

## CaixaBank posts a net attributable profit of €1,684 million (+60.9%), its best ever annual performance

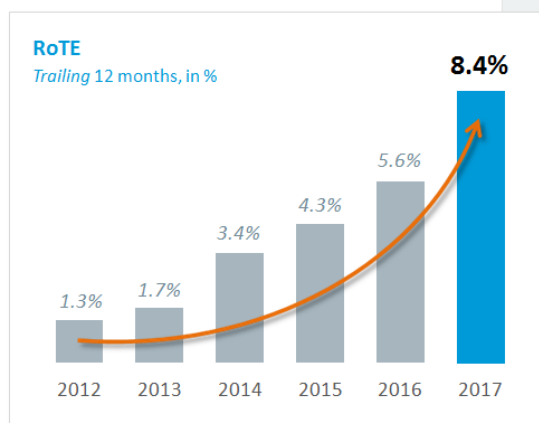
- **Net profit at CaixaBank in Spain climbs to €1,508 million, up 44.1% on 2016.** BPI has contributed a total of €176 million to the Group's results since the integration of the Portuguese bank in February 2017.
  - **CaixaBank Group ROTE improves to 8.4%** (+280 basis points in the year and close to the target envisaged in the Strategic Plan of 9%-11% for 2018), on the back of the banking and insurance business, which has reported profitability of 11.2%.
  - **Customer funds grow €45,563 million compared to year-end 2016** to reach €349,458 million following the integration of BPI. Meanwhile at CaixaBank they grow by €10,600 million in the year (+3.5%).
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- **Net interest income was up 14.2%** to €4,746 million; **fee and commission income totalled €2,499 million (+19.5%)**; and **income and expense arising from insurance and reinsurance contracts** climbed 51.9% to €472 million.
  - **Gross revenues amounted to €8,222 million.** The 5.1% increase year on year was down to increased generation of core revenues (up 18% on 2016 to €7,887 million) and the integration of BPI.
  - Of this revenue, **96% originated from core banking activity**, following the **drop in activity in trading revenues (-66.7%)** and the reduced contribution from equity investments (-21%).
  - **Loans and advances to customers, gross, stood at €223,951 million (+9.3% in 2017).** At CaixaBank, the performing portfolio was up 0.4% excluding the reduction of €1,043 million in financing to CriteriaCaixa and the change in lending to the public sector.
  - **In the last year, the non-performing loan (NPL) ratio has shed 84 basis points to reach 6%**, illustrating the improvements seen in credit quality. In the same period, non-performing loans were down €1,668 million at CaixaBank.
  - **Total liquid assets stood at €72,775 million.** The Group's liquidity position strengthened in the course of the year, **as shown by its Liquidity Coverage Ratio (LCR) of 202%, well clear of the minimum requirement of 100% from 1 January 2018 onward.**
  - The CaixaBank Group has a fully-loaded **Common Equity Tier 1 (CET1) ratio of 11.7%**, within the 11-12% target band envisioned in the 2015-18 Strategic Plan, and almost 3 percentage points higher than the fully loaded supervisory requirement of 8.75%.

**Valencia, 2 February 2018.-** The CaixaBank Group, the number one retail bank in Spain with Jordi Gual as Chairman and Gonzalo Gortázar as CEO, reported net attributable profit of €1,684 million in 2017 (+60.9% year on year), making it CaixaBank's best ever annual performance. Profit at CaixaBank in Spain came to €1,508 million, up 44.1% on 2016.

The annual improvement came in response to intensive commercial activity at CaixaBank and also the full consolidation of the results of BPI from February onward, which impacted the main headings of CaixaBank's income statement by contributing a total of €176 million to the Group's results.

Gross income amounted to €8,222 million (+5.1%) as core income from the banking business increased (net interest income, fee and commission income and income from the insurance business), which gained 18% at the Group and 8% at CaixaBank, and also because of the incorporation of BPI. Of this income, 96% originates from core banking activity, following the drop in activity on financial transactions (-66.7%) and the reduced contribution from equity investments (-21%).

