstanding (MM)	Expiry date[2]	Coupon
4th Green bond[3]	XS2348693297	03.06.21	Senior Non-Preferred	GBP 500	03.12.26	1.50%
3rd Social bond	XS2346253730	26.05.21	Senior Non-Preferred	EUR 1,000	26.05.28	0.75%
3rd Green bond[4]	XS2310118976	18.03.21	Tier 2	EUR 1,000	18.06.31	1.25%
2nd Green bond	XS2297549391	09.02.21	Senior Non-Preferred	EUR 1,000	09.02.29	0.50%

[2] With the option of early repayment in the last year by the issuer.

[3] First public issue in non-euro currency.

[4] First subordinated green bond in Tier 2 format by a Spanish bank.

Via these three green bond issues, CaixaBank will fund renewable energy and energy-efficient building projects that contribute to environmental sustainability, through the reduction of greenhouse gases, the prevention of pollution and the adaptation to climate change.

Along these lines, applying the strictest selection criteria in accordance with the bank's environmental risk policies, CaixaBank holds more than €4,200m of eligible assets as of 31 December 2020. Of this figure, €3,600m are assets that fund renewable energy projects and more than €600m are real estate assets with energy efficiency label (EPC) A or B.

The aim of the third social bond issued by CaixaBank is to finance activities and projects that help combat poverty, promote education and well-being and contribute towards economic and social development in the most disadvantaged areas of Spain. CaixaBank has identified assets in health and education. Additionally, the operation includes loans granted by MicroBank to people in a situation of vulnerability with difficulty accessing the traditional financial system. The bond will also be used to fund loans for self-employed workers, micro enterprises and small businesses operating in Spanish provinces with lower per capita GDP and/or a higher unemployment rate. The eligible portfolio identified reached €5,000m as of 30 March 2021.

[1] See full reports at the following link: https://www.caixabank.com/en/shareholders-investors/fixed-income-investors.html

Focus on cybersecurity

During the first half of 2021, the trend in increasing cybersecurity events has continued, as was already the case during 2020 as a result of the implementation of telecommuting and the rapid digitalisation of certain companies, caused by the situation resulting from COVID-19.

Based on its methodology of ongoing risk review and risk monitoring, CaixaBank has strengthened its information security controls in order to successfully complete the banking integration that is under way, the main lines being:

- Updating and improving policies for the prevention of information leaks.
- Increasing activities to detect and prevent cyberattacks, such as the ongoing monitoring of threats and vulnerabilities.
- Strengthening the surveillance capacity of the corporate cyberincident response team and optimising controls to prevent customer fraud, placing a special focus on the rise in subject-based phishing attacks integrated in Bankia.
- Implementing and deploying electronic banking security controls for customers accessing Bankia systems.

Integration Acquisitions

- Work has been conducted to communicate to the users of the CaixaBank Group the Purchasing Management Process, which includes supplier management, electronic negotiation and contract management, access to self-training content has been enabled and user guides have been provided.
- In order to explain the onboarding process to suppliers for them to complete the registration and certification process in the new tool, explanatory user guides for the process have been distributed to more than 1,000 suppliers invited to register. Furthermore, 4 training sessions have been given. Upwards of 1,500 suppliers have already registered with the tool.
- Supplier audits are conducted following ESG (Environmental, Social and Governance) criteria. In 2020, 16 audits were conducted, and in 2021, an estimated 25 audits were conducted.

4. Corporate governance

2021 Annual General Meeting (AGM2021)

The Annual General Meeting took place, in its second call, on 14 May 2021 (AGM2021). 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 Board of Directors agreed make it possible to remotely attend and participate in AGM2021.

In AGM2021, all the items on the agenda were approved, including the management and results for 2020, the proposal to distribute 2020 results, the amendment of the Social Statutes with regard to matters related to the functioning of the Board of Directors and Board Committees, and aspects related to the remuneration policy of Directors and key bank personnel. All the information in relation to AGM2021 is available on the corporate website, at the following link https://www.caixabank.com/es/accionistas-inversores/gobierno-corporativo/junta-general-accionistas.html

75.4% quorum of share capital
(66.3% in 2020 Ordinary Annual General Meeting)

92% approval on average
(96% in 2020)

Changes in the composition of the Board and its committees

As a result of registering the merger by acquisition of Bankia, S.A. in the Commercial Register of Valencia on March 26, 2021, the changes in the Board approved at the Extraordinary General Meeting of 3 December 2020, were made effective, after having verified the suitability of all new directors by the competent banking supervisor.

60.0% Independent directors
(42.9% on 31 December 2020)

40% women on the Board
(Target >30%)

The Board of Directors and Board Committees

	Jose Ignacio Goirigolzarri Tellaeche	Tomás Muniesa Arantegui	Gonzalo Gortázar Rotaeche	John S.Reed	Joaquín Ayuso García	Francisco Javier Campo García	Eva Castillo Sanz	Fernando Maria Costa Duarte Ulrich	María Verónica Fisas Vergés	Cristina Garmendia Mendizábal	Maria Amparo Moraleda Martínez	Eduard Javier Sanchiz Irazu	Teresa Santero Quintillá	José Serna Masiá	Koro Usarraga Unsain
Shareholder represented		"la Caixa" Banking Foundation											FROB y BFA Tenedora de Acciones S.A.U.	"la Caixa" Banking Foundation	
Position on the Board	Chairman	Deputy Chairman	CEO	Lead Independent Director	Director	Director	Director	Director	Director	Director	Director	Director	Director	Director	Director
Nature	Executive	Proprietary	Executive	Independent	Independent	Independent	Independent	Other external	Independent	Independent	Independent	Independent	Proprietary	Proprietary	Independent
Executive Committee	✓P	✓	✓				✓		✓		✓				✓
Audit and Control Committee						✓				✓		✓	✓	✓	✓P
Appointments Committee				✓P		✓		✓				✓			
Risks Committee		✓			✓			✓	✓			✓P			✓
Remuneration Committee					✓					✓	✓P			✓	
Innovation, Technology and Digital Transformation Committee	✓P		✓				✓			✓	✓				
Date of first appointment	03/12/2020	01/01/2018	30/06/2014	03/11/2011	03/12/2020	03/12/2020	03/12/2020	03/12/2020	25/02/2016	05/04/2019	24/04/2014	21/09/2017	03/12/2020	30/06/2016	30/06/2016
Date of last appointment	-	06/04/2018	23/04/2015	05/04/2019	-	-	-	-	22/05/2020	-	05/04/2019	06/04/2018	-	14/05/2021	14/05/2021
Year of birth	1954	1952	1965	1939	1955	1955	1962	1952	1964	1962	1964	1956	1959	1942	1957
Nationality	Spanish	Spanish	Spanish	American	Spanish	Spanish	Spanish	Portuguese	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish

P: President

5. Context and strategy

Economic context

Overall evolution

During the first quarter of 2021, the growth data revealed that the global economy is entering an unequal expansion phase as a consequence of the countries implementing different measures to control the pandemic and showing an uneven vaccination rate among them, as well as due to the existing gap between the economic structure and the implemented stimulus measures. Thus, whereas China has already surpassed its pre-pandemic level by 7% and continues to grow (+0.6% quarter on quarter in the first quarter of 2021) and the United States is following an upward trend that will lead it to exceed its pre-pandemic levels in the coming months, with an accelerating growth reaching a solid 1.6% quarter on quarter (slightly below 1% in the fourth quarter 2019), the eurozone's economy fell by 0.3% quarter on quarter (see the following section for further detail).

However, the most recent indicators obtained in the second quarter suggest that those countries that are most advanced in the post-COVID expansion phase will maintain their positive momentum and those lagging, specifically the advanced European economies, will return to economic growth. A significant acceleration in the pace of activity is expected in the second half of 2021 aided by a further fiscal stimulus, maintaining highly accommodative financial conditions and a progress in vaccination campaigns. As a whole, worldwide growth is estimated approximately at 6% for 2021, following the sharp fall of 3.3% in 2020.

In this context, the risk balance is less unfavourable than in the past and is changing rapidly. The main downside risks to economic growth in 2021 will continue stemming from the development of the health situation. Specifically, concerns arise on the emergence of new mutations against which the current vaccines would be less effective. A more novel concern is the risk that the economy might overheat (imbalance between production capacity and demand), especially in the United States. This risk is there, and its likelihood of occurrence has increased. Therefore, in spite of the rise of US inflation having a significant transitional component and the labour market still taking time to recover completely, the Federal Reserve toughened its tone in the meeting it held in June and stated that it will raise rates in 2023 (previously not planned until 2024). With regard to the upside risks, a greater impact than expected from the fiscal stimulus packages (e.g. thanks to a higher degree of international coordination than in the past) or a further mobilisation of accumulated savings are most likely to take place.

Eurozone evolution

In the eurozone, following a decline in activity in the first quarter of 2021, 0.3% quarter on quarter, the latest data suggest that the growth in the second quarter will be higher than 1% quarter on quarter. The fall in the first quarter was mainly due to the extension of the restrictions in order to address the pandemic's winter wave. However, herd immunity in risk groups significantly advanced in the second quarter, as it also generally has in the rest of the European population in recent months. This positive evolution was reflected in the ease of the pressure on the health system, and it has led to a significant loosening of the social lockdown measures.

Inflation has also risen significantly in this scenario of economic recovery, albeit in Europe this spike is mainly due to idiosyncratic factors (calendar effects, new weightings in the basket of prices, readjustments in the German VAT, rebound in oil prices), which will continue causing volatility throughout 2021 and will probably take inflation temporarily above 2.5%. This volatility will wane gradually and should not condition the ECB's actions, which will continue maintaining the accommodative financial conditions without requiring any additional measures thanks to the higher rate of asset purchases in March. We expect the recovery to pick up in the second half of the year and to bring overall net growth for 2021 above 4%. The following are the main factors behind this recovery: i) the progress made in the vaccination campaigns; ii) maintaining the aforementioned accommodating financial environment; iii) the mobilisation of the savings accumulated during the months of lockdown; and, iv) the first disbursements made within the framework of Next Generation EU (NGEU) programme.

Spanish economy overview

The indicators available to date indicate that the Spanish economy could follow a momentum similar to that of Europe, but with further intensity. Thus, following the fall in GDP of 0.4% quarter on quarter in the first quarter 2021, the indicators available to date suggest that the Spanish economy experienced a significant expansion of economic activity in the second quarter. In this context, the good performance of the job and consumer markets stands out, suggesting that the quarter-on-quarter rise of GDP might exceed 2.0% in the second quarter.

The scenario remains closely linked to the abovementioned common European impulse factors (vaccination, packaged demand, accommodative financial conditions, initial disbursements of NGEU funds). Spain will additionally experience a positive impact from the partial recovery of the expected tourist flows. In spite of the rise in COVID infections during the months of June and July possibly posing a threat to the recovery of tourism in the third quarter of 2021, the positive performance of consumption and the swift implementation of the NGEU programme will help the GDP growth rate remain at relatively high levels in the coming quarters. Therefore, we expect the GDP to grow around 6.0% in 2021, and somewhat higher and slightly above 6.0% in 2022.

Portuguese economy overview

In Portugal, the acerbity of the third wave of infections forced the implementation of much more severe containment measures than those implemented in Spain, which resulted in a sharp fall in growth in the first quarter of 2021, 3.3% quarter on quarter. All in all, data in the second quarter show a dynamic recovery of activity, and the growth rate in 2021 is likely to be around 4%. The factors involved in the Portuguese recovery are similar to those in the Spanish economy, that is, the vaccination, the release of stagnant demand, the continuation of accommodative financial conditions, the recovery of tourism and the initial disbursement of NGEU funds.

