

## CaixaBank posts profit of €970 million (-2.6%) and reinforces its position as Spain's leading retail bank

- **The Bank has consolidated its leadership in retail banking** over the past twelve months to reach a market share of 29.5% (+120bp), with 25.7% of customers choosing CaixaBank as their main bank (+170bp), according to consultancy firm FRS Inmark.
- **Pre-tax profit climbs to €1,314 (+45.2% yoy).** Profit attributable to the banking and insurance business, excluding real estate activity and investees, stands at €1,374 million.
- **The performing loan portfolio continues to recover**, showing growth of 0.3% in 2016 thanks to the marked improvement in new loans, especially consumer lending, which gains 44% year on year.
- **In the past three years, the non-performing loan (NPL) ratio has shed 4.1 percentage points to 7.1%.** In the same period, non-performing loans have fallen by 46% (€12,909 million).

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- In a climate of rock-bottom interest rates and market volatility, **gross income stands at €5,939 million (-6.6%). Pre-impairment income gains 2.7% to reach €2,821 million.**
  - **Recurring administrative expenses down 2.2%** on the back of efforts to streamline and pare back costs. The quarter also included **extraordinary expenses of €121 million associated with the labour agreement** signed on 29 July.
  - **Significant reduction in impairment losses on financial assets and other provisions** (-33.3%), following the drop in **loan loss provisions** and with the **cost of risk falling to 0.42%** (-40bp in the last twelve months).
  - **The portfolio of foreclosed assets available for sale**, with coverage of 58.1%, amounts to €7,071 million and **is down for the third straight quarter.** Total properties rented or sold over the last twelve months amount to €1,863 million, with positive proceeds on sales of property since the fourth quarter of 2015.
  - **The Bank maintains its capital strength, with a fully-loaded Common Equity Tier 1 (CET1) ratio of 12.6%,** up 98 basis points following a private placement of treasury shares aimed at strengthening the Bank's capital adequacy within the context of the tender offer to acquire BPI.

**Barcelona, 28 October 2016.-** CaixaBank, the number one retail bank in Spain with Jordi Gual as Chairman and Gonzalo Gortázar as CEO, reported net attributable profit of €970 million for the first nine months of 2016, down 2.6% on the same period of 2015, which included a number of one-off impacts associated with the integration of Barclays Bank, SAU.

Pre-tax profit amounted to €1,314 million, up 45.2% year on year, while profit from the banking and insurance business totalled €1,374 million, yielding a return of 11% (ROTE last twelve months).

During this period, profit was fuelled by positive evolution in income and expenses, bringing gross income to €5,939 million (-6.9%) and pre-impairment income to €2,821 million (+2.7% and -10.6% excluding extraordinary expenses), and by the significant reduction in impairment losses on financial assets and other provisions (-33.3%).

Net interest income totalled €3,080 million (-6.9% yoy) while fee and commission income amounted to €1,546 (-3.4% yoy). In quarter-on-quarter terms, both headings confirmed the improvement first seen in the second quarter: net interest income was up 1.8% partly in response to the drop in financing costs, while fee and commission income gained 2.7% largely on the back of the increase in sales of pension plans and insurance products.

## Recurring expenses continue to fall

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Excluding extraordinary items, expenses shed 2.2% year on year and 0.4% quarter on quarter in response to the ongoing drive to pack back costs and unlock synergies and savings following the integration of Barclays Bank SAU and as a result of the early retirement and labour agreements aimed at streamlining the workforce. In the third quarter, a total of €121 million in extraordinary expenses were recognised in relation to the labour agreement signed in July.

The changes seen in income and costs have triggered a year-to-date improvement of 4 percentage points in the cost-to-income ratio, which currently stands at 54.9% (53.3% without extraordinary expenses).

Gains/(losses) on financial assets and liabilities and others stood at €718 million (+0.8%), and include the gross capital gain of €165 million resulting from the Visa Europe Ltd transaction.