Profitability at the CaixaBank Group has gained 280 basis points since December and was 8.4% at year-end (close to the 9%-11% target band envisaged in the Strategic Plan), while recurring ROTÉ from the banking and insurance business ended the year at 11.2%, showing a result of €1,748 million.



#### Excellent positioning

- o Spanish leader in retail banking
- o Business growth also in Portugal

#### Profitability recovery

- o CaixaBank's best year
- o Based on recurrent results

#### Good progress in credit

- o Support to consumer lending and SMEs

#### Asset quality improvement

- o NPLs reduction and book coverage increase
- o Better margins in OREO sales

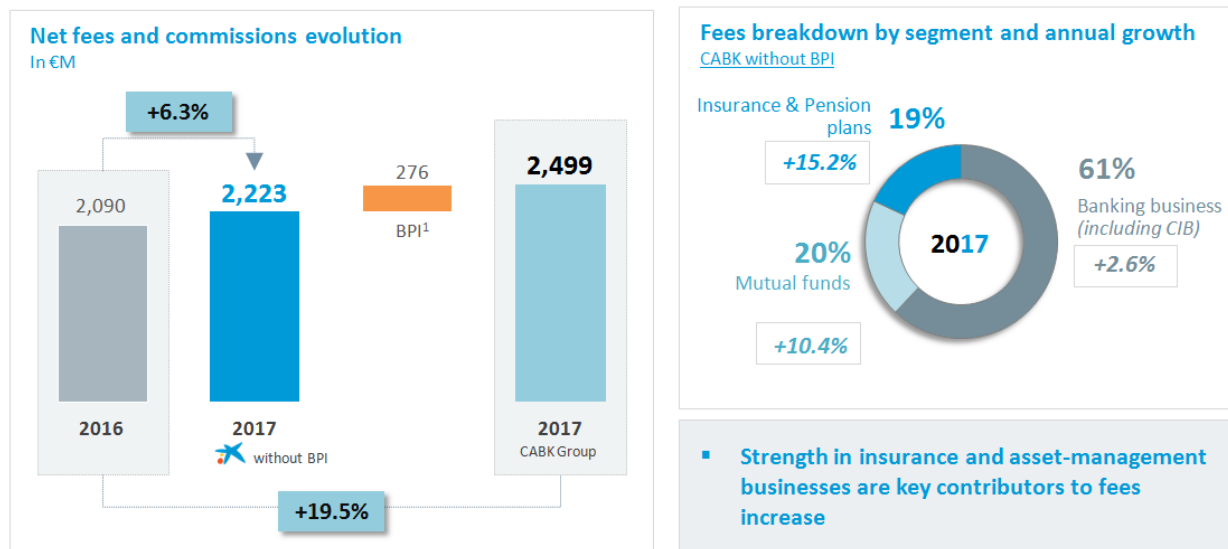
CaixaBank has cemented its leading position in the Spanish retail market. It is now the main bank for 26.7% of customers (+100 basis points in the last 12 months) and ranks first in salary deposits (market share of 26.3%), investment funds (16.7%), pension plans (23.5%) and savings insurance (26.4%).

It also leads the way in online banking and mobile banking, with 55% digital clients and 4.3 million customers, respectively. CaixaBank's business model relies heavily on technology and digitalisation, with 32,200 smart PCs up and running and 98% of digital signatures in 2017.

## Net interest income of €4,746 million (+14.2%)

Against a backdrop of rock-bottom interest rates, net interest income totalled €4,746 million (+14.2% year on year), driven by the integration of business from BPI, which contributed growth of 9.1%. At CaixaBank, net interest income was up 5.1%, largely in response to sound management of retail activity, with a sharp drop in the cost of maturity deposits. Income performance was affected by the falling returns on the loan portfolio and the fixed income portfolio, which were in turn down to the drop in market interest rates.