Social, technological and competitive context

Business profitability and capital adequacy

- The impact of COVID-19 on the macroeconomic environment and banking activity has had a major impact on the sector's performance and profitability. In particular, the return on equity (ROE) of the Spanish banking sector, which was already moderate before the outbreak of the pandemic, was cut by 3.7 percentage points compared to 2019, reaching 4.3% at the end of 2020.[1]
- This fall in sector profitability can be explained, on the one hand, by the reduced capacity to generate revenue as a result of an extended environment of lower interest rates and the reduction in recurring activity. On the other hand, the significant increase in provisions due to asset impairment implemented by financial institutions in 2020 (in anticipation of the possible detrimental impact of the pandemic on creditworthiness) contributed significantly to the reduced profits in the sector.
- Until now, creditworthiness has remained stable thanks to the high volume of support measures implemented by the government and the financial sector (e.g., moratoriums, temporary redundancy plans, and public guarantee schemes), which have significantly mitigated the effects of the pandemic on the income of households and business, and, in turn, have prevented a sudden and marked increase in non-performing loans. Because of this, and after the effort in provisions made in 2020, the sector has reduced contributions to provsions to pre-pandemic levels, which is reflected in the recovery of the sector's aggregate results in the first quarter of the year. Thus, according to data from Banco de España, the annualised ROE of the sector reached 8.25% in Q1 2021[2], a similar level to returns prior to the pandemic.
- In the coming quarters, the speed and consolidation of economic recovery and the withdrawal of public support programs for businesses and households will be key to determining the extent of the impairment of asset quality, and the future evolution of the sector profitability. The projected spike in non-performing loans and the prolonged maintenance of minimal interest rates suggest that the profitability of the banking sector will remain weak over the coming quarters.
- Meanwhile, solid liquidity and capital positions (despite the emergence of the pandemic) give the banking sector a greater capacity to absorb potential losses, even in more adverse scenarios. More specifically, in 2020, the Spanish banking sector's CET1 ratio increased by 71 basis points compared to 2019 levels to 13.3%[3] and the LCR ratio stood at 194.4%, up from 166.2% a year earlier.[4]
- In light of the foregoing, this context of revenue containment for banks especially highlights the need to make additional efforts to reduce operating expenses and improve the efficiency levels, thus, ensuring the sector's future sustainability.

[1] This figure excludes extraordinary reductions/results. Source: Banco de España, Financial Stability Report Spring 2021.
[2] This figure excludes the results of CaixaBank Group and, therefore, the positive extraordinary results (€4,272 million) from CaixaBank's takeover of Bankia.
[3] Banco de España (2021).
[4] Data from Banco de España (2021). https://www.bde.es/webbde/es/estadis/infoest/ifycir_pri.pdf

Digitisation and customer experience

- The more digital habits and behaviours emerging as a result of the COVID-19 pandemic have accelerated the digitalisation tendency, which has long conditioned the competitive environment in which financial institutions work.
- For the banking industry, digital transformation is leading to a growing focus on the customer and greater demands to keep them satisfied (in terms of convenience, immediacy, customisation and cost). Similarly, the banking sector's digitalisation is facilitating the emergence of new non-traditional competitors, such as fintech companies and digital bigtech platforms, with business models that leverage new technologies and highlight pressure on the sector's margins. Meanwhile, access to data and the ability to generate value from data has become an important source of competitive advantage. Furthermore, there is an increase in the use and development of new technologies (such as cloud, AI and blockchain) in the sector, although with different levels of maturity.
- Furthermore, payment patterns are changing. The reduction in the use of cash in favour of electronic payments has gained speed with COVID-19. In addition, the digital payments arena is also evolving from a model dominated almost exclusively by card systems (linked to bank accounts) to a more mixed model that involves fintech and bigtech companies (which are starting to offer alternative payment solutions) and is starting to introduce alternative types of money and private payment methods, such as stablecoins. In this context, the central banks of the main advanced economies - including the ECB - are evaluating the option of issuing (in the medium term) central bank digital currency as a complement to cash.
- CaixaBank is tackling the challenge of digitalisation with a 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. In particular, CaixaBank has a distribution platform that blends major physical capillarity with high digital capabilities - proof of this is that the company has more than 10 million digital customers in Spain. Furthermore, in response to the change in habits as a result of the health crisis, CaixaBank is focusing on initiatives that allow for greater interaction with customers through remote channels. Meanwhile, digital transformation is also driving CaixaBank to focus more on the development of skills, such as advanced analytics and the provision of native digital services. Accordingly, CaixaBank will continue to foster new business models, such as Imagin, a digital ecosystem that offers financial and non-financial products and services to the youngest segment of the population. Additionally, the Company

is also driving new ways of working (more cross-cutting and collaborative), and is looking to collaborate more actively with new entrants that offer services that can be added to the group's value proposition. In the area of payments, CaixaBank is involved in several sector-wide initiatives aimed at promoting new solutions.

- 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 relevant analyses to align safety protocols with new challenges and implements a strategic information security plan, aiming to keep the bank at the cutting edge of information protection, in accordance with the highest market standards.

Sustainability

- The EU's goal of decarbonisation by 2050 is being accompanied by increased regulatory activity at all levels and growing pressure (from investors and supervisors) for companies to adjust their strategies accordingly.

- These include the publication of regulations and recommendations that aim to guide and equip companies, investors and supervisors with the appropriate tools for proper management and governance. In that regard, the entry into force of the EU's green taxonomy is noteworthy. It establishes a classification system for sustainable activities and the adoption of the European Commission's Delegated Act[1] that develops information requirements on the degree of alignment with the taxonomy for companies subject to the Non-Financial Reporting Directive (NFRD). For credit institutions (subject to this directive), a proposal has been made for them to disclose (from 2022) the proportion of exposures within the scope of taxonomy, and from 2024 onwards, the proportion of exposures aligned with the taxonomy (Green Asset Ratio).

- Similarly, the European Central Bank has recently requested the entities under its supervision to develop action plans to align their practices with proposals in the guidance on climate and environmental risks that the ECB itself published at the end of 2020. This request comes in addition to the announcement of the launch in 2022 of a climate stress test, which will assess resistance to climate risks and credit institutions' level of preparedness to address them. This exercise will not, however, have a direct impact on banks' capital requirements for the time being.

- Furthermore, the EU has approved the European Climate Law (that set the block's goal of being carbon neutral by 2050 as a legal commitment) and it has started to deploy measures to reduce Greenhouse Gas (GHG) emissions and move towards a decarbonised economy. In this context, the Next Generation EU Recovery Plan (NGEU) aims to make a significant contribution to achieving the decarbonisation of the European economy. In particular, the measures and initiatives that foster climate goals are one of the recovery plan's core features, which in the case of Spain account for 40% of outright European transfers (€27,800m). This commitment offers a unique opportunity to support the construction of a more sustainable economy, through advising on and mobilising investments that accelerate the green transition and contribute to the mitigation of and adaptation to climate change.

- In this context, CaixaBank deems it essential to make progress in the transition to a carbon-neutral economy, to promote sustainable and socially inclusive development (see Section *7.Environmental strategy*).

- In addition, social and governance issues continue to receive increasing attention from investors and society as a whole. In this regard, CaixaBank is highly committed to improving financial culture and inclusion with a view to promoting access to financial services for all sectors, through social policies that go beyond financial activity and seek to address social issues. This commitment was particularly evident in 2020 during COVID-19, during which the bank has worked tirelessly to mitigate the economic and social effects of the pandemic and to respond to the groups most affected by the crisis.

[1] Delegated Act on article 8 of the Taxonomy Regulations.

Strategy

The merger with Bankia should be understood as the bank's strategic response to the major challenges facing the sector (mentioned in the previous section). This operation positions the company in an environment of strength and constitutes a decisive step forward in the scope, competitive capacity and sustainability of the CaixaBank Group project. With the merger, the company seeks to reach a critical mass from which to become more efficient and enhance our capacity to invest in technology and innovation, with greater financial strength and capacity to generate sustainable profitability thanks to a balanced business mix and strong capabilities in generating diversified revenues.

After the legal merger of CaixaBank and Bankia was completed, the strategic focus of the entity for 2021 is operational integration. The effective integration of the two entities will make it possible to homogenise processes and products and increase the efficiency of the entity's business model, which operates on a client base of more than 19 million people in Spain. In other words, operational integration is key to ensuring the implementation of revenue synergies (close to €290 million a year) and significant cost savings (€940 million per year approx.) identified in the operation.

For integration to be a success, one of the major milestones is the technological integration of CaixaBank and Bankia's computer systems, a goal that the organisation estimates will be completed before the end of this year.

The other major milestones, which are being conducted in parallel with the technological integration, are the integration of teams and business. As regards the integration of teams, the bank is working intensively to integrate management, employees, policies and processes. Similarly, the entity has already started the process of restructuring the workforce, whose negotiation process has been successfully completed. With regard to business integration - as a result of the merger - the entity has launched several projects to adapt capabilities, the service model and the value proposals to the new more digital environment and to respond to the increase in customers and funds. Examples of this include the revision of the InTouch service model and the redefinition of value propositions in certain segments. Similarly, adjustments have been made resulting from the group's new organisational structure and from the need to converge the branch models and commercial teams of both entities. In that regard, the reorganisation of the Group's commercial management into a structure of 14 regional management units (DTs), is noteworthy, following the creation of three new DTs (Castilla-La Mancha, Madrid Sur and Murcia) and the reallocation of regions in two other DTs (Castilla y León and Eastern Andalusia).

Lastly, the preparation of the next strategic plan will be addressed once the integration of the two financial institutions is at a more advanced stage and there is a clearer understanding of the combined entity. The new plan is expected to be presented during spring 2022.

6. The people that make up CaixaBank

CAIXABANK GROUP 30 JUNE 2021

51,071 Employees

55.2% Female

44.8% Male

Average age 46 years

Average length of service 18 years

CAIXABANK, S.A.

42,864 Employees

55.6% Female

44.4% Male

17.3% Directors

16.3% Middle management

66.4% Other employees

99.7% Permanent contracts

Average age 46 years

Average length of service 19 years

BPI, S.A.

4,562 Employees

56.6% Female

43.4% Male

8.8% Directors

12.9% Middle management

78.3% Other employees

99.6% Permanent contracts

Average age 46 years

Average length of service 19 years

CAIXABANK GROUP 31 DECEMBER 2020

35,434 Employees

54.6% Female

45.4% Male

Average age 44 years

Average length of service 16 years

CAIXABANK, S.A.

27,404 Employees

55.2% Female

44.8% Male

16.8% Directors

20.7% Middle management

62.5% Other employees

99.3% Permanent contracts

Average age 44 years

Average length of service 17 years

BPI, S.A.

4,622 Employees

56.6% Female

43.4% Male

8.5% Directors

13.3% Middle management

78.2% Other employees

99.5% Permanent contracts

Average age 45 years

Average length of service 18 years

Integration process

In the first half of 2021, one of the entity's priorities was to successfully integrate Bankia and, in this goal, the integration of people and teams is one of the key factors. For this reason work has been conducted in 3 fields:

i) Definition and communication of the organisational chart

Within the framework of the merger, a communication plan was outlined for CaixaBank's new organisational chart. In February of this year, the proposal for the new composition of the Management Committee was published, with the appointment of the Chairman José Ignacio Goirigolzarri and the CEO of CaixaBank as the primary executive of the new CaixaBank.

In turn, the Management Committee proposed a new management structure in the Corporate Centres on the basis of an organisational model, designed to improve efficiency, agility, collaboration and transversality between people and teams, with fewer hierarchical levels, and larger, cross-cutting, and autonomous teams. In March, after the evaluations of the candidates for management positions were completed by external consultants, the new responsibilities in the 15 Regional Management units and in the Corporate Centres were communicated.

ii) Welcome for new employees and Internal Integration Communication Plan

A 3-phase Onboarding Plan was designed to welcome Bankia employees: welcome and accompaniment, communication, training and development.