Income from the investee portfolio was €550 million (-10.5%), partly as a result of the change in accounting perimeter following the swap agreement signed with CriteriaCaixa.

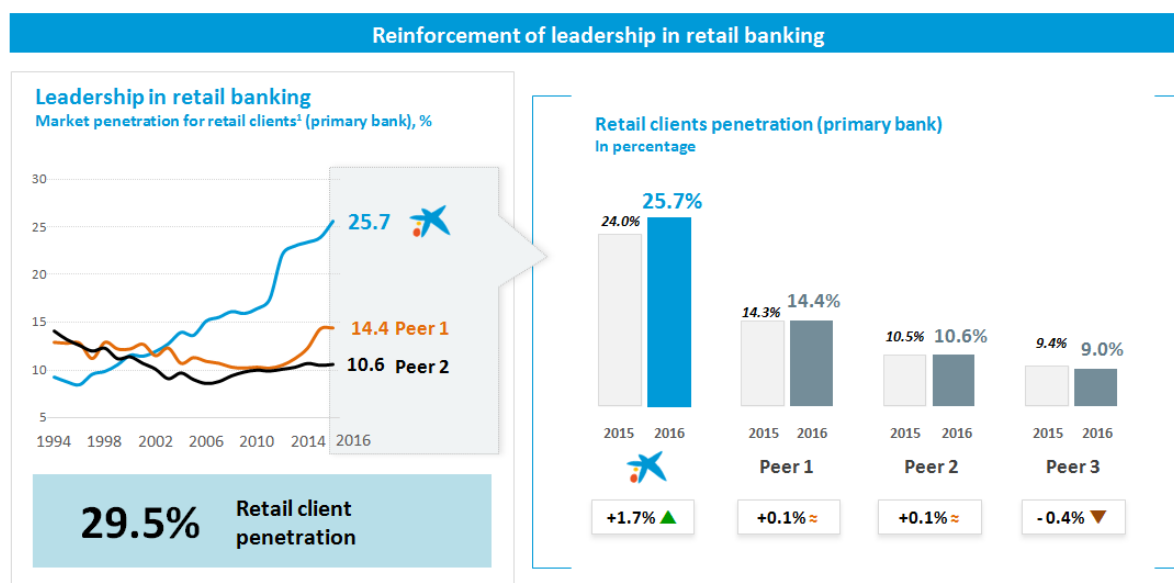
Gains/(losses) on disposal of assets and others includes, among other items, proceeds from the sale of assets and other write-downs, mainly in relation to the real estate portfolio. In 2015, it included the negative goodwill generated from the integration of Barclays Bank, SAU.

## Strengthening leadership within the Spanish banking sector

CaixaBank has 13.8 million customers, 5,089 branches and 9,476 ATMs. Over the last twelve months, the Bank has consolidated its leadership in retail banking by attaining a market share of 29.5% (+120bp), with 25.7% of customers choosing CaixaBank as their main bank (+170bp), according to consultancy firm FRS Inmark.

The Bank remains the leader when it comes to online banking in Spain, with 5.1 million customers and a market share of 32.4%. It also leads the way in mobile banking, with 3.1 million customers, and in payment methods, with 15.5 million cards in circulation and with a market share of 22.9% in turn-over.

As in previous years, the Bank continues to focus its commercial efforts on attracting and retaining customers, which has pushed up its share of the payroll deposit market to 25.8% (+93bp in 2016), having successfully secured a further 750,974 payrolls in the year to date, bringing the total to 3.4 million payroll deposits.


<sup>1</sup> Retail customers 18 year-old or older

Source: FRS Inmark 2016

The performing loan was up 0.3% in 2016, thus confirming that the recovery is truly under way. Loans and advances to customers, gross, stood at €205,100 million (-0.6% in 2016). Growth here was fuelled by the solid year-on-year improvement in new loans: mortgage (+41%), consumer (+44%) and business and corporate (+11%).