Meanwhile, fee and commission income amounted to €2,499 million. The change here (+19.5%) was driven by the contribution made by BPI (+13.2%) and income generated from commercial activity at CaixaBank (+6.3%), showing an increase in transactions and activity due to the strength of the asset management and research businesses.



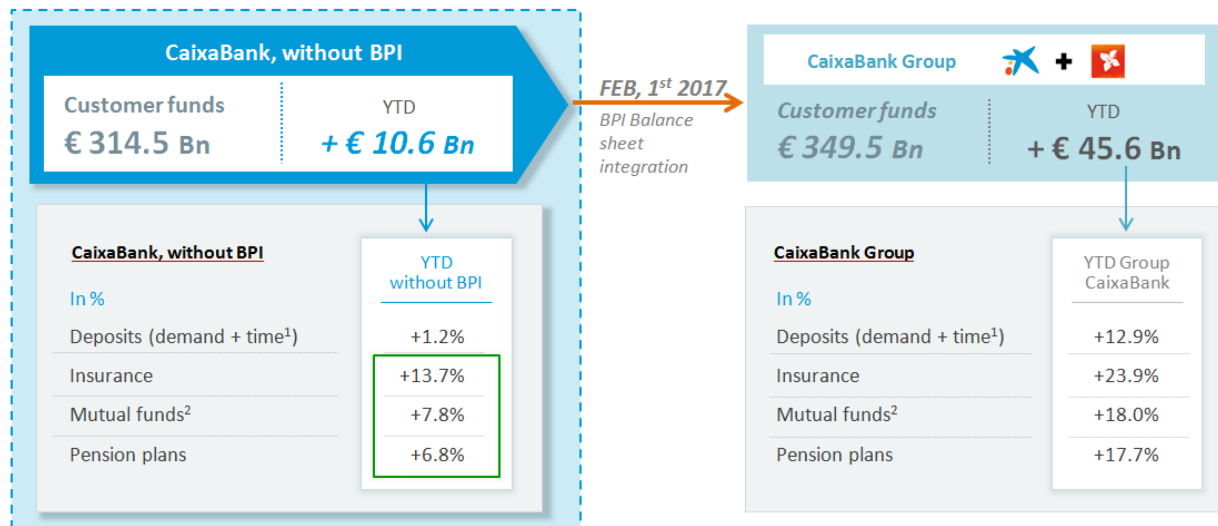
Recurring administrative expenses, depreciation and amortisation totalled €4,467 million (+11.8%), largely in response to the integration of BPI, although they remain steady on a like-for-like basis (+1% on 2016 and +0.2% in staff expenses). In 2017, a total of €110 million in extraordinary costs was booked in connection with BPI.

Income from equity investments totalled €653 million (-21%), reflecting, among other factors, the lower dividend pay-out at Telefónica, changes in the scope of consolidation and BPI's move to sell 2% of its stake in BFA (€-97 million attributed), which was reported in January before the effective takeover. Earnings were down in the fourth quarter on BPI's investment in Angola.

Gains/(losses) on financial assets and liabilities and others fell to €282 million (-66.7%). In 2016, this figure included €165 million resulting from the Visa Europe Ltd. deal, as well as the materialisation of capital gains on available-for-sale fixed-income securities.

## Customer funds at CaixaBank up 3.5%

Total customer funds at the Group were €349,458 million, up 15.2% (€+45,563) in 2017 following the integration of BPI (+11.5%; €34,963 million). Meanwhile, customer funds at CaixaBank gained 3.5% in 2017 (€+10,600 million) and remained stable in the last quarter (-0.2%).



At CaixaBank, loans and advances, gross, were down 1.9% while the performing portfolio shed 1.2% in 2017. If we exclude the drop in lending to CriteriaCaixa due to the process of prudential deconsolidation (€1,043 million in the first quarter of 2017) and the change in lending to the public sector, the performing portfolio remained stable (+0.4%).

