

Income totals 166 million euros
following write-downs of 3,735 million euros

**CaixaBank increases its solvency to 13%
of Core Capital and strengthens liquidity to more
than 40,000 million euros**

The institution's robust capacity to generate income allows it to record high levels of allowance coverage to meet the requirements of February's Royal Legislative Decree in full (2,436 million euros) along with 300 million euros of the partial impact of the Royal Legislative Decree enacted in May

- **Robust generation of income.** Net operating income totalled 1,848 million euros, up 12.3% on the first six months of 2011. The gross margin remained stable at more than 3,400 million euros, while net interest income totalled 1,786 million euros, a rise of 15.7% on the same period from the previous year. Operating costs were also reduced by 11.6%.
- **Strengthened solvency and increased liquidity.** The institution further strengthened its solvency, with a Core Capital figure (Basle II) of 13% (up 50 base points since December) and a surplus of attributable shareholder equity of 7,640 million euros. Liquidity, a key element in CaixaBank's strategy, also rose to 42,489 million (15.1% of total assets), after the increase and optimisation of the assets that serve as a guarantee for the European Central Bank policy.
- **Rigorous risk management and quality assets.** Careful advance management of risk and the high quality of the loans portfolio meant that CaixaBank's position remained better than that of the sector in general, with a non-performing loans ratio of 5.58% (as compared with 8.95% for the sector as a whole in May).
- **High levels of commercial activity.** CaixaBank's robust commercial strength saw its total business volume increase by 1.4% to 433,095 million euros. Total customer funds were up by 2.3%, with a marked increase in customer funds in the retail banking business balance sheet of 5,562 million euros in 2012. Furthermore, at the beginning of July, the financial publication *Euromoney* awarded CaixaBank the title of 'Best Bank in Spain 2012'.

Barcelona, 27 July 2012. In an economic and financial environment marked by slowdown and uncertainty, CaixaBank has significantly increased its solvency (Core Capital figure of 13%) and increased its liquidity to 42,489 million euros. Attributed net income totalled 166 million euros, down 80.1% on the first quarter of 2011 as a result of the large write-downs made by the institution totalling 3,735 million euros.

During the first six months of 2012, CaixaBank recorded high levels of allowance coverage to comply with the level required under Royal Legislative Decree 2 of February 2012 (2,436 million euros), along with 300 million euros for the partial impact of Royal Legislative Decree 18 of May 2012 (estimated at 2,102 million euros to be covered by June 2013).

During the first half of 2012, losses due to the impairment of financial and other assets totalled 1,900 million euros, an increase of 36.4% on the same period for 2011. The prudence and anticipation applied by the institution to its risk management further strengthens the robustness of its balance sheet.

CaixaBank, with Isidro Fainé as Chairman and Juan María Nin as Deputy Chairman and CEO, has further consolidated its leading position in the retail banking sector, thanks to its high levels of banking business, its advanced and adequate management of risk and its continued efforts to encourage innovation.

During the first six months of 2012, CaixaBank has once again demonstrated its capacity to generate income, with net operating income totalling 1,848 million euros, an increase of 12.3%. CaixaBank has maintained income levels with a gross margin figure of 3,414 million euros, while at the same time reducing costs by 11.6%.

The most significant aspects of these results are as follows:

- Net interest income totalled 1,786 million euros, an increase of 15.7% on the first half of 2011. The favourable evolution in net interest income is explained by the way that margins are managed in new operations, as well as by business volumes and the favourable evolution shown by the interest rate curve. During the second quarter of 2012, net interest income totalled 903 million euros, as compared with 883 from the previous quarter (+2.3%).
- The gross margin figure remained at the levels recorded in the first half of 2011, totalling 3,414 million euros. This positive result reflects the high levels of income, the generation of net interest income, a rise in fees and results from financial operations. This helped to mitigate the greater amount allocated to the deposit guarantee fund in comparison with the previous financial year and the exit of SegurCaixa Adeslas from the consolidated group.
- Net fees increased by 8.7% over this period to 839 million, due to the increase in banking business and the high number of transactions, particularly in the business banking, investment banking and insurance segments, with appropriate management of the services offered to customers.
- Despite the difficult economic environment, the strength of CaixaBank's investment portfolio, combined with its diversification in the international banking and services areas, resulted in continuing high levels of income from variable income investments, which totalled 516 million, demonstrating CaixaBank's strong capacity to generate income from its portfolio. Income from financial operations totalled 248 million euros during the first six months of 2012.

