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

30 June 2021

CaixaBank

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

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

Limited review report on the condensed interim consolidated financial statements

To the shareholders of CaixaBank, S.A.:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of CaixaBank, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the Group"),which comprise the balance sheet as at June 30, 2021, and the income statement, the statement of recognized income and expenses, the total statement of changes in equity, the cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2021 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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Emphasis of matter

We draw attention to note 6 "Business combinations, acquisition and disposal of ownership interests in subsidiaries", which describes that on 17 September 2020, the Boards of Directors of CaixaBank, S.A. and Bankia, S.A. entered a Shared Merger Project involving the takeover merger of Bankia (absorbed company) by CaixaBank (absorbent company). The joint merger plan was deposited in the Commercial Register of Valencia and approved at the General Shareholders' Meetings of CaixaBank and Bankia, which were held in early December 2020. 23 March 2021 was set as the date of effective control, following compliance with all the conditions precedent. 31 March 2021 was considered the reference date for accounting purposes. The total value of the capital increase and therefore the acquisition cost of the business combination has amounted to EUR 5,314 million, of which EUR 2,079 million relates to the par value of the new shares issued of CaixaBank, with a par value of EUR 1 each, and EUR 3,235 million to the increase in the share premium corresponding to the difference between the cash amount of the capital increase (business combination cost) and the par value of the new shares issued. The impact of the business combination, after considering the fair value adjustments to the net assets of Bankia, S.A included and the cost of the business combination, has been a badwill recognised in profit and loss amounting to EUR 4,300 million, recorded in the consolidated condensed interim income statement at 30 June 2021. Our opinion has not been modified for this matter.

In addition, we draw attention to note 1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended December 31, 2020. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2021 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2021. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from CaixaBank, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

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

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Raúl Ara Navarro

30 July 2021

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

ASSETS

(Millions of euros)

	NOTE	30-06-2021	31-12-2020 *
Cash and cash balances at central banks and other demand deposits		**94,326**	**51,611**
Financial assets held for trading		**11,813**	**6,357**
Derivatives		10,953	5,301
Equity instruments		244	255
Debt securities		616	801
Financial assets not designated for trading compulsorily measured at fair value through profit or loss		**255**	**317**
Equity instruments		172	180
Debt securities		5	52
Loans and advances		78	85
Customers		78	85
Financial assets at fair value with changes in other comprehensive income	**8**	**17,520**	**19,309**
Equity instruments		1,608	1,414
Debt securities		15,912	17,895
Financial assets at amortised cost	**8**	**428,151**	**267,509**
Debt securities		65,315	24,670
Loans and advances		362,836	242,839
Central banks		27	4
Credit institutions		7,677	5,847
Customers		355,132	236,988
Derivatives - Hedge accounting	**10**	**1,129**	**515**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**1,123**	**269**
Investments in joint ventures and associates	**11**	**4,160**	**3,443**
Joint ventures		42	42
Associates		4,118	3,401
Assets under the insurance business	**9**	**75,645**	**77,241**
Tangible assets	**12**	**8,887**	**6,957**
Property, plant and equipment		6,785	4,950
For own use		6,785	4,950
Investment property		2,102	2,007
Intangible assets	**13**	**4,512**	**3,949**
Goodwill		3,051	3,051
Other intangible assets		1,461	898
Tax assets		**21,005**	**10,626**
Current tax assets		1,827	832
Deferred tax assets	19	19,178	9,794
Other assets	**14**	**2,682**	**2,219**
Insurance contracts linked to pensions		815	
Inventories		81	75
Remaining other assets		1,786	2,144
Non-current assets and disposal groups classified as held for sale	**15**	**2,880**	**1,198**
TOTAL ASSETS		**674,088**	**451,520**

Memorandum items			
Financial instruments loaned or delivered as collateral with the right of sale or pledge			
Financial assets held for trading		201	789
Financial assets at fair value with changes in other comprehensive income		4,654	9,167
Financial assets at amortised cost		158,464	98,657
Material asset – acquired under a lease		1,847	1,447
Off-balance-sheet exposures			
Loan commitments given	23	106,435	78,499
Financial guarantees given	23	7,219	6,360
Other commitments given	23	36,774	20,207

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

LIABILITIES

(Millions of euros)

	NOTE	30-06-2021	31-12-2020 *
Financial liabilities held for trading	**16**	**5,361**	**424**
Derivatives		5,214	151
Short positions		147	273
Financial liabilities at amortised cost	**16**	**547,604**	**342,403**
Deposits		482,070	300,523
Central banks	3.3	81,271	50,090
Credit institutions		16,194	5,266
Customers		384,605	245,167
Debt securities issued		53,089	35,813
Other financial liabilities		12,445	6,067
Derivatives - Hedge accounting	**10**	**372**	**237**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**1,179**	**1,614**
Liabilities under the insurance business	**9**	**73,965**	**75,129**
Provisions	**17**	**6,807**	**3,195**
Pensions and other post-employment defined benefit obligations		825	580
Other long-term employee benefits		3,765	1,398
Pending legal issues and tax litigation		1,075	556
Commitments and guarantees given		486	193
Other provisions		656	468
Tax liabilities		**2,026**	**1,231**
Current tax liabilities		312	222
Deferred tax liabilities	19	1,714	1,009
Other liabilities	**14**	**2,187**	**1,995**
Liabilities included in disposal groups classified as held for sale		**16**	**14**
TOTAL LIABILITIES		**639,517**	**426,242**
Memorandum items			
Subordinated liabilities - Financial liabilities at amortised cost		9,829	6,222

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

EQUITY

(Millions of euros)

	NOTE	30-06-2021	31-12-2020 *
SHAREHOLDERS' EQUITY	18	36,271	27,118
Capital		8,061	5,981
Share premium		15,268	12,033
Other equity items		34	25
Retained earnings		9,626	8,719
Other reserves		(880)	(1,009)
(-) Treasury shares		(19)	(12)
Profit/(loss) attributable to owners of the parent		4,181	1,381
ACCUMULATED OTHER COMPREHENSIVE INCOME	18	(1,729)	(1,865)
Items that will not be reclassified to profit or loss		(2,127)	(2,383)
Actuarial gains or (-) losses on defined benefit pension plans		(465)	(580)
Non-current assets and disposal groups classified as held for sale		1	
Share of other recognised income and expense of investments in joint ventures and associates		(73)	(70)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income		(1,590)	(1,733)
Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income			
Items that may be reclassified to profit or loss		398	518
Foreign currency exchange		(4)	(24)
Hedging derivatives. Reserve of cash flow hedges [effective portion]		3	73
Fair value changes of debt securities measured at fair value with changes in other comprehensive income		443	521
Share of other recognised income and expense of investments in joint ventures and associates		(44)	(52)
MINORITY INTERESTS (non-controlling interests)		29	25
Other items		29	25
TOTAL EQUITY		**34,571**	**25,278**
TOTAL LIABILITIES AND EQUITY		**674,088**	**451,520**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of euros)

	NOTE	30-06-2021	30-06-2020 *
Interest income		3,741	3,338
Financial assets at fair value with changes in other comprehensive income (1)		886	945
Financial assets at amortised cost (2)		2,597	2,380
Other interest income		258	13
Interest expense		(914)	(913)
NET INTEREST INCOME		**2,827**	**2,425**
Dividend income		152	94
Share of profit/(loss) of entities accounted for using the equity method		205	97
Fee and commission income		1,838	1,436
Fee and commission expenses		(198)	(170)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		6	179
Financial assets at amortised cost	8	3	114
Other financial assets and liabilities		3	65
Gains/(losses) on financial assets and liabilities held for trading, net		59	38
Other gains or losses		59	38
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net		5	(26)
Other gains or losses		5	(26)
Gains/(losses) from hedge accounting, net	11	(2)	(10)
Exchange differences (gain/loss), net		12	(39)
Other operating income		283	252
Other operating expenses		(622)	(451)
Income from assets under insurance and reinsurance contracts		696	717
Expenses from liabilities under insurance and reinsurance contracts		(378)	(425)
GROSS INCOME		**4,883**	**4,117**
Administrative expenses		(4,403)	(2,073)
Personnel expenses		(3,590)	(1,454)
Other administrative expenses		(813)	(619)
Depreciation and amortisation		(315)	(272)
Provisions or reversal of provisions	17	(147)	(154)
Impairment/(reversal) of impairment on financial assets not measured at fair value through profit or loss or net profit or loss due to a change		(337)	(1,365)
Financial assets at fair value with changes in other comprehensive income		(1)	1
Financial assets at amortised cost	8	(336)	(1,366)
Impairment/(reversal) of impairment on non-financial assets		(13)	(15)
Tangible assets		(1)	(15)
Other		(12)	
Gains/(losses) on derecognition of non-financial assets, net		12	4
Negative goodwill recognised in profit or loss	6	4,300	
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations		(14)	(38)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**3,966**	**204**
Tax expense or income related to profit or loss from continuing operations		214	(1)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**4,180**	**203**
Profit/(loss) after tax from discontinued operations		1	
PROFIT/(LOSS) FOR THE PERIOD		**4,181**	**203**
Attributable to minority interests (non-controlling interests)			(2)
Attributable to owners of the parent		4,181	205

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

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

(Millions of euros)

	NOTE	30-06-2021	30-06-2020 *
PROFIT/(LOSS) FOR THE PERIOD		**4,181**	**203**
OTHER COMPREHENSIVE INCOME		**136**	**(503)**
Items that will not be reclassified to profit or loss		257	(451)
Actuarial gains or losses on defined benefit pension plans		99	(33)
Share of other recognised income and expense of investments in joint ventures and associates		(3)	27
Non-current ass. and disposal groups classified as held for sale		1	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	8	141	(453)
Profit or loss from hedge accounting of equity instruments measured at fair value with changes in other comprehensive income			
Fair value changes of equity instruments measured at fair value with changes in equity [hedged instrument]			58
Fair value changes of equity instruments measured at fair value with changes in equity [hedging instrument]			(58)
Income tax relating to items that will not be reclassified		19	8
Items that may be reclassified to profit or loss		(121)	(52)
Foreign currency exchange		21	(14)
Translation gains/(losses) taken to equity		21	(14)
Cash flow hedges (effective portion)		(99)	203
Valuation gains/(losses) taken to equity		(93)	199
Transferred to profit or loss		(6)	4
Debt instruments classified as fair value financial assets with changes in other comprehensive income		(108)	(137)
Valuation gains/(losses) taken to equity		(101)	(79)
Transferred to profit or loss		(7)	(58)
Share of other recognised income and expense of investments in joint ventures and associates		7	(67)
Income tax relating to items that may be reclassified to profit or loss		58	(37)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,317**	**(300)**
Attributable to minority interests (non-controlling interests)			(2)
Attributable to owners of the parent		4,317	(298)

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

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

(Millions of euros)

		EQUITY ATTRIBUTABLE TO THE PARENT									MINORITY INTERESTS		
		SHAREHOLDERS' EQUITY											
	NOTE	CAPITAL	SHARE PREMIUM	OTHER EQUITY	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	TOTAL
OPENING BALANCE 31-12-2020		5,981	12,033	25	8,719	(1,009)	(12)	1,381		(1,865)		25	25,278
Effects of changes in accounting policies													
BALANCE AT 01-01-2021		5,981	12,033	25	8,719	(1,009)	(12)	1,381		(1,865)		25	25,278
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								4,181		136			4,317
OTHER CHANGES IN EQUITY		2,080	3,235	9	907	129	(7)	(1,381)				4	4,976
Issuance of ordinary shares	18	2,080	3,235										5,315
Dividends (or remuneration to shareholders)	5				(216)								(216)
Purchase of treasury shares	18						(15)						(15)
Sale or cancellation of treasury shares	18						8						8
Reclassification of financial instruments from liability to equity				10									10
Transfers among components of equity					1,381			(1,381)					
Equity increase/(decrease) resulting from business combinations	6												
Other increase/(decrease) in equity				(1)	(258)	129						4	(126)
CLOSING BALANCE AT 30-06-2021		8,061	15,268	34	9,626	(880)	(19)	4,181		(1,729)		29	34,571

		EQUITY ATTRIBUTABLE TO THE PARENT									MINORITY INTERESTS		
		SHAREHOLDERS' EQUITY											
	NOTE	CAPITAL	SHARE PREMIUM	OTHER EQUITY	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	OTHER ITEMS	TOTAL
OPENING BALANCE 31-12-2019		5,981	12,033	24	7,795	(1,281)	(10)	1,705		(1,125)		29	25,151
BALANCE AT 01-01-2020		5,981	12,033	24	7,795	(1,281)	(10)	1,705		(1,125)		29	25,151
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								205		(503)		(2)	(300)
OTHER CHANGES IN EQUITY					893	358	(2)	(1,705)				(2)	(458)
Dividends (or remuneration to shareholders)					(418)							(2)	(420)
Purchase of treasury shares							(8)						(8)
Sale or cancellation of treasury shares							6						6
Transfers among components of equity					1,705			(1,705)					
Other increase/(decrease) in equity					(394)	358							(36)
CLOSING BALANCE ON 30-06-2020		5,981	12,033	24	8,688	(923)	(12)	205		(1,628)		25	24,393

CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(Millions of euros)

	30-06-2021	30-06-2020 **
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	30,441	32,163
Profit/(loss) for the period *	4,181	203
Adjustments to obtain cash flows from operating activities	(1,516)	2,090
Depreciation and amortisation	315	272
Other adjustments	(1,831)	1,818
Net increase/(decrease) in operating assets	8,026	(27,190)
Financial assets held for trading	513	(404)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	77	46
Financial assets at fair value with changes in other comprehensive income	11,629	(2,898)
Financial assets at amortised cost	(2,232)	(26,166)
Other operating assets	(1,961)	2,232
Net increase/(decrease) in operating liabilities	20,607	56,862
Financial liabilities held for trading	(669)	(147)
Financial liabilities at amortised cost	19,801	58,117
Other operating liabilities	1,475	(1,108)
Income tax (paid)/received	(857)	198
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	12,397	(108)
Payments:	(327)	(382)
Tangible assets	(188)	(221)
Intangible assets	(112)	(123)
Investments in joint ventures and associates	(1)	
Non-current assets and liabilities classified as held for sale	(26)	(38)
Proceeds:	12,724	274
Tangible assets	118	98
Intangible assets		27
Investments in joint ventures and associates	124	
Non-current assets and liabilities classified as held for sale	392	149
Other proceeds related to investing activities	12,090	
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(124)	(2,861)
Payments:	(3,714)	(3,867)
Dividends	(216)	(418)
Purchase of own equity instruments	(15)	(8)
Other payments related to financing activities	(3,483)	(3,441)
Proceeds:	3,590	1,006
Subordinated liabilities	2,582	
Disposal of own equity instruments	8	6
Other proceeds related to financing activities	1,000	1,000
D) EFFECT OF EXCHANGE RATE CHANGES	1	
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	42,715	29,194
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	51,611	15,110
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	94,326	44,304
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	2,739	2,253
Cash equivalents at central banks	90,715	41,673
Other financial assets	872	378
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**94,326**	**44,304**
(*) Of which: Interest received	3,873	3,449
Of which: Interest paid	1,502	1,131
Of which: Dividends received	222	99

(**) Presented for comparison purposes only.

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDING ON 30 JUNE 2021

In accordance with regulations in force on the content of condensed interim consolidated financial statements, these explanatory notes complete, expand on and discuss the balance sheet, the statement of profit or loss, the statement of recognised income and expenditure, the consolidated statement on changes to net equity, and the cash flow statement, all of which are interim, condensed and consolidated, with a view to provide sufficient information to allow them to be compared with the annual consolidated financial statements. At the same time, they offer the information and explanations needed to properly understand the significant changes that arose during the first half of 2021.

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1. Corporate information, basis of presentation and other information

1.1. Corporate information

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

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

The corporate purpose of CaixaBank primarily consists in:

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

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

1.2. Basis of presentation

On 18 February 2021, CaixaBank's Board of Directors authorised for issue the Group's 2020 consolidated financial statements in accordance with the financial reporting regulatory framework applicable to the Group, namely the International Financial Reporting Standards (hereinafter "IFRS-EU"). The 2020 financial statements, as well as the proposal for distributing the income from 2020, were approved by the Annual General Meeting of 14 May 2021.

In the preparation of the 2020 consolidated financial statements, the consolidation principles, accounting policies and measurement bases described in Note 2 therein were applied to give a true and fair view of the equity and financial position of the Group at 31 December 2020 and of the results of its operations, the changes in consolidated equity and the cash flows in the year then ended.

The condensed interim consolidated financial statements of the Group corresponding to the first half of the year, attached herein, have been drawn up following the same principles, accounting policies and criteria as those applied to the annual consolidated financial statements for 2020, particularly IAS 34 ('Interim financial reporting'), except for the regulatory changes that came into force on 1 January 2021, which are specified in the section 'Standards and interpretations issued by the International Accounting Standards Board (IASB), in force from 2021'. In preparing these statements, Bank of Spain Circular 4/2017 of 27 November and subsequent amendments have been considered, which constitute the adaptation of the IFRS-EU to Spanish credit institutions. The condensed interim consolidated financial statements have been drawn up by the CaixaBank Board of Directors in its meeting held on 19 July 2021.

In accordance with IAS 34, the interim notes primarily include an explanation of the events and changes that are significant to an understanding of the changes in financial position and performance since the end of the last annual reporting period. Accordingly, the notes focus on new activities, events and circumstances in the stated period, and do not duplicate information previously reported. Therefore, for an appropriate understanding of the information contained in the accompanying condensed interim consolidated financial statements, they should be read in conjunction with the Group's 2020 consolidated financial statements.

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

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in 2021

In 2021 the following accounting standards became effective:

STANDARDS AND INTERPRETATIONS	TITLE	DATE OF APPLICATION
Amendment to IAS 39, IFRS 9, IFRS 7, IFRS 16 and IFRS 4 *	Interest rate benchmark reform (phase 2)	1 January 2021
Amendment to IFRS 4	Scope of the temporary exemption for applying IFRS 9	1 January 2021

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

- **Amendment to IAS 39, IFRS 9, IFRS 7, IFRS 16 and IFRS 4 (phase 2)**

Global financial regulators have driven the gradual abandonment of IBORs and their replacement with new risk-free indices in recent years. This has led to the need for a transition from the old LIBORs to the new indices recommended by the task forces established in the various jurisdictions.

This transition has been expedited with the announcement of the cessation of some LIBOR indices at the beginning of 2022. For this reason, market participants need to start using new risk-free indices and remedy those contracts that were affected by the cessation of publication of the index.

Since the regulators' first announcements, the Group has taken an active position both externally – participating in the working group on Risk Free Rates (RFR) for the eurozone – and internally, where it has laid down an index transition project with a robust governance structure to meet the regulatory, financial, commercial and technical needs of index transition.

Similarly, the Group has set up an internal task force to manage the various risks to which the Group is exposed as a result of this transition: risk of litigation on contracts indexed to rates that will disappear, operational risks arising from the need for technological changes, operational processes and controls, legal risks when remedying existing contracts, financial and accounting risks from the use and change to new rates as well as reputational conduct risks.

The Group has a high exposure to the Euribor index that is not affected by the transition, while this index, following a reform of its methodology, has received the backing of supervisors and regulators and fully complies with the index regulation. The Group uses Euribor for mortgages, loans, deposits and debt issuances, as well as in a broad range of derivative instruments. However, the eurozone working group and the European authorities recommend that all contracts referenced to Euribor include replacement clauses in the event of a possible future termination of the Euribor based on the new RFR indices for the euro, i.e. in temporary structures of €STR.

Regarding EONIA, it has basically been used in current account contracts, currently already transferred into €STR and in derivatives settled through Central Clearing Houses that are scheduled to migrate to €STR in October 2021. The other contracts referenced to EONIA are those that refer to collateral remuneration in derivative framework contracts that are already being migrated.

Lastly, regarding the LIBOR indices, the Group's exposure can be considered non-material given the low volume of assets and liabilities referred to in these indices, the LIBOR USD being the most representative in terms of exposure. The planned date of termination for LIBOR GBP, CHF, JPY and EUR is 31 December 2021. The 1-week and 2-month periods for the USD will also cease on that date. For the remaining LIBOR USD terms, the planned termination date is June 2023. The new GBP production, SONIA, is currently already in place.

The IASB has completed its response to the global interest rate benchmark reform (IBORs) with a series of amendments to IAS 39, IFRS 9, IFRS 7, IFRS 16 and IFRS 4 -the so-called phase 2-, which supplement those issued in 2019.

These amendments focus on cases in which entities replace the previous benchmark interest rate for an alternative benchmark rate and on the effects of the amendment on the financial statements. Specifically:

- Changes in the contractual cash flows entities will not have to derecognise or adjust the carrying amount of financial instruments due to the changes required by the reform, but will have to update the effective interest rate in order to reflect the change to the alternative benchmark rate;

- Hedge accounting: entities will not have to abandon their hedge accounting simply because they have to apply the changes required by the reform if the hedging complies with other hedge accounting criteria; and
- Breakdowns: entities must publish information about any new risks that arise following the reform and how they will manage the transition to the alternative benchmark rates.