Meanwhile, loans to businesses and consumer loans both performed well, gaining 16% and 15%, respectively.

On the commercial front at CaixaBank, the period saw sharp growth in the insurance and asset management business. Assets under management reached €88,018 million, up 7.5% in the year and 1.3% in the quarter.

Following the trend observed in recent years, assets under management in investment funds, portfolios and SICAVs made sizeable gains to reach €61,077 million (+7.8% in the year), while pension plans also performed well (+6.8% in the year) to reach €26,941 million.

CaixaBank remains the leader in assets under management through insurance products, plans and funds, with a market share of 21.3%.

## The Group's NPL ratio falls to 6%

The CaixaBank Group's NPL ratio was 6% (6.9% at 31 December 2016), well below the average for the sector, while the NPL coverage ratio improved to 50% (47% at year-end 2016).

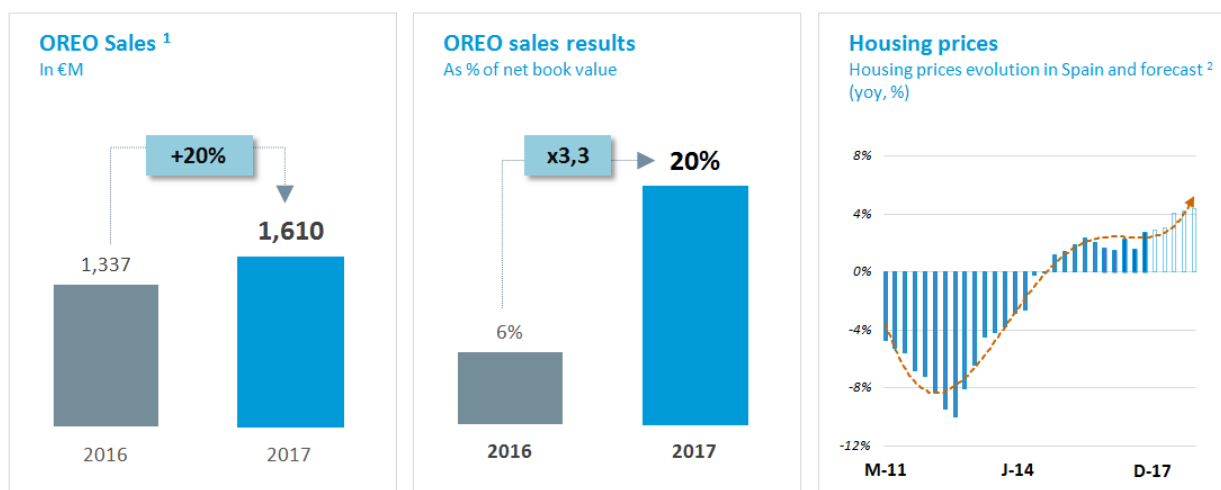
At the Group, non-performing loans fell to €14,305 million. At CaixaBank, they amounted to €13,086 million, down €1,668 million in 2017 and €837 in the quarter, which included the sale of loan portfolios.

Meanwhile, loan-loss provisions totalled €799 million. The annual change (+154.2%) here came partly in response to the release of €676 million in provisions on the loan portfolio in the fourth quarter of 2016 following the development of internal models compliant with the terms of Circular 4/2016. Excluding this effect, the annual performance would have been -19.3%.

Other charges to provisions came to €912 million and includes, among other impacts, the recognition of €455 million in connection with early retirements (€152 million and €303 million in the first and second quarter of the year, respectively), €154 million in write-downs on exposure to the SAREB in the first quarter.

## Sales of real estate assets total €1,610 million (+20%)

The portfolio of net foreclosed real estate assets available for sale in Spain fell to €5,878 million (down €-378 million in 2017). The coverage ratio was 58%.