- Operating costs were reduced by 11.6% as the result of the strict management of cost-containment and rationalisation procedures adopted in previous years. Other factors included the impact of the exit of SegurCaixa Adeslas from the consolidated group in June 2011, and the recording, in June 2011, of extraordinary expenses resulting from the reorganisation of the “la Caixa” Group, which amounted to 114 million euros. If this charge were not taken into account, the reduction in costs would have been 5.6%
- The efficiency ratio remains below 50%, further improving to 48.2%, as compared with 52.5% for the same period last year.

Further consolidation of the institution’s leading position in solvency and liquidity

During the first six months of the year, CaixaBank has further strengthened its leading position as regards solvency, with a significant increase of 50 base points as compared with December 2011, bringing its Core Capital figure to 13% under Basle II. This figure demonstrates the Group’s excellent level of solvency and the way it compares favourably with the rest of the Spanish financial sector as a whole.

The Group’s attributable own funds total 18,172 million, with a surplus of 7,640 million over and above the legally required minimum.

The management of liquidity continued to be a key element in CaixaBank’s strategy. The Group’s liquidity figure stood at 42,489 million euros as of 30 June 2012, practically all of it immediately accessible, amounting to 15.1% of total assets. This figure has increased by 13,053 million euros during the course of the second quarter of 2012. This increase is due, in the main, to active management, which is aimed at increasing and optimising the liquid assets on the balance sheet that serve as a guarantee for the ECB policy. In this way, CaixaBank increased its liquidity reserves in order to be able to deal with any unforeseen circumstance that may arise in the future.

Robust capital position according to recent stress tests

The robustness of CaixaBank’s solvency is also reflected in the recent top-down stress tests carried out by the IMF and the consultants Roland Berger and Oliver Wyman on recapitalisation requirements in the system, as these indicate that CaixaBank will not need additional capital even in the most adverse scenario.

The “la Caixa” Group’s robust capital position is also demonstrated by the results obtained from the exercise carried out by the European Banking Authority (EBA). As of 30 June 2012, the deadline for compliance with the recommendation set down in 2011, the “la Caixa” Group’s Core Tier 1 solvency ratio was 11.1%, with a surplus of 3,075 million euros over the minimum 9% of risk-weighted assets required by the EBA. That comfortably covers the buffer of 358 million euros for the exposure to sovereign risk. This same ratio for CaixaBank stood at 11.8%, with a surplus of 3,660 million euros.

CaixaBank's non-performing loans ratio stands at 5.58%, and it continued to compare favourably with the average figure for the financial sector as a whole in May (8.95%), thanks to the high quality of its loans portfolio, strict risk management and robust recovery procedures. The allowance coverage ratio stands at 60% (137% if mortgage guarantees are taken into consideration).

By segment, the non-performing loans ratio remained at significantly low levels for individuals (2.15%) and businesses (3.99%), if developers are not included.

Financing for the real-estate development sector and measures to strengthen the financial sector

During the first six months of 2012, CaixaBank's exposure in the property development sector fell by 1,725 million euros to 20,713 million, a fall of 7.7%. The high proportion of financing for finished developments, 61.7%, demonstrates the robustness of the guarantees in the property developer portfolio.