Customer funds stood at €299,673 million, showing growth of 1.0% in the first nine months of 2016 (up €3,074). On-balance sheet funds amounted to €215,895 million, with demand deposits showing 6.0% growth and savings deposits down 18.8% in response to renewals of maturities and forceful management of transaction margins.

## Growth in the insurance business and assets under management

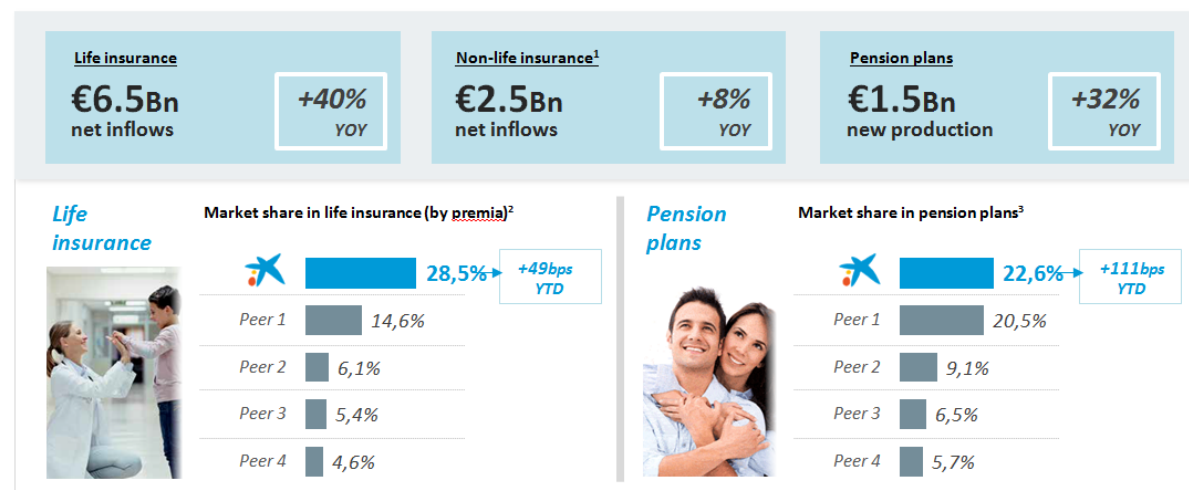
CaixaBank has a model that combines ownership of product-generating businesses (insurance, fund management, cards, etc.) with an excellent distribution platform to ensure proximity with customers, plus its undisputed technological prowess.

Assets under management totalled €77,926 million. The change here (+4.6%) was a result of the high market volatility seen in the first quarter of the year, which was followed by a steady recovery from the second quarter onward.

CaixaBank, through VidaCaixa, reinforced its leadership in the sector by successfully increasing its market share during the year for both savings insurance (+87bp to 23.5%) and pension plans (+111bp to 22.6%).

In the year to date, the bank has maintained a healthy pace in sales of insurance products and pension plans, with growth in income obtained from liabilities under insurance contracts (+11.3% year on year and +2.6% in the third quarter).

### Ongoing momentum of pension and insurance products



<sup>1</sup> SegurCaixa Aseguros

<sup>2</sup> Life insurance (savings and risk). As of September 2016 (Peers: Zurich, Mapfre, BBVA and Ibercaja)

<sup>3</sup> Pension plans (individual and group). As of June 2016 (Peers: BBVA, Santander, Bankia and Ibercaja)

Source: INVERCO, ICEA and internal information

CaixaBank also remains the market leader in assets under management through its extensive range of investment and pension products, having earned top spot in 2015. On the subject of investment funds, CaixaBank Asset Management is currently the leading fund manager with a market share of 18.1%, and it also ranks first in assets under management (€53,524 million including portfolios and SICAVs), which were up 4.3%. In the year to date, CaixaBank AM has obtained 42% of the total net contributions in the quarter, with 2,647 million subscriptions.