On 5 March, the Financial Conduct Authority (FCA) announced the termination of the LIBOR on 31 December 2021 for all except the USD LIBOR which will terminate on 30 June 2023. As a result of this announcement, ISDA reported that it constitutes an "index cessation event" under its protocol and specific supplements issued to replace the IBORs, and consequently Bloomberg has set and published official fallback spread adjustments. The various LIBOR indices are scheduled to cease publication at the end of this year and in June 2023, at which time the aid measures adopted in these amendments are expected to be applied, which are effective from 1 January 2021, since they are still considered to be representative until then.

What is more, and in reference to the EURIBOR methodology change, the amendments have been implemented from 1 January 2021 with no material impact. From 15 April 2021 the European Central Bank is began publishing the ESTER (euro short-term rate) in its composite average rate form for 1-week, and 1, 3, 6 and 12-month terms.

Amendment to IFRS 4

For insurance operations, the Group's insurance companies have made use of the temporary exemption of the application of IFRS 9, by virtue of the application of EU Regulation 2020/2097, thus, this standard is no longer in force for the insurance business. This regulation allows for the deferral of IFRS 9 until 1 January 2023 for insurance companies that form part of a financial conglomerate, as stated in article 2, section 14 of Directive 2002/87/EC. This option was adopted by the CaixaBank Group for the financial investments of the Group's insurance companies (VidaCaixa and BPI Vida y Pensiones) from 1 January 2018, as it fulfilled the conditions laid down by article 2 of the EU Regulation (EU) 2017/1988.

Standards and interpretations issued by the IASB but not yet effective

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

STANDARDS AND INTERPRETATIONS	TITLE	MANDATORY APPLICATION FOR ANNUAL PERIODS BEGINNING ON OR AFTER:
NOT APPROVED FOR USE		
Amendment to IFRS 16	Rental reductions related to COVID-19 beyond 30 June 2021	1 April 2021
IFRS 17	Insurance contracts	1 January 2023

Amendment to IFRS 16

In February 2021 the IASB issued *Rent reductions related to COVID-19* amending the aid in the application of IFRS 16 *Leases*, which had previously been issued in May 2020. As a practical solution, the 2020 amendment enabled lessees not to account for the specific rent concessions as lease modifications as a direct consequence of the COVID-19 pandemic and instead to account for such rent reductions as if they were not lease modifications.

The IASB proposes extending the time period to be able to implement the practical solution, so that it applies to rent reductions for which any decrease in lease payments affects only payments originally due until 30 June 2022, as long as all other conditions for the application of the practical solution are met.

The Group has not identified any material contracts that may form within the scope of this amendment, and thus there will no material impacts on assets nor on the presentation of financial statements derived therefrom.

- **IFRS 17 "Insurance contracts"**

  On 25 June 2020, the IASB issued a series of amendments to IFRS 17, with a view to help entities to implement the Standard and facilitate the explanation of their financial performance to users of their financial information. The main principles on which the original Standard is based, first issued in May 2017, are not affected. The newly published amendments are basically designed to: i) reduce costs by simplifying some requirements in the Standard, ii) make financial performance easier to explain, and iii) facilitate the transition by postponing the validity date of the Standard until 2023, whilst giving additional aids to reduce the effort required when applying IFRS 17 for the first time.

  The Group continues to work intensively to implement this standard, in accordance with the plan approved in 2018, which was subsequently subject to an update; in particular, the work is currently focused on developing the actuarial engine and tools for drawing up accounting and management information, as well as testing the first partial results. The implementation of the standard and the assessment of the impact on the CaixaBank Group financial statements remains on-going.

  Relevant changes to the project plan are not expected in 2021, despite the fact that the IASB has delayed the first application of IFRS 17 to 1 January 2023. Nevertheless, it is important to point out that the effects that the crisis resulting from COVID-19 will have on the project plan in the short term will be monitored closely.

1.3. Responsibility for the information and for the estimates made

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

- Impairment losses on financial assets, and of the fair value of guarantees associated thereto, according to their classification in accounts, which entail the need to make judgements regarding: i) the consideration of "significant increase in credit risk" (SICR); ii) the definition of default; and iii) the inclusion of forward-looking information (Notes 3 and 8).
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations (Note 6)
- The measurement of investments in joint ventures and associates (Note 11).
- Determination of the share of profit/(loss) of investments in associate companies (Note 11).
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 9).
- The useful life of and impairment losses on tangible assets, including right-of-use assets, and intangible assets (Notes 12 and 13).
- The measurement of goodwill and intangible assets (Note 13).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 15).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 17).
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 17).
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 19).
- The fair value of certain financial assets and liabilities (Note 24).
- The term of the lease agreements used in the assessment of the lease liabilities.

These estimates have been carried out according to the best available information on the date that these condensed interim consolidated financial statements were prepared, considering the uncertainty at the time derived from the impact of COVID-19 in the current economic environment. However, it is possible that future events require them to be modified in upcoming financial years, which, in line with applicable regulations, would take place prospectively, recognising the effects of the estimation change in the corresponding statement of profit or loss.

1.4. Comparison of information

The figures corresponding to 31 December 2020, as well as the six-month period ending on 30 June 2020 included in the condensed interim consolidated financial statements, are presented solely and exclusively for comparison purposes.

The takeover of Bankia, SA was conducted on 23 March 2021. The financial statements at 30 June 2021 reflect the recognition of this business combination. Note 6 explains the balance sheet items integrated into the business combination, as well as the negative goodwill resulting from the transaction.

1.5. Seasonality of operations

The nature of the most significant operations carried out by the Group do not have a relevant cyclical or seasonal nature within a single financial year.

1.6. Significant events

There was a business combination with Bankia on 23 March 2021 (see Note 6). As a result, BFA Tenedora de Acciones, SAU (wholly owned by Fund for Orderly Bank Restructuring (FROB)) holds a 16.12% stake in CaixaBank.

Furthermore, on July 1, 2021, an agreement was reached with the workers' representatives for the execution of the Entity's restructuring process resulting from the business combination with Bankia affecting 6,452 employees, as well as other changes in the conditions of the current employment framework, in particular those affecting social commitments and with an estimated cost of EUR 1,884 million, which has been recorded in the statement of profit or loss (see Note 17).

1.7. Subsequent events

In July 2021 CaixaBank has agreed to sell certain lines of business directly pursued by Bankia to the following investees (see Note 20):

- Sale of the acquiring business (POS) to Comercia Global Payments EP, SL (CGP) for EUR 260 million. Global Payments Inc and CaixaBank hold an 80% and 20% stake, respectively, in CGP.

- Sale of the prepaid card business to Global Payments MoneytoPay, EDE, SL (MTP) for EUR 17 million. Global Payments Inc and CaixaBank hold a 51% and 49% stake, respectively, in MTP.

Between 30 June 2020 and the date these condensed interim consolidated financial statements were authorised for issue, no further events occurred with a material impact on the accompanying financial statements that are not described in the remaining explanatory notes.

2. Accounting policies and measurement bases

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

The accompanying condensed interim consolidated financial statements of the Group were prepared using the same accounting principles, policies and criteria as those used in the 2020 consolidated financial statements.

For all the areas not stated in these interim financial statements, the definitions, criteria and policies described in Note 2 of the report of the 2020 consolidated financial statements continue to be applied.

An accounting policy in relation to the recording operations of purchased or originated credit impairment (POICs) is incorporated linked to the business combination with Bankia (see Note 6):

2.1. Impairment of financial assets

The Group considers assets acquired with a significant discount reflecting credit losses incurred at the time of the transaction to be as POCIs. Given that the discount reflects the losses incurred, no separate provision for credit risk is recorded in the initial recognition of the POCIs. Subsequently, changes in the expected losses in the life of the operation are recognised from their initial recording as a credit risk provision of the POCIs. The interest income of these assets is be calculated by applying the effective interest rate adjusted to reflect credit quality at the amortised cost of the financial asset, although this effect is not significant at the initial recognition date.

3. Risk management

The risk management framework is described in Note 3 to the Group's 2020 consolidated financial statements, which includes strategic processes for risk management, governance and organisation, and the existence of a risk control culture, as well as the internal control framework established by the Group. The most relevant aspects of risk management in the first half of 2021 are detailed below:

3.1. Environment and risk factors

- **Economic context**
  - Global and eurozone economy
    - 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 declined 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. Worldwide growth is estimated approximately at +6% for 2021, following the sharp fall of 3.3% in 2020.
    - 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 generally also 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 eurozone recovery to pick up in the second half of the year and to bring overall growth for 2021 to 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.
  - Spain
    - 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 of 2021, the indicators available to date suggest that the Spanish economy experienced a significant expansion of economic activity in the second quarter of 2021. 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 of 2021.

- 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. We expect the GDP to grow around 6% in 2021, and somewhat higher and slightly above 6.0% in 2022

- Portugal

  - 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.

- The **competitive and social context** is decisive in the Group's strategy and development. Along these lines, the Group identifies as "Strategic events" the most relevant occurrences that may result in a medium–long-term material impact on the Group. Only events that are not yet materialised and do not form part of the Catalogue, but which the organisation is exposed to due to causes that are external to its strategy are considered, even if the severity of their impact can be mitigated through management. If a strategic event occurs, the impact may be on one or more of the risks of the Catalogue simultaneously. During the first half of 2021, certain significant events took place in relation to Strategic Events:

  - **Uncertainties in relation to the geopolitical and macroeconomic environment**

    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 variants of the virus against which the current vaccines would be less effective.

    A more novel concern is the risk that the economy might overheat, 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).

    Regarding other upside risks, a greater impact than expected from the fiscal stimulus packages (e.g. thanks to a higher degree of international coordination that in the past) and a further mobilisation of accumulated savings are most likely to take place.

  - **New competitors with the possibility to disrupt**

    CaixaBank Group closely monitors potential new competitors. No new developments have been identified in new entrants in the first half of 2021.

  - **Cybercrime and data protection**

    Based on the existing threats regarding cybersecurity and recent attacks received by other organisations, the exploitation of vulnerabilities on CaixaBank Group's digital environment could pose serious impacts of a different kind, notably including mass data corruption, breaches of confidential information, the unavailability of critical services or fraud on digital service channels. Should these impacts related to banking services occur, they could entail significant sanctions by the competent organisations and potential reputational damage for the Group.

    To this end, CaixaBank Group has various security capabilities deployed to curtail this risk, both from a preventive viewpoint and those aimed at responding to the management of potential contingencies. Furthermore, during COVID-19, the CaixaBank team has been increasing the security maturity level of its digital environment, deploying technologies and capabilities to combat the main threats, highlighting specific programs in improving resilience to ransomware, strengthening security in the Swift environment and monitoring banking malware campaigns.

- **Changes to the legal, regulatory and supervisory framework**

In the first half of 2021, the bank has conducted exhaustive monitoring on the measures and publications impacting the exposures that benefit from measures to combat the COVID-19 pandemic and their classification, notably including the publication of RDL 5/2021 of 12 March, on extraordinary measures to support corporate solvency, in response to the pandemic arising from COVID-19, that coordinates a set of measures to mobilise public investment of up to 11 billion euros around four lines of action: three additional funds to finance direct aid, debt restructuring and corporate recapitalisation, and a fourth line comprising the extension of fiscal and bankruptcy moratoriums. Furthermore, the Code of Good Practice for the framework for renegotiation with customers funded by the Official Credit Institute (ICO), provided for in the RDL 5/2021, is published.

The Council of Ministers Agreement of 28 May 2021 activated EUR 15,000 million from the sixth tranche of the investment and liquidity guarantee facility provided for in RDL 25/2020, in relation to new investments. With the approval of RDL 5/2021 of 12 March, the application period for guarantees is extended until 1 December 2021.

Other policy developments from the first half of 2021 resulting from the COVID-19 crisis include the publication of the swift review of MiFID II and the adoption by the European Parliament of the swift review of the certification standards.

Similarly, various public consultation processes in the field of sustainable finance have been responded to and monitored and various legislative texts have come into effect and have been published. In relation to the consultation processes, the delegated acts on the taxonomy of activities for mitigating and adapting to climate change and on the dissemination of green asset ratio indicators of the degree of alignment with taxonomy are most noteworthy: the EBA's Discussion Paper on management and supervision of ESG (environment, social and governance) risks for credit institutions, and the consultation on ITS (Implementing Technical Standards) on the disclosure of information on ESG risks under Pillar 3 (disclosures on prudential relevance). The Sustainable Finance Disclosure Regulation (SFDR) came into force on 10 March, despite the lack of second-level developments to meet its requirements. Steps have also continued to be taken to lay down a global and a European standard setter for non-financial information. At the end of April, the European Commission published a comprehensive package of planned legislative texts: i) the delegated acts with the Climate Taxonomy (activities contributing to the goals of mitigating and adapting to climate change, ii) the delegated acts of amending MiFID II, IDD (Insurance Distribution Directive), AIFMD (Alternative Investment Managers Directive), UCITS (Undertakings for Collective Investment in Transferable Securities) and Solvency II for the integration of sustainability factors, risks and preferences and iii) the proposed Corporate Sustainability Reporting Directive. This package was supplemented by the announcement of the agreement between the European Council and Parliament on the European Climate Law, which makes binding by law the European Union's commitment to achieving climate neutrality by 2050 and the intermediate goal of reducing net greenhouse gas emissions by 2030 by at least 55% compared to 1990 levels.

As regards the progress made in the architecture of the European Banking Union, a response has been given to the Commission's consultation on the revision of the framework for managing bank crises and the deposit guarantee, from which an assessment of the measures for the preparation and prevention of bank failures will be conducted, as well as those applicable once a bank has been declared bankrupt or likely to fail.

In the digital field, a response was given to the ECB's consultation on its report on a digital euro, and to public consultations in the fields of regulation and instant payments of digital platforms and bigtechs companies (Digital Markets Act). Progress in the regulation of cryptoassets and artificial intelligence has also been analysed.

In terms of markets, there has also been progress in the first half of 2021 in the IBOR (interbank offered rates) replacement process, particularly in relation to the cessation of the LIBOR. A response has been given to the European Commission's public consultation regarding the disappearance of CHF LIBOR. Furthermore, in the area of consumer protection, the process of revising the main directives regulating consumer credit, mortgage credit and the remote selling of financial products for retail purposes has been initiated.

Nationally, the Bank of Spain submitted to consultation a review of the solvency circular to provide additional tools to respond to its macro-prudential mandates.

- **Pandemics and other extreme operational events**

During 2021 there is a progressive easing of the emergency health situation that began in 2020, which highlighted the need to anticipate the consequences of a potential mass unavailability of systems, facilities or personnel due to an extreme operational event. Capabilities continue to be strengthened to provide effective business continuity plans in extreme situations.

Additionally to the planning, evidence and pretences that were already come executing in a regular way before the health crisis, the pandemic of the COVID-19 has sped up the theoretical definition and the practical plans implementation of continuity of business that they have resulted effective to guarantee the operational resilience of the Group. Similarly, the implementation of specific technologies to enhance the remote working environment and the adaptation of the workforce to such measures also favour an orderly and effective response to extreme events of a similar nature.

- **Merger with Bankia (see Note 6)**

3.2. Credit risk

Since the beginning of the pandemic, CaixaBank has offered its customers legislative (based on national laws) and non-legislative (based on sector or individual regimes) moratoriums intended to curb the effects of COVID-19. Efforts were also made to ensure the deployment of new ICO (Spanish Official Credit Institute) guarantee facilities, which CaixaBank also extends using working capital facilities and special funding facilities, among others.

Furthermore, BPI has its own extraordinary measures to handle the impact of COVID-19, which are similar to those of CaixaBank.

It is worth noting that in Spain most moratoriums have expired during the first half of 2021, while in Portugal they will expire in September 2021.

The breakdown of government-backed financing operations and current and finalised moratoriums (carrying amount) is provided below:

BREAKDOWN OF GOVERNMENT-BACKED FINANCING - 30-06-2021

(Millions of euros)

	SPAIN (ICO)	PORTUGAL	TOTAL
Public administrations	**10**		**10**
Non-financial corporations and individual entrepreneurs (non-financial business)	**22,003**	**828**	**22,831**
Real estate construction and development (including land)	84	1	85
Civil engineering	1,757	56	1,813
Other	20,162	771	20,933
Large corporates	5,048	43	5,091
SMEs and individual entrepreneurs	15,114	728	15,842
TOTAL	**22,013**	**828**	**22,841**
Of which: from the business combination with Bankia, SA (Note 6)	8,700		8,700

BREAKDOWN OF GOVERNMENT-BACKED FINANCING - 31-12-2020

(Millions of euros)

	SPAIN (ICO)	PORTUGAL	TOTAL
Public administrations	**6**		**6**
Non-financial corporations and individual entrepreneurs (non-financial business)	**12,634**	**551**	**13,185**
Real estate construction and development (including land)	41	1	42
Civil engineering	974	36	1,010
Other	11,619	514	12,133
Large corporates	2,686	26	2,712
SMEs and individual entrepreneurs	8,933	488	9,421
TOTAL	**12,640**	**551**	**13,191**

MORATORIUM BREAKDOWN - 30-06-2021 *

(Millions of euros)

	MORATORIUMS OUTSTANDING (A)			MATURITY		MORATO-RIUMS MATURED (B)	CLASSIFICATION BY STAGES (A+B)		
	TOTAL	*OF WHICH: SPAIN*	*OF WHICH: PORTUGAL*	<6 MONTHS	6-12 MONTHS	TOTAL	STAGE 1	STAGE 2	STAGE 3
Public administrations	**38**		***38***	**38**			**35**	**3**	
Non-financial corporations and individual entrepreneurs (non-financial business)	**3,3065**	***966***	***2,340***	**3,182**	**124**	**1,270**	**3,094**	**1,263**	**219**
Real estate construction and development (including land)	195	*45*	*150*	177	18	23	171	39	8
Civil engineering	94	*5*	*89*	94		16	83	24	3
Other	3,017	*916*	*2,101*	2,911	106	1,231	2,840	1,200	208
Large corporates	*490*	*250*	*240*	*466*	*24*	*245*	*499*	*223*	*13*
SMEs and individual entrepreneurs	*2,527*	*666*	*1,861*	*2,445*	*82*	*986*	*2,341*	*977*	*195*
Other households	**3,445**	***1,957***	***1,488***	**3,234**	**211**	**14,169**	**10,601**	**5,428**	**1,585**
Homes	3,101	*1,635*	*1,466*	2,935	166	11,071	8,882	4,219	1,071
Consumer lending	116	*94*	*22*	97	19	1,593	926	535	248
Other purposes	228	*228*		202	26	1,505	793	674	266
TOTAL MORATORIUMS GRANTED	**6,789**	***2,923***	***3,866***	**6,454**	**335**	**15,439**	**13,730**	**6,694**	**1,804**
TOTAL MORATORIUMS	**6,789**	***2,923***	***3,866***						

(*) Of which EUR 5,734 million come from the business combination with Bankia, S.A. (Note 6)

MORATORIUM BREAKDOWN - 31-12-2020

(Millions of euros)

	AMOUNT OF MORATORIUMS OUTSTANDING (A)			MATURITY		MORATORIUMS MATURED (B)	CLASSIFICATION BY STAGES (A+B)		
	TOTAL	*OF WHICH: SPAIN*	*OF WHICH: PORTUGAL*	<6 MONTHS	6-12 MONTHS	TOTAL	STAGE 1	STAGE 2	STAGE 3
Public administrations	**32**		***32***		**32**		**32**		
Non-financial corporations and individual entrepreneurs (non-financial business)	**3,667**	***904***	***2,763***	**422**	**3,245**	**430**	**3,061**	**896**	**140**
Real estate construction and development (including land)	212	*54*	*158*	16	196		174	32	6
Civil engineering	106	*1*	*105*	1	105	3	85	23	1
Other	3,349	*849*	*2,500*	405	2,944	427	2,802	841	133
Large corporates	*559*	*156*	*403*	*1*	*558*	*49*	*442*	*166*	
SMEs and individual entrepreneurs	*2,790*	*693*	*2,097*	*404*	*2,386*	*378*	*2,360*	*675*	*133*
Other households	**10,658**	***7,834***	***2,824***	**8,867**	**1,791**	**2,039**	**7,604**	**4,292**	**801**
Homes	8,968	*6,473*	*2,495*	7,226	1,742	846	6,185	3,145	484
Consumer lending	409	*80*	*329*	408	1	1,083	799	561	132
Other purposes	1,281	*1,281*		1,233	48	110	620	586	185
TOTAL MORATORIUMS GRANTED	**14,357**	***8,738***	***5,619***	**9,289**	**5,068**	**2,469**	**10,697**	**5,188**	**941**
MORATORIUMS UNDER ANALYSIS	**1**	***1***							
TOTAL MORATORIUMS	**14,358**	***8,739***	***5,619***	**9,289**	**5,068**				

The Group has reflected the changes in the macroeconomic scenarios and modified the weighting given to each scenario used in the estimate of expected loss due to credit risk. To do this, scenarios with internal economic forecasts have been used, with different levels of severity, which incorporate the effects of the COVID-19 crisis on the economy, according to the stipulations of the 'Economic context' section herein in Note 3.