Welcome and accompaniment. It includes: (i) A physical welcome pack delivered to the Bankia employees on the day of the merger, which included their new employee card, business cards (Network employees), an institutional message from the Chairman and CEO and a welcome video with testimonials from colleagues from both entities; (ii) Training itinerary, with a video presentation of the training programme after integration and access to the Virtaula training platform; (iii) Manager Welcome, specific actions to welcome Bankia management and; (iv) Contractual Pack, within the Employee Portal, Bankia employees had a personalised space with the documents relevant to them and the documents they had to sign.

Communication. It includes virtual accompaniment and communication through the Integration Portal, with news items that provide corporate, commercial, operational and personal information, with integration manuals and support documentation on processes, training and other links. Besides the launch of the campaign *#JuntosSomos1*.

Training and development. 7 different training itineraries have been outlined for the employees of the Regional Network adapted to each of the business segments (Retail, InTouch, Business, Premier, Private, Company and CIB) which are, in turn, structured into 7 different subject matters (welcome, tools, products, system, standard, culture and risks). Furthermore, another training itinerary has been outlined for Central Services and Regional Services employees (with common and other specific training courses designed for each area).

In addition, a development plan has been outlined to welcome managers, focusing on facilitating integration and accelerating cultural immersion and on developing managerial skills and competences in a post-integration environment.

iii) Change management plan

A Change Management Plan was designed to generate a better employee experience in the integration. To this end, 6 key groups were identified: Managers, Referents, Delegates, Human Resources Managers, HR Business Partners and Culture Change Makers. Various actions were designed for the adoption of change and cultural integration into these groups, in 4 fields of action: Training, supporting material, Active Listening Plan and Training Videos for Emotional Accompaniment.

Change management training for collectives that have a fundamental role in the integration of the two entities. The groups with the greatest involvement in the merger were selected and trained to address the change from their role with their teams and colleagues.

Supporting material with the distribution of the *Guide for the adoption of change* designed for the roles of each key group.

Active Listening Plan using qualitative analysis (focus group) and quantitative analysis (surveys) by listening to key actors and at different points in the merger process, with the aim of implementing improvement plans to enhance the employee experience in integration.

In May, a survey was conducted on 2,500 people, using a questionnaire that addressed 6 dimensions of integration (process, accompaniment of managers, future of the entity, personal experience, communication of the process and culture), in order to gather information about the employee's experience during the process and to be able to outline action plans and improve the employee's experience. The favourable total (FT) of the survey was 74% and there was 55% participation.

For key stakeholders in integration, 11 focus groups were conducted with external consultants in order to address the situation and attitudes of the team to integration.

Training videos with 7 capsules on the adoption of change for key groups: *Empathy*, *Adoption of change*, *Active listening*, *CaixaBank Culture. Our personality*, and certain specific ones solely for managers: *Team commitment and well-being*, *recognition* and *difficult conversations*.

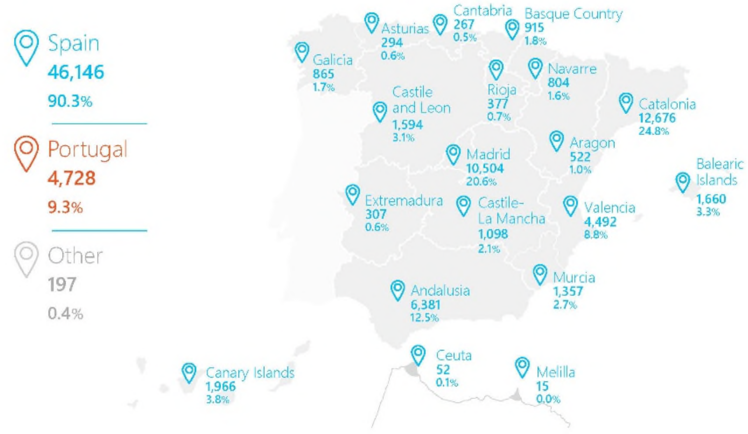
As of 30 June 2021, once the merger by acquisition of Bankia S.A. has been conducted by CaixaBank, S.A. the personnel of the CaixaBank Group is shown in the following tables. Aggregated pro forma data for the two financial institutions as of 31 December 2020 are provided for comparative purposes.

	30 June 2021		31 december 2020 pro forma	
	# Employees	en %	# Employees	en %
CaixaBank Group	**51,071**	**100%**	**51,384**	**100%**
CaixaBank, S.A.	42,864	83.9%	27,404	53.3%
Bankia, S.A.	-	-	15,522	30.2%
BPI, S.A.	4,562	8.9%	4,622	9.0%
Other entities	3,645	7.2%	3,836	7.5%
Employees by gender				
Male	22,883	44.8%	23,073	44.9%
Female	28,188	55.2%	28,311	55.1%
Employees by age				
<30 years	1,560	3.0%	1,829	3.5%
30-39 years	7,944	15.6%	8,930	17.4%
40-49 years	27,882	54.6%	28,011	54.5%
50-59 years	13,247	25.9%	12,261	23.9%
>59 years	438	0.9%	353	0.7%
Employees by job classification				
Directors	8,082	15.8%	8,166	15.9%
Middle management	8,109	15.9%	8,008	15.6%
Rest of employees	34,880	68.3%	35,210	68.5%

	Full-time/Part-time fixed or indefinite-term contract		Temporary contracts	
	30 jun 2021	31dic 2020 Proforma	30 jun 2021	31dic 2020 Proforma
By gender				
Male	22,815	22,969	68	104
Female	28,122	28,195	66	116
By age				
<30 years	1,443	1,641	117	188
30-39 years	7,931	8,906	13	24
40-49 years	27,879	28,007	3	4
50-59 years	13,246	12,258	1	3
>59 years	438	352	-	1

Distribution of the staff by Autonomous Community

>> By 30 **June 2021**



>> By 31 **December 2020** (proforma data)

Note: Distribution conducted based on the employee's presence criteria, and not on the registration centre.

Restructuring and Labour Agreement Plan

In the context of the merger between CaixaBank and Bankia, the need arises for restructuring that will resolve the duplicities and overlaps that occur in central services, intermediate structures and in the branch network. To this end, on 1 July, an agreement was reached with 92.8% of the union representation, which was implemented on 7 July by means of the text of the final agreement and which states: a collective redundancy plan (article 51 of the Statute of Workers' Rights), the amendment to certain working conditions in force at CaixaBank (article 41 of the Statute of Workers' Rights) with matters related to cost reduction, improvement of efficiency, competitiveness, sustainability (including the complementary social provision), flexibility and development of the business model, and a labour integration agreement to standardise the working conditions of the workforce from Bankia.

With regard to the main lines related to the collective redundancy plan which establishes a maximum number of 6,452 dismissals, it should be noted that the agreement has a number of tools to manage surplus staff:

- Voluntary adhesion to the compensatory termination action.
- Direct and indirect relocations at CaixaBank Group subsidiaries.
- Functional Mobility, through: (i) the offer and publication of vacancies where there may be excess demand for adhesion, (ii) the offer and publication and/or compulsory assignment to InTouch vacancies (new quota of 2,900 persons), (iii) special branch timetables: mobility to Store and BusinessBank branches (new quota of 925 branches).
- Short-distance (40 km) and long-distance (75 km) geographical mobility, as a flexibility mechanism for the reorganisation of the bank and to fill vacancies resulting from the voluntary accession to the compensatory termination action.

The collectives of people have been established according to age at 31 December 2021: collective of >=54 years, collective of 52 and 53 years and collective of <52 years or older and <6 years worked (as of 7 July 2021) and each of these collectives has its own economic conditions, and where it should be noted that the conditions of the collective of >=54 years and <63 years encourage accompaniment up to 63 years (early retirement) with 57% of fixed remuneration up to the age of 63 plus voluntary premiums added to the payment of the Special Social Security Agreement up to the age of 63 and maintenance of 100% of the savings contributions and the collective health care policy.

The collective that decides to voluntarily adhere has a guaranteed relocation plan, unprecedented in Spain, seeking to accompany people through to their stable relocation, which goes beyond the requirements of the existing legislation to protect and encourage relocation or self-employment.

For the lines defined in the amendment of work conditions, they can be divided into two blocks:

1. Associated with the distribution model

Store/BusinessBank and InTouch

- Extension of limits: 925 Store and BusinessBank branches (825 and 110 respectively) and 2,900 people in the inTouch sector.
- Until 31.12.2023: possibility of direct adherence to unique working hours, in case of vacant vacancies.
- Elimination of maximum limits for Store/BusinessBank per province.
- The function of deputy director may be covered by GCII 2nd in charge.

Client Advisers (GC)

- Minimum limit: extension from 5,600 to 7,700, of which 4,600 will be GC II.
- Creation of the Deputy GC to cover long-term leave.
- Improvement in the career path of GC I.

Classification system for rural branches and quotas, to ensure the financial inclusion of customers in these areas

- Elimination of F2 and G branches. New percentage of F1 equivalent to the current F1+F2 (29.7%).
- G Branches switch to F1 and new openings of Store/BusinessBank will be F1.
- Maximum limit increased: S1 to 450, S2 to 500 and V to 450.
- Ofimóvil, a mobile customer service to offer solutions to meet the needs of the municipalities at risk of financial exclusion, with a maximum of 20 routes, where the service can be provided during general hours or in unique working hours.

Cover for leave and absence

- The obligation to cover workers on leave using temporary employment agencies is suspended until 30 June 2023, as the initial number of persons affected by the termination actions has been reduced and, therefore, the workforce has been oversized.

2. Associated with the Supplementary Social Forecast Model

- Review of benefits caused by passive personnel, from 01.01.2022 the review will be 0.35% fixed per annum for annuities.
- Defined benefit risk system, it has been transformed from a model based on life annuities to a capital model, established as a number of annuities of contingency pensionable salary. This model also carries advantages for the employee (internal equity, free designation of beneficiaries, flexibility of the form and timing of collection, simplification of the model and transparency, as well as harmonisation of the system), and is among the competitive practice (1-1-2-2 wage annuities for death cover, Total Permanent Disability (TPD), Absolute Permanent Disability (APD) and Great Disability (GD), respectively) and very competitive practice (2-4-5-5), of Ibex35, where 70% of companies have a capital model.
- Retirement contributions: where the collective originating from CaixaBank has an increase in contributions by 2% and where the collective originating from Bankia has an adaptation of the retirement contributions to the minimum of 7.5% of pensionable salary, within 60 months. For the new-entry group the contributions will be 6% from month 25, considering a grace period of 12 months and from month 85 the contributions will be 7.5%.

Other agreed commitments between the parties:

- The Entity undertakes to implement within the Compensa+ Flexible Remuneration Programme the completion of training courses, and on the basis of the opportunity analysis and existing offers, in 2022 it will seek the incorporation of the vehicle renting.
- Taking effect from 1 September 2021, a permit is granted to accompany dependent minors for medical care up to a maximum of ten hours per year which can be recovered and an additional day of leave will be available, when the worker is required to take regulatory training exams on a Sunday or national holiday or Saturday.
- The parties undertake to begin negotiations in the last quarter of 2021 to agree on a Protocol of Transfers and swaps which must be closed within 6 months.

A Joint Monitoring Commission has been created, consisting of a representative of the Entity's management and a representative of each of the signatory trade union organisations, to interpret the agreement and develop it in the appropriate aspects, as well as to resolve conflict situations that may occur, and evaluate possible alternative internal flexibility measures that can be applied to reach a total solution for the surplus not covered by the set of measures offered.