## Sharp drop in allowances and the NPL ratio

Impairment losses on financial assets and others totalled €1,177 million, down 33.3% year on year largely on account of the reduction in loan-loss provisions (down 49.4%, equivalent to €679 million). The cost of risk fell to 0.42% (-40bp in the last 12 months).

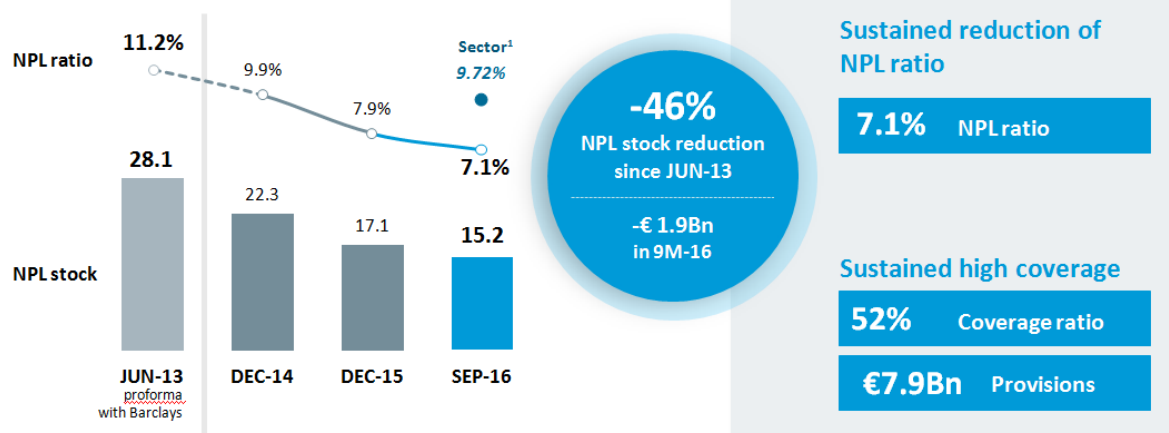
Other provisions includes the current estimation of coverage needed for future contingencies, plus impairment of other assets in the second quarter, and the recognition of €160 million associated with the early retirement agreement signed in April 2016.

In the last three years, the non-performing loan (NPL) ratio has shed 4.1 percentage points to 7.1% at 30 September 2016. This improvement comes on the back of the ongoing drop in non-performing loans, which are down 20.6% year on year (down €3,952 million in the last 12 months and down €898 million in the third quarter).

Steady reduction of NPLs : more than 4 points in 3 years

### NPL ratio and NPL stock evolution

% and €Bn



<sup>1</sup> As of June 2016. Average of 5 big competitors (Santander España, BBVA España, Bankia, Sabadell and Popular)

The portfolio of foreclosed assets available for sale, with coverage of 58.1%, amounted to €7,071 million and was down for the third straight quarter. Strong business at BuildingCenter, CaixaBank's real estate subsidiary, has generated €1,863 million in sales and rentals of real estate assets over the last 12 months, and with positive proceeds on sales since the fourth quarter of 2015.

## Strengthening capital adequacy within the context of the tender offer to acquire BPI

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The fully-loaded Common Equity Tier 1 (CET1) ratio was 12.6%, up 98 basis points following the private placement of treasury shares made among qualified investors with the aim of strengthening CaixaBank's capital adequacy within the context of the tender offer to acquire BPI.

On 21 September 2016, the extraordinary General Shareholders' Meeting of Banco BPI agreed to lift the cap on the number of votes that any one shareholder can cast. Following this, the Portuguese Comissão do Mercado de Valores Mobiliários (stock market commission) decided to end the exemption previously granted to CaixaBank in 2012 (temporarily releasing it from its obligation to launch a mandatory bid for the shares in Banco BPI), thus requiring CaixaBank to launch the takeover bid for BPI, with the Bank duly obliging at a new price of €1.134/share (weighted average price for the previous six months). The tender offer is still subject to clearance from the various supervisory bodies.