<sup>1</sup> at sales price. OREO = Other Real Estate Owned: foreclosed real estate assets available for sale

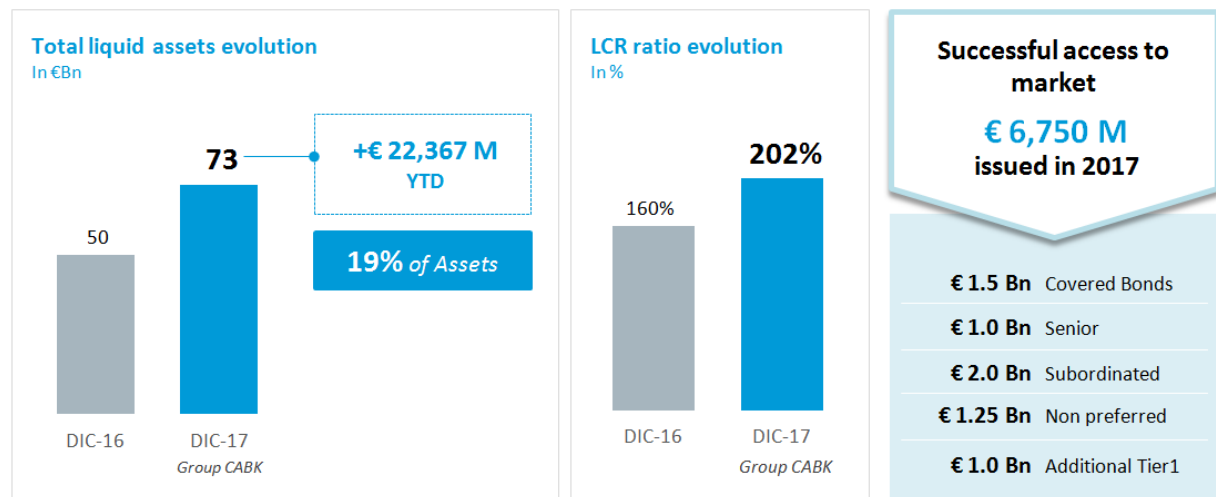
<sup>2</sup> CaixaBank Research

Total sales of real estate assets in 2017 amounted to €1,610 million euros (up 20% year on year), with positive proceeds reported since the fourth quarter of 2015. Proceeds from asset sales to net book value stood at 20% in 2017 (+14 percentage points year on year).

Real estate assets held for rent dropped to €3,030 million net of provisions (€-48 million in 2017). The portfolio has an occupancy rate of 88%.

## Strong boost to liquidity throughout the year

Total liquid assets came to €72,775 million. The Group's liquidity position strengthened over the course of the year, as shown by its Liquidity Coverage Ratio (LCR) of 202%, well clear of the minimum requirement of 100% from 1 January 2018 onward.



The CaixaBank Group had a fully-loaded Common Equity Tier 1 (CET1) ratio of 11.7% at 31 December, within the target band envisioned in the 2015-2018 Strategic Plan (11%-12%), and almost 3 percentage points clear of the supervisory requirement of 8.75%. Excluding the impact of the integration of BPI, the ratio gained 60 basis points in the year on the back of solid capital generation, but shed 26 basis points due to market conditions and other factors.

Meanwhile, fully-loaded total capital was 15.7%, exceeding the 14.5% target envisaged in the Strategic Plan. The ratio was further strengthened during the year with a €1,000 million issue of AT1 and several issues of subordinated debt totalling €2,000 million placed between February and July.

## Welfare Projects: over 11 million beneficiaries

The "la Caixa" Banking Foundation, governed by Isidro Fainé, accomplished various milestones in 2017 across all three of its priority areas of action: social work, research and the dissemination of culture and knowledge. These results are a direct product of the **2016-2019 Strategic Plan**, which envisions upwards of €2,000 million in investment in this four-year period under the motto "*Changing the present. Building the future*".

In 2017, "la Caixa" Welfare Projects increased its budget to €510 million, marking an improvement on the €500 million in the previous nine years. Globally, the Banking Foundation, which directly oversees Welfare Projects and uses CriteriaCaixa to pool together all of the "la Caixa" Group's shareholdings, including CaixaBank, championed nearly **50,000 initiatives** in 2017, benefitting **over 11 million individuals**.