With the significant levels of allowance coverage made during the first half of 2012, coverage for problematic assets relating to the financing of the real estate development sector stood, on 30 June 2012, at 39.4%, 128% if mortgage guarantees are taken into account (25.5% on 31 December 2011, 114% with mortgage guarantees).

The CaixaBank property portfolio, the result of its management of the loans portfolio, had a total value on 30 June 2012 of 1,975 million net, with coverage of 39.1%. Of the total property handed over, 17.5% relates to land, with allowance coverage of 59%.

CaixaBank, 'Best Bank in Spain 2012' according to *Euromoney*



The Group's great commercial strength, with 26,728 employees, 5,151 branches (the largest network in the Spanish financial system), 7,989 ATMs and a leading position in on-line banking through *Línea Abierta* (with 7.3 million customers), mobile phone banking (more than 2.6 million customers, the highest number of financial service users in Spain) and electronic banking (10.4 million cards in circulation), means that CaixaBank is showing balanced and high-quality growth in its banking and commercial business, with a market penetration figure of 21% in the personal banking segment.

Indeed, thanks to its financial solvency and robust commercial results, CaixaBank was named at the beginning of July as 'Best Bank in Spain 2012' by the financial publication *Euromoney*. The British publication examined the institution's financial solvency and the robust growth it has achieved in recent years while at the same time maintaining its foundational corporate values.

Commercial business at CaixaBank branches has focused during the second quarter of the year on three main activities: insurance, customer funds and pensions.

- ✓ **More than 149,000 new insurance policies**, an increase of 30% on the same period for 2011, due in great part to the main campaign for multiple insurance, valid at all "la Caixa" branches until the end of August.
- ✓ **More than 3,500 million euros** increase in **customer funds** (5,562 million for the whole of the first six months) in retail business on the balance sheet, due to increases in volumes of promissory notes and term deposits.
- ✓ **65,000 more customers** have arranged to have their **salaries or pensions directly paid** through their "la Caixa" accounts.

As a consequence of these intense levels of commercial activity, the “la Caixa” Group has continued to enhance its leading position in the Spanish market, with an increased market share of 16.0% in managed salaries, 13.8% in pension funds, 23% in self-employed accounts, 11.1% in mortgages, 11.8% in consumer loans, 16.8% in factoring and confirming, 10.3% in deposits, 12% in investment funds, 16.4% in pension plans and 17.5% in savings plans.

During the first half of the year, total banking business amounted to 433,095 million (+1.4%), thanks to sustained growth in customer funds and a balanced loan portfolio. Total customer funds reached 246,822 million euros, up by 5,619 million euros (+2.3%), with careful price management and a strong increase in retail funds and insurance..

Specialised customer management by business segment

CaixaBank retains its goal of **consolidating its leading position in the Spanish individual banking sector** with the implementation of a specialised model for personal banking, private banking, SME banking, business banking and corporate banking that offers services to all of its 10.4 million customers.

- In **Individual Banking**, high levels of commercial activity and the institution’s permanent commitment to attracting and maintaining customer loyalty meant that during the last quarter it increased its managed banking business volumes by 2,200 million euros, bringing the total to 166,000 million by the end of June.
- In **Personal Banking** and **Private Banking**, managed funds in these segments totalled 64,828 million euros in personal banking and 38,130 million in private banking at the end of June.
- In **SME Banking**, CaixaBank’s commitment to offer service to small and medium-sized enterprises, despite adverse market conditions, has meant that it has been able to increase its business portfolio by more than 50 million euros, bringing the total volume of managed business in this segment to 16,378 million euros by the close of the first half of the year.
- The **Business Banking** service has seen strong growth in all business areas over the last quarter. The number of customers has risen to 34,360 and managed funds increased by approximately 250 million to 28,281 million euros by the end of June.
- The investments managed through the institution’s three specialist **Corporate Banking** centres rose by more than 800 million euros to more than 35,994 million euros by the end of June 2012, offering further proof of CaixaBank’s support for its business customers’ financing requirements.
- As regards the offer of **specialist products and services for SMEs**, businesses and corporations, particular mention should be made of the growth in factoring agreements and in confirming services, bringing the institution’s market share to 16.8%, an increase of 141 base points on the December 2011 figure. There was also a growth in assets of 6% during the first half of the year, due in the main to operations in asset financing, the energy sector, wind power projects and transport infrastructure, both in Spain and abroad.