Lastly, with regard to the main lines of the labour integration agreement to standardise the working conditions of the workforce from Bankia, it should be noted that it enters into force on 1.09.2021 and contains:

- A guarantee of gross fixed remuneration that was being received at Bankia and progressive adjustment, over 5 years, to CaixaBank remuneration.
- Professional Development Promotion (PDP) system: settlement of the points system accruals in 2021.
- Variable Remuneration system: In 2021, Bankia targets are maintained and calculated according to CaixaBank criteria and starting from 2022, CaixaBank's variable remuneration policy will be applied and a regressive percentage of targets regulated at Bankia is guaranteed for 4 years, considering the incentives that may be received.
- Social Prevision system:
  - Retirement contributions: certification through gradual adaptation over 5 years. 0% until 01.04.22 and path from 1 April for each year initiating 2022: 4.2%; 4.5%; 4.9%; 5.75%; 7.5% pensionable salary.
  - Risk coverages: Starting from 1.01.2022, the new risks coverage model will be applied at CaixaBank.
- Family Plan: CaixaBank joins the Family Plan (benefit in force in Bankia to care for employees with children with disabilities equal to or greater than 33%) and the Reyes gift is eliminated at CaixaBank and Bankia.
- Other social benefits: applicable from the coming into force or technological integration date.

The challenges

CaixaBank's future sustainability requires an efficient and flexible structure that enables it to meet the sector's challenges in an environment of minimum interest rates, digitalisation, new business models and growing regulatory requirements. It is for this reason that CaixaBank is working to ensure the management of people is based on:

i) Flexible organisation

CaixaBank is committed to an agile and collaborative structure, as it positively impacts employee engagement and internal talent development, while increasing productivity and the quality of delivery.

To switch from an organisation with a hierarchical structure to an agile organisation, 3 levers and have been used with specific actions in each of them: reducing reporting depth levels, grouping functions, and targeting responsibility: achieving larger, more versatile teams that are closer to the decision to address dynamic challenges and facilitate empowerment by providing greater autonomy and defining decision-making powers. At the same time, the map of roles has been defined in order to allow for the design of horizontal careers, professional itineraries that increase mobility and improve transversality by creating expertise communities.

ii) Merit-based remuneration

The principles of the General Remuneration Policy, approved by the Board of Directors, apply to all employees of CaixaBank and the Group's subsidiaries. Among other objectives, it chiefly seeks to foster patterns of behaviour to ensure that value is generated in the long term and that results are sustained over time. The remuneration policy's strategy for attracting and retaining talent is based on the professionals becoming involved in a distinctive social and business endeavour and to develop professionally with competitive overall compensation conditions. The components of remuneration at CaixaBank, which are available to all employees through the corporate intranet, chiefly include:

a) Fixed remuneration based on the employee's level of responsibility and career path. This accounts for a significant part of total remuneration and is governed by the collective bargaining agreement and the various internal labour agreements.

b) A variable remuneration system in the form of bonuses and incentives for achieve previously established objectives and set up to prevent possible conflicts of interest, and that considers not only the achievement of challenges (the what) but also the way in which these are achieved (the how). It is for this reason that the challenges are not only quantitative, they also include some principles of qualitative assessment that take into account alignment with clients' interests and the standards of conduct, as well as prudent risk management.

For every function, certain wage bands are defined that serve as a benchmark to establish a *Target Bonus* amount according to the Performance Assessment, complemented by the behavioural assessment, makes it possible to manage the annual variable remuneration.

There are also social and financial benefits that provide attracting and linking tools for both new and active employees: retirement savings contribution, higher risk premium than the market, Adeslas health policy with the possibility of providing coverage to family members on more favourable terms, advantageous terms for various financial products, including credit facilities and other bonuses associated with family and personal situations (payment for childbirth and payment for 25 or 35 years of service).

Furthermore, in 2020, the Flexible Remuneration Plan (Compensa+) is implemented, offering tax savings and the personalisation of the remuneration according to each person's needs. The products offered by the Entity in this first phase of implementation with a maximum of 30% of their gross annual salary were: health insurance for relatives, transport cards, childcare and retirement savings insurance.

6,147 employees that have subscribed 1 or more products of Compensa+[1]

4,255 on 31 December 2020

iii) Fostering talent

CaixaBank Campus's learning plan encompasses all the tools that the Organisation makes available to its professionals to meet their development needs, and seeks to train all its professionals by fostering a culture of ongoing learning, responding to the requirements of the regulator (regulatory training) with certifications in RECA (Real Estate Credit Act) and MiFID II with 30,442 and 32,249 employees certified respectively as of 30 June 2021. This training model also responds to business challenges or what CaixaBank proposes depending on the role and segment to which the employee belongs (recommended training) and individual training needs (self-learning). All of this training is delivered chiefly through Virtaula, the online learning platform, redesigned in 2020 to incorporate new digital capabilities and improve the employee experience, and with the support of internal trainers (learning community) and Change Makers as a new driver for transformation at CaixaBank, a key component to cultural change and digital transformation.

The Entity also seeks to enhance the critical professional skills of its professionals and their development. For that purpose, 100% of CaixaBank employees undergo evaluations in order to obtain a global perspective (performance and responsibility assessment).

Furthermore, the Entity fosters professional development programmes at both the managerial and pre-managerial levels as well as the design of programmes to attract external talent to identify and develop talent early and thus anticipate future needs, through Talent Programs.

iv) Balanced and diverse workforce

CaixaBank is committed and works to foster diversity in all its dimensions as part of the corporate culture, through promoting the creation of diverse, transversal and inclusive teams, recognising the individuality and heterogeneity of the people and eradicating any exclusive and discriminatory conduct.

To do so it boasts a solid framework of effective policies to guarantee equitable access of women to managerial positions (internal promotion), but also overseeing the parity in personnel selection, training and professional development, promoting flexibility and reconciliation policies and strengthening an inclusive culture with principles covered in the Diversity Manifesto.

- **Fostering equal opportunities** in all our policies and processes, and promoting a culture based on respect for people and on their empowerment.
- **Breaking stereotypes and ideas** that get in the way of progress and innovation.
- **Encouraging the creation of diverse, transversal, and inclusive teams**, recognising people's individuality and differences and putting an end to any excluding or discriminatory behaviour.
- **Backing actions to foster awareness and social change** through training, networking, mentoring, debates, talks, awards and sponsorships.
- **Disseminating the value of diversity** among all the people, social stakeholders and partners with whom we are linked.

CaixaBank has the Wengage programme, which is the bank's diversity programme that includes a triple perspective: gender diversity, functional diversity and generational diversity. It is founded on meritocracy and access to equal opportunities, and it promotes participation and inclusion. Thus, it is a model where diversity enhances the overall functioning of the institution.

41.3% women in managerial positions starting from branch A or B assistant mgr. on 30 June 2021[1]

41.6% on 31 December 2020

[1] CaixaBank, S.A., pre-integration group.

602 employees with disability on 30 June 2021

362 on 31 December 2020

€4.8m sales volume allocated to SEE (Special Employment Centres) (Jan-Jun 2021)

€5.4m Jan-Dec 2020

v) Well-being of employees

The Management team is acutely aware of the importance of reinforcing initiatives and measures to facilitate proper working conditions. Management is committed to:

- ✓ Fostering a culture of prevention at all levels of the organisation.
- ✓ Ensuring compliance with the applicable law and other voluntary commitments to which it subscribes.
- ✓ Considering preventive aspects at the source.
- ✓ Implementing continuous improvement measures.
- ✓ Raising awareness and training staff.
- ✓ Maintaining an Occupational Risk Prevention management system in accordance with the requirements of the OHSAS 18001 standard, which is more exigent than the legal standard.

In order to raise awareness and prepare the workforce in the field of Health and Safety at Work, CaixaBank regularly offers training content related to office safety, occupational health and safety, emergency measures and first aid.

Safety, health and well-being are being forged as strategic aspects of any company. CaixaBank is committed to a model of "healthy enterprise and to do so it has created a new programme with its own identity linked to corporate culture. A vibrant, proactive and cross-functional programme: *Somos Saludables (We are Healthy)*, which is based on three pillars:

Safety. Safe and emotionally healthy work environments.

Health. Fostering healthy lifestyles, balancing work life and health as a key element.

Well-being. Forging a culture of flexibility with environments that promote the well-being of the workforce, with benefits that facilitate their daily work.

7. Environmental strategy

With the environment as one of CaixaBank's strategic priorities, the first half of 2021 has been a particularly intense period in the deployment of the 2019-2021 Roadmap. The various milestones have meant clear progress in the implementation of the bank's environmental strategy.

2019-2021 Road Map

Environmental Risk Management Policy

Implementing the Environmental Risk Management Policy and reviewing the procedure for granting of risks, including the regulatory and market changes.

Definition and deployment of Governance

Implementing a coherent, efficient and adaptable climate change and environmental risk management governance model that monitors the achievement of the CaixaBank Group's goals as a framework for managing climate and environmental risk.

Risk Metrics

Measuring and ensuring that the CaixaBank Group meets the defined risk appetite, the applicable regulation in environmental risk management and climate change and the expectations of stakeholder groups.

External Reporting

Establishing an external reporting model that ensures the publication of information on the environment and climate change in accordance with the regulations applicable from time to time.

Taxonomy

Structuring and categorising customers, products and services from an environmental and climate change perspective, in accordance with regulatory requirements currently being developed.

Business Opportunities

Ensuring that CaixaBank capitalises on current and future business opportunities relating to sustainable funding/investment under the framework of the Environmental Strategy, including the issuance of sustainable and/or green bonds.

CaixaBank signs the Net Zero Banking Alliance (NZBA), an initiative that promotes net zero emissions by 2050, as a founding member

Through this new agreement, 43 signatory banks from 23 countries pledge to achieve net-zero emissions by 2050 in line with the 1.5°C target and to establish, before the end of 2022, a decarbonisation target for their most polluting portfolios by 2030.

CaixaBank has been a member of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2018 and a signatory to the Principles for Responsible Banking since 2019, a year in which it also signed up to the Collective Commitment to Climate Action (CCCA). This last agreement committed the bank to establish objectives to align the credit portfolios with the Paris Agreement as well as to mobilise products, services and partnerships to facilitate the economic transition needed to achieve climate neutrality. The new NZBA commitment represents increasing ambition with regard to CCCA.

CaixaBank adheres to the Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions whose goal is to establish an international standard for measuring and disseminating financed greenhouse gas emissions.

Publication of the 1st monitoring report on Green Bond issuances

CaixaBank has published the report on the environmental impact achieved by issuing its first four green bonds. The €3,582m acquired through these four bonds have been allocated to financing projects that promote two of the Sustainable Development Goals (SDG): number 7, Affordable and Clean Energy; and number 9, Industry, Innovation and Infrastructure.

Reduction of **1,459,000** of tons of CO_2 equivalent

The portfolio of eligible green assets is made up of loans mainly destined to solar and wind renewable energy projects.

The report has been prepared in collaboration with the consultant Deloitte and reviewed by PWC, acting as an independent auditor.

Environmentally sustainable financing

During the first half of 2021, CaixaBank continued to finance environmentally sustainable activities:

- Real estate developments with an energy efficiency rating of A or B have been formalised for €534m (€574m in the first six months of 2020).
- The Institution participated in financing 21 renewable energy projects for €1,170m (908 in the same period of the previous year).
- CaixaBank has signed 51 loans with a volume of €7,784m, whose conditions are attached to ESG indexes conducted by independent entities recognising good sustainability performance among companies (8 loans with a volume of €867m in the same period of the previous year).
- The Company has granted loans for €36m in consumer and Agrobank ecofinancing lines (€28m in the first half of 2020).
- With regard to green loans, the company has signed 12 loans, with a volume of €335m. Of these, 154 million was set aside for 7 real-estate projects with energy certification A or B.
- Additionally, in the first half of 2021, CaixaBank participated in the placement of 11 green bond issuances for an amount of €7,322m (€3,700m in 2020).