Flagship social projects here include **CaixaProinfancia**, which for **ten years** has been fostering the **social inclusion** of vulnerable children and extending its support to their family members. In 2017, this initiative reached out to over **62,000 children** from households at risk of exclusion.

### Job creation on the rise

In addition to the fight against child poverty, the Strategic Plan views **job creation** as a further priority of the Banking Foundation. Its job opportunities programme, **Incorpora**, has just celebrated its tenth anniversary. The initiative offered over **30,600 jobs** to vulnerable individuals over the course of 2017, compared to the 28,920 jobs reported in the previous year. This has largely been made possible by the **10,000-plus companies** now collaborating on the programme.

Turning to **healthcare**, the Banking Foundation has already set up its Comprehensive Care Programme for People with Advanced Diseases at **123 different healthcare centres**. In 2017, a total of **24,094** patients and **29,555** family members received psychological and social care and support.

Providing **easier access to housing** is another strategic priority under the Strategic Plan. The "la Caixa" Banking Foundation already has upwards of **32,000 flats** available to low-income individuals and families, with monthly rents starting at just €85.

**Elderly people** have traditionally been a priority for Welfare Projects ever since the inception, over a century ago, of "la Caixa" as a pensions and old-age savings institution. In 2017, a total of **821,532 participants** lent their support to numerous social, cultural, healthcare and technological initiatives championing active and healthy ageing.

In addition, we have the hugely successful milk collection campaign ***Milk moustache for all kids***, which is aimed at vulnerable families and is supported by food banks across all of Spain. Now in its third year, the initiative has so far collected **1.2 million litres of milk**.

The Banking Foundation views education as a key driver of individual and collective progress. **Training** therefore remains one of its key priorities. Here, the **eduCaixa** programme has reached out to over **2.4 million pupils** from a total of **8,300 Spanish schools**. Different types of **grants and scholarships** are also handed out as part of this drive to improve levels of education.

Meanwhile, the "la Caixa" Banking Foundation and the Telefónica Foundation are continuing to work together on their joint **ProFuturo** project. The initiative, inspired by Pope Francis, seeks to promote the **digital education** of children, teenagers and adults from the most underprivileged regions of Africa, Latin America, the Middle East and South-East Asia.

In 2017, the Banking Foundation stepped up its international collaboration with internationally renowned entities, including Bill & Melinda Gates Foundation to promote **child vaccination** in developing countries; UNICEF with the aim of reducing child deaths caused by pneumonia; and UNHCR to improve living conditions for **refugees**.

Following the agreement reached with Portuguese bank BPI, the "la Caixa" Banking Foundation has recently announced the expansion of Welfare Projects to **Portugal**, where it intends to channel up to **50 million euros** a year by rolling out the Foundation's most emblematic projects in the country.

### Research Essentials

The 2016-2019 Strategic Plan is firmly committed to **medical research** and is looking to triple the budget in this realm to **€90 million** by the end of the four-year plan horizon. To better visualise this commitment, a campaign was launched in 2017 to raise awareness of the importance of research in improving the **well-being of people** and to recognise the efforts of scientists who dedicate their lives to fighting disease and protecting one of our most valued assets: our own health. They are the **Essentials**.

The Foundation has also deepened its commitment to **scientific progress** through its ongoing support for research into Alzheimer's, AIDS, neurodegenerative diseases and cardiovascular conditions.

A total of **6 million people** visited the different cultural, scientific and educational programmes and events organised across all of Spain by "la Caixa" Welfare Projects in 2017, up **13%** year on year. These impressive figures have been reached while maintaining unrivalled levels of cultural and scientific outreach –another priority under the Strategic Plan.