## Stress test coordinated by the EBA

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The stress test conducted by the European authorities extended across the entire CriteriaCaixa Group, therefore including not only the CaixaBank Group, but also the industrial stakes and real estate assets of Criteria, based on the maximum prudential consolidation level at 31 December 2015. Under this perimeter, the CriteriaCaixa Group has obtained a regulatory CET1 ratio (phase-in) of 9.0% at the end of the adverse scenario (2018) and a fully-loaded ratio of 7.8%.

CaixaBank, as part of the CriteriaCaixa Group, has conducted an internal estimate of its own individual results by relying on the same methodology and official scenarios as those relied on by the CriteriaCaixa Group. Applying the same methodology and adverse macroeconomic scenario to CaixaBank individually, the Bank's Common Equity Tier 1 (CET1) ratio would be 9.8% at December 2018 (regulatory view) and 8.5% fully loaded.

If we factor in the swap agreement between CaixaBank and Criteria for the transfer of the stakes in The Bank of East Asia and Grupo Financiero Inbursa, CaixaBank's CET1 ratio at the end of the adverse scenario (2018) would improve to 10.1% (regulatory view) and to 9.1% (fully loaded) due to the release of deductions deriving from the financial stakes transferred to Criteria.



Mejor Banco  
en Europa en RSC



Mejor Banca Privada  
en España 2016



Mejor Banco  
en España 2016



## Welfare Projects: building a fairer society

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In early April, Isidro Fainé, chairman of "la Caixa" **Banking Foundation**, which oversees Welfare Projects and uses CriteriaCaixa to pool all the stakes of the "la Caixa" Group, including CaixaBank, unveiled the **2016-2019 Strategic Plan for Welfare Projects**. The plan sets out the path to be followed over the next four years and is a further illustration of the Bank's commitment to society. Under the motto **Changing today while building tomorrow**, the plan envisages a **budget of €2,060 million** over its life span.

The aim is to build **a fairer society, providing opportunities to those most in need**, while strengthening the Foundation's key role in developing **long-standing programmes to improve people's lives and make the world a fairer place to live in by ensuring efficient use of available resources**.

**Social welfare programmes** remain at the heart of the Foundation's work, accounting for 62% of the total investment budget of €500 million set aside for 2016. **Child care, job creation, subsidised housing and care for the elderly and people with advanced illnesses** are the cornerstones of the foundation's social commitment.

The first of these programmes **targets child poverty** and in the first half of 2016 the scheme provided care to **over 44,900 children and teenagers** aged from 0 to 18 and living in the main cities of Spain. The programme functions through a network of 488 social welfare entities operating across all of Spain.

### Upwards of 12,000 jobs

On the subject of **job market integration for underprivileged groups of society**, the **Incorpora programme** continues to improve its job integration ratio, successfully generating 5,000 jobs between April and June (versus the 4,100 jobs reported in the first quarter of the year). A total of **12,024 jobs were created in the first half of the year** for various groups of society, including the disabled, long-term unemployed jobseekers, victims of gender-based violence, young people at risk of exclusion and people aged over 45.

The **Care for the Elderly programme** received the support of the ONCE Foundation to mark its centenary and was featured on the 12 April lottery ticket. In the first six months, **more than 441,000 people took part in over 9,400 initiatives** held to champion active ageing, social involvement and respect and dignity of senior members of society. The care programme for lonely people and the theatrical work *Entre versos y Marsillach*, featuring a cast of elderly actors, were both exemplary initiatives in the last quarter.

The **Integral Support Programme for People with Advanced Illnesses** -another strategic initiative of Welfare Projects- provided care to **over 10,100 patients** and 14,696 family members in the first



half of 2016. According to the scientific survey conducted, 90% of patients showed signs of improvement under this groundbreaking international programme.