In BPI, the total environmentally sustainable financing granted in the first six months amounts to €119m (€38m in the same period of the previous year).

CaixaBank consolidates its position as 5th EMEA bank in Green & ESG Loans, being the first Spanish bank in this ranking

8. Income statement and financial information

Business segmentation

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 the real estate business and ALCO's activity in liquidity management and income from financing the other businesses.

Most of the activity and results generated by Bankia are included in the banking and insurance business. Given that the recognition date of the merger for accounting purposes is 31 March 2021, the financial statements included Bankia's assets and liabilities on that date at fair value. As of the second quarter, the results generated by Bankia are included in the various lines of CaixaBank's income statement on the Group's business segments.

Likewise, as the banking and insurance business includes the Group-wide corporate centre, the extraordinary income related to the merger has been recognised in this activity, which includes the negative consolidation difference.

The insurance, asset management and cards business acquired by CaixaBank from BPI during 2018 is also part of this business.

Equity investments: this line of business shows earnings, net of funding expenses, from the stakes held in Erste Group Bank, Telefónica, BFA, BCI and Coral Homes. Similarly, it includes the significant impacts on income of other relevant stakes in various sectors recently acquired by the Group in Spain.

As of 31 March, the stake held in Gramina Homes from Bankia is added, the results of which will be included in the Group as of the second quarter.

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.

€ millions	1H2020	1H2021 (breakdown by business segment)			
	Group	Group	Banking and insurance	Investments	BPI
Net interest income	**2,425**	**2,827**	**2,626**	**(22)**	**223**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	191	357	113	232	12
Net fees and commission income	1,266	1,640	1,510		130
Gains/losses due to financial assets and liabilities and others	142	80	65	2	13
Income and expense under insurance and reinsurance contracts	292	318	318		
Other operating income and expense	(199)	(339)	(299)	(8)	(32)
Gross income	**4,117**	**4,883**	**4,332**	**204**	**347**
Recurring administrative expenses, depreciation and amortisation	(2,345)	(2,747)	(2,522)	(2)	(223)
Extraordinary expenses	-	(1,970)	(1,969)		(1)
Pre-impairment income	**1,772**	**166**	**(159)**	**202**	**122**
Pre-impairment income stripping out extraordinary expenses	**1,772**	**2,136**	**1,810**	**202**	**123**
Allowances for insolvency risk	(1,334)	(328)	(337)		8
Other charges to provisions	(184)	(155)	(149)		(6)
Gains/(losses) on disposal of assets and others	(49)	4,284	4,284		0
Profit/loss before tax	**204**	**3,966**	**3,639**	**202**	**125**
Income tax expense	(1)	214	237	8	(31)
Profit/(loss) for the period	**203**	**4,180**	**3,876**	**210**	**94**
Profit/loss attributable to minority interests and others	(1)	0	0		
Profit/(loss) attributable to the Group	**205**	**4,181**	**3,860**	**210**	**94**
Cost-to-Income Ratio	*56.9%*	*75.8%*			
Cost-to-income ratio stripping out extraordinary expenses	*56.9%*	*54.3%*			
ROE	*4.7%*	*8.2%*			
ROTE	*5.6%*	*9.8%*			
ROA	*0.3%*	*0.5%*			
RORWA	*0.8%*	*1.5%*			

Note: Further information in the Activity Report and Results of the 2nd quarter at the following link https://www.caixabank.com/es/accionistas-inversores/informacion-economico-financiera.html

Income

For accounting purposes, the reference date taken for the merger is 31 March 2021, after which the results generated by Bankia are included in the various items in CaixaBank's income statement, affecting the comparability of its performance. In addition, the results generated in the first half of 2021 include extraordinary income related to the merger.

Attributable profit for the first half of 2021 amounts to €4,181 million.

The result in the first half of the year stands at €1,278 million without considering the extraordinary aspects related to the merger (negative consolidation difference for €4,300 million and extraordinary expenses and charges to provisions for €-1,397 million, both net of tax). In the same period of 2020 the result was €205 million, impacted by the provisions made to anticipate future impacts associated with COVID-19.

Core income stands at €4,899 million (+20.6%), after the integration of Bankia, which mainly impacts the performance of Net interest income and Fee and commission income as of the second quarter of 2021. (i) *net interest income* came to €2,827 million, up 16.6% with respect to the same period of the previous year; (ii) *fees* climbed 29.5%, to €1,640 million: (iii) *income from Bancassurance equity investments* amounted to €115 million, up +40.5%, and include the improved performance in 2021 and the income from insurance investees of Bankia; (iv) *income and expenses under insurance contracts* reached €318 million in the half, up 9.0% on the previous year as a result of the increase of commercial activity.

Dividend income, which mainly included dividends from Telefónica and BFA, totalled €152 million in the first half of 2021. The 61.3% increase with respect to the same period of 2020 is mainly due to income associated with an extraordinary dividend from BFA for €54.5 million.

Share of profit/(loss) of entities accounted for using the equity method amounted to €205 million, up 112.2% with respect to the same period of the previous year as a result of the higher attributed results with an improved economic outlook.

Trading income stands at €80 million. In 2020 it included, among others, the materialisation of unrealised gains from fixed-income assets.

Other operating income and expense includes, among other items, income and expenses of non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes. In its performance it is worth mentioning, among others, the higher contribution to the Single Resolution Fund[1] for €181 million in the second quarter of 2021 versus the €111 million made in the previous year, reflecting the further contribution made by the company arising from the merger.

[1] It includes BPI's contribution to the Portuguese Resolution Fund of €8.5 million.

Gross income grew to €4,883 million, +18.6%, whereas recurring administrative expenses, depreciation and amortisation increased by 17.1% (€-2,747 million), resulting in a recurring cost-to-income ratio of 54.3% versus 56.9% in the same period of the previous year.

Extraordinary expenses (€-1,970 million) includes €-1,884, gross, associated with the cost of the labour agreement and €-85 million with other expenses incurred in the integration process.

Allowances for insolvency risk reached €-328 million, down 75.4% with respect to the first half of 2020, and includes the increased provisions for credit risk made to anticipate future impacts associated with COVID-19 (€-1,155 million). The cost of risk (last 12 months) came to 0.31%.

Other charges to provisions includes in 2020 the recognition of €-109 million in connection with early retirements, and in 2021 it includes €-26 million from a provision linked to the estimated restructuring costs associated with the commitments already assumed with providers within the framework of the integration.

Gains/losses on disposal of assets and others is impacted mainly by the recognition in the first quarter of 2021 of the negative consolidation difference for an amount of €4,300 million.

Comparative proforma Profit/(loss)

Below is the comparative proforma income statement, which is presented with the aim of providing information on the evolution of the merged entity's results. It has been drawn up by adding, in both years, the result generated by Bankia before the merger to the result obtained by CaixaBank, without considering the extraordinary aspects related thereto.

The Comparative proforma Profit/(loss) in the first half stands at €1,343 million. In the same period of 2020 it reached €347 million, impacted by the provisions made to anticipate future impacts associated with COVID-19.

Core income grows 1.2% to reach €5,641 million. Its performance is impacted by the lower *Net interest income* (-2.3%), which is compensated by the growth of *Fee and commission income* (+5.5%), the recovery of *Income from Bancassurance equity investments* (+16.0%) and Income and expenses under insurance or reinsurance contracts (+9.0%).

Despite the increase of core income, dividend income (+60.7%) and income from equity investments (+79.0%), Gross income dropped -0.6% mainly due to lower Trading income (-68.4%) and higher costs recognised in Other operating income and expense (+12.2%).

Recurring administrative expenses, depreciation and amortisation slightly drop 0.6%, showing the management of the cost base and savings associated with the early retirements of 2020. The core cost-to-income ratio (54.6%) improved by 2.1 percentage points.

The performance of Allowances for insolvency risk (-75.1%) is impacted, among others, by the increased provisions for credit risk established in the first half of 2020, aimed to anticipate future impacts associated with COVID-19 (€-1,450 million).

Other charges to provisions includes in 2020 the recognition of €109 million in connection with early retirements.

Gains/(losses) on disposal of assets and others included, among other items, increased real estate provisions in 2020.

€ millions	1H2021	1H2020
Net interest income	**3,275**	**3,352**
Dividend income	152	95
Share of profit/(loss) of entities accounted for using the equity method	217	121
Net fees and commission income	1,922	1,822
Gains/losses due to financial assets and liabilities and others	90	285
Income and expense under insurance and reinsurance contracts	318	292
Other operating income and expense	(380)	(339)
Gross income	**5,593**	**5,628**
Recurring administrative expenses, depreciation and amortisation	(3,191)	(3,208)
Extraordinary expenses	(1)	-
Pre-impairment income	**2,402**	**2,420**
Pre-impairment income stripping out extraordinary expenses	**2,403**	**2,420**
Allowances for insolvency risk	(451)	(1,814)
Other charges to provisions	(152)	(209)
Gains/(losses) on disposal of assets and others	(38)	(66)
Profit/loss before tax	**1,760**	**331**
Income tax expense	(417)	15
Profit/(loss) for the period	**1,343**	**346**
Profit/(loss) attributable to minority interests and others	0	(1)
Comparative proforma Profit/(loss)[1]	**1,343**	**347**
- Profit/(loss) Bankia stripping out extraordinary expenses, net[2]	*(65)*	(142)
+ M&A impacts, net[3]	*2,903*	
Profit/(loss) attributable to the Group (accounting profit/(loss))	**4,181**	**205**

[1] Bankia's results are added to the proforma income statement using CaixaBank criteria.

[2] €65 million, corresponding to the first quarter of 2021 (before materialising the merger), and €142 million of 2021, corresponding to the first half of 2020, are deducted as Profit/(loss) Bankia stripping out extraordinary expenses, net.

[3] €2,903 million, net are added to the first half of 2021, which results from the negative consolidation difference for €+4,300 million and extraordinary expenses and charges to provisions, net of taxes, for €-1,397 million.

Net interest income

Net interest income totalled €3,275 million (down 2.3% with respect to the same period in 2020) In a negative interest rate environment, this decrease is due to: (i) lower income from loans due to the interest rate decline, impacted by the drop of the rate curve, change of structure of the lending portfolio resulting from the increase of ICO loans and loans to the public sector, and the lower income from consumer lending. This rate reduction has been partially compensated by a higher average volume; (ii) lower contribution of the fixed-income portfolio due to lower volumes and the reduction of the average rate, mainly as a result of the remeasurement of assets at market value within the framework of the CaixaBank and Bankia integration.

These effects have been partially offset by: (i) reduction of costs for financial institutions, aided by the increase of financing taken from the ECB at better conditions; (ii) savings in the costs of institutional financing due to a lower price, mainly as a result of the remeasurement of assets and liabilities at market value within the framework of the CaixaBank and Bankia integration, and to a drop in the curve. The net interest income is also positively impacted by a lower average volume. (iii) Lower retail funding costs due to the drop in the rate, which compensate the higher volumes (increase in demand deposits and decrease of time deposits.

