

A modern office lounge with blue chairs and wooden tables. The room features light-colored wood flooring, white walls, and large windows. In the background, there are black armchairs and a small round table. A person is visible in the distance. The overall atmosphere is clean and professional.

Business activity and results

January-June
2019

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Note: The financial information contained in this document is unaudited and, accordingly, is subject to change. The income statement and the consolidated balance sheet and the corresponding breakdowns of those statements provided in this report, are presented under management criteria, but have still been prepared in accordance with International Financial Reporting Standards (IFRS-EU) as adopted by the European Union under the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as subsequently modified. In preparing these statements, Circular 4/2017 of the Bank of Spain of 6 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.

This report has been prepared from the accounting records of CaixaBank, S.A. and the other Group companies, and includes certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank. For this reason, and specifically in the case of BPI, the information contained in this document does not coincide with certain aspects presented in BPI's publication of financial information. Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.

Figures are presented in millions of euros unless the use of another monetary unit is stated explicitly, and may be expressed as either million euros or € million.

In accordance with the Guidelines on Alternative Performance Measures (APMs) published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057), the appendices hereto provide the definition of certain alternative financial measures and, where appropriate, the reconciliation with the items contained on the financial statements for the period in question.

In accordance with the Amendments to *IFRS 4: Applying IFRS 9 Financial Instruments*, the adoption of IFRS 9 can be deferred for insurers that belong to a financial conglomerate. In fact, the Group has decided to apply temporary exemption from IFRS 9 in respect of the financial investments of the Group's insurance firms for all periods that come before 1 January 2021 as it awaits the entry into force of the new IFRS 17: Insurance Contracts, which will govern the presentation and measurement of insurance contracts (including technical provisions). Accordingly, the information shown below does not reflect the change of accounting policy in relation to the investments undertaken by the Group's insurance firms, which are grouped under the heading 'Assets associated with the insurance business' on the balance sheet. For the purpose of facilitating the comparison of information, the balances of the technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed) have also been reclassified, in order to include them under the heading 'Liabilities under the insurance business'.

Commercial positioning

CaixaBank Group

15.6

million customers

406,007

in total assets (€ million)

29.3%

market penetration among individual customers in Spain

26.3%

market penetration as main bank among individual customers in Spain

380,864

in customer funds (€ million)

230,867

in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

87,574

in total liquid assets (€ million)

195%

liquidity coverage ratio (LCR), average 12 months

CAPITAL ADEQUACY

11.6%

CET1

15.3%

Total Capital

21.2%

MREL

RISK MANAGEMENT

4.2%

NPL ratio

54%

NPL coverage ratio

Profitability and cost-to-income

295

Banking and insurance

622

profit attributable to the Group (€ million)