The Banking Foundation's new Strategic Plan also envisages further work towards the objective of **providing easier access to housing**, especially for low-income people given its overriding importance for many citizens. The **"la Caixa" Group** already has **upwards of 33,000 subsidised flats** currently available to low-income families and groups of society.

On 4 June, **"la Caixa" held its Volunteering Day**. Over 1,100 volunteers and 9,000 children at risk of social exclusion took part in artistic workshops and educational, sporting, cultural and environmental activities in 41 different cities across all of Spain. The **"la Caixa" Volunteering Programme already has the support of 14,000 serving employees**, retired employees and family members. Many volunteers have taken part in the **Milk moustache for all kids** campaign, which continues to run and has now collected close to a million and a half litres of milk for low-income families.

Further examples of the Foundation's work in the first half of 2016 include the direct social welfare activity carried out through **Fundación de la Esperanza** (Hope Foundation), championing intercultural cohesion and co-existence, helping ex-convicts rejoin society and find work, supporting social entrepreneurship, combating drug use, enhancing international cooperation and offering aid to support the projects of social entities across all of Spain.

#### **Staunch support for medical training and research**

On 10 June 2016, the King and Queen of Spain handed out **120 grants to Spanish students allowing them to pursue post-graduate training courses** at the finest universities in the world. It is the longest-standing programme of "la Caixa" Welfare Projects within the realm of support for training, and offers **additional financial support to pursue 68 doctorates at prestigious research centres that bear the Severo Ochoa badge of excellence** and at Spanish universities. Jaume Giró, Chief Executive Officer of the "la Caixa" Banking Foundation, and Carmen Vela, Secretary of State for Investigation, Innovation and Development, handed out the diplomas at an event held in Barcelona on 28 June.

The new Strategic Plan is **heavily committed to research** and aims to triple its budget to reach **€90 million in 2019**.

The foundation also stepped up its ongoing support for **scientific progress and advances** by rolling out projects to improve research into Alzheimer's, AIDS, neurodegenerative illnesses and cardiovascular conditions. In tandem with this, **Caixalmpulse, the first one-stop programme for transforming scientific knowledge** into companies that generate value for society, is now for the second time accepting applications for aid this quarter, with €1.4 million in available funds.

#### **Cultural excellence**

Maintaining excellence in culture and education is another of the major challenges envisioned in the 2016-2019 Strategic Plan of the "la Caixa" Banking Foundation. In the field of education, **over 1.4 million pupils have taken part in the initiatives rolled out by the eduCaixa programme**.



The initiative provides teaching resources, with programmes designed to hone entrepreneurial skills, boost careers in science, disseminate art and culture and promote personal growth by teaching healthy habits, values and social awareness. In fact, in late May the **26 winners of the Desafío emprende competition** presented their business projects in Barcelona, earning them a trip to Silicon Valley from among the 1,313 projects presented by pupils of compulsory and higher secondary school from all across Spain.

In the field of cultural outreach, CaixaForum centres have staged a number of exciting new exhibitions such as **Settecento. Masterpieces of Italian painting from the Berlin State Museums** (Zaragoza) and **Ming. The Golden Empire** (Barcelona). On top of these, the Foundation staged various shows and events such as **Impressionist and modern. Masterpieces of the Phillips Collection**, which attracted upwards of 200,000 visitors during its exhibition run in Barcelona; **Women of Rome. Seductive, maternal, indulgent**, with works on loan from the Louvre; **Genesis. Sebastiao Salgado; Henry Moore; or Sorolla. Drawings in the sand**. The cultural events of Welfare Projects also featured participatory and school concerts, CaixaEscena workshops, and the 2016 Art and Patronage Awards, which went to Jose María Lafuente, Carlos León and Guillermo de Osma, among many other events and initiatives. Meanwhile, the **CosmoCaixa science museum launched its new Wildlife exhibit** to showcase the year's best photographs with an environmental impact.