€ millions	1H2021		1H2020 (pro forma)	
	Average balance	% rate	Average balance	% rate
Financial Institutions	82,846	1.10%	42,243	0.90%
Loans and advances (a)	341,831	1.69%	334,411	1.91%
Debt securities	84,403	0.37%	88,541	0.57%
Other assets with returns	65,109	2.45%	65,041	2.53%
Other assets	91,801		89,183	
Total average assets (b)	**665,990**	**1.29%**	**619,418**	**1.44%**
Financial Institutions	106,514	0.33%	82,228	0.26%
Retail customer funds (c)	358,384		337,423	0.02%
Wholesale marketable debt securities & other	47,460	0.52%	49,493	0.86%
Subordinated debt securities	9,455	0.83%	8,356	1.61%
Other funds with cost	76,338	1.65%	73,498	1.78%
Other funds	67,840		68,421	
Total average funds (d)	**665,990**	**0.30%**	**619,418**	**0.35%**
Customer spread (a-c)		**1.69%**		**1.89%**
Balance sheet spread (b-d)		**0.99%**		**1.09%**

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being income from ECB funding measures (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 liabilities" incorporate balance items that do not have an impact on the net interest income and on returns and costs that are not assigned to any other item.

Fees and commissions

Fee and commission income stand at €1,922 million, which represents a growth of 5.5% on the same period of 2020. The quarterly performance (+4.3%), up 9.5% with respect to the same quarter of the previous year, is impacted by the recovery of the commercial activity and the good performance of the financial markets.

Banking services, securities and other fees includes income on securities transactions, transactions, risk activities, deposit management, payment methods and wholesale banking. The year-on-year change in recurring fees and commissions (+2.5%) is mainly due to the higher transaction fees and commissions, which compensate the lower e-payment fees and commissions. Fees and commissions from wholesale banking drop in the half (-16.0%) and when compared to the same quarter of the previous year (-14.7%) following the lower activity in investment banking.

Fees and commissions from the sale of insurance products grew when compared to the same period in 2020 (+9.7%) and the same quarter of the previous year (+4.4%), mainly due to the higher commercial activity in a context of fewer restrictions.

Fees and commissions from managing long-term savings products (investment funds, pensions plans and Unit Link) stand at €640 million, due to managing higher asset volumes following the good performance of the markets and positive subscription results. Growth of 14.3% with respect to the same half of 2020 (+4.8% with respect to the first quarter of 2021.

€ millions	1H2021	1H2020
Banking services, securities and other fees	1,098	1,095
Recurring	*990*	*966*
Wholesale banking	*108*	*129*
Sale of insurance products	183	167
Long-term savings products	640	560
Investment funds, portfolios and SICAVs	*399*	*349*
Pension plans	*150*	*142*
Unit Link and others [1]	*91*	*69*
Net fees and commission income	**1,922**	**1,822**

[1] Includes income corresponding to Unit Link and Flexible Investment Life Annuity (the part managed)

Income from equity investments

Dividend income (€152 million) includes, in the second quarter of 2021, the dividends from Telefónica for €51 million and BFA for €98 million (€50 million and €40 million, respectively in 2020). With regard to BFA[1], it includes an extraordinary dividend for €54.5 million.

Attributable profit of entities accounted for using the equity method (€217 million) recovered as a result of an improvement of the pandemic situation (+79.0% with respect to the same half of the previous year).

[1] The total payout approved by BFA net of the tax effect totalled €129 million, of which €79 million are extraordinary dividends charged to its reserves. Out of the total dividend, gross, €98 million have been recognised as income in the income statement (€43.4 million as ordinary income and €54.5 million as one-off income) and the rest have been recognised as the cost of the investment (as a result reducing the value of losses on the investment recognised in other comprehensive income), considering them as reserves generated prior to classifying the investment as "Financial assets at fair value with changes in other comprehensive income".

Other operating income and expense

Other operating income and expense includes, among other items, income and expenses of non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes. With regard to the latter, its timing generates a seasonal impact on the quarterly performance under this heading; (i) the contribution to the SRF[1] of €181 stands out in the second quarter of 2021, higher than the contribution recognised in the same quarter of the previous year (€171 million). (ii) recognition in the first quarter of an estimation of the Spanish property tax for €19 million (€20 million in 2020) and the contribution to the Portuguese banking sector for €18.8 million (€15.5 million in 2020).

€ millions	1H2021	1H2020
Contributions and levies	(200)	(187)
Other real estate operating income and expenses (including Spanish property tax in 1Q)	(44)	(42)
Other	(136)	(110)
Other operating income and expenses	**(380)**	**(339)**

[1] It includes BPI's contribution to the Portuguese Resolution Fund of €8.5 million.

Administration and amortisation expenses

The year-on-year performance of **Recurring administrative expenses, depreciation and amortisation** (-0.6%) is a result of the cost base management. Stable personnel expenses (-0.2%), which includes the savings associated with the early retirements of 2020. General expenses dropped by 2.4% and depreciation and amortisation increased by 2.3%.

The effort in reducing costs, with a decrease of 0.6%, together with the performance of core income (+1.2%), has improved the core cost-to-income ratio by 2.1 percentage points.

€ millions	1H2021	1H2020
Gross income	**5,593**	**5,628**
Staff expenses	(1,986)	(1,991)
General expenses	(844)	(864)
Depreciation and amortisation	(361)	(353)
Recurring administrative expenses, depreciation and amortisation	**(3,191)**	**(3,208)**
Cost-to-income ratio stripping out extraordinary expenses (% and 12 months)	55.8	57.2
Core income	5,641	5,575
Recurring administrative expenses, depreciation and amortisation	(3,191)	(3,208)
Core cost-to-income ratio (% and 12 months)	54.6	56.7

Losses due to the impairment of financial assets

Allowances for insolvency risk amounted to €-451 million, versus €-1,814 million in the first half of 2020, which included the recognition of €1,450 million made to anticipate future impacts associated with COVID-19.

Throughout 2020, within the framework of the pandemic, the Group changed the macroeconomic scenarios and the weighting established for each scenario employed in the estimate of expected loss due to credit risk. Given the uncertainty in the macroeconomic forecasts regarding its performance in a context of potential end of the pandemic, the scenarios and weightings in the first half of 2021 to calculate the provisions under the forward-looking approach required by IFRS 9 have not been altered with respect to the end of 2020.

The **cost of risk (last 12 months)** came to 0.41%.

Balance sheet

€ millions	31.12.20	30.06.21 (breakdown by business segment)			
	Group	Group	Banking and insurance	Investments	BPI
Total assets	451,520	674,088	631,151	3,463	39,474
Total liabilities	426,242	639,517	600,619	2,697	36,168
Capital assigned to the businesses	100%	100%	88%	2%	10%

The allocation of capital to the investment business in both exercises take into account the 11.5% consumption of capital for risk-weighted assets, as well as any applicable deductions.

The allocation of capital to BPI is at sub-consolidated level, i.e. taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to 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 reached €600,993 million on 30 June 2021, up 44.7% after the integration of Bankia (+6.0% organic change excluding the integration).

On-balance sheet funds stood at €434,672 million (+3.3% in the organic year).

Demand deposits amounted to €333,438 million. Its evolution (+5.4% in the organic year) was impacted by the usual seasonal effect in the second quarter of the year.

Time deposits totalled €37,754 million (-17.5% in the organic year). Their performance continues to be marked by the reduction of deposits on the renewal of maturities against a backdrop of historically low interest rates.

The increase of liabilities under insurance contracts, up 3.4% in the organic year, includes the positive net subscriptions and the impact of the favourable market effect on Unit Links.

Assets under management stand at €151,456 million. Its quarterly performance (+10.3% in the organic year) is due to increased sales and the favourable market effect.

The assets managed in mutual funds, managed accounts and SICAVs stood at €105,040 million (+12.1% in the organic year).

Pension plans reached €46,416 million (+6.7% in the organic year).

Other accounts includes, among others, the amount of Savings insurance marketed by Bankia (€5,072 million), which largely corresponds to the joint venture with Mapfre, in addition to temporary funds associated with transfers and collections, the evolution of which explains the quarterly change.

€ millions	31.12.20	30.06.21 (breakdown by business segment)		
	Group	Group	of which: banking and insurance	of which: BPI
Customer funds	242,234	371,191	343,869	27,322
Demand deposits	*220,325*	*333,438*	*314,549*	*18,888*
Time deposits [1]	*21,909*	*37,754*	*29,320*	*8,434*
Liabilities under insurance contracts [2]	59,360	61,384	61,384	
Repurchase agreement and others	2,057	2,096	2,087	10
On-balance sheet funds	**303,650**	**434,672**	**407,340**	**27,332**
Mutual funds, managed accounts and SICAV's	71,315	105,040	99,052	5,988
Pension plans	35,328	46,416	46,416	
Assets under management	**106,643**	**151,456**	**145,468**	**5,988**
Other accounts	**5,115**	**14,865**	**13,813**	**1,052**
Total customer funds	**415,408**	**600,993**	**566,621**	**34,372**

[1] Includes retail debt securities amounting to €1,408 million at 30 June 2021.

[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

Loans and advances to customers, gross stands at €363,012 million, up 48.8% in the year following the merger with Bankia (-0.8% organic change, that is, excluding the balances transferred from Bankia in the merger).

Changes by segment include:

- Loans for home purchases (-2.3% organic change) continue to be marked by the portfolio's repayments.
- Loans to individuals - Other has had a +5.5% organic change in the year, impacted by the advance of double payments made to pension holders in June for an amount of €3,000 million (-3.0% in the organic year, excluding this seasonal effect).
- Consumer lending drops 2.7% in the organic year affected by the mobility restrictions.
- Financing for Corporates and SMEs had a -2.9% organic change in the year, following the growth registered in the previous year, in a context where companies were managing their liquidity requirements.
- Loans to the public sector had a +7.4% organic change in the year.

€ millions	31.12.20	30.06.21 (breakdown by business segment)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	120,648	192,592	178,398	14,194
Home purchases	*85,575*	*143,564*	*131,130*	*12,434*
Other	*35,074*	*49,028*	*47,269*	*1,760*
of which: consumer lending	*14,170*	*18,913*	*17,488*	*1,425*
Loans to businesses	106,425	146,337	136,056	10,281
Corporates and SME's	*100,705*	*140,102*	*129,985*	*10,117*
Real estate developers	*5,720*	*6,234*	*6,070*	*164*
Public sector	16,850	24,083	22,116	1,966
Loans and advances to customers, gross	**243,924**	**363,012**	**336,570**	**26,441**
Provisions for insolvency risk	(5,620)	(8,609)	(8,100)	(509)
Loans and advances to customers (net)	**238,303**	**354,402**	**328,470**	**25,932**
Contingent liabilities	16,871	26,377	24,729	1,648

Below is the detail of government guaranteed loans based on the public guarantee schemes implemented within the framework of COVID-19:

€ millions	30.06.21		31.12.20	
	Total	Spain (ICO)	Total	Spain (ICO)
Loans to individuals	1,534	1,505	1,216	1,196
Others (self-employed)	*1,534*	*1,505*	*1,216*	*1,196*
Loans to businesses	21,296	20,498	11,967	11,437
Corporates and SME's	*21,155*	*20,414*	*11,925*	*11,396*
Real estate developers	*141*	*84*	*42*	*41*
Public sector	11	10	6	6
Loans and advances to customers, gross	**22,841**	**22,013**	**13,191**	**12,640**

NOTE: Refers to the amount of loans and advances granted to and disposed by clients.

Asset quality

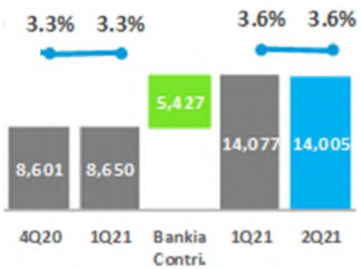
The **non-performing loans** stood at €14,005 million at the end of the second quarter versus €8,601 million at the end of 2020, with their organic performance down 23 million.