Since its creation in 2007, MicroBank has financed 149,673 projects worth a total of 931.7 million euros. Despite the current economic climate, MicroBank remains the largest supporter of self-employment through the use of micro-credits. According to the study entitled *Informe sobre el Impacto Social de los Microcréditos* (Report on the Social Impact of Microloans) carried out by the Esade business school, it is estimated that MicroBank has contributed to the creation or consolidation of more than 50,000 jobs since it opened for business. At the end of June 2012, Microbank had awarded 21,149 loans totalling 121.8 million euros, thus increasing its portfolio of microloans by 7.8% from the end of 2011.

Leading institution in the Spanish banking sector, following the agreement for the integration of Banca Cívica

On 26 June, in accordance with the scheduled timetable for the agreement for the integration of Banca Cívica into CaixaBank signed on 26 March 2012, the General Meetings of Shareholders of CaixaBank and Banca Cívica, meeting in extraordinary session, approved the merger operation involving the takeover of Banca Cívica by CaixaBank and the closure of the target institution. The integration of the two institutions' accounts will occur when control is effectively assumed, following the receipt of all the necessary administrative authorisations.

3 August has been set as the date for the change of signage at all Banca Cívica branches. The new signage will mean that the branches that form part of the network will show the respective brands in their original regions (CajaCanarias, Caja Navarra, Caja de Guadalajara, Caja de Burgos and Cajasol), alongside the "la Caixa" symbol. "la Caixa" has decided to maintain these original brands because of the degree to which they are established and their history, significance, contribution and penetration in each of their respective regions.

CaixaBank has already reorganised its regional structure with a view to adapting it to the new requirements that have arisen following approval of its integration with Banca Cívica. The new structure will have 12 Regional Departments and 245 Business Area Departments ("DAN") which will be responsible for all the branches belonging to both institutions.

This operation will create the Spanish banking sector's largest institution, with total combined assets of 357,000 million euros, more than 13 million customers and an average market share in Spain of 13.7% in deposits, 13.3% in customer loans and 11.4% of total assets.

The integration of Banca Cívica will not require any public subsidies, nor will it have any cost for the rest of the financial sector thanks to the financial strength of CaixaBank and the adequate risk allowance coverage made by Banca Cívica.

Social Projects: An unchanging commitment

Since its foundation more than 100 years ago, one of the differentiating characteristics that has best defined "la Caixa" is its commitment to people. Through its Social Projects programme, the institution gives back to society a significant portion of the profits generated by its financial activities.

This commitment takes on even greater relevance during the current situation, and in 2012, for the fifth year running, "la Caixa" maintained its total Social Projects budget at 500 million euros.

67% of this budget is allocated to the development of social welfare programmes, while 14% goes to the promotion of cultural programmes, 13% is set aside to support science, research and environmental programmes and 6% is allocated to education and training programmes.

Combatting poverty and exclusion in Spain, the creation of jobs among disadvantaged groups, access to housing, help with active and healthy ageing for the elderly, support for research and the training of people of all ages continue to number among the main priorities of the Social Projects programme.

In this connection, the **Incorpora Programme** generated 4,635 job opportunities at 2,405 companies during the first six months of the year, bringing to 55,425 the total number of people who have benefited from the “la Caixa” Social Project’s commitment to integration in the jobs market. As part of this programme, Isidro Fainé and Interior Minister Jorge Fernández Díaz signed an agreement on 31 May which will assist the reintegration of 1,300 former prisoners back into employment under the Reincorpora project.

