

CaixaBank posts profit of €305 million, underpinned by strong banking business

Strong recurring income generation capacity provided for gross income of €3,603 million, thanks to the strong performance of net interest income, up 2.9% to €2,015 million, and fee and commission income, which grew 4.5% to €930 million on the back of strong off-balance sheet product sales.

Profit attributable to the banking and insurance business, excluding real estate activity and the investments portfolio, stood at €665 million at June 30.

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- **Pre-impairment income grew by 6.8%, excluding non-recurring costs, to €1,719 million**, backed by the strong performance of banking business revenues and the 6.7% **drop in recurring expenses** secured by optimizing the Group's structure and harnessing synergies.
 - **Net interest income grew 2.9% to €2,015 million**, thanks to effective management of margins and retail savings and a substantial drop in funding costs.
 - **Total funds stood at €309,337 million, up 1.9% or 5,733 million**. Retail customer funds rose by 4.2% to €270,209 million, and off-balance sheet funds (including mutual funds and pension plans) increased by 5.5%, or €3,091 million.
 - **CaixaBank leads the sector in the main financing products: 14.9% total loans, 15.9% mortgages and 17.6% factoring and reverse factoring**. The deleveraging of the loan portfolio – which dropped 3.7% this half, with a focus on decreasing exposure to the real estate developer sector (-16.3%) – showed signs of slowing in the second quarter (-0.9%).
 - **The NPL ratio fell for the second consecutive quarter** to 10.78%, with a total decrease of 88bp in 1H14 and a substantial 11% drop in NPLs, down for the fourth quarter running. The NPL coverage ratio now stands at 59% and the NPL ratio excluding the real estate sector is 6.5%.
 - **CET1 under Basel III is 12.7%**, whilst CET1 fully loaded stands at 12.4%. Capital generation for the quarter was 150bp in CET1, of which 61bp was organic generation.

- **Outstanding liquidity position** of €63,478 million, up €2,716 million YTD. CaixaBank has also consolidated its balance sheet strength, as demonstrated by the 8pp drop in the loan to deposit ratio to 102%.
- **Coverage for foreclosed real estate assets stands at 53.3%**. Properties rented or sold amounted to €1,213 million, up 10% year on year. Sales and rentals of balance sheet real estate assets, including developers and taking into account the original investment, stand at €2,651 million.

Barcelona, July 25, 2014.- CaixaBank, with Isidro Fainé as Chairman and Gonzalo Gortázar as CEO, posted net attributable profit of €305 million in the first half of 2014. This figure was down 25.3% versus 1H13, when the impact of various non-recurring items – mainly the negative goodwill generated through the Banco de Valencia acquisition and the requirements of Royal Decree Law 18/2012 – was recognized under different financial statement headings.

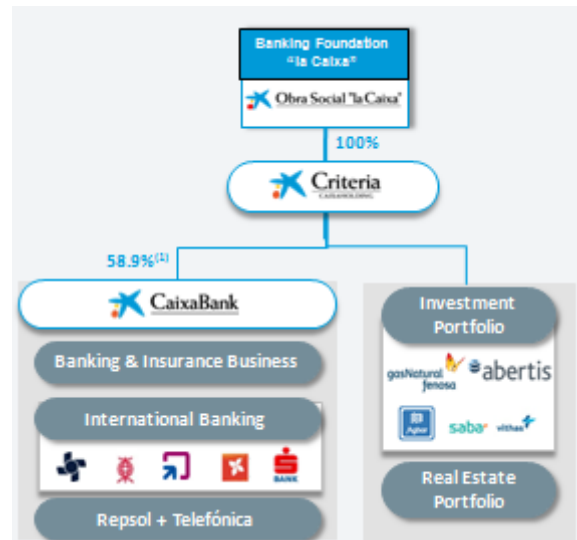
In 1H14, CaixaBank reinforced its banking business, generating 6.8% growth in pre-impairment income, and defended its leadership position in the Spanish banking sector, after intense commercial activity underpinned strong market shares for the main products and services.