The projected variables considered are as follows:

FORWARD-LOOKING MACROECONOMIC INDICATORS - 30-06-2021 (*)

(% Percentages)

	SPAIN			PORTUGAL		
	2021	2022	2023	2021	2022	2023
GDP growth						
Baseline scenario	6.0	4.4	2.0	4.9	3.1	1.8
Upside scenario	7.7	5.0	1.9	6.9	3.5	1.9
Downside scenario	1.7	5.5	2.8	0.0	3.9	3.4
Unemployment rate						
Baseline scenario	17.9	16.5	15.4	9.1	7.7	6.9
Upside scenario	16.9	14.9	14.1	8.2	7.6	6.3
Downside scenario	20.8	18.4	16.7	9.5	8.2	7.1
Interest rates						
Baseline scenario	(0.47)	(0.40)	(0.21)	(0.47)	(0.40)	(0.21)
Upside scenario	(0.44)	(0.32)	(0.08)	(0.44)	(0.32)	(0.08)
Downside scenario	(0.55)	(0.50)	(0.42)	(0.55)	(0.50)	(0.42)
Evolution of property prices						
Baseline scenario	(2.0)	0.8	1.8	(1.9)	0.6	2.0
Upside scenario	0.0	2.6	2.2	(1.1)	2.7	4.1
Downside scenario	(5.2)	(1.3)	1.3	(3.6)	(2.7)	1.7

(*) Source: CaixaBank Research

FORWARD-LOOKING MACROECONOMIC INDICATORS - 31-12-2020 (*)

(% Percentages)

	SPAIN			PORTUGAL		
	2021	2022	2023	2021	2022	2023
GDP growth						
Baseline scenario	6.0	4.4	2.0	4.9	3.1	1.8
Upside scenario	7.7	5.0	1.9	6.9	3.5	2.0
Downside scenario	1.7	5.5	2.8	(0.3)	4.2	3.3
Unemployment rate (**)						
Baseline scenario	17.9	16.5	15.4	9.1	7.7	6.9
Upside scenario	16.9	14.9	14.1	8.3	7.0	6.3
Downside scenario	20.8	18.4	16.7	10.1	8.3	7.3
Interest rates						
Baseline scenario	(0.47)	(0.40)	(0.21)	(0.47)	(0.40)	(0.21)
Upside scenario	(0.44)	(0.32)	(0.08)	(0.44)	(0.32)	(0.08)
Downside scenario	(0.55)	(0.50)	(0.42)	(0.55)	(0.50)	(0.42)
Evolution of property prices						
Baseline scenario	(2.0)	0.8	1.8	(6.1)	(1.0)	1.6
Upside scenario	0.0	2.6	2.2	(3.3)	0.8	2.1
Downside scenario	(5.2)	(1.3)	1.3	(9.0)	(3.2)	1.5

(*) Source: CaixaBank Research

(**) For models for default frequency projection in Spain, the unemployment rates shown in this table have increased, including 10% of the workers included in Temporary Redundancy Plans

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

WEIGHTING OF OCCURRENCE OF THE CONSIDERED SCENARIOS

(% percentages)

	30-06-2021			31-12-2020		
	BASELINE SCENARIO	UPSIDE SCENARIO	DOWNSIDE SCENARIO	BASELINE SCENARIO	UPSIDE SCENARIO	DOWNSIDE SCENARIO
Spain	60	20	20	60	20	20
Portugal	60	20	20	60	20	20

Given that the macroeconomic forecasts under various scenarios have improved moderately, but uncertainty remains 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 updated in the case of Spain with respect to the end of 2020. In relation to the approach and methodology applied in the context of COVID-19, it is worth highlighting that in the first half of 2021 the recurrent recalibration of specific provision models were resumed for the portfolio under collective analysis, updating internal data on defaults, recoveries and property prices, among others. 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 EUR 1,252 million at the end of 2020. The integration of Bankia meant that the provisions linked to COVID-19 were increased to EUR 1,803 million, once the calculation criteria of both companies was unified. Since elements such as furlough or certain credit facilities remain in the first half of the year, the internal experience of defaults and recoveries still does not fully reflect the economic impact of the pandemic. In that regard, the recalibration conducted has made it possible to allocate, specifically at the contract level, a certain volume of the abovementioned COVID provisions, leaving a remaining collective PMA fund of EUR 1,395 million.

This PMA fund is intended to be temporary (associated with the uncertainty and effects of the pandemic), it is covered under the guidelines issued by the supervisors and regulators in the environment of the pandemic, and it is backed by duly documented processes and subject to strict governance. This collective fund will be reviewed in the future with newly available information and reduced uncertainties regarding the real impact of the health crisis.

3.2.1. Refinancing operations

The breakdown of refinancing by economic sector is as follows:

REFINANCING OPERATIONS - 30-06-2021 *

(Millions of euros)

	WITHOUT COLLATERAL		WITH COLLATERAL				
					MAXIMUM AMOUNT OF THE COLLATERAL		
	NO. OF OPS.	GROSS CARRYING AMOUNT	NO. OF OPS.	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	IMPAIRMENT DUE TO CREDIT RISK
Credit institutions							
Public administrations	25	163	2,297	33	32		(5)
Other financial corporations and individual entrepreneurs (financial business)	68	22	14	53	53		(22)
Non-financial corporations and individual entrepreneurs (non-financial business)	14,596	2,855	13,190	2,848	1,858	104	(1,262)
Of which: Financing for real estate construction and development (including land)	1,239	45	3,982	463	350		(133)
Other households	61,470	569	96,815	5,994	4,802	6	(1,375)
TOTAL	**76,158**	**3,609**	**112,316**	**8,928**	**6,745**	**110**	**(2,664)**
Of which from the business combination with Bankia, SA	28,896	659	29,695	4,241	3,098	85	(651)
Of which: in Stage 3							
Public administrations	18	11	789	5	5		(3)
Other financial corporations and individual entrepreneurs (financial business)	33	21	13	2	2		(22)
Non-financial corporations and individual entrepreneurs (non-financial business)	6,766	1,244	10,093	1,540	1,044	81	(1,140)
Of which: Financing for real estate construction and development (including land)	1,193	45	2,504	225	161		(101)
Other households	29,669	308	68,551	4,329	3,337	3	(1,299)
TOTAL STAGE 3	**36,486**	**1,584**	**79,446**	**5,876**	**4,388**	**84**	**(2,464)**
Of which from the business combination with Bankia, SA	10,052	278	17,587	2,247	1,702	66	(528)

(*) There is no financing classified as "Non-current assets and disposal groups classified as held for sale"

REFINANCING OPERATIONS 31-12-2020 *

(Millions of euros)

	WITHOUT COLLATERAL		WITH COLLATERAL				
					MAXIMUM AMOUNT OF THE COLLATERAL		
	NO. OF OPS.	GROSS CARRYING AMOUNT	NO. OF OPS.	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	IMPAIRMENT DUE TO CREDIT RISK
Public administrations	16	161	340	47	43		
Other financial corporations and individual entrepreneurs (financial business)	38	3	6	1	1		(1)
Non-financial corporations and individual entrepreneurs (non-financial business)	4,422	1,418	8,741	1,302	962	19	(816)
Other households	35,826	325	70,445	3,617	2,947	6	(831)
TOTAL	**40,302**	**1,907**	**79,532**	**4,967**	**3,953**	**25**	**(1,648)**
Of which: in Stage 3	*25,368*	*1,020*	*60,266*	*3,776*	*2,919*	*17*	*(1,564)*

(*) There is no financing classified as "Non-current assets and disposal groups classified as held for sale"

3.2.2. Concentration risk

Risk concentration by geographic area

CONCENTRATION BY GEOGRAPHICAL LOCATION - 30-06-2021

(Millions of euros)

	TOTAL	SPAIN	PORTUGAL	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	115,292	92,894	5,897	7,722	1,078	7,701
Public administrations	153,883	135,646	5,378	11,219	733	907
Central government	124,465	110,896	1,065	11,161	485	858
Other public administrations	29,418	24,750	4,313	58	248	49
Other financial corporations and individual entrepreneurs (financial business)	25,827	12,377	560	9,244	2,399	1,247
Non-financial corporations and individual entrepreneurs (non-financial business)	177,227	135,165	12,424	15,685	7,424	6,529
Real estate construction and development (including land)	7,469	7,227	169	28	1	44
Civil engineering	7,678	5,998	754	181	670	75
Other	162,080	121,940	11,501	15,476	6,753	6,410
Large corporates	99,641	69,221	5,394	13,960	5,773	5,293
SMEs and individual entrepreneurs	62,439	52,719	6,107	1,516	980	1,117
Other households	184,229	167,833	13,910	695	245	1,546
Homes	147,107	132,417	12,354	655	224	1,457
Consumer lending	20,767	19,141	1,541	24	10	51
Other purposes	16,355	16,275	15	16	11	38
TOTAL	**656,458**	**543,915**	**38,169**	**44,565**	**11,879**	**17,930**

CONCENTRATION BY GEOGRAPHICAL LOCATION - 31-12-2020

(Thousands of euros)

	TOTAL	SPAIN	PORTUGAL	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	64,791	49,317	5,187	5,000	906	4,381
Public administrations	110,306	93,049	5,431	11,131	269	426
Other financial corporations and individual entrepreneurs (financial business)	18,346	8,484	561	6,105	2,038	1,158
Non-financial corporations and individual entrepreneurs (non-financial business)	122,939	86,853	11,743	12,423	6,911	5,009
Other households	113,811	99,122	13,385	335	153	816
TOTAL	**430,193**	**336,825**	**36,307**	**34,994**	**10,277**	**11,790**

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

CONCENTRATION BY AUTONOMOUS COMMUNITY 30-06-2021

(Millions of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	REST*
Central banks and credit institutions	92,894	316			1		757	88,788		890	1,279	863
Public administrations	135,646	1,771	1,687	1,734	1,117	1,337	2,850	6,218	444	2,424	787	4,381
Central government	110,896											
Other public administrations	24,750	1,771	1,687	1,734	1,117	1,337	2,850	6,218	444	2,424	787	4,381
Other financial corporations and individual entrepreneurs (financial business)	12,377	167	46	12	3	47	1,166	9,768	193	58	857	60
Non-financial corporations and individual entrepreneurs (non-financial business)	135,165	10,197	4,966	4,276	2,751	3,261	24,021	51,943	2,055	11,050	8,001	12,644
Real estate construction and development (including land)	7,227	720	215	230	221	187	1,613	2,715	106	592	303	325
Civil engineering	5,998	454	105	148	107	100	1,041	2,499	167	290	509	578
Other	121,940	9,023	4,646	3,898	2,423	2,974	21,367	46,729	1,782	10,168	7,189	11,741
Large corporates	69,221	2,170	2,426	1,539	665	802	10,159	37,580	743	2,997	5,223	4,917
SMEs and individual entrepreneurs	52,719	6,853	2,220	2,359	1,758	2,172	11,208	9,149	1,039	7,171	1,966	6,824
Other households	167,833	24,395	7,629	8,435	5,171	5,475	37,062	37,268	3,086	18,639	3,888	16,785
Homes	132,417	18,739	6,208	6,703	4,248	4,446	28,345	29,500	2,499	14,969	3,200	13,560
Consumer lending	19,141	3,068	779	1,221	576	588	4,903	3,104	331	2,217	387	1,967
Other purposes	16,275	2,588	642	511	347	441	3,814	4,664	256	1,453	301	1,258
TOTAL	**543,915**	**36,846**	**14,328**	**14,457**	**9,043**	**10,120**	**65,856**	**193,985**	**5,778**	**33,061**	**14,812**	**34,733**

CONCENTRATION BY AUTONOMOUS COMMUNITY 31-12-2020

(Millions of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	REST*
Central banks and credit institutions	49,317	47			1		813	46,980		261	845	370
Public administrations	93,049	2,352	911	1,333	827	315	2,166	4,458	491	1,841	675	2,171
Other financial corporations and individual entrepreneurs (financial business)	8,484	172	2	9	2	28	1,534	6,373	11	95	183	75
Non-financial corporations and individual entrepreneurs (non-financial business)	86,853	6,866	3,272	2,730	1,510	1,925	18,856	32,369	1,548	5,718	4,340	7,719
Other households	99,122	16,146	3,865	5,624	2,431	3,411	29,112	14,833	2,979	7,936	3,261	9,524
TOTAL	**336,825**	**25,583**	**8,050**	**9,696**	**4,771**	**5,679**	**52,481**	**105,013**	**5,029**	**15,851**	**9,304**	**19,859**

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

Loans to customers, net, by activity and by guarantee (excluding advances) were as follows:

CONCENTRATION BY ACTIVITY OF LOANS AND ADVANCES TO CUSTOMERS - 30-06-2021

(Millions of euros)

				SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE)				
	TOTAL	*OF WHICH: MORTGAGE COLLATERAL*	*OF WHICH: OTHER COLLATERAL*	≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	23,391	517	418	306	276	158	72	123
Other financial corporations and individual entrepreneurs (financial business)	5,154	*603*	*1,509*	1,597	117	96	1	301
Non-financial corporations and individual entrepreneurs (non-financial business)	140,701	*27,685*	*8,828*	12,377	8,533	4,981	2,905	7,717
Real estate construction and development (including land)	5,864	*5,201*	*170*	1,403	1,611	975	451	931
Civil engineering	5,711	*501*	*503*	222	157	80	20	525
Other	129,126	*21,983*	*8,155*	10,752	6,765	3,926	2,434	6,261
Large corporates	70,006	*6,013*	*6,094*	3,751	1,616	1,579	1,008	4,153
SMEs and individual entrepreneurs	59,120	*15,970*	*2,061*	7,001	5,149	2,347	1,426	2,108
Other households	183,543	*155,535*	*932*	48,844	55,742	38,427	7,526	5,928
Homes	147,049	*145,658*	*270*	44,314	52,828	36,968	6,943	4,875
Consumer lending	20,759	*2,851*	*389*	1,632	889	430	177	112
Other purposes	15,735	*7,026*	*273*	2,898	2,025	1,029	406	941
TOTAL	**352,789**	***184,340***	***11,687***	**63,124**	**64,668**	**43,662**	**10,504**	**14,069**
Memorandum items: Refinancing, refinanced and restructured operations	9,875	*6,819*	*449*	1,005	1,544	1,792	829	2,098

CONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS 31-12-2020

(Millions of euros)

				SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE)				
	TOTAL	*OF WHICH: MORTGAGE COLLATERAL*	*OF WHICH: OTHER COLLATERAL*	≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	16,169	*401*	*565*	372	200	158	156	80
Other financial corporations and individual entrepreneurs (financial business)	2,392	*479*	*236*	495	169	49	1	1
Non-financial corporations and individual entrepreneurs (non-financial business)	103,534	*21,622*	*5,488*	11,023	7,750	3,830	2,312	2,195
Other households	113,452	*95,600*	*872*	31,478	34,769	23,095	4,580	2,550
TOTAL	**235,547**	***118,102***	***7,161***	**43,368**	**42,888**	**27,132**	**7,049**	**4,826**
Memorandum items: Refinancing, refinanced and restructured operations	5,226	*4,065*	*80*	*695*	1,084	1,654	396	316

BREAKDOWN OF CREDIT RISK – LOANS TO CUSTOMERS *

(Millions of euros)

	30-06-2021		31-12-2020	
	ACCOUNTING EXPOSURE	HEDGING	ACCOUNTING EXPOSURE	HEDGING
Public administrations	23,401	(10)	16,177	(8)
Other financial corporations and individual entrepreneurs (financial business)	5,197	(43)	2,402	(10)
Non-financial corporations and individual entrepreneurs (non-financial business)	144,613	(3,912)	106,138	(2,604)
Real estate construction and development (including land)	12,052	(477)	10,915	(391)
Other non-financial companies and individual entrepreneurs	132,561	(3,435)	95,223	(2,213)
Other households	188,176	(4,633)	116,439	(2,987)
Homes	149,652	(2,603)	90,267	(1,538)
Other	38,524	(2,030)	26,172	(1,449)
TOTAL	**361,387**	**(8,598)**	**241,156**	**(5,609)**
Allowance identified individually		(1,456)		(1,022)
Allowance identified collectively		(7,142)		(4,587)

(*) Includes the balances of loans to customers under the headings "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" and "Financial assets at amortised cost" (not including loans and advances to customers).

Concentration according to credit quality

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

CONCENTRATION ACCORDING TO CREDIT QUALITY - 30-06-2021

(Millions of euros)

	GROUP (EXC. INSURANCE GROUP)											INSURANCE GROUP **		
	FA AT AMORTISED COST													
	LOANS AND ADVANCES TO CUSTOMERS					FA HELD FOR TRADING - DEBT SEC.	FA NOT HELD FOR TRADING * - DEBT SEC.	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FINANCIAL GUARANTEES, LOAN COMMITMENTS AND OTHER COMMITMENTS GIVEN			FA HELD FOR TRADING - DEBT SEC.	AVAILABLE-FOR-SALE FA - DEBT SEC.	LOANS AND RECEIVABLES - DEBT SEC.
	STAGE 1	STAGE 2	STAGE 3	POCI	DEBT SEC.				STAGE 1	STAGE 2	STAGE 3			
AAA/AA+/AA/AA-	31,323	63			810			61	15,379	23			1,001	
A+/A/A-	25,517	646			56,653	315		12,000	9,776	86		85	50,819	
BBB+/BBB/BBB-	29,648	1,072			3,221	174		3,668	24,423	160		18	5,993	61
INVESTMENT GRADE	**86,488**	**1,781**			**60,684**	**489**		**15,729**	**49,578**	**269**		**103**	**57,813**	**61**
Allowances for impairment	(259)	(66)							(11)	(2)				
BB+/BB/BB-	39,793	5,097	2		362	1		120	18,330	1,050			202	
B+/B/B-	11,875	5,829	36		28				5,052	1,108	5			
CCC+/CCC/CCC-	595	1,693	75		23				256	219	7			
No rating	177,311	19,959	12,430	767	4,229	126	5	64	69,170	4,101	1,283		14	162
NON-INVESTMENT GRADE	**229,574**	**32,578**	**12,543**	**767**	**4,642**	**127**	**5**	**184**	**92,808**	**6,478**	**1,295**		**216**	**162**
Allowances for impairment	(961)	(1,811)	(5,435)	(67)	(11)			(1)	(82)	(41)	(350)			
TOTAL	**314,842**	**32,482**	**7,108**	**700**	**65,315**	**616**	**5**	**15,912**	**142,386**	**6,747**	**1,295**	**103**	**58,029**	**223**

CONCENTRATION ACCORDING TO CREDIT QUALITY 31-12-2020

(Millions of euros)

	GROUP (EXC. INSURANCE GROUP)											INSURANCE GROUP **		
	FA AT AMORTISED COST													
	LOANS AND ADVANCES TO CUSTOMERS					FA HELD FOR TRADING - DEBT SEC.	FA NOT HELD FOR TRADING * - DEBT SEC.	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FINANCIAL GUARANTEES, LOAN COMMITMENTS AND OTHER COMMITMENTS GIVEN			FA HELD FOR TRADING - DEBT SEC.	AVAILABLE-FOR-SALE FA - DEBT SEC.	LOANS AND RECEIVABLES - DEBT SEC.
	STAGE 1	STAGE 2	STAGE 3	POCI	DEBT SEC.				STAGE 1	STAGE 2	STAGE 3			
AAA/AA+/AA/AA-	29,541	86			394	10		61	14,684	24			1,083	
A+/A/A-	26,560	757			16,272	458		13,788	9,629	116		463	53,921	15
BBB+/BBB/BBB-	29,818	1,125			5,641	256	1	3,876	22,818	251		82	6,393	61
INVESTMENT GRADE	**85,919**	**1,968**			**22,307**	**724**	**1**	**17,725**	**47,131**	**391**		**545**	**61,397**	**76**
Allowances for impairment	(292)	(73)						(1)	(7)	(3)				
BB+/BB/BB-	40,931	5,047	1				46	124	18,975	1,407			211	
B+/B/B-	11,935	6,235	19						4,708	1,186	5			
CCC+/CCC/CCC-	505	2,070	58		47				240	310	64			
No rating	74,985	4,746	8,178		2,327	77	5	47	29,734	325	590		35	113
NON-INVESTMENT GRADE	**128,356**	**18,098**	**8,256**		**2,374**	**77**	**51**	**171**	**53,657**	**3,228**	**659**		**246**	**113**
Allowances for impairment	(628)	(991)	(3,625)		(11)				(50)	(27)	(106)			
TOTAL	**213,355**	**19,002**	**4,631**		**24,670**	**801**	**52**	**17,895**	**100,788**	**3,619**	**659**	**545**	**61,643**	**189**

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

(**) Financial assets allocated at fair value with a change to the income statement are not included, as they primarily cover investments related to life insurance product operations, when the investment risk is taken on by the holder (Unit-links and investments allocated to the Flexible Immediate Life Annuity product).