CaixaProinfancia, the programme that offers assistance to children in circumstances of poverty and social exclusion, has awarded grants for 39,200 children and their families during the first half of the year. Some 210 million euros have been allocated to attending to the needs of more than 194,000 children since 2007.

Under the **programme for the elderly**, a group that is particularly supported by “la Caixa”, a total of 260,000 people have participated in the 5,900 initiatives and workshops set up as part of “Gente 3.0”, an innovative project that offers an active role to the latest generation of senior citizens, allowing them to participate and share their knowledge and experience with the rest of society.

Meanwhile, the projects selected in the first **Programme for the Promotion of Social Entrepreneurship** organised jointly with IESE have begun to take shape over the past six months. Accompanying people who are terminally ill (6,448 patients and 9,158 family members helped during the first half of 2012), providing accessible housing, promoting inter-cultural integration and supporting voluntary work (1,000 of the institution’s employees and 2,300 children at risk of exclusion took part in a “la Caixa” Volunteers’ Day on 16 June in 27 cities around Spain) are other projects that have received priority attention.

In addition to all this **direct social action**, the Social Projects programme also supported 544 projects through its **Call for Assistance for Social Projects**, specifically in the areas of the promotion of independence and assistance for the disabled and dependent, and combatting poverty and social exclusion.

In the international arena, the “la Caixa” Social Projects programme continued to focus its attention on **child vaccination in developing countries** (1.8 million children vaccinated to date). It is also supporting 83 projects in 33 different countries and, in particular, assisting reconstruction in Haiti and working to alleviate the consequences of the famine currently afflicting countries in the Horn of Africa.

The various **postgraduate grant programmes** have assisted university students with their studies at some of the best academic institutions around the world (222 grants awarded in 2012). On 14 March, the King and Queen of Spain presented grants to assist students who wanted to continue their postgraduate studies at institutions outside Spain.

In the **environmental arena**, the Social Projects programme has redoubled its efforts for the conservation and improvement of natural spaces across Spain as part of a programme that has already provided support for more than 2,880 projects and that prioritises the offer of jobs to groups most at risk of exclusion.

In the area of **scientific research**, the Social Projects programme continues to promote the advancement of knowledge in a variety of areas: Universities (the RecerCaixa programme),

cancer (the “la Caixa” Molecular Therapy Unit at Vall d’Hebron Hospital), neurodegenerative disorders (BarcelonaBeta Project) and cardiovascular diseases (CNIC), to name but a few. Of particular importance are the recent advances made by irsiCaixa in identifying the molecule that causes propagation of the AIDS virus.

The **cultural programmes** are a driving force for personal advancement and another of the fundamental components of the Social Projects programme. CaixaForum Barcelona has celebrated its tenth anniversary with two exhibitions, *Goya. Light and Shade* and *Delacroix*, while the works of Giambattista Piranesi and the legacy of Sergei Diaghilev could be seen at CaixaForum Madrid. *From Durer to Morandi*, *George Grosz* and *Epidemia!* are the titles of other planned exhibitions, the last of them taking a scientific theme.

The Social Projects programme has also signed collaboration agreements during the first half of 2012 with the *Joan Miró Foundation* and *L’Auditori*, and it has renewed its association with the Louvre Museum for the joint presentation of exhibitions. The 2012 Arts and Sponsorship Awards have also been presented (to Soledad Lorenzo, Elena Assins and Helga de Alvear), and 4 new volumes of the Classic Library Edition have been published jointly with the Royal Spanish Academy (*La Dorotea*, *El Lazarillo de Tormes*, *La Verdadera Conquista de la Nueva España* and *La Celestina*).