€ million	January - June		Change %
	2014	2013	
Financial income	4,350	4,769	(8.8)
Financial expenses	(2,335)	(2,810)	(16.9)
Net interest income	2,015	1,959	2.9
Dividends	102	99	3.2
Share of profit (loss) of entities accounted for using the equity method	122	341	(64.1)
Net fees and commissions	930	890	4.5
Gains on financial assets and exchange rate differences	513	441	16.2
Other operating income and expenses	(79)	(101)	(22.0)
Gross income	3,603	3,629	(0.7)
Recurring expenses	(1,884)	(2,019)	(6.7)
Extraordinary expenses		(821)	
Pre-impairment income	1,719	789	117.8
Pre-impairment income stripping out extraordinary costs	1,719	1,610	6.8
Impairment losses on financial assets and others	(1,314)	(2,876)	(54.3)
Gains/(losses) on disposal of assets and others	(102)	2,161	
Pre-tax income	303	74	311.3
Income tax	2	329	(99.5)
Profit for the period	305	403	(24.4)
Minority interest		(5)	
Profit attributable to the Group	305	408	(25.3)

The first half of the year also saw the conversion of "la Caixa" into the "la Caixa" Banking Foundation, chaired by Isidro Fainé, and the beginning of the process to transfer its stake in CaixaBank –58.9% at June 30, 2014– to Criteria CaixaHolding.

As part of the corporate reorganization of the "la Caixa" Group required to adapt to the new Law governing Savings Banks and Banking Foundations, and of the internal restructuring of CaixaBank stemming from the implementation of the new Law, the Board of Directors approved the appointment of Gonzalo Gortázar as the new CEO of CaixaBank.

CaixaBank was also recently named 'Best Retail Bank for Technology Innovation' for the second year running by the British publication *Euromoney*, thanks to its multi-channel strategy and its success in adapting technological progress to meet its clients' needs.



⁽¹⁾ As at June 30, 2014. Fully diluted stake of 56% in 2017.



Total funds grow by 1.9% or €5,733 million

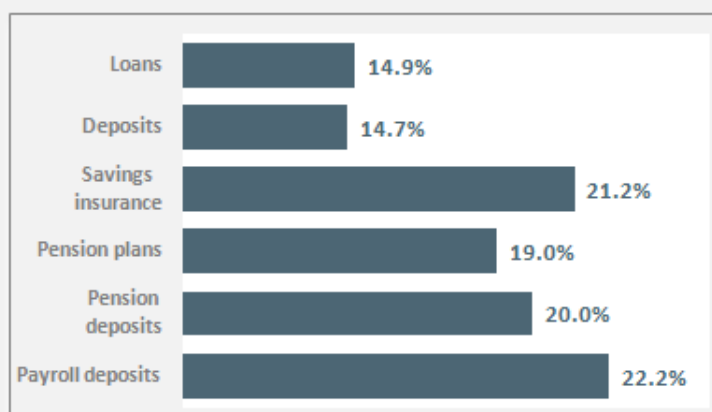
CaixaBank continues to lead the Spanish market with 13.6 million clients, 5,695 branches and total assets of €336,849 million. Market share customer penetration stands at 27.4%, and for 22.7% CaixaBank is their preferred bank.

Commercially, the Group continues to focus its efforts on attracting and forging links with clients, as demonstrated by the 387,380 payroll deposits secured in 1H14, up 76% year on year. A total of 1,189,076 new risk insurance policies (life and general) were also taken out over the period, reflecting growth of 34% versus June 2013.

In early March, the company launched its *CaixaNegocios* commercial strategy; by the end of June, this strategy had attracted 140,972 new clients and contributed to securing a 30.98% market share in the self-employed segment, up 165bp on June 2013.

Total funds stood at €309,337 million, up 1.9% or 5,733 million over the first half. Retail funds climbed by 4.2% or €10,965 million to reach €270,209 million, and off-balance sheet resources grew by 5.5% or €3,091 million.

Market shares



Leadership position in the main financing products

CaixaBank defended its leading market shares in the main financing products: 14.9% total loans, 15.9% mortgages and 17.6% factoring and reverse factoring, evidence of the entity's firm commitment to backing its clients' projects and reinforcing the productive system. In the first half of the year, it granted €974 million in consumer loans through almost 200,000 transactions, a 151% increase in volume.

Various corporate financing agreements were also signed in the first half of 2014, giving rise to new credit lines worth over €8,500 million.

Gross customer lending stood at €199,572 million, down 3.7% over the first half. The reduction of the performing loan portfolio was a mere 2.6%. This drop was impacted mainly by the sector-wide deleveraging process and the reduction in exposure to the real estate developer sector (down 16.3% or €3,249 million). However, the 0.9% quarter-on-quarter drop shows a clear stabilization of deleveraging.