The NPL ratio stood at 3.6% on 30 June versus 3.3% in December, mainly due to the integration of Bankia, which resulted in +28 basis points.

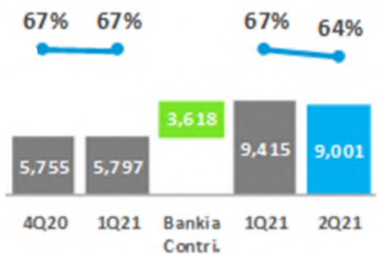
Provisions for insolvency risk on 30 June stood at €9,001 million versus €5,755 at the end of 2020. The coverage ratio at 30 June stood at 64% (versus 67% in December 2020).

%	31.12.20	30.06.21 (breakdown by business segment)		
	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	4.5%	4.4%		
Home purchases	*3.5%*	*3.7%*		
Other	*6.9%*	*6.4%*		
of which: consumer lending	*4.2%*	*4.8%*		
Loans to businesses	2.7%	3.3%		
Corporates and SME's	2.4%	3.1%		
Real estate developers	6.7%	6.5%		
Public sector	0.1%	0.3%		
NPL ratio (loans + guarantees)	**3.3%**	**3.6%**	**3.7%**	**2.1%**
NPL coverage ratio	**67%**	**64%**	**63%**	**94%**

Non-performing loans balance and ratio



Provisions and coverage ratio



Note: Calculations include loans and contingent liabilities.

Provisions for insolvency risk COVID-19

In the first half of 2021 the recurrent recalibration of specific provision models were resumed. These parameters had remained unchanged in the Group since March 2020, albeit they had been complemented by a collective accounting adjustment (Post Model Adjustment), amounting to €1,252 million at the end of 2020, which increased to €1,803 million after the integration of Bankia.

In the second quarter of 2021, following the recurrent recalibration of the provision models, a certain amount of the COVID-19 fund was specifically allocated, standing at €1,395 million on 30 June, and it will be reviewed as new information becomes available.

Breakdown of moratoriums

Total moratoriums[1] granted by the Group from the beginning of COVID-19 amounted to €23,896 million (617,212 operations). In Spain moratoria was granted for an amount of €17.617 million (502,499 operations). Below is the breakdown of loans in moratoriums outstanding as per the specified date:

€ millions	30.06.21					
	Spain		Portugal		Total	
	Operations	Amount	Operations	Amount	Amount	% of portfolio
Moratoriums to individuals	37,946	2,026	25,373	1,594	3,621	1.9%
Home purchases	*16,802*	*1,635*	*21,737*	*1,466*	*3,101*	*2.2%*
Other	*21,144*	*392*	*3,636*	*128*	*520*	*1.1%*
of which: consumer lending	*15,499*	*94*	*1,990*	*22*	*116*	*0.6%*
Moratoriums to businesses	1,071	897	27,431	2,233	3,131	2.1%
Corporates and SME's	*987*	*852*	*26,215*	*1,994*	*2,847*	*2.0%*
Real estate developers	*84*	*45*	*1,216*	*239*	*284*	*4.6%*
Moratoriums to public sector	-	-	*10*	*38*	*38*	*0.2%*
Total moratoriums	**39,017**	**2,924**	**52,814**	**3,866**	**6,789**	**1.9%**

€ millions	31.12.20					
	Spain		Portugal		Total	
	Operations	Amount	Operations	Amount	Amount	% of portfolio
Moratoriums to individuals	122,213	8,204	68,722	2,932	11,136	9.2%
Home purchases	*71,597*	*6,473*	*39,233*	*2,495*	*8,968*	*10.5%*
Other	*50,616*	*1,732*	*29,489*	*437*	*2,168*	*6.2%*
of which: consumer lending	*17,743*	*80*	*27,675*	*329*	*409*	*2.9%*
Moratoriums to businesses	1,206	532	28,762	2,656	3,188	3.0%
Corporates and SME's	*988*	*479*	*27,219*	*2,393*	*2,872*	*2.9%*
Real estate developers	*218*	*54*	*1,543*	*263*	*316*	*5.5%*
Moratoriums to public sector	-	-	*4*	*32*	*32*	*0.2%*
Total moratoriums	**123,419**	**8,737**	**97,488**	**5,620**	**14,356**	**5.9%**

[1] Mostly moratoriums according to ROYAL DECREE-LAWS 8/2020, 11/2020, 25/2020, 26/2020 (10J/2020 in Portugal), 3/2021 or Sector Agreement.

Out of a total of €6,789 million in moratoria outstanding at 30 June 2021, 25% expires in the third quarter of 2021, and practically the entire amount thereof before the end of the year.

Liquidity

- Total liquid assets amounted to €162,731 million at 30 June 2021, up €48,280 million in the half, mainly due to the integration of Bankia.
- The Group's Liquidity Coverage Ratio (LCR) at 31 June 2021 was 333%, showing an ample liquidity position (292% LCR average[1] last 12 months) well clear of the minimum requirement of 100%.
- The Net Stable Funding Ratio (NSFR)[2] stood at 148% at 30 June 2021, above the 100% regulatory minimum required from June 2021.
- Solid retail financing structure with a loan to deposit ratio of 94%.
- The balance drawn under the ECB facility at 30 June 2021 amounted to €81,159 million, corresponding to TLTRO III. In the first half of 2021 a total of €6,223 million related to TLTRO III were drawn, and the total balance drawn increased by €25,211 million due to the incorporation of Bankia.
- Institutional lending amounted to €53,279 million, diversified by investment instruments and maturities.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €22,431 million at 30 June 2021.

[1] Trailing 12 months (includes Bankia's contribution as of March 2021).

[2] As of 30 June 2019 the regulatory criteria established in Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, which came into force in June 2021, is applied.

Capital management

% and € million	30.06.21	31.12.20
Common Equity Tier 1 (CET1)	12.9%	13.6%
Tier 1	14.8%	15.7%
Capital total	17.4%	18.1%
MREL	25.1%	26.3%
Risk Weigthed Assets (RWAs)	220,660	144,073
Leverage ratio	5.1%	5.6%

- The Common Equity Tier 1 (CET1) ratio stands at 12.9%.
- The first quarter includes the one-off impact of Bankia's integration for +77 basis points, -89 basis points from the effect of the Purchase Price Allocation (PPA), and the second quarter is affected by -87 basis points from restructuring costs (of which -83 correspond to the labour integration agreement) and -71 points from regulatory impacts.

  The organic evolution in the half was of +64 basis points and +45 basis points caused by the performance of the markets and other. The impact of IFRS 9 phasing was of -16 basis points.
- The CET1 ratio without applying the IFRS 9 transitional period reaches 12.5%.
- The internal objective of the solvency rate CET1 approved by the Board of Directors is set between 11% and 11.5% (excluding IFRS 9) and a margin of between 250 and 300 basis points in relation to the SREP requirements.
- The Tier 1 ratio reached 14.8% and the Total Capital ratio stood at 17.4%.
- The leverage ratio stood at 5.1%.
- As for the MREL requirement, CaixaBank had a ratio of 25.1% on RWA and 8.7% on LRE, meeting the level required for 2024 (22.95% of RWAs and 6.09% of LRE). At a subordinated level, excluding the Senior preferred debt and other pari-passu liabilities, the MREL ratio reached 22.2% of RWAs and 7.7% of LRE, comfortably above the regulatory requirements of 16.26% of RWAs and 6.09% of LRE. The following issues of Senior non-preferred debt were made in the second quarter, strengthening the MREL ratios: a social bond of €1,000 million, in addition to an issue of £500 million. Following the end of June, an issue of CHF 200 million.
- Similarly, CaixaBank is subject to minimum capital requirements on a non-consolidated basis. The CET1 ratio under this perimeter reached 13.8%.
- BPI is also compliant with its minimum capital requirements. Capital ratios at a sub-consolidated level are as follows: CET1 of 14.3%, Tier1 of 15.8% and Total Capital of 17.4%.
- In terms of capital requirements following the integration of Bankia, the European Central Bank communicated this month of June a new P2R requirement of 1.65%. As a result, the Group must maintain capital requirements of 8.19% for CET1, 10.00% for Tier 1 and 12.41% for Total Capital. At 30 June, CaixaBank has a margin of 468 basis points, equating to €10,329 million, until the Group's MDA trigger.

- Additionally, the Group's domestic systemic risk buffer after the integration of Bankia remains at 0.25% for this year, rising to 0.375% in 2022 and 0.50% in 2023. As a result, the estimated new MREL requirements, according to current regulations, is 22.41% for Total MREL and 18.01% for Subordinated MREL, as of January 2022.

- The Group's current level of capital adequacy confirms that the applicable requirements would not lead to any automatic restrictions according to the capital adequacy regulations, regarding the distribution of dividends, variable remuneration, and the interests of holders of Additional Tier 1 capital securities.

Glossary – Alternative Performance Measures (APMs) definition

Non-financial information

Assets Under Management (AuMs, Assets Under Management) with consideration of ESG (Environmental, Social, Governance) aspects: assets in which some sustainability indicator is considered in their valuation, or commitment policies and proxy voting are applied. Definition based on UNPRI criteria.

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.

Number of employees with disabilities: employees working at the Company with a recognized degree of disability equal to or greater than 33%.

Free Float (%): Management data. Number of shares available for the public, calculated as the number of shares issued less treasury shares, which are held by members of the Board of Directors and those in the hands of "la Caixa" Foundation and the FROB.

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

Accessible branch: a branch is deemed to be accesible when its features enable all types of people, regardless of their abilities, to enter, move around, navigate, identify, understand and make use of the available services and facilities, and to communicate with staff. The branch must also comply with current regulations.

Products with a high sustainability rating: heritage of products that are classified in article 8 (that directly promote environmental or social characteristics) and in article 9 (that pursue a sustainable investment objective) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on the disclosure of information related to sustainability in the financial services sector. Estimated data for 12.31.21 pending authorization and CNMV registration. It is considered investment funds and pension plans, including EPSV and Unit Linked.

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 cost-to-income

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

		1H2020	1H2021
Numerator	Annualised quarterly income from loans and advances to customers	6,282	5,688
Denominator	Net average balance of loans and advances to customers	341,282	339,866
(a)	**Average yield rate on loans (%)**	**1.84**	**1.67**
Numerator	Annualised quarterly cost of on-balance sheet retail customer funds	56	8
Denominator	Average balance of on-balance sheet retail customers funds	345,872	362,009
(b)	**Average cost rate of retail customer funds (%)**	**0.02**	**0.00**
	Proforma customer spread (%) (a - b)	1.82	1.67

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

		1H20	1H21
Numerator	Annualised quarterly interest income	8,893	8,371
Denominator	Average total assets for the quarter	635,202	671,368
(a)	**Average return rate on assets (%)**	**1.40**	**1.25**
Numerator	Annualised quarterly interest expenses	2,091	1,809
Denominator	Average total funds for the quarter	635,202	671,368
(b)	**Average cost of fund rate (%)**	**0.33**	**0.27**
	Proforma balance sheet spread (%) (a - b)	1.07	0.98

(*) The average balances of the analysed period are calculated on the basis of the daily closing balances of said period, except in the case of some subsidiaries, for which the average balances are calculated as the arithmetic average of the closing balances of each month.

ROE(**): Profit/(loss) attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity) divided by average shareholder equity plus valuation adjustments for the last 12 months (calculated as the average value of the monthly average balances).