Sovereign risk

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

SOVEREIGN RISK EXPOSURE - 30-06-2021
(Millions of euros)

		GROUP (EXC. INSURANCE GROUP)					INSURANCE GROUP	
COUNTRY	RESIDUAL MATURITY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHEN-SIVE INCOME	FA NOT DESIGNATED FOR TRADING*	FL HELD FOR TRADING - SHORT POSITIONS	AVAILABLE-FOR-SALE FA	FA HELD FOR TRADING – DEBT SEC.
Spain	Less than 3 months	6,115	64	303		(1)	26	
	Between 3 months and 1 year	17,029	123	1,975			2,079	85
	Between 1 and 2 years	17,429	12	5,256		(10)	315	
	Between 2 and 3 years	2,725	4	2,541	65	(2)	1,634	
	Between 3 and 5 years	7,934	17	1,306		(16)	4,030	
	Between 5 and 10 years	21,003	52	791		(51)	10,915	
	Over 10 years	7,882	9			(9)	29,698	
	TOTAL	**80,117**	**281**	**12,172**	**65**	**(89)**	**48,697**	**85**
Italy	Less than 3 months		2				159	
	Between 3 months and 1 year					(3)		
	Between 1 and 2 years		1				29	
	Between 2 and 3 years						670	
	Between 3 and 5 years	542		273		(5)	392	
	Between 5 and 10 years	710	7	1,196		(4)	1,134	
	Over 10 years			63			3,805	
	TOTAL	**1,252**	**10**	**1,532**		**(12)**	**6,189**	
Portugal	Less than 3 months	10	46	150				4
	Between 3 months and 1 year	151	15				4	
	Between 1 and 2 years	278		132			26	
	Between 2 and 3 years	610					23	
	Between 3 and 5 years	446		320			53	1
	Between 5 and 10 years	1,431					257	
	Over 10 years	580						
	TOTAL	**3,506**	**61**	**602**			**363**	**5**
Other	Less than 3 months	60					9	
	Between 3 months and 1 year	305					1	
	Between 1 and 2 years	157					2	
	Between 2 and 3 years	126						
	Between 3 and 5 years	531					2	
	Between 5 and 10 years						22	
	Over 10 years	106					22	
	TOTAL	**1,285**					**58**	
TOTAL COUNTRIES		**86,160**	**352**	**14,306**	**65**	**(101)**	**55,307**	**90**
Of which: Debt securities		62,957	352	14,306		(101)	55,307	90

FA: Financial assets; FL: Financial liabilities; FV: Fair value
(*) Compulsorily measured at fair value through profit or loss

SOVEREIGN RISK EXPOSURE - 31-12-2020

(Thousands of euros)

	GROUP (EXC. INSURANCE GROUP)					INSURANCE GROUP	
COUNTRY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING*	FL HELD FOR TRADING - SHORT POSITIONS	AVAILABLE-FOR-SALE FA	FA HELD FOR TRADING - DEBT SEC.
Spain	32,183	442	13,966	84	(224)	51,613	345
Italy	1,088	22	1,552		(20)	6,273	
Portugal	3,311	152	654		(5)	374	179
Other	583					61	
TOTAL COUNTRIES	**37,165**	**616**	**16,172**	**84**	**(249)**	**58,321**	**524**
Of which: Debt securities	21,165	616	16,172	84		58,321	524

FA: Financial assets; FL: Financial liabilities; FV: Fair value

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

3.2.3. Information regarding financing for real estate construction and development, home purchasing, and foreclosed assets

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

Financing for real estate construction and development

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

FINANCING ALLOCATED TO CONSTRUCTION AND REAL ESTATE DEVELOPMENT

(Millions of euros)

	30-06-2021		31-12-2020	
	TOTAL AMOUNT	*OF WHICH: NON-PERFORMING*	TOTAL AMOUNT	*OF WHICH: NON-PERFORMING*
Gross amount	6,236	473	5,467	380
Allowances for impairment	(290)	(179)	(234)	(142)
CARRYING AMOUNT	**5,946**	**294**	**5,233**	**238**
Excess gross exposure over the maximum recoverable value of effective collateral	1,101	188	858	125
Memorandum items: Asset write-offs	2,147		1,969	
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	303,448		193,667	

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

FINANCING FOR REAL ESTATE DEVELOPERS AND DEVELOPMENTS BY COLLATERAL
(Millions of euros)

	GROSS AMOUNT	
	30-06-2021	31-12-2020
Without mortgage collateral	**740**	**548**
With mortgage collateral	**5,496**	**4,919**
Buildings and other completed constructions	3,601	3,294
Homes	2,433	2,250
Other	1,168	1,044
Buildings and other constructions under construction	1,295	1,251
Homes	1,157	1,158
Other	138	93
Land	600	374
Consolidated urban land	259	193
Other land	341	181
TOTAL	**6,236**	**5,467**

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

GUARANTEES RECEIVED FOR REAL ESTATE DEVELOPMENT TRANSACTIONS
(Millions of euros)

	30-06-2021	31-12-2020
Value of collateral	**13,209**	**12,454**
Of which: Guarantees non-performing risks	*746*	*738*
TOTAL	**13,209**	**12,454**

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

FINANCIAL GUARANTEES
(Millions of euros)

	30-06-2021	31-12-2020
Financial guarantees given related to real estate construction and development	**126**	**105**
Amount recognised under liabilities		

Information regarding financing for home purchasing.

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

HOME PURCHASE LOANS BY LTV *

(Millions of euros)

	30-06-2021		31-12-2020	
	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*
Not real estate mortgage secured	**1,091**	***13***	**639**	***8***
Real estate mortgage secured, by LTV ranges (*)	**129,477**	***4,607***	**73,220**	***2,775***
LTV ≤ 40%	37,577	371	21,989	*221*
40% < LTV ≤ 60%	46,704	605	26,826	*386*
60% < LTV ≤ 80%	32,692	835	17,441	*560*
80% < LTV ≤ 100%	6,356	801	3,747	*520*
LTV > 100%	6,148	1,995	3,217	*1,088*
TOTAL	130,568	*4,620*	73,859	*2,783*

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

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

FORECLOSED REAL ESTATE ASSETS 30-06-2021 (*)

(Millions of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT **	*OF WHICH: ALLOWANCES FOR IMPAIRMENT ****	NET CARRYING AMOUNT
Real estate acquired from loans to real estate constructors and developers	**1,504**	**(528)**	***(336)***	**976**
Buildings and other completed constructions	1,209	(380)	*(218)*	829
Homes	1,048	(317)	(176)	731
Other	161	(63)	(42)	98
Buildings and other constructions under construction	60	(32)	*(24)*	28
Homes	44	(24)	(19)	20
Other	16	(8)	(5)	8
Land	235	(116)	*(94)*	119
Consolidated urban land	113	(54)	(44)	59
Other land	122	(62)	(50)	60
Real estate acquired from mortgage loans to homebuyers	**3,549**	**(976)**	**(684)**	**2,573**
Other real estate assets or received in lieu of payment of debt	**1,004**	**(280)**	**(195)**	**724**
TOTAL	6,057	(1,784)	*(1,215)*	4,273

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 1,790 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 186 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 5 million, as this is not included in business in Spain.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 8,482 million and total write-downs of this portfolio amounted to EUR 4,209 million, EUR 1,784 million of which are impairment allowances recognised in the balance sheet.

(***) From foreclosure

FORECLOSED REAL ESTATE ASSETS 31-12-2020 *

(Millions of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT **	*OF WHICH: ALLOWANCES FOR IMPAIRMENT ****	NET CARRYING AMOUNT
Real estate acquired from loans to real estate constructors and developers	**1,324**	**(431)**	***(218)***	**893**
Buildings and other completed constructions	1,188	(371)	*(189)*	817
Buildings and other constructions under construction	29	(16)	*(9)*	13
Land	107	(44)	*(20)*	63
Real estate acquired from mortgage loans to homebuyers	**2,218**	**(611)**	***(314)***	**1,607**
Other real estate assets or received in lieu of payment of debt	**417**	**(141)**	***(53)***	**276**
TOTAL	**3,959**	**(1,183)**	***(585)***	**2,776**

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 1,748 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 98 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 8 million, as this is not included in business in Spain.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 4,792 million and total write-downs of this portfolio amounted to EUR 2,114 million, EUR 1,183 million of which are impairment allowances recognised in the balance sheet.

(***) From foreclosure

3.3. Liquidity risk

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

LIQUID ASSETS

(Millions of euros)

	30-06-2021		31-12-2020	
	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT
Level 1 assets	161,094	161,078	94,315	94,280
Level 2A assets	140	119	344	292
Level 2B assets	1,463	732	1,590	795
TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA) (1)	**162,697**	**161,929**	**96,249**	**95,367**
Available in facility not made up of HQLAs		802		19,084
TOTAL LIQUID ASSETS		**162,731**		**114,451**

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

Total liquid assets amounted to EUR 162,731 million at 30 June 2021, up EUR 48,280 million in the half, mainly due to the integration of Bankia, S.A.

The balance drawn under the ECB facility at 30 June 2021 amounted to EUR 81,159 million, corresponding to TLTRO III. In the first half of 2021 a total of EUR 6,223 million related to TLTRO III were drawn, and the total balance drawn increased by EUR 25,211 million due to the incorporation of Bankia, S.A.

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

LCR *

(Millions of euros)

	30-06-2021	31-12-2020
High-quality liquid assets – HQLA (numerator)	161,929	95,367
Total net cash outflows (denominator)	48,562	34,576
Cash outflows	59,162	42,496
Cash inflows	10,600	7,920
LCR (LIQUIDITY COVERAGE RATIO) (%)	**333%**	**276%**

According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (and its amendment in Delegated Regulation (EU) 2018/1620 of 13 July 2018), supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council regarding the liquidity coverage requirement for credit institutions. The established regulatory limit for the LCR is 100%.

CaixaBank's key credit ratings are displayed below:

CAIXABANK CREDIT RATINGS

	LONG-TERM DEBT	SHORT-TERM DEBT	OUTLOOK	REVIEW DATE	MORTGAGE COVERED BONDS
S&P Global Ratings	BBB+	A-2	Stable	22-04-2021	AA
Fitch Ratings	BBB+	F2	Negative	29-09-2020	
Moody's Investors Service	Baa1	P-2	Stable	22-09-2020	Aa1
DBRS Morningstar	A	R-1(low)	Stable	29-03-2021	AAA

3.4. Other risks

During the first half of 2021, in which the technological integration of the financial portfolio of Bankia has been implemented, no significant changes have been produced in the policies and levels of market risk (relating to the trading portfolio), structural balance sheet rate risks and financial-actuarial risk of the insurance business.

In relation to operational risk in the first half of the year, CaixaBank Group continues to prioritise the uninterrupted delivery of essential financial services in the context of the pandemic, and to uphold operations as shown throughout 2020, both through its network and through digital channels, and adapting its guidelines to the established guidelines for each territory. The consolidation of digital transactionality remains ongoing for all purposes, both for the internal development of activity by employees, and in relations with customers and suppliers.

On the other hand, the whole organisation has focused on planning and monitoring the merger process with Bankia, in a cross-cutting effort to ensure continuity of operations, the confluence of technological infrastructure, and the amalgamation of organisation that will enable the Group to end the 2021 financial year with fully unified and information systems in normal working order. It is deemed to be critical to identify and mitigate the potential risks arising from the integration process, and hence there is a coordinated and ongoing effort to monitor and mitigate them.

4. Capital adequacy management

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

ELIGIBLE OWN FUNDS
(Millions of euros)

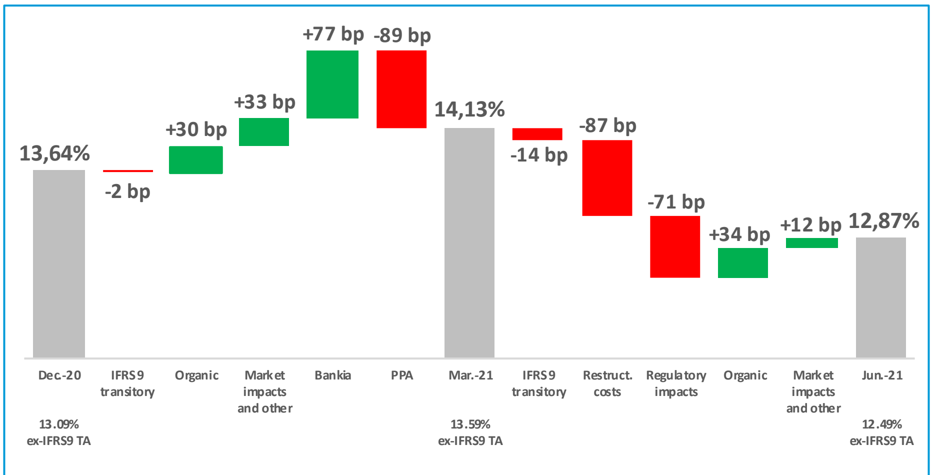
	30-06-2021		31-12-2020	
	AMOUNT	AS %	AMOUNT	AS %
Net equity	**34,571**		**25,278**	
Shareholders' equity	36,271		27,118	
Capital	8,061		5,981	
Result	4,181		1,381	
Reserves and other	24,029		19,756	
Minority interests and OCI	(1,700)		(1,840)	
Other CET1 instruments	**(43)**		**268**	
Adjustments applied to the eligibility of minority interests and OCI	(29)		(107)	
Other adjustments (1)	(14)		375	
CET1 Instruments	**34,528**		**25,546**	
Deductions from CET1	**(6,136)**		**(5,892)**	
Intangible assets	(3,475)		(3,873)	
Deferred tax assets	(2,274)		(1,789)	
Other deductions from CET1	(387)		(230)	
Common Equity Tier 1 (CET1)	28,392	12.9%	19,654	13.6%
AT1 instruments	4,237		2,984	
AT1 Deductions			0	
TIER 1	32,629	14.8%	22,638	15.7%
T2 instruments	5,863		3,407	
T2 Deductions			0	
TIER 2	5,863	2.7%	3,407	2.4%
TOTAL CAPITAL	**38,492**	**17.4%**	**26,045**	**18.1%**
Other eligible subordinated instruments. MREL	10,598		6,664	
SUBORDINATED MREL	**49,090**	**22.2%**	**32,709**	**22.7%**
Other computable instruments. MREL	6,378		5,111	
MREL (2)	**55,468**	**25.1%**	**37,820**	**26.3%**
RISK WEIGHTED ASSETS (RWA)	**220,660**		**144,073**	

(1) Mainly includes the forecast for dividends, and IFRS 9 transitional adjustment.

(2) In relation to the MREL requirement, the new recovery and resolution directive (BRRD2) provides that as from 1 January 2022, at consolidated level, CaixaBank must comply with a total MREL requirement of 22.09% of RWAs (16.26% with subordinated instruments) and 6.09% of leverage ratio exposure (LRE). At 30 June 2021, the total MREL ratio reached 8.67% of LRE.

The individual CaixaBank ratios are 13.8% CET1, 16.0% Tier1 and 18.9% Total Capital, with RWAs of EUR 197,097 million at 30 June 2021.

A causal breakdown of the main aspects of the first half of 2021 that have influenced the Group's CET1 ratio is presented below:



Change in CET1

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) (see Note 17) 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 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.

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

MINIMUM REQUIREMENTS
(Millions of euros)

	30-06-2021		31-12-2020	
	AMOUNT	AS %	AMOUNT	AS %
BIS III minimum requirements				
Common Equity Tier 1 (CET1)	18,063	8.19%	11,670	8.10%
Tier 1	22,057	10.00%	14,236	9.88%
Total capital	27,379	12.41%	17,658	12.26%

The following chart provides a breakdown of the leverage ratio:

LEVERAGE RATIO
(Millions of euros)

	30-06-2021	31-12-2020
Exposure	639,977	403,659
Leverage ratio (Tier 1/Exposure)	5.1%	5.6%

5. Shareholder remuneration and earnings per share

Regarding the dividend policy, and following the announcement by the European Central Bank on 23 July 2021, that it did not extend its recommendation on the distribution of dividends beyond September 2021, the Board of Directors approved on 29 July 2021 the Dividend Policy for 2021, establishing a cash dividend distribution of 50% of the consolidated net profit adjusted for extraordinary impacts related to the merger with Bankia, payable in a single payment in 2022.

5.1. Shareholder remuneration

The following dividends were distributed in this year:

DIVIDENDS PAID IN 2021
(Millions of euros)

	EUROS PER SHARE	AMOUNT PAID IN CASH	ANNOUNCEMENT DATE	PAYMENT DATE
Dividend *	0.0268	216	29-01-2021	24-05-2021
TOTAL	**0.0268**	**216**		

(*) Approved by the Annual General Meeting on 14 May 2021.

5.2. Earnings per share

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

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

	30-06-2021	30-06-2020
Numerator	4,073	139
Profit attributable to the Parent	4,181	205
Less: Preference share coupon amount (AT1)	(108)	(66)
Denominator (millions of shares) (1)	7,056	5,978
Average number of shares outstanding (1)	7,056	5,978
Adjusted number of shares (basic earnings per share)	7,056	5,978
Basic earnings per share (in euros)	0.58	0.02
Diluted earnings per share (in euros) (2)	0.58	0.02

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

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

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

Appendix 1 to the 2020 consolidated financial statements provides information pertaining to the subsidiary entities.

Business combinations - 2021 - Bankia Group

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

The joint merger plan was deposited in the Commercial Register of Valencia and approved at the General Shareholders' Meetings of CaixaBank and Bankia, which were held in early December 2020, including the following issues:

- The takeover merger of Bankia (absorbed company) by CaixaBank (absorbing 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 will cover the Exchange Ratio by means of newly issued shares.

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

Capital increase

Considering Bankia's share capital on the date of the merger transaction, comprising 3,069,522,105 shares (3,037,558,805 shares net of treasury stock), and the exchange ratio, these shares were exchanged for 2,079,209,002 CaixaBank shares.

Taking the CaixaBank share price at the close of the abovementioned date[1], the total value of the capital increase, and consequently the acquisition cost of the business combination, has amounted to EUR 5,314 million, of which EUR 2,079 million correspond to the nominal value of CaixaBank's new issued shares, each of (1) euro nominal value, and an issue premium increase of EUR 3,235 million relating to the difference between the actual amount of the capital increase (business combination cost) and the nominal value of the new shares issued (see Note 18).

Provisional accounting of the business combination

This business combination is provisionally recognised in the accompanying condensed interim consolidated financial statements. The acquisition date for accounting purposes was 31 March 2021. The impact on equity and profit or loss of the difference between the acquisition date and the date control was effectively obtained is not significant.

The book and fair value of the assets and liabilities of the Bankia Group at 31 March 2021 is as follows:

[1] EUR 2.556 per share.

VALUE ADJUSTMENTS TO THE ASSETS AND LIABILITIES OF THE ACQUIRED ENTITY
(Millions of euros)

	CARRYING AMOUNT	FAIR VALUE ADJUST-MENTS	OTHER ADJUST-MENTS*	FAIR VALUE
ASSETS				
Cash and cash balances at central banks and other demand deposits	12,091			12,091
Financial assets held for trading	5,992	(23)		5,969
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	11		3	14
Financial assets at fair value with changes in other comprehensive income	8,479	283	1,040	9,802
Financial assets at amortised cost	160,779	(353)	(966)	159,460
Debt securities	37,357	614	(966)	37,005
Loans and advances	123,422	(967)		122,455
Derivatives - Hedge accounting	2,142	2	(1,192)	952
Investments in joint ventures and associates	446	193	9	648
Assets under the insurance business				
Tangible assets	2,436	(201)		2,235
Intangible assets	516	38		554
Tax assets	10,516	(1,030)		9,486
Current tax assets	106			106
Deferred tax assets	10,410	(1,030)		9,380
Other assets	1,054			1,054
Insurance contracts linked to pensions	624			624
Non-current assets and disposal groups classified as held for sale	1,733	(66)	(98)	1,569
TOTAL ASSETS	**206,195**	**(1,157)**	**(1,204)**	**203,834**
LIABILITIES				
Financial liabilities held for trading	5,986		(380)	5,606
Financial liabilities at amortised cost	184,686	1,178	(727)	185,137
Derivatives - Hedge accounting	147			147
Provisions	1,253	531	63	1,847
Pensions and other post-employment defined benefit obligations	626			626
Other long-term employee benefits		23	82	105
Pending legal issues and tax litigation	190	258	63	511
Commitments and guarantees given	278	65		343
Other provisions	159	185	(82)	262
Tax liabilities	423	661		1,084
Other liabilities	612	(53)	(160)	399
TOTAL LIABILITIES	**193,107**	**2,317**	**(1,204)**	**194,220**
TOTAL EQUITY	**13,088**	**(3,474)**		**9,614**
Consideration paid				**5,314**
Negative consolidation difference				**4,300**

(*) Mainly includes the adaptation of portfolios to the CaixaBank Group business model and the netting of hedging derivatives with chambers (IFRS 3.15).

The following contingent assets and liabilities of the acquiree were measured during the Purchase Price Allocation (PPA) process:

- The value of the loan portfolio classified as "Financial assets at amortized cost" has been adjusted to include the fair value of the portfolio on the basis of IFRS 3 - Business combinations, Both in relation to the collective monitoring and individual monitoring loan portfolios, compared with the provisions constituted by Bankia at 31 March 2021, registered on the basis of International Financial Reporting Standard 9 - Financial instruments. This adjustment includes the effect of adjusting the lifetime expected loss. In accordance with paragraph B64 of IFRS 3, the gross contractual amounts receivable from loans and advances to customers and the provisional adjustments made under the scope of the purchase price allocation process are as follows:

CONTRACTUAL AMOUNTS AND PROVISIONS ADJUSTMENTS TO LOANS AND ADVANCES
(Millions of euros)

	31-03-2021				ADJUSTMENTS MADE DURING PURCHASE PRICE ALLOCATION	
	GROSS AMOUNT	VALUATION ADJUSTMENTS	PROVISIONS	NET BALANCE		FAIR VALUE
Loans and advances	**125,683**	**170**	**(2,431)**	**123,422**	**(967)**	**122,455**
Central banks	1			1		1
Credit institutions	3,744	1	(2)	3,743		3,743
Customers	121,938	169	(2,429)	119,678	(967)	118,711

- The fair value of the portfolio of real estate assets has been obtained considering appraisals available and other parameters.