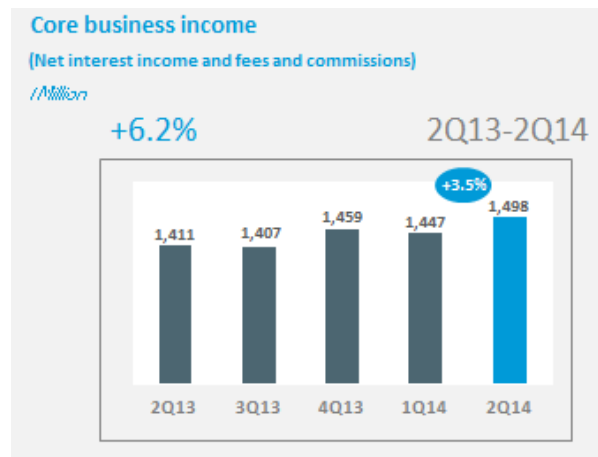
CaixaBank's portfolio is highly diversified, with 75% dedicated to retail lending (individuals and SMEs).

Recurring expenses driven down to 6.7%

Pre-impairment income reached €1,719 million, up 6.8% year on year excluding non-recurring expenses registered in 1H13. This increase was backed by the company's strong income generation capacity; gross income stood at €3,603 million, with steady growth in core income from the banking business.

Net interest income rose by 2.9% to €2,015 million, thanks to effective management of margins and retail savings and a substantial drop in financial costs.

At the same time, fee and commission income grew 4.5% to €930 million, mainly thanks to the increase in off-balance sheet product sales. Mutual fund fees jumped 31.5%, whilst fees from banking services fell 3.3%.



In addition to the above, recurring expenses were driven down by 6.7%, thanks to cost streamlining and the intense process to optimize the Group's structure. Synergies harnessed allowed for cost savings of €310 million in 1H14, out of total estimated annual synergies for 2014 of €654 million.

Cost of risk falls to 1.17%

In the first half of 2014, impairment losses on financial and other assets stood at €1,314 million. The volume of provisions recognized fell significantly, by 54.3% year on year, given the impact of non-recurring items in 2013.

The improved risk landscape and efforts made in previous quarters in terms of provisioning and the increased risk coverage generated a 69bp reduction in the cost of risk (the ratio of total annualized loan-loss provisions to total gross customer loans and contingent risk) to 1.17% in 1H14.

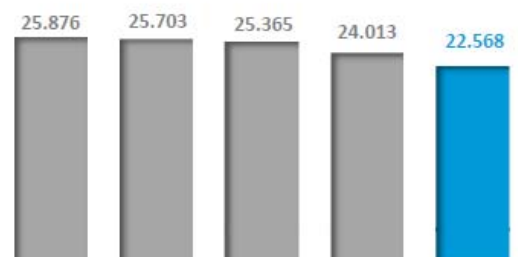
- Income from equity investments dropped 49% in 1H14 to €224 million. Results from companies accounted for using the equity method include CaixaBank's share of profits of associates. The 64.1% year-on-year decline was due mainly to the impact of the non-recurring result attributable to Erste Group Bank; this estimated loss is fully recognized in the 1H14 financial statements.
- Market opportunities allowed the Group to harness underlying capital gains derived mainly from available-for-sale financial assets and the hedging of issuances. These include capital gains of €47 million in 1Q14 from the sale of the company's entire stake in Bolsas y Mercados Españoles.
- Gains/(losses) on disposal of assets and others primarily comprises gains on non-recurring transactions completed during the period and results and write-downs on the real estate portfolio. In 1H13, it included the impact of the negative goodwill generated through the Banco de Valencia transaction.

Downward trend in NPLs intensifies with 88bp drop in NPL ratio

The NPL ratio fell for the second consecutive quarter, with a total drop of 88bp in 1H14 and 58bp in 2Q14 to reach 10.78%, below the sector average in May of 13.39%, with a coverage ratio of 59%. This reduction was largely thanks to the substantial 11% drop in NPLs, which fell for the fourth consecutive quarter and helped offset the impact of the deleveraging process.

Stripping out the impact of the real estate sector, the NPL ratio stood at 6.50%, down 16bp over the first half. The NPL ratio in loans for home purchases fell for the fourth consecutive quarter to reach 4.29%.

NPLs (€ million)¹



	2Q13	3Q13	4Q13	1Q14	2Q14
NPL ratio	11,17%	11,40%	11,66%	11,36%	10,78%
NPL ratio excluding real estate developers	6,41%	6,69%	6,83%	6,80%	6,70%

(¹) Taking into account loans and contingent liabilities.