In April, the "la Caixa" Banking Foundation launched **The Essentials campaign to pay homage to those social entities and charities without which its social welfare endeavours would not be possible**. UNICEF, ACNUR, Save the Children, Cruz Roja, Fundación Vicente Ferrer, various food banks, Oxfam Intermon, Messengers of Peace, and Casal dels Infants del Raval are just some of the organisations taking part.

All of them are essential for the good of society. **Essential is also a fine word to describe the social commitment of "la Caixa"**.

## Key figures

	January - September				
€ million	2016	2015	Annual Change	3Q16	Quarterly Change
INCOME STATEMENT HEADINGS					
Net interest income	3,080	3,308	(6.9%)	1,039	1.8%
Fees and commissions	1,546	1,600	(3.4%)	536	2.7%
Gross income	5,939	6,356	(6.6%)	1,890	(11.2%)
Recurring expenses	(2,997)	(3,066)	(2.2%)	(995)	(0.4%)
Pre-impairment income stripping out extraordinary expenses	2,942	3,290	(10.6%)	895	(20.7%)
Pre-impairment income	2,821	2,747	2.7%	774	(31.4%)
Profit/(loss) before tax	1,314	905	45.2%	426	(16.8%)
Profit/(loss) attributable to the Group	970	996	(2.6%)	332	(9.1%)
€ million	September 2016	June 2016	December 2015	Quarterly Change	Annual Change
BALANCE SHEET					
Total assets	342,863	353,109	344,255	(2.9%)	(0.4%)
Equity	23,555	22,161	25,205	6.3%	(6.5%)
Customer funds	299,673	304,465	296,599	(1.6%)	1.0%
Loans and advances to customers, gross	205,100	208,486	206,437	(1.6%)	(0.6%)
EFFICIENCY AND PROFITABILITY (last 12 months) <sup>1</sup>					
Cost-to-income ratio	54.9%	54.2%	58.9%	0.7	(4.0)
Cost-to-income ratio stripping out extraordinary expenses	53.3%	54.2%	51.9%	(0.9)	1.4
ROE	3.7%	3.4%	3.4%	0.3	0.3
ROTE	4.6%	4.3%	4.3%	0.3	0.3
ROA	0.3%	0.2%	0.2%	0.1	0.1
RORWA	0.6%	0.6%	0.6%	0.0	0.0
RISK MANAGEMENT					
Non-performing loans (NPL)	15,199	16,097	17,100	(898)	(1,901)
Non-performing loan ratio	7.1%	7.3%	7.9%	(0.2)	(0.8)
Non-performing loan ratio stripping out real estate developers	6.0%	6.0%	6.2%	0.0	(0.2)
Cost of risk	0.4%	0.4%	0.7%	0.0	(0.3)
Provisions for non-performing loans	7,934	8,489	9,512	(555)	(1,578)
NPL coverage ratio	52%	53%	56%	(1)	(4)
Net foreclosed available for sale real estate assets	7,071	7,122	7,259	(51)	(188)
Foreclosed available for sale real estate assets coverage ratio	58%	58%	58%	0	0
LIQUIDITY					
High Quality Liquid assets	52,553	58,322	62,707	(5,769)	(10,154)
Loan to deposits	109.3%	104.8%	106.1%	4.5	3.2
Liquidity Coverage Ratio	174%	159%	172%	15	2
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	13.4%	12.3%	12.9%	1.1	0.5
Total Capital	16.6%	15.5%	15.9%	1.1	0.7
Risk-weighted assets (RWAs)	135,922	135,787	143,312	135	(7,390)
Leverage ratio	6.0%	5.3%	5.7%	0.7	0.3
Fully loaded Common Equity Tier 1 (CET1)	12.6%	11.5%	11.6%	1.1	1.0
SHARE INFORMATION					
Share price (€/share)	2.249	1.967	3.214	0.282	(0.965)
Market capitalisation	13,283	10,466	18,702	2,817	(5,419)
Book value per share (€/share)	3.98	4.16	4.33	(0.18)	(0.35)
Tangible book value per share (€/share)	3.30	3.40	3.47	(0.10)	(0.17)
Number of outstanding shares excluding treasury stock (millions)	5,906	5,321	5,819	585	87
Net income attributable per share (€/share) (12 months)	0.14	0.13	0.14	0.01	0.00
Average number of shares excluding treasury stock (millions) (12 months)	5,771	5,861	5,820	(90)	(49)
PER (Price/ Profit)	16.46	15.49	22.97	0.97	(6.51)
Tangible PBV (Market value/ book value of tangible assets)	0.68	0.58	0.93	0.10	(0.25)
BANKING BUSINESS AND RESOURCES (Units)					
Customers (millions)	13.8	13.8	13.8	0.0	0.0
CaixaBank Group Employees	32,315	32,142	32,242	173	73
Branches in Spain	5,089	5,131	5,211	(42)	(122)
ATMs	9,476	9,517	9,631	(41)	(155)