- The fair values of the portfolio of non-listed holdings were estimated using a variety of generally accepted valuation techniques, primarily discounted cash flows and dividends.

- For fixed income instruments, either market prices or discounted cash flows applying market inputs were used, based on the type of asset.

- In order to estimate the value of intangible assets that meet the criteria of separability or contractual legality, as set out in IFRS 3 - Business combinations, the fair value has been determined comprising discounted margin flows contributed over the estimated useful life of the business/contractual relationship. On this basis, intangible assets have been recognised, the nature of which corresponds mainly to the contractual relationships of asset management customers. Similarly, intangible assets from goodwill originating in previous business combinations have been derecognised, as well as those to which no market value has been assigned.

- Wholesale debt issuances, including any treasury shares, were estimated at their fair values.

- Liabilities and contingent liabilities were measured at the best estimate of the outflow of resources that could be required of uncertain timing. These adjustments include the recognition of the estimated amount to be paid to settle legal and tax risks, as well as compensation costs arising from breach of agreements, among others.

- Within the framework of the business combination and merger with Bankia, and considering the alignment of criteria and judgment of the administrators and the negative impact of the current economic situation, as well as the ESMA statement of 2019[2] we have deemed it appropriate not to recognise tax loss carryforwards for an amount of EUR 2,023 million (see Note 19).

- For all fair value adjustments identified in the PPA that have resulted in temporary differences between accounting cost and tax cost, the corresponding deferred tax asset or liability has been recorded

The Group has recorded a positive amount equivalent to the negative difference arising on consolidation of EUR 4,300 million under “Negative goodwill recognised in profit or loss” in the accompanying condensed interim consolidated statement of profit or loss (before and after tax).

With regard to the recognition of negative goodwill, and prior to recording it, taking into account the ECB's "Guide on the supervisory approach to consolidation in the banking sector" of 12 January 2021, the Group has recovered – with the collaboration of an independent expert – the integrity of the values and the reasonableness of the methodologies and parameters adopted in determining the fair value of Bankia's assets and liabilities.

The net profit attributed to the Group and the gross margin from this business at 30 June 2021, if the business combination had been carried out on 1 January 2021, would be increased by EUR 54 million and EUR 711 million, respectively.

[2] “Considerations on recognition of deferred tax assets arising from the carry-forward of unused tax losses” of July 2019

7. Remuneration of key management personnel

7.1. Remuneration of the Board of Directors

Note 9 to the Group's 2020 consolidated financial statements provides details on remuneration and other benefits paid to members of the Board of Directors and Senior Management in 2020.

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

REMUNERATION OF THE BOARD OF DIRECTORS
(Thousands of euros)

	30-06-2021	30-06-2020
Remuneration for board membership	1,500	1,672
Non-variable remuneration	1,269	778
Variable remuneration (1)	536	0
In cash	*203*	
Share-based remuneration schemes	*333*	
Other long-term benefits (2)	255	261
Other items (3)	142	61
Of which life insurance premiums	*137*	*58*
Other positions in Group companies	392	500
TOTAL	**4,094**	**3,272**
Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group (4)	65	121
TOTAL REMUNERATION	**4,159**	**3,393**
NUMBER OF PEOPLE AT END OF PERIOD	**15**	**14**

(1) The Chief Executive Officer decided to voluntarily waive his variable remuneration corresponding to 2020, both as regards the yearly bonus, as well as participation in the yearly Long-Term Incentives Plan corresponding to 2020.

(2) Includes insurance premiums and discretionary pension benefits.

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

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

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

Within the framework of the merger with Bankia SA, the CaixaBank Extraordinary General Shareholders' Meeting held on 3 December, 2020, approved the following, taking effect from the registration of the merger in the Commercial Register (26 March, 2021):

- The appointments as new directors of CaixaBank of José Ignacio Goirigolzarri as executive director, Joaquín Ayuso, Francisco Javier Campo and Eva Castillo as independent directors, Fernando Maria Costa Duarte, as another external director, as well as Teresa Santero as proprietary director at the proposal of the FROB (in view of the stake that she holds in CaixaBank through the wholly owned company BFA Tenedora de Acciones, SAU).

- The resignation of Jordi Gual, Maria Teresa Bassons, Alejandro García-Bragado, Ignacio Garralda and the CajaCanarias Foundation, represented by Natalia Aznárez as members of the Board of Directors.

7.2. Remuneration of Senior Management

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

REMUNERATION OF SENIOR MANAGEMENT
(Thousands of euros)

	30-06-2021	30-06-2020
Salary (1)	5,578	3,582
Post-employment benefits (2)	915	916
Other long-term benefits	581	251
Other positions in Group companies	488	459
TOTAL	**7,562**	**5,208**
Remuneration received for representing the bank on Boards of Directors of listed companies and others in which the bank has a presence, outside of the consolidated group (3)	77	61
TOTAL REMUNERATION	**7,639**	**5,269**
Composition of Senior Management	13	11
General Managers	*3*	*3*
Managers	*9*	*7*
General Secretary and Secretary to the Board of Directors	*1*	*1*

(1) This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. In April 2020, Senior Management announced its withdrawal from variable remuneration for 2020, both with respect to the annual bonus and its participation in the second cycle of the 2020 long-term incentives plan.
(2) Includes insurance premiums and discretionary pension benefits.
(3) Registered in the income statement of the respective companies.

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

POST-EMPLOYMENT COMMITMENTS WITH EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT
(Thousands of euros)

	30-06-2021	31-12-2020
Post-employment commitments	17,839	16,523

8. Financial assets

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

The breakdown of this heading is as follows:

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

	30-06-2021	31-12-2020
Equity instruments	**1,608**	**1,414**
Shares in listed companies	1,025	843
Shares in non-listed companies	583	571
Debt securities *	**15,912**	**17,895**
Spanish government debt securities	12,172	13,966
Foreign government debt securities	2,134	2,206
Issued by credit institutions	547	581
Other Spanish issuers	55	42
Other foreign issuers	1,004	1,100
TOTAL	**17,520**	**19,309**

(*) In the first half of 2021, the fixed income portfolio was sold for a nominal amount of EUR 8,383 million, with no significant gains generated.

At the acquisition date, the business combination with Bankia, SA entailed the incorporation of EUR 9,653 million under "Financial assets designated at fair value with changes in other comprehensive income – debt securities" (see Note 6).

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

CHANGES IN EQUITY INSTRUMENTS - 30-06-2021
(Millions of euros)

	31-12-2020	ADDITIONS DUE TO BUSINESSES COMBINA-TIONS (NOTE 6)	ACQUISITONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	GAINS (-) / LOSSES (+) TRANSFERRED TO RESERVES	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANS-FERS AND OTHER	30-06-2021
Telefónica, SA *	843					181		1,024
Banco Fomento de Angola (BFA) **	334					(39)	(31)	264
Other	237	149	2	(22)	(9)	6	(43)	320
TOTAL	**1,414**	**149**	**2**	**(22)**	**(9)**	**148**	**(74)**	**1,608**

(*) At 30 June 2021 the stake in Telefónica, SA was 4.605% and at 31 December 2020 it was 4.87%. This reduction is due to the dilutive effect of script dividends.

(**) The total pay-out approved by BFA net of the tax effect totalled EUR 119 million (of which EUR 79 million are extraordinary dividends charged to its reserves). Out of the total dividend, gross, EUR 98 million have been recognised as income in the income statement 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".

The estimate of the recoverable value of BFA is based on a dividend discount model (DDM), subsequently compared to comparison multiple methodologies. The main assumptions used in the dividend discount model are set out below:

ASSUMPTIONS USED - BFA
(Percentage)

	30-06-2021	31-12-2020
Forecast periods	4 years	5 years
Discount rate *	17.3%	19.3%
Objective capital ratio	15%	15%

(*) This is calculated using the interest rate of the US treasury bond plus a country risk premium and another market risk premium.

8.2. Financial assets at amortised cost

Debt securities

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

BREAKDOWN OF DEBT SECURITIES
(Millions of euros)

	30-06-2021	31-12-2020
Spanish government debt securities	58,124	18,579
Of which: Senior debt - SAREB	*19,645*	*1,237*
Other Spanish issuers	91	0
Other foreign issuers	7,100	6,091
TOTAL	**65,315**	**24,670**

At the acquisition date, the business combination with Bankia, SA entailed the incorporation of EUR 37,005 million under "Financial assets at amortised cost – debt securities" (see Note 6).

Loans and advances to customers

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

GUARANTEES RECEIVED *
(Millions of euros)

	30-06-2021	31-12-2020
Value of collateral	422,235	311,967
Of which: guarantees watch-list risks	31,033	25,846
Of which: guarantees non-performing risks	20,676	9,761

(*) Reflects the maximum amount of the effective collateral that can be considered for the purposes of the impairment calculation, i.e. the estimated fair value of real estate properties based on their latest available valuation or an update of that valuation based on the applicable standard in force. In addition, the remaining collaterals are included as the current value of the collateral that has been pledged to date, not including personal guarantees.

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

CHANGES IN LOANS AND ADVANCES TO CUSTOMERS - 2021
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	POCI:	TOTAL
Opening balance	**214,275**	**20,066**	**8,256**		**242,597**
Additions due to business combination with Bankia, SA (Note 6) *	103,990	13,120	4,193	770	122,073
Transfers	**(4,261)**	**3,291**	**970**	**0**	0
From stage 1:	(11,294)	11,127	167		0
From stage 2:	7,013	(8,057)	1,044		0
From stage 3:	20	221	(241)		0
From POCI:					0
New financial assets	16,181	1,259	268	19	17,727
Financial asset disposals (other than write-offs)	(14,123)	(3,377)	(527)	(12)	(18,039)
Write-offs			(617)	(10)	(627)
CLOSING BALANCE	316,062	34,359	12,543	767	363,731

(*) In the business combination with Bankia, a portfolio of POCIs has been identified amounting to EUR 1,688 million (EUR 770 million gross borrowing with an original provision of EUR 918 million).

The changes in hedges are as follows:

CHANGES IN IMPAIRMENT ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS - 2021
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	POCI	TOTAL
Opening balance	**920**	**1,064**	**3,625**		**5,609**
Additions due to business combination with Bankia, SA	545	897	1,920		3,362
Net allowances	(245)	(84)	541	67	279
From stage 1:	(242)	123	35		(84)
From stage 2:	(11)	(106)	225		108
From stage 3:	(2)	(57)	277		218
From POCI:				67	0
New financial assets	46	24	81		151
Disposals	(36)	(68)	(77)		(181)
Amounts used			(582)		(582)
Transfers and other			(69)		(69)
CLOSING BALANCE	1,220	1,877	5,435	67	8,599
Of which: Coverage due to the impact of COVID-19	345	729	321		1,395

8.3. Asset write-offs

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

CHANGES IN WRITTEN-OFF ASSETS
(Millions of euros)

	30-06-2021
OPENING BALANCE	13,469
Additions:	**3,964**
Of which due to business combinations (Note 6)	*2,809*
Disposals:	**(498)**
Cash recovery of principal	(161)
Cash recovery of past-due receivables	(1)
Disposal of written-off assets	(242)
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	(94)
CLOSING BALANCE	16,935

9. Assets and liabilities under the insurance business

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

ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS
(Millions of euros)

	30-06-2021		31-12-2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Financial assets under the insurance business	**75,645**		**77,241**	
Financial assets held for trading	103		545	
Debt securities	103		545	
Financial assets designated at fair value through profit or loss *	17,133		14,705	
Equity instruments	11,769		9,301	
Debt securities	5,274		5,297	
Loans and advances - Credit institutions	90		107	
Available-for-sale financial assets	58,029		61,643	
Debt securities	58,029		61,643	
Loans and receivables	250		218	
Debt securities	223		189	
Loans and advances - Credit institutions	27		29	
Assets under insurance and reinsurance contracts	130		130	
Liabilities under the insurance business		**73,965**		**75,129**
Contracts designated at fair value through profit or loss		17,144		14,608
Liabilities under insurance contracts		56,821		60,521
Unearned premiums		9		2
Mathematical provisions		55,824		59,533
Claims		919		899
Bonuses and rebates		69		87

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

9.1. Available-for-sale financial assets

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

BREAKDOWN OF AVAILABLE-FOR-SALE FINANCIAL ASSETS
(Millions of euros)

	30-06-2021	31-12-2020
Debt securities	**58,029**	**61,643**
Spanish government debt securities	48,697	51,613
Foreign government debt securities	6,610	6,708
Issued by credit institutions	2,618	2,917
Other foreign issuers	104	405
TOTAL	**58,029**	**61,643**

10. Derivatives - Hedge accounting (assets and liabilities)

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

BREAKDOWN OF HEDGING DERIVATIVES
(Millions of euros)

	30-06-2021		31-12-2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Micro-hedge	62	25	1	1
Macro-hedge	1,017	81	312	131
TOTAL FAIR VALUE HEDGES	1,079	106	313	132
Micro-hedge	9	233	158	3
Macro-hedge	41	33	44	102
TOTAL CASH FLOW HEDGES	50	266	202	105
TOTAL	**1,129**	**372**	**515**	**237**

At the acquisition date, the business combination with Bankia, SA entailed the incorporation of EUR 952 and EUR 147 million under "Derivatives – hedge accounting" of assets and liabilities, respectively (see Note 6).

11. Investments in joint ventures and associates

Appendices 2 and 3 to the 2020 consolidated financial statements specify the investments in joint ventures and associate companies.

The changes in investments in joint ventures and associates in 2021 are as follows:

CHANGES IN INVESTMENTS - 2021
(Millions of euros)

	31-12-2020		ADDITIONS DUE TO BUSINESS COMBINA-TIONS (NOTE 6)	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	MEASURED USING THE EQUITY METHOD	TRANS-FERS AND OTHER	30-06-2021	
	CARRYING AMOUNT	*STAKE%*						CARRYING AMOUNT	*STAKE%*
UNDERLYING CURRENT AMOUNT	3,366		485	1		122	(64)	3,910	
Erste Group Bank *	1,514	*9.92%*				53	(2)	1,565	*9.92%*
Coral Homes	802	*20.00%*				(13)	(86)	703	*20.00%*
SegurCaixa Adeslas	685	*49.92%*				95	(1)	779	*49.92%*
Other	365		485	1		(13)	25	863	
GOODWILL	367		173			6		546	
SegurCaixa Adeslas	300							300	
Other	67		173			6		246	
IMPAIRMENT ALLOWANCES	(332)		(10)				4	(338)	
Erste Group Bank *	(311)							(311)	
Other	(21)		(10)				4	(27)	
TOTAL ASSOCIATES	**3,401**		**648**	**1**		**128**	**(60)**	**4,118**	
UNDERLYING CURRENT AMOUNT	42							42	
Other	42							42	
IMPAIRMENT ALLOWANCES									
Other									
TOTAL JOINT VENTURES	**42**							**42**	

(*) At 30 June 2021, the market value of 9.92% of the stake was EUR 1,308 million (EUR 1,063 million at 31 December 2020).

Allowances for impairment of associates and joint ventures

The Group has a methodology in place (described in Note 16 to the consolidated annual financial statements for 2020) for assessing recoverable amounts and potential impairment of its investments in associates and joint ventures.

The Group carries out, at least annually, a verification of the value of shares by updating the projected cash flows, with a sensitivity analysis on the most significant variables. At the closing date of the balance sheet, and considering the exceptional nature arising from the current economic environment (see Note 3.1), an assessment of signs of impairment has been carried out on the most significant shares, contrasting certain indicators with external and internal sources, using the assessment methodology and hypotheses (discount rate and growth rate), consistent with those of 2020. If there was a sign significantly and persistently calling into questioning the fundamental indicators of these shares, the Group would estimate the recoverable value of the assets.

On 30 June 2021, there are no indications that call into question the recoverable amount of the investments that exceed the accounting value thereof. Moreover, during the six-month period the share price of some investees has recovered significantly, while relevant uncertainties remain with regard to the macroeconomic situation, with recommendations to maintain the adjustment for impairment losses recorded in 2020 in the amount of EUR 311 million as indicated in the table above.

12. Tangible assets

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

In the first six months of 2021, there were no significant gains or losses on any individual sale.

At 30 June 2021, the Group had no significant commitments to acquire items of property and equipment.

At the acquisition date, the business combination with Bankia entailed the incorporation of EUR 2,235 million under "Tangible assets" (see Note 6).

In addition, property, plant and equipment for own use are primarily allocated to the banking business cash-generating unit (CGU) (see Note 13).

13. Intangible assets

The most significant change in the first six months of 2021 related to the incorporation of intangible assets totalling EUR 554 million, due to the business combination with Bankia (see Note 6).

As set out in Note 19 to the 2020 consolidated financial statements, the Group carries out, at least annually, a verification of the value of the fixed assets assigned to the CGU of the Banking Business and insurance business by updating the projected cash flows, with a sensitivity analysis on the most significant variables.
The projections are determined using assumptions based on the macroeconomic data applicable to the Group's activity, contrasted by means of renowned external sources and the entities' internal information. A summary of the ranges of assumptions used and the ranges of contrasting sensitivity at 30 June 2021 are provided below:

ASSUMPTIONS USED AND BANKING BUSINESS CGU SENSITIVITY SCENARIOS
(Percentage)

	30-06-2021	31-12-2020	SENSITIVITY
Discount rate (after tax) *	8.2%	8.2%	[-0.5%; + 2.5%]
Growth rate **	1.0%	1.0%	[-0.5%; + 1.0%]
Net interest income over average total assets (NII) ***	[1.11% - 1.27%]	[1.15% - 1.30%]	[-0.05%; + 0.05%]
Cost of risk (CoR)	[0.81% - 0.39%]	[0.82% - 0.39%]	[-0.1%; + 0.1%]

(*) Calculated on the yield for the German 10-year bond, plus a risk Premium. The pre-tax discount rate at 30 June 2021 and 31 December 2020 stood at 11.7%.
(**) Corresponds to the normalised growth rate used to calculate the net carrying value.
(***) Net interest income over average total assets, reduced by persistence of low rates.

ASSUMPTIONS USED AND INSURANCE BUSINESS CGU SENSITIVITY SCENARIOS
(Percentage)

	30-06-2021	31-12-2020	SENSITIVITY
Discount rate (after tax)	8.81%	8.81%	[-0.5%; + 0.5%]
Growth rate *	1.50%	1.50%	[-0.5%; + 0.5%]

(*) Corresponds to the normalised growth rate used to calculate the net carrying value

At 30 June 2021, the existing impairment tests were reviewed, taking into consideration the information available, and, in particular, the exceptional nature of the current economic climate (see Note 3.1). The existence of possible impairments was also assessed using sensitivity scenarios.

As a result of this analysis, although some assumptions and certain expected future flows were modified as a result of the exceptional circumstances, it was deemed that there was no need to perform any impairments. The effects on the estimates that take place as a result of new information available in the future will be reviewed prospectively and continually on future closing dates.

14. Other assets and other liabilities

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

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

	30-06-2021	31-12-2020
Insurance contracts linked to pensions	815	
Inventories	81	75
Other assets	1,786	2,144
Prepayments and accrued income	1,004	1,686
Ongoing transactions	192	284
Dividends on equity securities accrued and receivable	138	3
Net pension plan assets	179	2
Other	273	169
TOTAL OTHER ASSETS	**2,682**	**2,219**
Prepayments and accrued income	1,155	1,132
Ongoing transactions	781	702
Other	251	161
TOTAL OTHER LIABILITIES	**2,187**	**1,995**

At the acquisition date, the business combination with Bankia entailed the incorporation of EUR 1,054 and EUR 399 million under "Other assets" and under "Other liabilities", respectively (see Note 6). The remaining movements in the first half of 2021 related to ordinary business transactions, none of which was for a material amount.

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

The proceeds from sales of "Non-current assets and disposal groups classified as held for sale" during the first six months of 2021 do not include individually material operations.

The most significant change in the period corresponds to the business combination with Bankia, which entailed the incorporation of EUR 1,569 million under "Non-current assets held for sale" (see Note 6). The rest of the movements relate to current business operations. No other individual transaction was for a significant amount.

16. Financial liabilities

At the acquisition date, the business combination with Bankia entailed the incorporation of EUR 5.606 million under "Financial liabilities held for trading", and EUR 185,137 million under "Financial liabilities measured at amortised cost" (see Note 6).