Real estate sales and rentals by BuildingCenter up 10%

The intense activity of BuildingCenter, CaixaBank's real estate subsidiary, enabled sales and rentals of real estate assets for a total of €1,213 million in 1H14, up 10% year on year. Total properties sold or rented stand at 11,456. Sales and rentals of balance sheet real estate assets, including developers and taking into account the original investment, stand at €2,651 million, with 17,893 assets sold.

In addition, CaixaBank's rental portfolio stood at €2,285 million net of provisions at June 30, 2014. The rental portfolio occupancy rate is 88%.

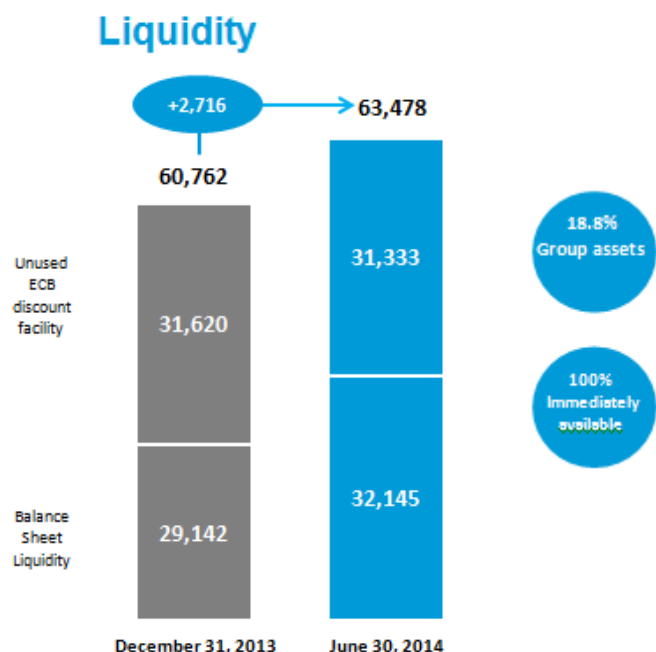
The net carrying amount of foreclosed real estate assets available for sale stood at €6,747 million, with a coverage ratio of 53.3%.

Balance sheet liquidity over three times higher than amount drawn on the ECB facility

Liquidity stands at €63,478 million, following an increase of €2,716 million over the first half.

This comfortable liquidity position has allowed the company to repay €25,084 million in ECB funding year to date, taking into account the incorporation of Banco de Valencia. On June 30, balance sheet liquidity (€32,145 million) was over three times higher than the amount drawn on the ECB facility (€9,000 million).

CaixaBank has also consolidated its improved financing structure, as demonstrated by the 8pp drop in the loan to deposit ratio to 102%.



Robust CET1 BIS III of 12.7% and CET1 BIS III fully loaded of 12.4%

On June 30, 2014, CaixaBank's Common Equity Tier 1 (CET1) BIS III stood at 12.7%, in line with the progressive implementation for this year. Capital generation over the first half increased 150bp, of which 61bp was organic capital generation and 89bp originated from the conversion of Series I/2012 and Series I/2011 mandatorily convertible subordinated bonds in March and June 2014 respectively. Total eligible equity (Tier Total) was 15.8%, up 39bp on March 2014.

On a fully-loaded Basel III basis, CaixaBank has a CET1 ratio of 12.4%, which is €7,682 million higher than the fully loaded minimum requirement of 7%.

Risk-weighted assets (RWA) amounted to €144,019 million, a €7,442 million reduction over the first half, mainly as a result of the drop in lending activity.

Profit from the banking and insurance business amounted to €665 million

In the first half, information for the banking and insurance activity is presented separately from the real estate activity, as these assets receive special treatment. Profit attributable to the banking and insurance activity (excluding real estate) totaled €665 million in 1H14.

Profit attributable to the equity investment business stood at €108 million in the first half of the year.

During the first half, the real estate business generated a net loss of €468 million. The real estate activity includes loans managed by a business unit operating mainly through specialized real estate loan centers, foreclosed real estate assets (available for sale and rental) mainly owned by the real estate subsidiary BuildingCenter, and other real estate assets and subsidiaries.

“la Caixa” Welfare Projects: €500 million for the seventh year running

In 2014, for the seventh year running, the Banking Foundation of Caja de Ahorros y Pensiones de Barcelona – “la Caixa” Banking Foundation – which is the majority shareholder in CaixaBank, is allocating a budget of €500 million to its “la Caixa” Welfare Projects. Once again, this makes the “la Caixa” Foundation Spain’s top private foundation and one of the largest in the world.