At CaixaForum, Barcelona, the exhibition titled **Andy Warhol. Mechanical Art** was the most visited event during the year. Turning to CosmoCaixa, the Science Museum of Welfare Projects in Barcelona, highlights for the year included the unveiling of **T. rex**, the fossil of a dinosaur that inhabited the Earth some 67 million years ago. Meanwhile, at CaixaForum Madrid the most popular exhibition was **Ramon Casas. A much-yearned modernity**.



## Key Group figures

€ million	January - December		Year-on-year	Quarter-on-quarter	
	2017	2016		4Q17	
<b>INCOME STATEMENT</b>					
Net interest income	4,746	4,157	14.2%	1,196	(0.4%)
Net fee and commission income	2,499	2,090	19.5%	632	2.6%
Gross income	8,222	7,827	5.1%	1,731	(21.7%)
Recurring administrative expenses, depreciation and amortisation	(4,467)	(3,995)	11.8%	(1,124)	(0.2%)
Pre-impairment income stripping out extraordinary expenses	3,755	3,832	(2.0%)	607	(44.0%)
Pre-impairment income	3,645	3,711	(1.8%)	606	(44.0%)
Profit/(loss) before tax	2,098	1,538	36.4%	236	(72.4%)
Profit/(loss) attributable to the Group	1,684	1,047	60.9%	196	(69.8%)
<b>BALANCE SHEET</b>					
€ million	December 2017	September 2017	December 2016	Quarter-on-quarter	Year-to-date
Total assets	383,186	379,112	347,927	1.1%	10.1%
Equity	24,683	24,992	23,556	(1.2%)	4.8%
Customer funds	349,458	350,014	303,895	(0.2%)	15.0%
Loans and advances to customers, gross	223,951	225,166	204,857	(0.5%)	9.3%
<b>EFFICIENCY AND PROFITABILITY (last 12 months)</b>					
Cost-to-income ratio	55.7%	53.1%	52.6%	2.6	3.1
Cost-to-income ratio stripping out extraordinary expenses	54.3%	51.8%	51.0%	2.5	3.3
ROE	6.9%	6.6%	4.5%	0.3	2.4
ROTE	8.4%	8.0%	5.6%	0.4	2.8
ROA	0.5%	0.4%	0.3%	0.1	0.2
RORWA	1.1%	1.0%	0.8%	0.1	0.3
<b>RISK MANAGEMENT</b>					
Non-performing loans (NPL)	14,305	15,286	14,754	(981)	(449)
Non-performing loan ratio	6.0%	6.4%	6.9%	(0.4)	(0.9)
Cost of risk (last 12 months) <sup>1</sup>	0.34%	0.41%	0.46%	(0.07)	(0.12)
Provisions for non-performing loans	7,135	7,630	6,880	(495)	255
NPL coverage ratio	50%	50%	47%		3
Net foreclosed available for sale real estate assets <sup>2</sup>	5,878	6,145	6,256	(267)	(378)
Foreclosed available for sale real estate assets coverage ratio	58%	58%	60%		(2)
<b>LIQUIDITY</b>					
Total Liquid Assets	72,775	71,581	50,408	1,194	22,367
Loan to deposits	108%	107%	111%	1	(3)
Liquidity Coverage Ratio	202%	213%	160%	(11)	42
<b>CAPITAL ADEQUACY</b>					
Fully-loaded Common Equity Tier 1 (CET1)	11.7%	11.7%	12.4%		(0.7)
Fully-loaded Tier 1	12.3%	12.3%	12.4%		(0.1)
Fully-loaded total capital	15.7%	15.8%	15.4%	(0.1)	0.3
Fully-loaded Risk-Weighted Assets (RWAs)	148,626	149,448	134,385	(822)	14,241
Fully-loaded leverage ratio	5.3%	5.4%	5.4%	(0.1)	(0.1)
Common Equity Tier 1 (CET1)	12.7%	12.7%	13.2%		(0.5)
<b>SHARE INFORMATION</b>					
Share price (€/share)	3.889	4.240	3.140	(0.351)	0.749
Market capitalization	23,248	25,346	18,768	(2,098)	4,480
Book value per share (€/share)	4.06	4.11	3.94	(0.05)	0.12
Tangible book value per share (€/share)	3.35	3.40	3.26	(0.05)	0.09
Number of outstanding shares excluding treasury stock (millions)	5,978	5,978	5,977		1
Net income attributable per share (€/share) (12 months)	0.28	0.26	0.18	0.02	0.10
Average number of shares excluding treasury stock (millions) (12 months)	5,978	5,961	5,842	17	136
PER (Price/Profit)	14.02	16.30	17.52	(2.28)	(3.50)
Tangible PBV (Market value/ book value of tangible assets)	1.16	1.25	0.96	(0.09)	0.20
<b>OTHER DATA (units)</b>					
CaixaBank Group Employees	36,972	37,304	32,403	(332)	4,569
Branches <sup>3</sup>	5,379	5,397	5,027	(18)	352
of which: CaixaBank retail branches	4,681	4,697	4,851	(16)	(170)
CaixaBank Customers (millions)	13.8	13.8	13.8		