		1H2020	2020	1H2021
(a)	Profit/(loss) attributable to the Group 12M	1,289	1,381	5,357
(b)	Additional Tier 1 coupon	(133)	(143)	(185)
Numerator	**Adjusted profit/(loss) attributable to the Group 12M (a+b)**	**1,156**	**1,238**	**5,172**
(c)	Average shareholder equity 12M	25,947	26,406	29,464
(d)	Average valuation adjustments 12M	(1,187)	(1,647)	(1,806)
Denominator	**Average shareholder equity + valuation adjustments 12M (c+d)**	**24,760**	**24,759**	**27,657**
	ROE (%)	4.7%	5.0%	18.7%
(f)	Extraordinary income from the merger	-	-	2,903
Numerator	**Adjusted numerator 12M (a+b-f)**	**-**	**-**	**2,269**
	ROE (%) ex M&A impacts	-	-	8.2%

ROTE (**): quotient between; (i) Profit/(loss) attributed to the Group (adjusted by the amount of the Additional Tier 1 coupon, registered in shareholder equity) and; (ii) 12-month average shareholder equity plus valuation adjustments (calculated as the average value of the monthly average balances) 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.

		1H2020	2020	1H2021
(a)	Profit/(loss) attributable to the Group 12M	1,289	1,381	5,357
(b)	Additional Tier 1 coupon	(133)	(143)	(185)
Numerator	**Adjusted profit/(loss) attributable to the Group 12M (a+b)**	**1,156**	**1,238**	**5,172**
(c)	Average shareholder equity 12M	25,947	26,406	29,464
(d)	Average valuation adjustments 12M	(1,187)	(1,647)	(1,806)
(e)	Average intangible assets 12M	(4,247)	(4,295)	(4,555)
Denominator	**12M (c+d+e)**	**20,513**	**20,463**	**23,102**
	ROTE (%)	5.6%	6.1%	22.4%
(g)	Extraordinary income from the merger	-	-	2,903
Numerator	**Adjusted numerator 12M (a+b-g)**	**-**	**-**	**2,269**
	ROTE (%) ex M&A impacts			9.8%

ROA(**): net profit (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity) divided by average total assets for the last 12 months (calculated as the average value of the daily balances of the analysed period). Measures the level of return relative to assets.

		1H2020	2020	1H2021
(a)	Profit/(loss) after tax and before minority interest 12M	1,287	1,382	5,360
(b)	Additional Tier 1 coupon	(133)	(143)	(185)
Numerator	**Adjusted net profit 12M (a+b)**	**1,154**	**1,238**	**5,174**
Denominator	**Average total assets 12M**	**410,410**	**433,785**	**506,854**
	ROA (%)	0.3%	0.3%	1.0%
(d)	Extraordinary impact from the merger	-	-	2,903
Numerator	**Adjusted numerator 12M (a+b-d)**	**-**	**-**	**2,271**
	ROA (%) ex M&A impacts			0.5%

RORWA(**): net profit (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity) divided by average total risk-weighted assets for the last 12 months (calculated as the average value of the quarterly average balances). Measures the return based on risk-weighted assets.

		1H2020	2020	1H2021
(a)	Profit/(loss) after tax and before minority interest 12M	1,287	1,382	5,360
(b)	Additional Tier 1 coupon	(133)	(143)	(185)
Numerator	**Adjusted net profit 12M (a+b)**	**1,154**	**1,238**	**5,174**
Denominator	**Risk-weighted assets (regulatory) 12M**	**148,099**	**146,709**	**153,040**
	RORWA (%)	0.8%	0.8%	3.4%
(d)	Extraordinary impact from the merger	-	-	2,903
Numerator	**Adjusted numerator 12M (a+b-d)**	**-**	**-**	**2,271**
	RORWA (%) ex M&A impacts	0.8%	0.8%	1.5%

*(**) **Numerator:** Attributable profit/(loss) for the last 12 months, including extraordinary impacts from the merger. **Denominator:** Includes as of 31 March 2021 the increase of average risk-weighted assets from the merger with Bankia. In numerator of ratios ex Bankia integration the extraordinary impacts associated with the merger are eliminated in 1S21.*

Cost-to-income ratio: operating expenses (administrative expenses, depreciation and amortisation) divided by gross income (or core income for the core efficiency ratio) for the last 12 months. Metric widely used in the banking sector to compare the cost to income generated.

		1H2020	2020	1H2021
Numerator	**Administrative expenses, depreciation and amortisation 12M**	4,709	4,579	**6,952**
Denominator	**Gross income 12M**	8,277	8,409	**9,175**
	Cost-to-income ratio	56.9%	54.5%	75.8%

		1H2020	2020	1H2021
Numerator	**Administrative expenses, depreciation and amortisation stripping out extraordinary expenses 12M**	4,707	4,579	**4,981**
Denominator	**Gross income 12M**	8,277	8,409	**9,175**
	Cost-to-income ratio stripping out extraordinary expenses	56.9%	54.5%	54.3%

		1H2020	2020	1H2021
Numerator	**Administrative expenses, depreciation and amortisation stripping out extraordinary expenses 12M**	4,707	4,579	**4,981**
Denominator	**Core income 12M**	8,296	8,310	**9,145**
	Core cost-to-income ratio	56.7%	55.1%	54.5%

		1H2020	2020	1H2021
Numerator	**Administrative expenses, depreciation and amortisation 12M**	6,449	6,311	**6,294**
Denominator	**Gross income 12M**	11,267	11,311	**11,276**
	Proforma cost-to-income ratio	57.2%	55.8%	55.8%

		1H2020	2020	1H2021
Numerator	**Administrative expenses, depreciation and amortisation stripping out**	6,449	6,311	**6,294**
Denominator	**Core income 12M**	11,373	11,456	**11,521**
	Proforma core cost-to-income ratio	56.7%	55.1%	54.6%

Risk management

Cost of risk (CoR): total allowances for insolvency risk (12 months) divided by average of gross loans to customers plus contingent liabilities, using management criteria (calculated as the average value of the monthly closing balances). Indicator used to monitor and track the cost of allowances for insolvency risk on the loan book.

		1H2020	2020	1H2021
Numerator	**Allowances for insolvency risk 12M**	1,506	1,915	**910**
Denominator	**Average of gross loans + contingent liabilities 12M (a)**	247,898	255,548	**291,750**
	Cost of risk (%)	0.61%	0.75%	0.31%

		1H2020	2020	1H2021
Numerator	**Allowances for insolvency risk 12M**	-	2,959	**1,596**
Denominator	**Average of gross loans + contingent liabilities 12M (a)**	-	386,425	**390,043**
	Proforma cost of risk (%)	-	0.77%	0.41%

__Numerator:__ Allowances for insolvency risk (12 months) and, __Denominator:__ Includes as of 31 March 2021 the increase of loans to customers plus contingent liabilities from the merger with Bankia.

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.

		1H2020	2020	1H2021
Numerator	**Non-performing loans and contingent liabilities**	9,220	8,601	**14,005**
Denominator	**Total gross loans and contingent liabilities**	260,261	260,794	**389,389**
	Non-performing loan ratio (%)	3.5%	3.3%	3.6%

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.

		1H2020	2020	1H2021
Numerator	**Non-performing loans and contingent liabilities**	5,786	5,755	**9,001**
Denominator	**Total gross loans and contingent liabilities**	9,220	8,601	**14,005**
	Non-performing loan ratio (%)	63%	67%	64%

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).

		1H2020	2020	1H2021
(a)	**High Quality Liquid Assets (HQLAs)**	88,655	95,367	**161,929**
(b)	**Available balance under the ECB facility (non-HQLAs)**	17,954	19,084	**802**
	Total liquid assets (a + b)	106,609	114,451	162,731

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).

		1H2020	2020	1H2021
Numerator	**Loans and advances to customers, net (a-b-c)**	**233,664**	**234,877**	**350,468**
(a)	Loans and advances to customers, gross	242,956	243,924	363,012
(b)	Provisions for insolvency risk	5,655	5,620	8,609
(c)	Brokered loans	3,637	3,426	3,935
Denominator	**On-balance sheet customer funds**	**234,922**	**242,234**	**371,191**
	Loan to Deposits (%)	99%	97%	94%

Stock market ratios

EPS (Earnings per share): Profit/(loss) attributed to the Group (adjusted by the amount of the Additional Tier 1 coupon, registered in shareholder equity) divided by the average number of shares outstanding.

		1H2020	2020	1H2021
(a)	Profit/(loss) attributable to the Group 12M	1,289	1,381	5,357
(b)	Additional Tier 1 coupon	(133)	(143)	(185)
Numerator	**Adjusted profit attributable to the Group (a+b)**	**1,156**	**1,238**	**5,172**
Denominator	**Average number of shares outstanding, net of treasury shares (c)**	**5,978**	**5,978**	**6,670**
	EPS (Earnings per share)	0.19	0.21	0.78
(d)	Extraordinary impact from the merger	-	-	2,903
Numerator	**Adjusted numerator (a+b-d)**	**-**	**-**	**2,269**
	EPS (Earnings per share) ex M&A impacts	-	-	0.34

Note: *The average number of shares outstanding is calculated as average number of shares less the average number of treasury shares. The average is calculated as the average number of shares at the closing of each month of the analysed period. The impacts associated with the merger in the numerator are eliminated in 1S21.*

PER (Price-to-earnings ratio): share price at the closing of the analysed period divided by earnings per share (EPS).

		1H2020	2020	1H2021
Numerator	**Share price at the end of the period**	1.901	2.101	**2.594**
Denominator	**Earnings per share (EPS)**	0.19	0.21	**0.84**
	PER (Price-to-earnings ratio)	9.83	10.14	3.09
Denominator	**Earnings per share (EPS) ex M&A impacts**	-	-	0.37
	PER (Price-to-earnings ratio) ex M&A impacts	-	-	7.02

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.

		1H2020	2020	1H2021
(a)	Equity	24,393	25,278	34,571
(b)	Minority interests	(25)	(26)	(97)
Numerator	**Adjusted equity (c = a+b)**	**24,368**	**25,252**	**34,474**
Denominator	**Shares outstanding, net of treasury shares (d)**	**5,977**	**5,977**	**8,053**
e= (c/d)	Book value per share (€/share)	4.08	4.22	4.28
(f)	Intangible assets (reduce adjusted equity)	(4,295)	(4,363)	(5,101)
g=((c+f)/d)	Tangible book value per share (€/share)	3.36	3.49	3.65
(h)	Share price at end the period	1.901	2.101	2.594
h/e	P/BV (Share price divided by book value)	0.47	0.50	0.61
h/g	P/TBV tangible (Share price divided by tangible book value)	0.57	0.60	0.71

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

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 2021 € million	
Financial assets at amortised cost - Customers (Public Balance Sheet)	355,132
Reverse repurchase agreements (public and private sector)	(1,439)
Clearing houses	(1,995)
Other, non-retail, financial assets	(360)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	77
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	2,764
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	223
Provisions for insolvency risk	8,609
Loans and advances to customers (gross) using management criteria	363,012

Insurance contract liabilities

June 2021 € million	
Liabilities under the insurance business (Public Balance Sheet)	73,965
Capital gains/(losses) under the insurance business (excluding unit link and other)	(12,580)
Liabilities under insurance contracts, using management criteria	61,384

Customer funds

June 2021 € million	
Financial liabilities at amortised cost - Customer deposits (Public balance sheet)	384,605
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customer deposits)	(12,725)
Multi-issuer covered bonds and subordinated deposits	(5,671)
Counterparties and other	(7,055)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	1,408
Retail issues and other	1,408
Liabilities under insurance contracts, using management criteria	61,384
Total on-balance sheet customer funds	434,672
Assets under management	151,456
Other accounts[1]	14,865
Total customer funds	600,993

(1) In addition to transitional funds associated with transfers and collection activity, it includes the amount of Savings insurance marketed by Bankia, which largely corresponds to the joint venture with Mapfre.