On June 16, with the filing in the Registry of Foundations, Caja de Ahorros y Pensiones de Barcelona concluded its transformation into “la Caixa” Banking Foundation to adapt to the Law governing Savings Banks and Banking Foundations passed on December 27. The liquidation of the “la Caixa” Foundation and its integration into the Banking Foundation is due to be completed in mid-October. This organizational shift will breathe new life into the “la Caixa” Welfare Projects, reinforcing their operational capacity. The Welfare Projects will now be managed directly by the Banking Foundation itself.

Ultimately, these measures seek to reinforce the social actions undertaken by “la Caixa” and further cement the entity’s true vocation, which has remained unchanged since its inception: a commitment to people and to social progress.

CaixaProinfancia, a program designed to break the cycle of poverty in families with limited resources, has provided aid for 41,770 boys and girls in vulnerable situations. The Fundación de la Esperanza, which carries out direct social action at its Community Center in Barcelona’s Gothic Quarter, has provided assistance for over 1,000 people in its first year in operation.

As part of the program to offer comprehensive care for sufferers in the advanced stages of diseases, support has been offered to 7,136 patients and their families. Within this project, an agreement with the Ministry of Health, Social Services and Equality is to allow this initiative to be rolled out to 100 healthcare centers across Spain, as well as promoting healthcare for vulnerable groups.



The elderly are another priority group. Over 378,000 senior citizens have participated in initiatives from the “la Caixa” active aging program, offered at 608 centers across Spain. In the first half of the year, the Foundation also worked on social and professional reintegration of prisoners nearing the end of their sentences, promotion of volunteer work (5,900 “la Caixa” employees now participate in voluntary social initiatives), and promotion of social cohesion in areas of significant cultural diversity.

The various programs dedicated to helping people access social housing now comprise over 21,500 apartments with prices substantially lower than the market average, available through various different rental formats (the affordable, solidarity and social housing programs).



The Foundation continues to promote education as a driver of progress at both the individual and group level. Over 1.1 million students from 5,082 schools participated in the educational initiatives provided by the "la Caixa" Foundation in the first half of the year. Another recent highlight was the awarding of 120 new grants to students to extend their postgraduate studies at top international universities.

In the field of science awareness, the Foundation has kicked off the celebrations for the tenth anniversary of the CosmoCaixa center in Barcelona. During the period, 7,854,000 people visited the center to enjoy some of its 29 exhibitions or to participate in one of the almost 2,100 activities offered.

Promoting culture as a tool for personal and societal growth is another of the Foundation's main lines of action, which in 1H14 culminated with the inauguration of CaixaForum Zaragoza, the first newly-built center of its kind.

The building was designed by the architect Carme Pinós, and opened its doors with an impressive inaugural project: two simultaneous exhibitions from the collections of "la Caixa" to offer the general public access to contemporary art with a didactic approach. These inaugural exhibitions at CaixaForum Zaragoza form part of the broad range of exhibitions offered by the CaixaForum network, which currently includes Le Corbusier: An Atlas of Modern Landscapes (Madrid); Sorolla: The Color of the Sea; Captive Beauty. Small Treasures from the Prado Museum (Barcelona); and George Méliès: The Magic of Cinema (Palma), among others.

Alongside its cultural endeavors, "la Caixa" Foundation maintains its firm support for research and continues to foster advances in knowledge at the university level through the RecerCaixa program. It has also continued to support research into AIDS (irsiCaixa), cancer (the "la Caixa" Molecular Therapy Unit at the Hospital Vall d'Hebron), endoscopic gastrointestinal surgery (Centro Wider), neurodegenerative diseases (in cooperation with CSIC and in the framework of the BarcelonaBeta Project) and cardiovascular diseases (CNIC), among others.