(1) The ratio excludes the release of €676 million in provisions carried out in the fourth quarter of 2016.

(2) Exposure in Spain.

(3) Does not include branches outside Spain or representative offices.

# [ Results ]

## Income statement

### Year-on-year

€ million	Group			CABK		BPI
	2017	2016	Chg. in %	2017	Chg. in %	2017
<b>Net interest income</b>	<b>4,746</b>	<b>4,157</b>	<b>14.2</b>	<b>4,369</b>	<b>5.1</b>	<b>377</b>
Dividend income	127	199	(35.9)	120	(39.2)	7
Share of profit/(loss) of entities accounted for using the equity method	526	629	(16.3)	421	(33.0)	105
Net fee and commission income	2,499	2,090	19.5	2,223	6.3	276
Gains/(losses) on financial assets and liabilities and others	282	848	(66.7)	259	(69.5)	23
Income and expense arising from insurance or reinsurance contracts	472	311	51.9	472	51.9	
Other operating income and expense	(430)	(407)	5.6	(412)	1.1	(18)
<b>Gross income</b>	<b>8,222</b>	<b>7,827</b>	<b>5.1</b>	<b>7,452</b>	<b>(4.8)</b>	<b>770</b>
Recurring administrative expenses, depreciation and amortisation	(4,467)	(3,995)	11.8	(4,035)	1.0	(432)
Extraordinary expenses	(110)	(121)	(8.7)	(4)	(96.7)	(106)
<b>Pre-impairment income</b>	<b>3,645</b>	<b>3,711</b>	<b>(1.8)</b>	<b>3,413</b>	<b>(8.0)</b>	<b>232</b>
<b>Pre-impairment income stripping out extraordinary expenses</b>	<b>3,755</b>	<b>3,832</b>	<b>(2.0)</b>	<b>3,417</b>	<b>(10.8)</b>	<b>338</b>
Allowance for insolvency risk	(799)	(314)		(831)		32
Other charges to provisions	(912)	(755)	20.8	(909)	20.4	(3)
Gains/(losses) on disposal of assets and others	164	(1,104)		165		(1)
<b>Profit/(loss) before tax</b>	<b>2,098</b>	<b>1,538</b>	<b>36.4</b>	<b>1,838</b>	<b>19.5</b>	<b>260</b>
Income tax expense	(378)	(482)	(21.7)	(324)	(32.8)	(54)
<b>Profit/(loss) after tax</b>	<b>1,720</b>	<b>1,056</b>	<b>62.9</b>	<b>1,514</b>	<b>43.4</b>	<b>206</b>
Profit/(loss) attributable to minority interest and others	36	9		6	(32.7)	30
<b>Profit/(loss) attributable to the Group</b>	<b>1,684</b>	<b>1,047</b>	<b>60.9</b>	<b>1,508</b>	<b>44.1</b>	<b>176</b>