The issuances placed on the market and repurchases carried out in the first six months of 2021 are set out below:

ISSUANCES - 2021
(Millions of euros)

ISSUANCE	AMOUNT **	ISSUE DATE	MATURITY	COST *
Senior non-preferred debt	1,000	February 2021	8 years	0.571% (midswap +0.90%)
Subordinated debt	1,000	March 2021	10 years and 3 months	1.335% (midswap +1.63%)
Senior non-preferred debt	1,000	May 2021	7 years	0.867% (midswap +1.00%)
Senior non-preferred debt (GBP)	579 (GBP 500 million)	June 2021	5 years and 6 months	1.523% (UK Gilt +1.32%)
Senior non-preferred debt (CHF)	182 (CHF 200 million)	July 2021	6 years	0.477% (CHF midswap + 0.87%)

(*) Meaning the yield on issuance, calculated at the date of issuance.
(**) The amount or value in euros indicated for issuances made in non-euro currency has been calculated according to the relevant EUR/currency exchange rate published by the ECB on the pricing date of the issuance.

REPURCHASES OF ISSUANCES CARRIED OUT - 2021
(Millions of euros)

ISSUANCE	ISSUANCE AMOUNT	BUYBACK DATE	AMOUNT BOUGHT BACK	MATURITY	BUYBACK PRICE
Subordinated debt	1,000	March 2021	490	2027	103.10%

17. Provisions

Note 23 to the 2020 consolidated financial statements discloses the nature of the recorded provisions. The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN PROVISIONS - 2021

(Millions of euros)

	PENSIONS AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS	OTHER LONG-TERM EMPLOYEE BENEFITS	PENDING LEGAL ISSUES AND TAX LITIGATION		COMMITMENTS AND GUARANTEES GIVEN		OTHER PROVISIONS
			LEGAL CONTINGENCIES	PROVISIONS FOR TAXES	CONTINGENT RISKS	CONTINGENT COMMITMENTS	
BALANCE AT 31-12-2020	**580**	**1,398**	**332**	**224**	**134**	**59**	**468**
Additions due to business combinations (Note 6)	626	105	314	197	258	85	262
With a charge to the statement of profit or loss	(397)	2,299	192	23	(5)	(5)	(62)
Actuarial (gains)/losses	(174)						
Amounts used	(20)	(170)	(93)	(22)			(41)
Transfers and other	210	133	(74)	(18)	5	(45)	29
BALANCE AT 30-06-2021	**825**	**3,765**	**671**	**404**	**392**	**94**	**656**

On 1 July 2021, an agreement was reached which was ratified by a final agreement signed on 7 July with the workers' representatives to implement the Entity's restructuring process resulting from the business combination with Bankia. The estimated overall impact associated with this agreement, recorded in the first half of 2021, amounts to EUR 1,884 million, and chiefly includes the cost associated with the voluntary redundancy scheme affecting 6,452 employees, as well as other changes in the conditions of the current employment framework, in particular those affecting social commitments.

17.1. Pensions and other post-employment defined benefit obligations

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

The assumptions used in the calculations referring to businesses in Spain are as follows:

ACTUARIAL ASSUMPTIONS IN SPAIN

	30-06-2021	31-12-2020
Discount rate (1)	0.67%	0.39%
Mortality tables (2)	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (3)	0% - 2%	0% - 2%
Annual cumulative CPI (4)	2.30%	1.81%
Annual salary increase rate	0% 2021; 0.75% 2022; 1% 2023; CPI + 0.5% 2024 and onwards	0% 2021; 0.75% 2022; 1% 2023; CPI + 0.5% 2024 and onwards

(1) Using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed. Rate informed based on the weighted average term of these commitments.

(2) It has been decided to maintain the PERM-F/2000-P tables as the best estimate of the survival pattern, based on historical experience.

(3) Depending on each obligation. Based on the Agreement to Amend Employment Conditions signed on 1 July 2021, a fixed rate of 0.35% has been considered as a future revaluation for pension commitments arising from collective systems, covenants and/or agreements.

(4) Using the Spanish zero coupon inflation curve. Rate informed based on the weighted average term of the commitments.

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

ACTUARIAL ASSUMPTION IN PORTUGAL

	30-06-2021	31-12-2020
Discount rate *	1.33%	1.01%
Mortality tables for males	TV 88/90	TV 88/90
Mortality tables for females	TV 88/90 – 3 years	TV 88/90 – 3 years
Annual pension review rate	0.40%	0.40%
Annual salary increase rate	[0.9 - 1.9]%	[0.9 - 1.9]%

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

17.2. Provisions for pending legal issues and tax litigation

Litigiousness in the field of banking and financial products is subject to comprehensive monitoring and control to identify risks that may lead to the outflow of funds from the entity, making the necessary allocations and taking the appropriate measures in terms of adaptation and improving procedures, products and services. 2020 was marked by highly irregular flows conditioned by the effect that the health crisis and the state of emergency have also caused on the normal functioning of the Administration of Justice, although its operation can be deemed to be normalised during the first half of 2021.

The dynamic nature of litigiousness and the high disparity of judicial criteria frequently drive changes in scenarios, without prejudice to which the Group has established monitoring mechanisms to control the progress of claims, actions and different judicial sensitivities on the contentious matters that make it possible to identify, define and estimate risks, based on the best information available at any given time.

In the case of disputes under general conditions, generally linked to the granting of mortgage loans to consumers (e.g. floor clauses, multi-currency clauses, mortgage expenses, advance maturity, etc.), the necessary provisions are held and the Group maintains ongoing dialogue with customers in order to explore agreements on a case-by-case basis. Similarly, CaixaBank leads the adherence to extrajudicial dispute resolution systems promoted by certain judicial bodies that resolve these matters, in order to promote amicable solutions that avoid litigating with customers and help alleviate the judicial burden.

In the same way, CaixaBank has adapted its provisions to the risk of ongoing actions arising from claims for the amounts of payments on account for the purchase of off-plan housing, banking, financial and investment products, excessive and abnormal price of interest rates, right to honour or statements of subsidiary civil liability arising from possible conduct of persons with employment links.

Lastly, a criterion of prudence is adopted for constituting provisions for possible punishable administrative procedures, for which hedging is allocated in accordance with the economic criteria that may be laid down by the specific administration regarding the procedure, without prejudice to the full exercise of the right of defence in instances, where applicable, in order to reduce or annul the potential sanction.

The content of the main sections of this heading is set out below. The expected timing of outflows of funds embodying economic benefits, should they arise, is uncertain.

IRPH (Mortgage Loan Reference Index)

In relation to the official reference rate for mortgages in Spain (IRPH), the judgment issued by the Court of Justice of the European Union (CJEU) on 3 March 2020, and the set of judgments issued by the First Chamber of the Spanish High Court on 6 and 12 November 2020 provide clarity to the prosecution of claims that question the lack of transparency in the marketing of mortgage loans that include such an index.

The chief legal conclusion of the current judicial framework and without prejudice to its eventual change, is the validity of mortgage loans that include such an index.

On the one hand, in mortgage loans where the IRPH had been included in the context of Public Agreements in order to facilitate access to social housing, the Spanish High Court deems that there was transparency in the procurement; The core elements relating to the calculation of the variable interest laid down in the contract were easily accessible, the consumer adhered to a financing system established and regulated by a regulatory rule, regularly reviewed by successive Councils of Ministers, the clause expressly referred to this regulation and these agreements and both the former and the latter enjoy publicity arising from their publication in the Official State Gazette (BOE).

In cases not covered by the abovementioned scenario, pre-contractual and contractual information provided to consumers of mortgage loans including such an index should be examined on a case-by-case basis, in order to determine whether or not they suffer from lack of transparency, since there are no assessed means of testing material transparency. In any case, the important thing is that any declaration of lack of transparency requires the Spanish High Court – according to repeated legal principle of the CJEU – to make a judgment of abuse, and such abuse – due to the existence of bad faith and major imbalance – has no place in such cases. In the opinion of the Spanish High Court, on the one hand, good faith is not infringed when offering an official index, recommended by the Bank of Spain since the end of 1993 as one of the rates that could be used for mortgage lending operations and when the central Government and several autonomous governments – through various regulatory provisions – had established the IRPH index as a reference for financing (borrowing) for the purchase of social housing. On the other hand, there is also no significant imbalance at the time of procurement, since the subsequent evolution is irrelevant and it cannot be ignored that hypothetically, by replacing the Savings Banks IRPH or Banks IRPH with the index proposed by the CJEU as a replacement in case of abuse and lack of agreement, the Entities IRPH would be applied as the supplementary legal index, which presents virtually no differences with the Savings Banks IRPH or Banks IRPH.

In conclusion, the full validity of the procurement and the absence of risk on the eventual outflow of funds due to a possible declaration of lack of transparency are clarified in accordance with current case law.

Without prejudice to the foregoing, the Court of First Instance No. 38 of Barcelona has requested a new request for preliminary rulings with the CJEU, following its judgment of 3 March 2020 in Case C-125/18, which can be framed in the dynamic character of the litigiousness mentioned in the introduction, which will be subject to specific monitoring.

The Group, in accordance with the current legal basis and reasonableness of the foregoing, as well as the best available information to date, does not hold provisions for this item.

At 30 June 2021, the total amount of the performing mortgage loans index-linked to IRPH with individuals stood at approximately EUR 6,088 million (the majority, but not all of them, with consumers), of which EUR 1,141 million are from the merger with Bankia.

Litigation linked to consumer credit contracts (“revolving” cards) through the application of the Usury Repression Act of 1908, as a result of the Spanish High Court Judgment dated 04.03.2020.

The Spanish High Court gave a sector-relevant judgment on the contracts of revolving cards and/or deferred-payment cards. The ruling determines i) that the revolving cards are a specific market within credit facilities, ii) that the Bank of Spain publishes a specific interest rate of reference for this product in its Statistical Bulletin, which serves as a compulsory reference to determine the “normal interest rate”, iii) that “the average rate of interest of credit operations using credit cards and revolving cards according to the statistics of the Bank of Spain (…) was slightly above 20%” and iv) that an APR such as the one analysed in the particular case, between 26.82%/27.24%, is a “manifestly disproportionate” rate, which entails the invalidity of the contract and the refund of the interest paid. This judgment, unlike the previous one on this subject matter where the supra duplum rule was used to define the disproportionate price – i.e. exceeding twice the ordinary average interest – does not, on this occasion, provide specific criteria or accuracy to determine with legal certainty the amount of excess or difference between the “normal interest rate” that can entail the invalidity of the contract. This circumstance is likely to continue to bring about a significant number of lawsuits and a highly diverse series of judicial criteria, the specific effects of which cannot be currently determined, and which will be subject to specific monitoring and management.

Furthermore, CaixaBank and its card-issuing subsidiary, CaixaBank Payments and Consumer, received a collective action formulated by an Association of Consumers and Users (ASUFIN), which was partially dismissed by the Commercial Court No. 4 of Valencia on December 30, 2020. Firstly, the process was reduced to an action of eventual cessation of general conditions; the possibility of claiming refunds of amounts was rejected for the ASUFIN and in favour of CaixaBank. Subsequently, the judgment reaffirms this situation, fully dismisses the claim against CaixaBank and solely requests CaixaBank Payments and Consumer to discontinue the advance maturity clause, disregarding all other requests regarding lack of transparency in the operation of cards, interest calculation methods, the right to compensation for debt and the change of conditions under contracts of an indefinite duration. The sentence has not been firmly established yet.

As regards the risks coming from Bankia, 30 June 2021, the total number of claims received was non-material, with an insignificant economic risk.

In accordance with the best information available up to now, the heading "Other Provisions" includes an estimate of the current obligations that may arise from judicial proceedings, included those relating to revolving cards and/or those with deferred payments, the occurrence of which is deemed to be likely.

In any case, any disbursements that may ultimately be necessary will depend on the specific terms of the judgments which the Group must face, and/or the number of claims that are brought, among others. Given nature of these obligations, the expected timing of the outflow of financial resources, in the event they are produced, is uncertain, and, in accordance with the best available information today, the Group also deems that any responsibility arising from these proceedings will not, as a whole, have a material adverse effect on the Group's businesses, financial position or the results of its operations.

Ongoing investigation in Central Investigation Office no. 2 (PD 16/18)

In April 2018, the Anti-Corruption Prosecutor's Office started legal proceedings against CaixaBank, the Entity's former head of Regulatory Compliance and 11 employees, for events that could be deemed to constitute a money laundering offence, primarily due to the activity carried out in 10 branches of CaixaBank by alleged members of certain organisations formed of Chinese nationals, who allegedly conducted fraud against the Spanish Treasury between 2011 and 2015. The procedure is in the pre-trial phase and the filing of proceedings has been agreed for four employees. Neither CaixaBank nor its legal advisers consider the risk associated with these criminal proceedings as being likely to arise. The potential impact of these events is not currently considered material, although CaixaBank is exposed to reputational risk due to these ongoing proceedings.

Ongoing investigation in Central Investigation Office no. 5 (PD 67/18)

As a result of a particular accusation, a set of corporate operations that took place in 2015 and 2016 are being investigated, together with an asset operation stated by the accusation but non-existent (never granted). Without prejudice to the reputational damage that arises from a judicial inquiry, no affect or materialisation of a patrimonial risk linked to this legal procedure is deemed to be likely.

Procedures of the Portuguese Resolution Fund (PRF)

On 3 August 2014, the Bank of Portugal applied a resolution procedure to Banco Espírito Santo, SA (BES) through the transfer of its net assets and under the management of Novo Banco, SA (Novo Banco). Within the framework of this procedure, the PRF completed a capital increase in Novo Banco for an amount of EUR 4,900 million, becoming the sole shareholder. The increase was financed through loans to the PRF for an amount of EUR 4,600 million, EUR 3,900 million of which was granted by the Portuguese State and EUR 700 million granted by a banking syndicate through the Portuguese financial institutions, including BPI with EUR 116 million.

On 19 December 2015, the Bank of Portugal initiated a procedure to put Banco Internacional do Funchal (Banif) into resolution, which came to a head with i) the partial sale of its assets for EUR 150 million to Banco Santander Totta, S.A.; and ii) the contribution of the rest of its assets that were not sold to Oitante, SA. The resolution was financed through the issuance of EUR 746 million of debt, guaranteed by the PRF and the Portuguese State as a counter-guarantee. The operation also included the ultimate guarantee of the Portuguese State amounting to EUR 2,255 million intended to cover future contingencies.

For the reimbursement of the PRF obligations with the Portuguese State (in the form of loans and guarantees) in relation to resolution measures adopted, the PRF has contributed ordinary instruments through the various contributions of the banking sector. Along these lines, the conditions of the loans with the PRF have been amended to bring them in line with the collection of the contributions; there is no foreseen need to turn to additional contributions from the banking sector.

In 2017, the Bank of Portugal chose Lone Star to conclude the sale of Novo Banco, after which the PRF would hold 25% of the share capital and certain contingent capital mechanisms would be established by the shareholders. To cover the contingent risk, the PRF has the financial means of the Portuguese State, the reimbursement of which – where applicable – would have repercussions on the contributory efforts of the banking sector.

On 31 May 2021, the PRF signed a credit facility with a group of Portuguese financial institutions amounting to EUR 475 million, in which BPI participated with the amount of EUR 87.4 million. On 4 June 2021, the PRF made a provision of EUR 317 million to comply with Novo Banco's capital quota mechanism, of which EUR 58.3 million corresponded to BPI. An additional payment from PRF to Novo Banco is still pending analysis.

At this time, it is not possible to estimate the possible effects for the Resolution Funds deriving from: i) the sale of the shareholding in Novo Bank; ii) the application of the principle that none of the creditors of a credit institution under resolution may assume a loss greater than that which it would have assumed if that entity had gone into liquidation; iii) the guarantee granted to the bonds issued by Oitante and iv) other liabilities that – it is concluded – must be assumed by PRF.

Notwithstanding the possibility considered in the applicable law for the collection of special contributions, given the renegotiation of the terms of the loans granted to the PRF, which include BPI, and the public statement made by the PRF and the Office of the Minister of Finance of Portugal, declaring that this possibility will not be used, the consolidated financial statements of 2020 reflect the expectation of the Administrators that the Bank will not have to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and Banif or any other contingent liability or liabilities assumed by the PRF.

Any change in this regard may have material implications for the financial statements of the Group.

Ongoing investigation in Central Investigation Office no. 6 (PD 96/17) Separate record no. 21

In July 2021, the Court has decided to summon as subject to investigation the legal person, calling for them to be heard in order to obtain knowledge on the measures implemented in its compliance programmes to prevent crimes or significantly reduce the risk of them being committed. The investigation concerns facts that may eventually be considered as constituting an offence of bribery and disclosure of secrets, if a public official has been deemed to have been fraudulently contracted for alleged private security activities. We are currently facing the first procedural appointment as the investigated party, from which CaixaBank may provide explanations and evidence on the procedures, rules and controls of corporate criminal prevention. Without prejudice to reputational damage arising from a judicial investigation with widespread public scrutiny, it is estimated, according to the current best available information, that the procedural development will end in the current procedural phase and/or without the involvement or materialisation of a patrimonial risk linked to this criminal proceeding.

Today a judicial resolution has been published that files the case against the bank, a resolution that is not final.

Class action brought by the ADICAE association (floor clauses)

The legal procedure in which class action for discontinuance was carried out by ADICAE (the Association of Banking and Insurance Consumers) in application of the floor causes that exist in some of the entity's mortgages, are currently in the phase of Reversal and Procedural Infringement before the Spanish High Court.

As stated in the previous financial statements, the risk associated with this matter was managed with specific coverage of EUR 625 million, and a team and specific procedures were developed to comply with the requests filed under the framework of Royal Decree-Law 1/2017, of 20 January, on urgent measures to protect consumers against floor causes.

There were no significant disbursements associated with this procedure in the first half of 2021.

Regarding Bankia, at 30 June 2021, judicial proceedings are open in the exercise of individual actions for voidness, also being sued in the abovementioned collective injunction.

With the available information, the risk derived from the disbursements that could arise due to these litigation proceedings is reasonably covered by the corresponding provisions.

Litigation regarding Bankia

In relation to Bankia, the information on litigation is contained in the consolidated financial statements for the financial year 2020, including, but not limited to, procedures relating to the subscription of mortgage loans with consumers (floor clauses, formalisation of mortgage expenses, IRPH, etc.), claims seeking the nullity of derivative contracts, claims for the amounts of payments on account for the purchase of off-plan housing, banking, financial and investment products, excessive and abnormal price of interest rates, right to honour or statements of subsidiary civil liability arising from possible conduct of persons with employment links, as well as penalising administrative procedures.

The following procedures are described as being particularly relevant:

Judicial proceedings relating to the 2011 rights offering

Civil proceedings in respect of the nullity of the subscription of shares.

Claims are currently still being processed, although in a small number, requesting both the cancellation of share purchases in the rights offering made in 2011 on the occasion of the listing of Bankia and those relating to subsequent purchases, in relation to the latter scenario, however, they are residual claims.

On 19 July 2016, Bankia was notified of a collective claim filed by ADICAE; the processing of the proceedings is currently suspended.

Recently, In a judgment of 3 June 2021, the Court of Justice of the European Union resolved a preliminary question raised by the Spanish Supreme Court, clarifying that in cases of issuances intended both for retail investors and to qualified investors, the latter may bring an action for damages based on inaccuracies of the prospectus, although the national court will have to take into account whether such investor had or should have knowledge of the economic situation of the issuer of the public offer of subscription of shares and besides the prospectus.

The Group maintains provisions to cover the risk arising from this litigation.

Abridged proceedings 1/2018 (originating in previous proceedings No. 59/2012) followed before the Criminal Chamber of the National Court.

Criminal procedure whereby the Court agreed to admit the claim filed by Unión Progreso y Democracia against Bankia, BFA and the former members of their respective Boards of Directors. Other complaints have subsequently been added to this proceeding concerning persons alleging damages for the listing of Bankia (private prosecution on the indictment) and persons who do not have such status (private prosecution by a person unaffected by the alleged offence). Through the listing, in July 2011 Bankia acquired EUR 3,092 million, of which EUR 1,237 million corresponded to institutional investors and EUR 1,855 million to retail investors. Since the retail investors were practical return all the amounts invested in the listing, through the civil procedures or the voluntary payment process opened by Bankia itself, it is considered that the contingency opened with these has been virtually resolved.

On 23 November 2018, within the part of the proceeding concerning civil liability, bail was set at EUR 38.3 million. As of today, there are bail applications pending for the Court for approximately EUR 5.8 million.

The judge of the Central Investigation Office no. 4 of the National Court terminated the investigation, by means of a conversion order dated 11 May 2017. On 17 November 2017, the Central Investigation Office no. 4 of the National court issued an Order opening the oral trial phase. The Order agreed on the opening of an oral trial for offences of falsehood in the annual accounts, established under article 290 of the Criminal Code and investor scam under article 282 bis of the Criminal Code against certain former directors and officers and former officers of Bankia and BFA, the External Auditor at the time of the rights offering and against BFA and Bankia as legal persons. In their briefs, the Prosecutor and the FROB requested the dismissal of the criminal case in respect of BFA and Bankia. The FROB did not claim the secondary civil liability of Bankia or BFA.

On 29 September 2020, the Criminal Chamber, section four of the National Court, delivered a judgment (no. 13/2020), acquitting – with all kinds of favourable pronouncement – all the accused of all charges.

Only two accusations – an association and a legal person – have formalised the corresponding appeal for cassation before the Criminal Chamber of the Spanish High Court against that judgment of 29 September 2020.

The Group has treated the litigation filed in Abridged proceedings 1/2018 (originating in previous proceedings No. 59/2012) as a contingent liability the result of which is uncertain.