Key indicators for the CaixaBank Group

€ million	January - June		Change	2Q14	1Q14
	2014	2013			
INCOME STATEMENT					
Net interest income	2,015	1,959	2.9%	1,022	993
Gross income	3,603	3,629	(0.7%)	1,834	1,769
Pre-impairment income stripping out extraordinary costs	1,719	1,610	6.8%	890	829
Pre-impairment income	1,719	789	117.8%	890	829
Profit attributable to the Group	305	408	(25.3%)	153	152
BALANCE SHEET					
€ million					
	June'14	March'14	December'13	Quarterly change	Annual change
BALANCE SHEET					
Total assets	336,849	331,376	340,190	1.7%	(1.0%)
Equity	24,950	24,467	24,333	2.0%	2.5%
Total funds	309,337	309,233	303,604	0.0%	1.9%
Retail funds	270,209	264,620	259,244	2.1%	4.2%
Wholesale funds	39,128	44,613	44,360	(12.3%)	(11.8%)
Customer loans, gross	199,572	201,357	207,231	(0.9%)	(3.7%)
EFFICIENCY AND PROFITABILITY (last 12 months)					
Cost-to-income ratio (Total operating expenses/ gross income)	58.0%	58.9%	72.2%	(0.9)	(14.2)
Cost-to-income ratio stripping out extraordinary costs	57.7%	57.7%	59.5%	0.0	(1.8)
ROE (profit attributable to the Group/ average equity)	1.7%	1.4%	2.1%	0.3	(0.4)
ROA (net profit / average total assets)	0.1%	0.1%	0.1%	0.0	0.0
RORWA (net profit / Risk-weighted assets)	0.3%	0.3%	0.4%	0.0	(0.1)
ROTE (attributable profit / average tangible equity)	2.1%	1.7%	2.7%	0.4	(0.6)
RISK MANAGEMENT					
Non-performing loans	22,568	24,013	25,365	(1,445)	(2,797)
Non-performing loan (NPL) ratio	10.78%	11.36%	11.66%	(0.58)	(0.88)
Non-performing loan (NPL) ratio stripping out real estate developers	6.70%	6.80%	6.83%	(0.10)	(0.13)
Allowances for non-performing loans	13,303	14,668	15,478	(1,365)	(2,175)
NPL coverage ratio	59%	61%	61%	(2)	(2)
NPL coverage ratio including collateral	138%	140%	140%	(2)	(2)
NPL coverage ratio stripping out real estate developers	61%	64%	63%	(3)	(2)
Foreclosed available for sale real estate assets	6,747	6,412	6,169	335	578
Foreclosed available for sale real estate assets coverage ratio	53%	53%	54%	(0)	(1)
of which: land coverage	64%	64%	65%	(0)	(1)
LIQUIDITY					
Liquidity	63,478	65,003	60,762	(1,525)	2,716
Loan to deposits	101.8%	105.0%	109.9%	(3.2)	(8.1)
SOLVENCY - BIS III					
Common Equity Tier 1 (CET1)	12.7%	12.4%	11.2%	0.3	1.5
Tier Total	15.8%	15.5%	14.7%	0.3	1.1
Risk-Weighted Assets (RWA)	144,019	147,222	151,461	(3,203)	(7,442)
Surplus CET1	11,798	11,563	10,141	235	1,657
Surplus Tier Total	11,299	10,973	10,155	326	1,144
Leverage ratio	5.6%	5.7%	5.5%	(0.1)	0.1
Common Equity Tier 1 (CET1) fully loaded	12.4%	12.1%	11.7%	0.3	0.7
SHARE INFORMATION					
Share price (€/share)	4.507	4.670	3.788	(0.163)	0.719
Market capitalization	24,554	23,716	19,045	838	5,509
Number of shares outstanding ¹ (thousands) (Excluding treasury shares)	5,592,619	5,400,109	5,025,419	192,510	567,200
Book value per share - fully diluted (€/share)	4.46	4.41	4.43	0.05	0.03
Number of shares - fully diluted (thousands)	5,592,674	5,549,788	5,498,274	42,886	94,400
Net income attributable per share (EPS) (€/share) (12 months)	0.07	0.06	0.09	0.01	(0.02)
Average number of shares - fully diluted (thousands)	5,594,935	5,457,543	5,416,010	137,392	178,925
PER (Price/ Profit)	64.39	77.83	40.76	(13.44)	23.63
PBV (Market value/ book value)	1.01	1.06	0.86	(0.05)	0.16
BANKING BUSINESS AND RESOURCES (Units)					
Customers (millions)	13.6	13.6	13.6	0.0	0.0
CaixaBank Group Employees	31,574	31,682	31,948	(108)	(374)
Branches	5,695	5,716	5,730	(21)	(35)
ATMs	9,661	9,606	9,597	55	64

(1) In March 2014 includes the 323,146,336 new shares issued to cover the conversion of Series I/2012 mandatorily convertible and/or exchangeable subordinated bonds. The shares began trading on the main market on April 14, 2014.

In June 2014 includes the 149,484,999 new shares issued to cover the conversion of Series I/2011 mandatorily convertible subordinated bonds. The shares began trading on the main market on July 14, 2014.

Consolidated Profit & Loss Account, CaixaBank Group

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