In short, during the last six months, “la Caixa” has once again showed its true *raison d’être*: **a commitment to people and to the welfare of the community in which it operates its banking business.**

CaixaBank Group - Key indicators

€ million	1S2012	1S2011	Change
Income statement headings			
Net interest income	1,786	1,543	15.7%
Gross income	3,414	3,417	(0.1%)
Pre-impairment income	1,848	1,645	12.3%
Net Income	166	833	(80.1%)
	June-12	December-11	Change
Balance sheet headings			
Total assets	281,554	270,425	4.1%
Book value	21,916	20,751	5.6%
Total banking business volume	433,095	427,252	1.4%
<i>Customer loans and advances, gross</i>	<i>186,273</i>	<i>186,049</i>	<i>0.1%</i>
<i>Total customer funds</i>	<i>246,822</i>	<i>241,203</i>	<i>2.3%</i>
Efficiency and Profitability (last 12 months)			
Cost-to-income ratio (total operating expenses / gross income)	48.2%	51.3%	(3.1)
ROE (attributable profit / average equity)	1.8%	5.2%	(3.4)
ROA (profit / average total assets)	0.1%	0.4%	(0.3)
RORWA (profit / risk-weighted assets)	0.4%	0.9%	(0.5)
ROTE (attributable profit / average tangible equity)	2.1%	6.2%	(4.1)
Risk management			
Non-performing loan (NPL) ratio	5.58%	4.90%	0.68
Allowances for non-performing loans	6,540	5,745	795
NPL coverage ratio	60%	60%	0
NPL coverage ratio including collateral	137%	137%	0
Foreclosed real-estate assets coverage ratio	39%	36%	3
<i>of which: land coverage</i>	<i>59%</i>	<i>62%</i>	<i>(3)</i>
Liquidity			
Loan to deposits (*)	42,489	20,948	21,541
	127%	133%	(6)
Solvency - BIS II			
Core Capital	13.0%	12.5%	0.5
Tier 1	13.0%	12.8%	0.2
Tier Total	13.8%	12.8%	1.0
Core Tier 1 EBA	11.8%	10.9%	0.9
Eligible capital	18,172	17,581	591
Risk Weighted Assets (RWA)	131,658	137,355	(5,697)
Surplus capital	7,640	6,592	1,048
Share information			
Share price (€/share)	2.561	3.795	(1.234)
Market capitalization	9,835	14,573	(4,738)
Book value per share (€/share)	4.97	5.11	(0.14)
Number of shares outstanding - fully diluted (<i>thousands</i>)	4,405,384	4,064,203	341,181
Average number of shares outstanding - fully diluted (<i>thousands</i>)	4,211,576	3,964,337	247,239
Net income attributable per share (EPS) (€/per share) (<i>12 months</i>)	0.09	0.27	(0.18)
PER (<i>12 months</i>)	28.46	14.06	14.40
Banking business and resources (units)			
Customers (<i>millions</i>)	10.4	10.4	0.0
Employees CaixaBank Group	26,728	26,993	(265)
Branches	5,151	5,196	(45)
ATMs	7,989	8,011	(22)
Cards issued (<i>millions</i>)	10.4	10.5	(0.1)

(*) Customer loans and advances, net / Retail customers funds

Consolidated Profit & Loss Account CaixaBank Group

€ million	January - June		Change %
	2012	2011	
Financial Income	4,151	3,692	12.4
Financial expenses	(2,365)	(2,149)	10.1
Net interest income	1,786	1,543	15.7
Dividends	516	686	(24.7)
Net fees	839	772	8.7
Other operating revenue and expenses	273	416	(34.5)
Gross income	3,414	3,417	(0.1)
Total operating expenses	(1,566)	(1,772)	(11.6)
Pre-impairment income	1,848	1,645	12.3
Losses for the impairment of financial assets and others	(1,900)	(1,393)	36.4
Profits/losses on disposal of assets and others	54	618	(91.2)
Pre-tax income	2	870	(99.8)
Income tax	164	(37)	
Profit attributable to the Group	166	833	(80.1)