(1) Cost-to-income and profit ratios for the second and third quarters of 2016 exclude the contribution paid to the National Resolution Fund for the fourth quarter of 2015 (€93 million) so as to avoid overlap with the contribution paid to the Single Resolution Fund in the second quarter of 2016 (€74 million).

## Income statement

### Year-on-year trends

€ million	January - September		Change %
	2016	2015	
Interest income	5,035	6,407	(21.4)
Interest expense	(1,955)	(3,099)	(36.9)
<b>Net interest income</b>	<b>3,080</b>	<b>3,308</b>	<b>(6.9)</b>
Dividend income	113	112	0.5
Share of profit/(loss) of entities accounted for using the equity method	437	502	(12.9)
Net fee and commission income	1,546	1,600	(3.4)
Gains/(losses) on financial assets and liabilities and others	718	712	0.8
Income and expense arising from insurance or reinsurance contracts	214	153	39.6
Other operating income and expense	(169)	(31)	
<b>Gross income</b>	<b>5,939</b>	<b>6,356</b>	<b>(6.6)</b>
Recurring administrative expenses, depreciation and amortisation	(2,997)	(3,066)	(2.2)
Extraordinary expenses	(121)	(543)	(77.7)
<b>Pre-impairment income</b>	<b>2,821</b>	<b>2,747</b>	<b>2.7</b>
<b>Pre-impairment income stripping out extraordinary expenses</b>	<b>2,942</b>	<b>3,290</b>	<b>(10.6)</b>
Impairment losses on financial assets and other provisions	(1,177)	(1,762)	(33.3)
Gains/(losses) on disposal of assets and others	(330)	(80)	
<b>Profit/(loss) before tax</b>	<b>1,314</b>	<b>905</b>	<b>45.2</b>
Income tax expense	(333)	94	
<b>Profit/(loss) for the period</b>	<b>981</b>	<b>999</b>	<b>(2.1)</b>
Profit/(loss) attributable to minority interest and others	11	3	
<b>Profit/(loss) attributable to the Group</b>	<b>970</b>	<b>996</b>	<b>(2.6)</b>

Note: Regulatory changes: The basis of presentation for the income statement has been established in accordance with Circular 5/2015 of the Spanish securities market regulator (CNMV).

The entry into force of Bank of Spain Circular 5/2014 in the first half of 2016 has resulted in the reclassification of gains and losses on the purchase and sale of foreign currency, which are no longer presented under Gains/(losses) on financial assets and liabilities and others, but instead under Net fee and commission income. Also as a result of the changes introduced by the Circular, gains and losses on sales of strategic holdings are no longer presented under Gains/(losses) on disposal of assets and other, but instead under Gains/(losses) on financial assets and liabilities and other. Following these changes the results presented for the first nine month of 2015 have been restated.