Banco de Valencia shareholders

Claim filed by the Small Shareholders Association of Banco de Valencia "Apabankval": In 2012, Apabankval filed a claim for corporate crimes against members of the Board of Directors of Banco de Valencia and the external auditor. No amount of civil liability has been determined. The claim by Apabankval has resulted in previous proceedings 65/2013-10 of the Central Investigation Office no. 1 of the National Court.

Subsequently, a second claim filed by several individuals ("Banco de Valencia") is included. Following on from this, by Order of 6 June 2016, the Central Investigation Office no. 1 of the National Court has admitted – to be included in previous proceedings 65/2013-10 – a new claim filed by shareholders of Banco de Valencia against various directors of Banco de Valencia, the external auditor and Bankia, S.A. ("as a substitute for Bancaja"), for a corporate crime of falsification of accounts set out in article 290 of the Criminal Code.

On 13 March 2017, the Criminal Chamber, section 3 of the National Court, issued an order confirming that (i) Bankia cannot be held liable for criminal acts and, (ii) Bankia must be continuing to be the secondary civilly liable party.

On 1 June 2017, Apabankval comprised approximately 351 injured persons. Similarly, according to the Order of 8 January 2018, the Central Investigation Office no. 1 has so far identified 89 other persons as being injured, unifying their representation and defence in the Apabankval association, in accordance with article 113 of the Criminal Procedure Act.

On 6 September 2017, a new claim was filed by an individual for an offence of accounting falsehood under article 290.2 of the Criminal Code. The complaint is addressed on this occasion against former directors as natural persons responsible for criminal matters and against Bankia solely as the civilly liable party (in addition to Valenciana de Inversiones Mobiliarias and the External Auditor also as civilly liable parties).

On 13 December 2017, Central Investigation Office no. 1 issued an Order agreeing to bring BFA, Tenedora de Acciones, S.A.U. and the Bancaja Foundation to the proceedings as secondary civilly liable parties. BFA filed an appeal for the court to review its ruling – which was dismissed by the Order of 13 December 2017 – and appealed the decision to a higher court, which it withdrew, not because BFA abithed to the abovementioned resolution, but because it reserves for a later procedural moment the resubmission of the exposed arguments that it considers to be solid and founded.

On 19 October 2018, an Order was issued to dismiss the appeal of the FROB – to which BFA acceded – against the Order sustaining BFA's secondary civil liability, with a dissenting vote that understood that the FROB – a public body – cannot be brought to the proceedings, as the secondary civil liability of BFA – which it wholly owns – is imposed.

On 2 December 2019, the Central Investigation Office no. 1 issued the conversion order agreeing to the continuation of these previous proceedings through the abridged procedures for the alleged participation in an ongoing corporate crime of falsehood in the annual accounts of Banco de Valencia for the fiscal years 2009-2010, punishable under art. 290 paragraphs 1 and 2 and art. 74 of the Criminal Code, against the members of the administration of the Banco de Valencia and against various companies as secondary civilly liable parties, which include: BFA, Bankia, Bankia Hábitat S.L. and Valenciana de Inversions Mobiliarias, S.L. Upon rejection of the appeal for the court to review its ruling filed by the defences through the Order of 12 June 2020, Bankia and BFA have presented two appellate procedures to the Criminal Chamber of the National Court.

The National High Court has had CaixaBank as the successor in Bankia's position because of the merger of Bankia (acquired company) with CaixaBank (acquiring company).

The Group has treated this contingency as a contingent liability the result of which is uncertain.

18. Equity

18.1. Shareholders' equity

Share capital

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

INFORMATION ABOUT SHARE CAPITAL

	30-06-2021	31-12-2020
Number of fully subscribed and paid up shares (units) (1)	8,060,647,033	5,981,438,031
Par value per share (euros)	1	1
Closing price at year-end (euros)	2.594	2.101
Market cap at year end, excluding treasury shares (million euros) (2)	20,890	12,558

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

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

CHANGES IN CAPITAL - 2021
(Millions of euros)

	NUMBER OF SHARES	FIRST LISTING DATE	NOMINAL VALUE
BALANCE AT 31-12-2020	**5,981,438,031**		**5,981**
Merger with Bankia (Note 6)	2,079,209,002	29-03-2021	2,079
BALANCE AT 30-06-2021	**8,060,647,033**		**8,061**

Share premium

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

CHANGES IN SHARE PREMIUM - 2021
(Millions of euros)

BALANCE AT - 31-12-2020	**12,033**
Merger with Bankia (Note 6)	3,235
BALANCE AT 30-06-2021	**15,268**

Treasury shares

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

CHANGES IN TREASURY SHARES - 2021
(Millions of euros)

	31-12-2020	ACQUISITION AND OTHER	DISPOSAL AND OTHER	30-06-2021
Number of treasury shares	4,053,994	6,334,636	(3,092,701)	7,295,929
% of share capital	0.068%			0.091%
Cost / Sale	12	15	(8)	19

18.2. Accumulated other comprehensive

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

19. Tax position

19.1. Tax consolidation

The consolidated tax group for Corporation Tax includes CaixaBank, as the parent, and subsidiaries include Spanish companies in the commercial group that comply with the requirements for inclusion under regulations, including the "la Caixa" Banking Foundation and CriteriaCaixa. The subsidiaries of the fiscal group previously headed by Bankia have joined the tax group headed by CaixaBank.

The other companies in the commercial group file taxes in accordance with applicable tax legislation.

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

19.2. Deferred tax assets and liabilities

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

BREAKDOWN OF DEFERRED TAX ASSETS - 2021
(Millions of euros)

	31-12-2020	ADDITIONS DUE TO BUSINESS COMBINATIONS (NOTE 6)	REGULARISATIONS	ADDITIONS DUE TO CHANGES IN THE PERIOD	DISPOSALS DUE TO CHANGES IN THE PERIOD	30-06-2021
Pension plan contributions	620	281			(24)	877
Allowances for credit losses	4,029	5,323	(3)		(82)	9,267
Early retirement obligations	4					4
Provision for foreclosed property	843	1,823			(16)	2,650
Origination fees for loans and receivables	4					4
Unused tax credits	745	85	(12)		(110)	708
Tax loss carryforwards	1,630	309	(2)		(30)	1,907
Assets measured at fair value through equity	87	9		9		105
Other deferred tax assets arising on business combinations	60	1,038			(263)	835
Other *	1,772	512	(3)	540		2,821
TOTAL	**9,794**	**9,380**	**(20)**	**549**	**(525)**	**19,178**
Of which: monetisable	5,496	7,426			(62)	12,798

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

BREAKDOWN OF DEFERRED TAX LIABILITIES - 2021
(Millions of euros)

	31-12-2020	ADDITIONS DUE TO BUSINESS COMBINATIONS (NOTE 6)	REGULARISATIONS	ADDITIONS DUE TO CHANGES IN THE PERIOD	DISPOSALS DUE TO CHANGES IN THE PERIOD	30-06-2021
Revaluation of property on first time adoption of IFRS	195	131			(4)	322
Assets measured at fair value through equity	257	29			(91)	195
Intangible assets generated in business combinations	10	166			(53)	123
Mathematical provisions	207			1		208
Other deferred tax liabilities arising on business combinations	155	494			(328)	321
Other	185	248		112		545
TOTAL	**1,009**	**1,068**	**0**	**113**	**(476)**	**1,714**

The CaixaBank Group has a total of EUR 3,062 million of tax assets deferred by unregistered tax credits at 30 June 2021, of which EUR 2,909 million correspond to tax loss carryforwards and EUR 153 million to deductions.

Twice per year, in collaboration with an independent expert, the Group assesses the recoverable amount of its recognised deferred tax assets in the balance sheet, on the basis of a budget consisting in a 6-year horizon with the forecasted results used to estimate the recoverable value of the banking CGU (see Note 13) and forecast, subsequently, applying a sustainable net interest income (NII) to the average total assets and a normalised cost of risk (CoR) of 1.58% (from 2028) and 0.39%, respectively.

The type of deferred tax assets segregated by jurisdiction of origin are set out below:

TYPE OF DEFERRED TAX ASSETS RECOGNISED IN THE BALANCE SHEET - 30-06-2021
(Millions of euros)

	TIMING DIFFERENCES	*OF WHICH: MONETISABLE **	TAX LOSS CARRYFORWARDS	UNUSED TAX CREDITS
Spain	16,361	12,742	1,866	708
Portugal	202	56	41	
TOTAL	**16,563**	***12,798***	**1,907**	**708**

(*) These correspond to monetisable timing differences with the right to conversion into a credit with the Treasury.

Following the business combination with Bankia, the implementation of the restructuring plans conducted by CaixaBank has led to the recognition of tax assets that are expected to lead to the generation of tax loss carryforwards. Considering joint projections and considering the implementation of the synergy plans, the maximum recoverability period of tax assets as a whole remains below 15 years in line with the assumptions made for the entity acquired under the business combination (see Note 6).

In light of the existing risk factors (see Note 3) and the reduced deviation with respect to the estimates used to elaborate the budgets, the Administrators consider that, despite the limitations for applying different monetisable timing differences, tax loss carryforwards and unused tax credits, the recovery of all activated tax credits is still probable with future tax benefits.

20. Related party transactions

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

RELATED PARTY BALANCES AND OPERATIONS
(Millions of euros)

	SIGNIFICANT SHAREHOLDER (1)		ASSOCIATES AND JOINT VENTURES		DIRECTORS AND SENIOR MANAGEMENT (2)		OTHER RELATED PARTIES (3)		EMPLOYEE PENSION PLAN	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020	30-06-2021	31-12-2020
ASSETS										
Financial assets at amortised cost - Loans and advances	39	22	586	426	9	7	26	20		
Mortgage loans	*39*	*21*			*9*	*7*	*18*	*9*		
Other		*1*	*586*	*426*			*8*	*11*		
Of which: valuation adjustments			*(2)*	*(1)*						
Financial assets at amortised cost - Debt securities	4	12								
TOTAL	**43**	**34**	**586**	**426**	**9**	**7**	**26**	**20**		
LIABILITIES										
Financial liabilities at amortised cost - Customer deposits	301	210	1,035	659	13	26	41	48	92	66
TOTAL	**301**	**210**	**1,035**	**659**	**13**	**26**	**41**	**48**	**92**	**66**
PROFIT OR LOSS										
Interest income		1	8	11						
Fee and commission income			189	239						
Fee and commission expenses			(16)	(13)						
TOTAL		**1**	**181**	**237**						
OTHER										
Financial guarantees and other commitments given	8		53	26						
Loan commitments given	2		620	475	3	3	10	3		
Assets under management (AUMs) and assets under custody (4)	15,726	12,842	1,519	1,648	26	192	46	336	1,366	1,349

(1) On 30 June 2021 they refer to balances and operations carried out with the "Fundación la Caixa" Banking Foundation, CriteriaCaixa, BFA Tenedora de Acciones, SAU, the FROB and its dependent companies. On 30 June 2021 the stake of CriteriaCaixa and BFA tenedora de Acciones, SAU in CaixaBank is 30.01% and 16.12%, respectively. At 31 December 2020 CriteriaCaixa's stake in CaixaBank is 40.02%. The stake of BFA Tenedora de Acciones, SAU in CaixaBank comes from the merger with Bankia (see Note 6).
(2) Directors and Senior Management of CaixaBank.
(3) Family members and entities related to members of the Board of Directors and Senior Management of CaixaBank.
(4) Includes collective investment institutions, insurance contracts, pension funds and securities depositary.

The most significant transactions between Group companies in the first half of 2016 were as follows:

- The takeover of CaixaBank neX, S.A. (acquired entity) by CaixaBank (acquiring entity) was approved in June 2021, with no impact on the Group.

- In June 2021, CaixaBank's Board of Directors agreed to sell the card business from the business combination with Bankia to CaixaBank Payments&Consumer for EUR 414 million, determined based on generally accepted methods of measurement and reviewed by an independent expert. The operation has no equity impact for the Group and is expected to be materialised during the fourth quarter of 2021 after the relevant authorisations have been received.

- The takeover of Bankia Fondos Sociedad Gestora de Instituciones de Inversión Colectiva, SAU (hereinafter Bankia Asset Management, acquired entity) by CaixaBank Asset Management SGIIC SAU (hereinafter CaixaBank Asset Management, acquiring entity), was completed in July 2021, with no impact on the Group.

- In July 2021 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 EUR 260 million. Global Payments Inc and CaixaBank hold an 80% and 20% stake, respectively, in CGP.

  - Sale of the prepaid card business to Global Payments MoneytoPay, EDE, SL (MTP) for EUR 17 million. Global Payments Inc and CaixaBank hold a 51% and 49% stake, respectively, in MTP.

  The execution of the 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 approximately EUR 187 million in the income statement for the second half of 2021, with an impact on CET1 of +11 basis points.

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

21. Segment information

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

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

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

Banking and insurance: shows earnings from the Group's banking, insurance and asset management activity mainly in Spain, the real estate business, ALCO's activity in liquidity management and income from financing the other businesses. It also includes the insurance, asset management and cards business acquired by CaixaBank from BPI during 2018.

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 business segments.

Likewise, as it includes the Group-wide corporate centre, the extraordinary income related to the merger has been recognised in this activity, including the negative consolidation difference.

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

Equity investments: 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 recently acquired by the Group in Spain as part of its diversification across sectors.

As of 31 March 2021, the stake held in Gramina Homes from Bankia is added, the results of which will be consolidated after the second quarter of 2021.

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.

The allocation of capital to the investment business in 2020 and 2021 consider 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. considering 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.

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

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

	BANKING AND INSURANCE BUSINESS				INVESTMENTS		BPI		CAIXABANK GROUP	
	JANUARY-JUNE				JANUARY-JUNE		JANUARY-JUNE		JANUARY-JUNE	
	2021		2020							
		OF WHICH: VIDACAIXA INSURANCE		OF WHICH: VIDACAIXA INSURANCE	2021	2020	2021	2020	2021	2020
NET INTEREST INCOME	2,625	160	2,255	170	(22)	(47)	224	217	2,827	2,425
Dividend income and share of profit/(loss) of entities accounted for using the equity method *	113	93	85	74	232	97	12	9	357	191
Net fee and commission income	1,510	(39)	1,148	(46)			130	118	1,640	1,266
Gains/(losses) on financial assets and liabilities and others	65	3	160	2	2	(6)	13	(12)	80	142
Income and expenses under insurance and reinsurance contracts	318	321	292	292					318	292
Other operating income and expense	(299)		(179)	1	(8)		(32)	(20)	(339)	(199)
GROSS INCOME	4,332	538	3,761	493	204	44	347	312	4,883	4,117
Administrative expenses	(4,212)	(58)	(1,875)	(55)	(2)	(2)	(189)	(196)	(4,403)	(2,073)
Depreciation and amortisation	(280)	(12)	(243)	(11)			(35)	(29)	(315)	(272)
PRE-IMPAIRMENT INCOME	(160)	468	1,643	427	202	42	123	87	165	1,772
Impairment losses on financial assets and other provisions	(486)		(1,498)				2	(21)	(484)	(1,519)
NET OPERATING INCOME/(LOSS)	(646)	468	145	427	202	42	125	66	(319)	253
Gains/(losses) on disposal of assets and others	4,285		(50)					1	4,285	(49)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	3,639	468	95	427	202	42	125	67	3,966	204
Income tax	238	(109)	9	(106)	8	12	(31)	(22)	215	(1)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	3,877	359	104	321	210	54	94	45	4,181	203
Profit/(loss) attributable to minority interests			(2)							(2)
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	**3,877**	**359**	**106**	**321**	**210**	**54**	**94**	**45**	**4,181**	**205**
Total assets	631,151	79,442	404,867	76,383	3,463	3,890	39,474	36,815	674,088	445,572

(*) In addition to the result of EUR 359 million contributed by VidaCaixa in the first half of 2021, the shares from the merger with Bankia have been added to the scope of the insurance activity: Bankia Mapfre Vida (49%), Bankia pensiones (100%), Bankia Mediación (100%), Segurbankia (100%) and Sa Nostra Vida (18,7%). The results generated by these shares have been recorded since April 1 and have amounted to EUR 19 million, which together with the result of VidaCaixa totals an insurance activity contribution of EUR 378 million in the first half of 2021.

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

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

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

	JANUARY-JUNE			
	CAIXABANK		CAIXABANK GROUP	
	2021	2020	2021	2020
Domestic market	**2,367**	**1,923**	**3,457**	**3,072**
International market	**37**	**33**	**284**	**266**
European Union	34	30	281	263
Eurozone	19	9	266	242
Non-eurozone	15	21	15	21
Other	3	3	3	3
TOTAL	**2,404**	**1,956**	**3,741**	**3,338**

DISTRIBUTION OF ORDINARY INCOME *
(Millions of euros)

	JANUARY-JUNE					
	ORDINARY INCOME FROM CUSTOMERS		ORDINARY INCOME BETWEEN SEGMENTS		TOTAL ORDINARY INCOME	
	2021	2020	2021	2020	2021	2020
Banking and insurance	6,358	5,669	29	53	6,387	5,722
Spain	6,240	5,575	29	53	6,269	5,628
Other countries	118	94			118	94
Equity Investments	220	91		0	220	91
Spain	49	28			49	28
Other countries	171	63			171	63
BPI	405	355	22	20	427	375
Portugal/Spain	401	351	22	20	423	371
Other countries	4	4			4	4
Ordinary adjustments and eliminations between segments			(51)	(73)	(51)	(73)
TOTAL	**6,983**	**6,115**	**0**	**0**	**6,983**	**6,115**

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

22. Average workforce and number of branches

The following table shows the breakdown of average headcount by gender:

AVERAGE NUMBER OF EMPLOYEES *

(Number of employees)

	30-06-2021		30-06-2020	
	CAIXABANK	CAIXABANK GROUP	CAIXABANK	CAIXABANK GROUP
Male	16,752	20,630	12,317	16,225
Female	20,931	25,260	15,183	19,448
TOTAL	**37,683**	**45,890**	**27,500**	**35,673**

(*) At 30 June 2021 there were 602 employees with a disability equal to or above 33% (347 employees as at 30 June 2020).

The branches of the Group are specified below:

BRANCHES OF THE GROUP

(No. of branches)

	30-06-2021	31-12-2020
Spain	5,775	3,786
Abroad	392	429
TOTAL	**6,167**	**4,215**

23. Guarantees and contingent commitments given

The breakdown of the balance of this heading in the accompanying condensed interim consolidated balance sheet is as follows:

BREAKDOWN OF EXPOSURE AND HEDGING ON GUARANTEES AND CONTINGENT COMMITMENTS - 30-06-2021
(Millions of euros)

	OFF-BALANCE-SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	6,722	306	191	(7)	(9)	(83)
Loan commitments given	101,612	4,212	611	(71)	(15)	(8)
Other commitments given	34,052	2,229	493	(15)	(19)	(259)

BREAKDOWN OF EXPOSURE AND COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS - 31-12-2020
(Millions of euros)

	OFF-BALANCE-SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	5,902	294	164	(7)	(9)	(64)
Loan commitments given	75,400	2,772	327	(43)	(11)	(5)
Other commitments given	19,486	553	168	(7)	(10)	(37)

At the acquisition date, the business combination with Bankia entailed the incorporation of EUR 27,851 million of loan commitments given, other commitments given amounting to EUR 13,839 million, along with EUR 317 million of financial guarantees given.

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

24. Information on the fair value

Note 40 of the Group's consolidated annual accounts for 2020 describes the classification criteria by levels, according to the methodology used to obtain their fair value. In this regard, there were no significant changes in the first six months of 2021 with respect to those described in the consolidated annual accounts for the previous year. The breakdown of financial assets and liabilities held by the Group according to the calculation method are as follows:

FAIR VALUE OF FINANCIAL ASSETS

(Millions of euros)

	30-06-2021					31-12-2020				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading	**11,813**	**11,813**	**890**	**10,893**	**30**	**6,357**	**6,357**	**1,084**	**5,233**	**40**
Derivatives	10,953	10,953	38	10,888	27	5,301	5,301	35	5,231	35
Equity instruments	244	244	244			255	255	255		
Debt securities	616	616	608	5	3	801	801	794	2	5
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**255**	**255**	**47**	**2**	**206**	**317**	**317**	**50**	**3**	**264**
Equity instruments	172	172	47	2	123	180	180	50	3	127
Debt securities	5	5			5	52	52			52
Loans and advances	78	78			78	85	85			85
Financial assets designated at fair value through profit or loss										
Financial assets at fair value with changes in other comprehensive income	**17,520**	**17,520**	**16,769**	**168**	**583**	**19,309**	**19,309**	**18,693**	**44**	**572**
Equity instruments	1,608	1,608	1,025		583	1,414	1,415	843		572
Debt securities	15,912	15,912	15,744	168		17,895	17,894	17,850	44	
Financial assets at amortised cost	**428,151**	**449,030**	**37,790**	**22,559**	**388,681**	**267,509**	**289,064**	**17,490**	**3,224**	**268,350**
Debt securities	65,315	65,697	37,267	21,198	7,232	24,670	25,334	17,278	1,545	6,511
Loans and advances	362,836	383,333	523	1,361	381,449	242,839	263,730	212	1,679	261,839
Derivatives - Hedge accounting	**1,129**	**1,129**		**1,129**		**515**	**515**		**515**	
Assets under the insurance business	**75,515**	**75,515**	**75,123**	**194**	**198**	**77,110**	**77,111**	**76,716**	**145**	**250**
Financial assets held for trading	**103**	**103**	**103**			**545**	**545**	**545**		
Debt securities	103	103	103			545	545	545		
Financial assets designated at fair value through profit or loss	**17,133**	**17,133**	**17,036**	**26**	**71**	**14,705**	**14,705**	**14,575**	**130**	
Equity instruments	11,769	11,769	11,769			9,301	9,301	9,301		
Debt securities	5,274	5,274	5,177	26	71	5,297	5,297	5,167	130	
Loans and advances	90	90	90			107	107	107		
Available-for-sale financial assets	**58,029**	**58,029**	**57,983**		**46**	**61,643**	**61,643**	**61,595**		**48**
Debt securities	58,029	58,029	57,983		46	61,643	61,643	61,595		48
Loans and receivables	**250**	**250**	**1**	**168**	**81**	**218**	**218**	**1**	**15**	**202**
Debt securities	223	223	1	168	54	189	189	1	15	173
Loans and advances	27	27			27	29	29			29

FAIR VALUE OF FINANCIAL LIABILITIES
(Millions of euros)

	30-06-2021					31-12-2020				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities held for trading	**5,361**	**5,361**	**194**	**5,144**	**23**	**424**	**424**	**323**	**69**	**30**
Derivatives	5,214	5,214	47	5,144	23	151	151	51	70	30
Short positions	147	147	147			273	273	273		
Financial liabilities designated at fair value through profit or loss										
Other financial liabilities										
Financial liabilities at amortised cost	**547,604**	**561,160**	**50,974**	**1,947**	**508,239**	**342,403**	**346,835**	**37,210**	**4,291**	**305,334**
Deposits	482,070	493,553	164		493,389	300,523	303,431	857	4,291	298,283
Debt securities issued	53,089	55,151	50,810	1,947	2,394	35,813	37,554	36,321		1,233
Other financial liabilities	12,445	12,456			12,456	6,067	5,850	32		5,818
Derivatives - Hedge accounting	**372**	**372**		**372**		**237**	**238**	**1**	**237**	
Liabilities under the insurance business	**17,144**	**17,144**	**17,144**			**14,608**	**14,608**	**14,608**		
Contracts designated at fair value through profit or loss	17,144	17,144	17,144			14,608	14,608	14,608		

The change that took place in the Level 3 balance, on instruments recognised at fair value, is detailed below:

CHANGES IN LEVEL 3 OF FINANCIAL INSTRUMENTS - 30-06-2021
(Millions of euros)

	FA NOT DESIGNATED FOR TRADING *		FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME		ASSETS UNDER THE INSURANCE BUSINESS
	DEBT SEC.	EQUITY INSTRUMENTS	DEBT SEC.	EQUITY INSTRUMENTS	AVAILABLE-FOR-SALE FA - DEBT SEC.
OPENING BALANCE	**52**	**127**		**572**	**48**
Additions due to business combinations				149	
Total gains/(losses)	(2)	(2)		(41)	(1)
To reserves	(2)			(9)	
In the statement of profit or loss		(2)			
To equity valuation adjustments				(32)	(1)
Acquisitions				2	
Settlements and other	(45)	(2)		(99)	(1)
BALANCE AT 30-06-2021	**5**	**123**		**583**	**46**

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

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

FAIR VALUE - 30-06-2021
(Millions of euros)

	SPPI*	NON-SPPI *	TOTAL
Financial assets not held for trading and not managed by their fair value	58,029		58,029

AMOUNT OF THE CHANGE IN FAIR VALUE DURING 2021
(Millions of euros)

	SPPI*	NON-SPPI *	TOTAL
Financial assets not held for trading and not managed by their fair value	(3,614)		(3,614)

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

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

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

25. Disclosures required under the Mortgage Market Law

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

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

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

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

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

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

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

Information concerning mortgage market issuances

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

MORTGAGE MARKET ISSUES
(Millions of euros)

	30-06-2021	31-12-2020
Mortgage covered bonds issued in public offers (debt securities)	**0**	**0**
Mortgage covered bonds not issued in public offers (debt securities)	**60,734**	**45,713**
Residual maturity up to 1 year	9,250	7,425
Residual maturity between 1 and 2 years	11,640	7,390
Residual maturity between 2 and 3 years	7,150	5,750
Residual maturity between 3 and 5 years	12,234	9,730
Residual maturity between 5 and 10 years	16,485	13,450
Residual maturity over 10 years	3,975	1,968
Deposits	**5,637**	**2,520**
Residual maturity up to 1 year	550	675
Residual maturity between 1 and 2 years	452	417
Residual maturity between 2 and 3 years	625	300
Residual maturity between 3 and 5 years	1,405	128
Residual maturity between 5 and 10 years	2,605	550
Residual maturity over 10 years	0	450
TOTAL MORTGAGE COVERED BONDS	**66,371**	**48,233**
Of which: recognised under liabilities	*26,010*	*16,053*
Mortgage participations issued in public offers	239	
Mortgage participations not issued in public offers *	3,610	3,929
TOTAL MORTGAGE PARTICIPATIONS	**3,849**	**3,929**
Mortgage transfer certificates issued in public offers	21	
Mortgage transfer certificates not issued in public offers **	24,631	18,017
TOTAL MORTGAGE TRANSFER CERTIFICATES	**24,652**	**18,017**

(*) The weighted average maturity at 30 June 2021 is 129 months (130 months at 31 December 2020).
(**) The weighted average maturity at 30 June 2021 is 179 months (168 months at 31 December 2020).

Information on mortgage loans and credits

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

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

	30-06-2021	31-12-2020
Total loans	**174,406**	**105,369**
Mortgage participations issued	**3,849**	**3,929**
Of which: On balance sheet loans	*3,849*	*3,929*
Mortgage transfer certificates issued	**25,905**	**18,018**
Of which: On balance sheet loans	*24,652*	*18,017*
Loans backing mortgage bonds issuances and covered bond issuances	**144,652**	**83,422**
Non-eligible loans	39,102	19,202
Meet eligibility requirements, except for limits established in article 5.1. of Royal Decree 716/2009 of 24 April	21,200	7,027
Other	17,902	12,175
Eligible loans	105,550	64,220
Non-computable amounts	196	101
Computable amounts	105,354	64,119

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

MORTGAGE LOANS AND CREDITS
(Millions of euros)

	30-06-2021		31-12-2020	
	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS
By source	**144,652**	**105,550**	**83,422**	**64,220**
Originated by the Entity	142,137	103,159	81,758	62,640
Other	1,917	1,818	1,664	1,580
By currency	**144,652**	**105,550**	**83,422**	**64,220**
Euro	144,084	105,140	82,903	63,802
Other	568	410	519	418
By payment situation	**144,652**	**105,550**	**83,422**	**64,220**
Business as usual	135,790	103,596	78,357	63,073
Past-due	8,862	1,954	5,065	1,147
By average residual maturity	**144,652**	**105,550**	**83,422**	**64,220**
Up to 10 years	29,078	21,407	17,937	12,709
From 10 to 20 years	64,968	52,182	42,051	34,311
From 20 to 30 years	42,371	31,063	21,159	16,967
Over 30 years	8,235	898	2,275	233
By type of interest rate	**144,652**	**105,550**	**83,422**	**64,220**
Fixed	30,660	25,925	21,496	18,257
Variable	107,013	74,518	61,916	45,954
Mixed	6,979	5,107	10	9
By holder	**144,652**	**105,550**	**83,422**	**64,220**
Legal entities and entrepreneurs	24,019	10,744	17,070	7,723
Of which: Real estate developers	4,328	1,506	*3,741*	*1,443*
Other individuals and not-for-profit institutions	120,633	94,806	66,352	56,497
By collateral	**144,652**	**105,550**	**83,422**	**64,220**
Assets / completed buildings	**139,931**	**104,006**	**79,866**	**62,864**
Homes	123,975	96,781	69,348	58,392
Of which: Subsidised housing	3,925	3,243	1,770	1,548
Commercial	5,069	2,738	3,012	1,616
Other	10,887	4,487	7,506	2,856
Assets / buildings under construction	**3,152**	**981**	**2,853**	**963**
Homes	2,177	774	2,012	771
Of which: Subsidised housing	24	8	25	8
Commercial	95	32	56	29
Other	880	175	785	163
Land	**1,569**	**563**	**703**	**393**
Built	824	348	668	387
Other	745	215	35	6

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

ELIGIBLE MORTGAGE LOANS AND CREDITS
(Millions of euros)

	30-06-2021	31-12-2020
Mortgage on homes	**97,483**	**59,093**
Transactions with LTV below 40%	37,297	26,261
Transactions with LTV between 40% and 60%	34,712	21,832
Transactions with LTV between 60% and 80%	25,474	11,000
Other assets received as collateral	**8,067**	**5,127**
Transactions with LTV below 40%	4,615	3,258
Transactions with LTV between 40% and 60%	3,359	1,776
Transactions with LTV over 60%	93	93
TOTAL	**105,550**	**64,220**

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

MORTGAGE LOANS AND CREDITS CHANGES IN NOMINAL VALUES - 2021
(Millions of euros)

	ELIGIBLE LOANS	NON-ELIGIBLE LOANS
Opening balance	**64,220**	**19,202**
Reductions in the year	**4,795**	**4,276**
Cancellations on maturity	55	69
Early cancellation	292	443
Assumed by other entities	157	44
Other	4,291	3,720
Additions in the year	**46,125**	**24,176**
Additions due to business combination with Bankia (Note 6)	43,000	20,773
Originated by the Entity	3,018	2,466
Assumed by other entities	17	1
Other	90	936
Closing balance	**105,550**	**39,102**

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

AVAILABLE MORTGAGE LOANS AND CREDITS
(Millions of euros)

	30-06-2021	31-12-2020
Potentially eligible	16,714	16,965
Other	4,642	3,312
TOTAL	**21,356**	**20,277**

The calculation of the degree of collateralisation and overcollateralisation of mortgage-covered bonds issued by CaixaBank is shown below:

DEGREE OF COLLATERALISATION AND OVERCOLLATERALISATION
(Millions of euros)

		30-06-2021	31-12-2020
Non-registered mortgage covered bonds		60,734	45,713
Registered mortgage covered bonds placed as customer deposits		5,637	2,520
MORTGAGE COVERED BONDS ISSUED	**(A)**	**66,371**	**48,233**
Total outstanding mortgage loans and credits (*)		174,406	105,369
Mortgage participations issued		(3,849)	(3,929)
Mortgage transfer certificates issued		(25,905)	(18,018)
PORTFOLIO OF LOANS AND CREDIT COLLATERAL FOR MORTGAGE COVERED BONDS	**(B)**	**144,652**	**83,422**
COLLATERALISATION:	**(B)/(A)**	**218%**	**173%**
OVERCOLLATERALISATION:	**[(B)/(A)]-1**	**118%**	**73%**

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

Appendix I. Balance sheet of CaixaBank SA

BALANCE SHEET - CAIXABANK, SA
ASSETS
(Millions of euros)

	30-06-2021
Cash and cash balances at central banks and other demand deposits	**88,751**
Financial assets held for trading	**17,944**
Derivatives	17,156
Equity instruments	175
Debt securities	613
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**128**
Equity instruments	51
Loans and advances	77
Customers	77
Financial assets at fair value with changes in other comprehensive income	**15,689**
Equity instruments	1,167
Debt securities	14,522
Financial assets at amortised cost	**404,483**
Debt securities	60,206
Loans and advances	344,277
Central banks	22
Credit institutions	7,641
Customers	336,614
Derivatives - Hedge accounting	**1,148**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**1,074**
Investments in subsidiaries, joint ventures and associates	**12,139**
Group entities	10,298
Associates	1,841
Tangible assets	**6,735**
Property, plant and equipment	6,304
For own use	6,304
Investment property	431
Intangible assets	**1,065**
Goodwill	221
Other intangible assets	844
Tax assets	**18,578**
Current tax assets	1,939
Deferred tax assets	16,639
Other assets	**3,284**
Insurance contracts linked to pensions	1,935
Inventories	8
Remaining other assets	1,341
Non-current assets and disposal groups classified as held for sale	**1,782**
TOTAL ASSETS	**572,800**
Memorandum items	
Loan commitments given	91,554
Financial guarantees given	6,190
Other commitments given	36,116
Financial instruments loaned or delivered as collateral with the right of sale or pledge	
Financial assets held for trading	201
Financial assets at fair value with changes in other comprehensive income	4,654
Financial assets at amortised cost	158,464
Tangible assets acquired under a lease	1,724

BALANCE SHEET - CAIXABANK, SA
LIABILITIES
(Millions of euros)

	31-12-2020 (*)
Financial liabilities held for trading	**11,540**
Derivatives	11,393
Short positions	147
Financial liabilities at amortised cost	**520,083**
Deposits	458,686
Central banks	76,458
Credit institutions	14,843
Customers	367,385
Debt securities issued	49,724
Other financial liabilities	11,673
Derivatives - Hedge accounting	**331**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**1,168**
Provisions	**6,489**
Pensions and other post-employment defined benefit obligations	822
Other long-term employee benefits	3,750
Pending legal issues and tax litigation	994
Commitments and guarantees given	414
Other provisions	509
Tax liabilities	**1,565**
Current tax liabilities	300
Deferred tax liabilities	1,265
Other liabilities	**1,470**
TOTAL LIABILITIES	**542,646**
Memorandum items	
Subordinated liabilities	
Financial liabilities at amortised cost	9,810

EQUITY
(Millions of euros)

	30-06-2021
SHAREHOLDERS' EQUITY	31,531
Capital	8,061
Share premium	15,268
Other equity items	34
Retained earnings	8,216
Other reserves	(3,519)
(-) Treasury shares	(19)
Profit/(loss) for the period	3,490
ACCUMULATED OTHER COMPREHENSIVE INCOME	(1,377)
Items that will not be reclassified to profit or loss	(1,695)
Actuarial gains or (-) losses on defined benefit pension plans	(97)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	(1,598)
Items that may be reclassified to profit or loss	318
Hedging derivatives. Reserve of cash flow hedges [effective portion]	3
Fair value changes of debt securities measured at fair value with changes in other comprehensive income	315
TOTAL EQUITY	**30,154**
TOTAL LIABILITIES AND EQUITY	**572,800**

Interim Consolidated Management Report

January – June 2021

Legal notice

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

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.

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.

Banca próxima y accesible	30.06.2021	31.12.2020
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	30.06.2021	31.12.2020
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.

Personas que trabajan en CaixaBank	30.06.2021	31.12.2020
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 el colectivo pre-integración.

Productos de inversión socialmente responsables - Patrimonio (MM€)	30.06.2021	31.12.2020
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.

Inclusión financiera	Ene-Jun 2021	Ene-Dic 2020
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€)	Ene-Jun 2021	Ene-Dic 2020
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.

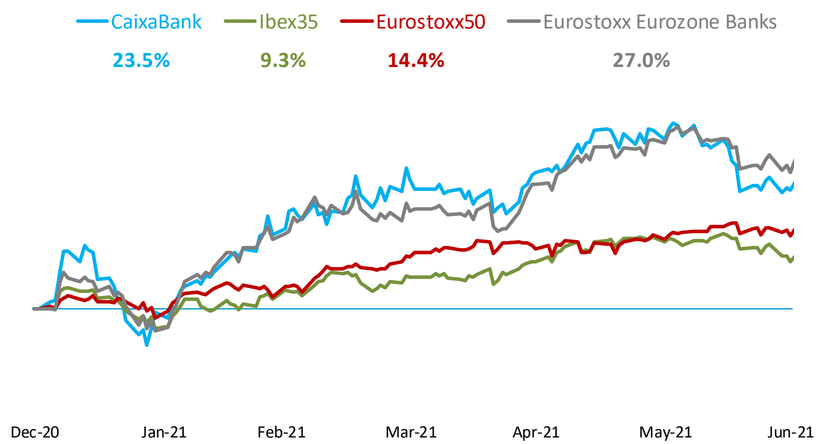
Information on the acquisition and disposal of shares held in treasury during the period is included in Note 18 "Equity" to the accompanying six-monthly Financial Statements.

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

CaixaBank Group » **CaixaBank, S.A.** 42.864 | Credit institution Spain

Group entities

» BUSINESS SUPPORT

- **804** CaixaBank Operational Services (100%) – Services for back office administration
- **355** CaixaBank Tech – IT services
- **266** Centro de Servicios Operativos Ingeniería de Procesos (100%) – Services for back office administration
- **191** CaixaBank Facilities Management (100%) – Construction management, maintenance, logistics and purchases
- **97** CaixaBank Business Intelligence (100%) – Development of digital projects

» BUSINESS ACTIVITY

- **540** CaixaBank Payments & Consumer (100%) – Consumer finance and payment methods
  - **31** Promocaixa (100%) – Product marketing
  - **9** Telefónica Consumer Finance (50%) – Consumer finance
  - **9** CaixaBank Equipment Finance (100%) – Vehicle leasing and capital goods
- **113** Building Center (100%) – Holder of property assets
- **614** VidaCaixa (100%) – Life insurance and pension fund management
  - **65** BPI Vida e Pensões (100%) – Life insurance and pension fund management
- **263** CaixaBank Asset Management (100%)[1] – Management of collective investment undertakings
  - **39** BPI Gestão de activos (100%) – Management of collective investment undertakings
  - **6** CaixaBank AM Luxembourg (100%) – Management of collective investment undertakings
- **4.562** Banco BPI (100%) – Credit institution Portugal
- **58** Bankia Mediación (100%)
- **38** ImaginTech (100%) – Management of the bank's youth segment
- **29** Nuevo MicroBank (100%) – Financing of microloans
- **17** Bankia Pensiones (100%) – Pension fund manager
- **14** CaixaBank Wealth Management Luxembourg (100%) – Credit institution Luxembourg
- **8** CaixaBank Titulización (100%) – Securitisation fund management

Associates and joint ventures

- Business support:
  - » IT Now (49%) – Technological and IT services and projects
- CaixaBank Payments & Consumer:
  - » Comercia Global Payments Entidad de Pago, S.L (20%) – Payment entity
  - » Servired (22%) – Spanish payment method company
  - » Global Payments Money To Pay, S.L (49%) – Payment entity
- Building Center:
  - » Coral Homes (20%) – Real estate services
- VidaCaixa:
  - » SegurCaixa Adeslas (49,9%) – Non-life insurance
- Banco BPI:
  - » Companhia de Seguros Allianz Portugal (35%) – Life
  - » Unicre (21%) – Payment methods
  - » Cosec (50%) – Credit insurance
  - » Banco comercial e de Investimentos (36%) – Credit institution in Mozambique
- Other:
  - » Erste Bank (9,9%) – Central European credit institution
  - » Gramina Homes (20%) – Real estate services

— 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
(+8.9 pp with regard to 2020)

25.1% deposits of households and
(+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

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

companies 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*.

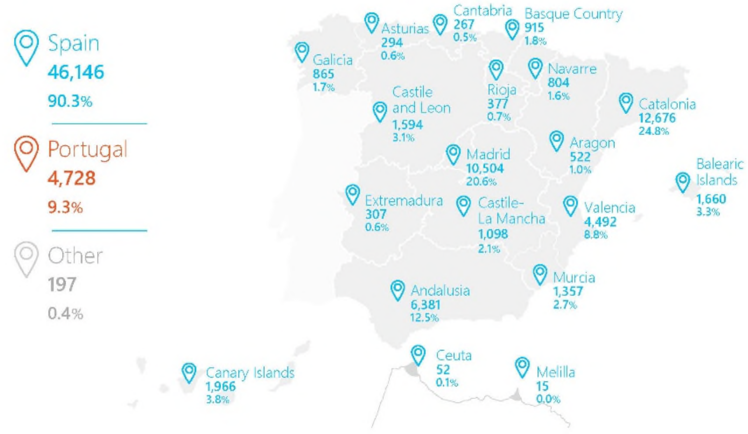
As of 30 June 2021, once the merger by acquisition of Bankia S.A. has been conducted by CaixaBank, S.A. the personnel of the CaixaBank Group is shown in the following tables. Aggregated pro forma data for the two financial institutions as of 31 December 2020 are provided for comparative purposes.

	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

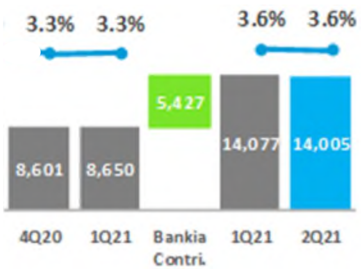
The non-performing loans stood at €14,005 million at the end of the second quarter versus €8,601 million at the end of 2020, with their organic performance down 23 million.

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.

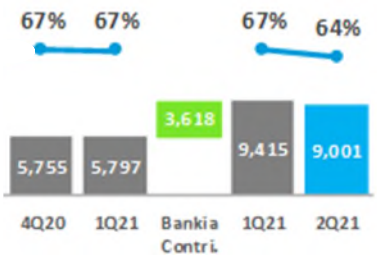
Provisions for insolvency risk on 30 June stood at €9,001 million versus €5,755 at the end of 2020. The coverage ratio at 30 June stood at 64% (versus 67% in December 2020).

%	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.