229

Equity investments

98

BPI

55.4%

cost-to-income ratio, stripping out extraordinary expenses

6.0%

ROTE

9.4%

Stripping out extraordinary expenses

9.8%

recurring ROTE for the banking and insurance business

Key Group figures

€ million / %	January - June		Year-on-year	2Q19	Quarter-on-quarter
	2019	2018			
INCOME STATEMENT					
Net interest income	2,478	2,432	1.9%	1,241	0.2%
Net fee and commission income	1,248	1,293	(3.5%)	636	4.0%
Gross income	4,445	4,654	(4.5%)	2,336	10.8%
Recurring administrative expenses, depreciation and amortisation	(2,408)	(2,304)	4.5%	(1,204)	-
Pre-impairment income	1,059	2,342	(54.8%)	154	(83.0%)
Pre-impairment income stripping out extraordinary expenses	2,037	2,350	(13.3%)	1,132	25.0%
Profit/(loss) attributable to the Group	622	1,298	(52.1%)	89	(83.4%)
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	67.0%	53.1%	13.9	67.0%	12.3
Cost-to-income ratio stripping out extraordinary expenses	55.4%	53.0%	2.4	55.4%	1.0
ROE ¹	4.9%	8.6%	(3.7)	4.9%	(2.2)
ROTE ¹	6.0%	10.5%	(4.5)	6.0%	(2.7)
ROA	0.3%	0.6%	(0.3)	0.3%	(0.1)
RORWA	0.8%	1.4%	(0.6)	0.8%	(0.4)
OTHER INDICATORS					
	June 2019	December 2018	Year-to-date	March 2019	Quarter-on-quarter
BALANCE SHEET					
Total assets	406,007	386,622	5.0%	404,136	0.5%
Equity	23,984	24,058	(0.3%)	24,750	(3.1%)
Customer funds	380,864	358,482	6.2%	369,463	3.1%
Loans and advances to customers, gross	230,867	224,693	2.7%	226,432	2.0%
RISK MANAGEMENT					
Non-performing loans (NPL)	10,402	11,195	(793)	10,983	(581)
Non-performing loan ratio	4.2%	4.7%	(0.5)	4.6%	(0.4)
Cost of risk (last 12 months)	0.02%	0.04%	(0.02)	0.03%	(0.01)
Provisions for insolvency risk	5,608	6,014	(406)	5,908	(300)
NPL coverage ratio	54%	54%	-	54%	-
Net foreclosed available for sale real estate assets ²	863	740	123	813	50
Foreclosed available for sale real estate assets coverage ratio	39%	39%	-	39%	-
LIQUIDITY					
Total Liquid Assets	87,574	79,530	8,044	86,018	1,556
Liquidity Coverage Ratio (last 12 months)	195%	196%	(1)	198%	(3)
Net Stable Funding Ratio (NSFR)	124%	117%	7	121%	3
Loan to deposits	100%	105%	(5)	102%	(2)
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	11.6%	11.5%	0.1	11.6%	-
Tier 1	13.1%	13.0%	0.1	13.1%	-
Total capital ³	15.3%	15.3%	-	15.3%	-
MREL	21.2%	18.9%	2.3	20.2%	1.0
Risk-Weighted Assets (RWAs) ³	147,184	145,942	1,242	148,777	(1,593)
Leverage ratio	5.5%	5.5%	-	5.5%	-
SHARE INFORMATION					
Share price (€/share)	2.518	3.164	(0.646)	2.784	(0.266)
Market capitalization	15,053	18,916	(3,863)	16,642	(1,589)
Book value per share (€/share)	4.01	4.02	(0.01)	4.14	(0.13)
Tangible book value per share (€/share)	3.30	3.30	-	3.42	(0.12)
Net income attributable per share (€/share) (12 months)	0.20	0.32	(0.12)	0.29	(0.09)
PER (Price/Profit)	12.60	9.95	2.65	9.68	2.92
Tangible PBV (Market value/ book value of tangible assets)	0.76	0.96	(0.20)	0.81	(0.05)
OTHER DATA (units)					
Employees	37,510	37,440	70	37,503	7
Branches ⁴	4,916	5,103	(187)	5,033	(117)

(1) As of 2019, ROE and ROE calculation includes valuation adjustments in the denominator, re-expressed 2018. See 'Appendices-Glossary'. ROE without extraordinary expenses at 30 June 2019 is 9.4%.

(2) Exposure in Spain.

(3) Data at December 2018 updated using the latest official information.

(4) Does not include branches outside Spain and Portugal or representative offices.

Key information

Our Bank

The **2019-2021 Strategic Plan's vision is to make the Bank a leading and innovative financial group** with the best customer service, while making it a benchmark for socially responsible banking. The strategic lines of the plan are as follows:

Customer experience

- Unique omnichannel distribution platform with multi-product capabilities that continuously evolves to anticipate customer needs and preferences.

With upwards of **13.7 million customers in Spain**, CaixaBank is the main bank for one out of every four retail customers. It has a market penetration¹ among individual customers of 29.3% and for 26.3% CaixaBank is their main bank.

Our service vocation helps us establish solid market shares² in the main products and services:

Loans	Deposits	Payroll deposits	Investment funds	Saving insurances	Pension plans	Card turnover	Consumer lending
15.6%	15.3%	27.3%	16.8%	27.6%	24.6%	23.4%	16.1%

In 2019 Global Finance and Euromoney recognised CaixaBank as the **Best bank in Spain**.

Global Finance also acknowledges CaixaBank as the **Best bank in Western Europe**, assessing factors such as growth, financial soundness and product and service innovation.

- BPI also boasts a customer base of over **1.9 million in Portugal**, with a market share³ of 10.2% in loans and 11.3% in customer funds.

Digital transformation

- CaixaBank continues to strengthen its **leadership of the digital banking market**, where it has 59.4% **digital customers**⁴ in Spain (6.3 million customers).
- Global Finance recognised CaixaBank as **Most innovative bank in Western Europe**, Financial Times as **Best private bank in the world** for its innovation in digital client communication and Euromoney as **Best bank transformation in Europe**.
- The world's first financial institution to offer its customers the ability to use **facial recognition** to withdraw cash at ATMs, without having to enter their PIN. Based on biometric technology, it offers an enhanced user experience and provides further security in transactions.

People centric culture

- **Our staff** are the heart of the organisation and employ new working methods that are more flexible and collaborative.
- CaixaBank has been added to the **2019 Bloomberg Gender-Equality Index**, which distinguishes companies committed to transparency in gender reporting and advancing equality between men and women in the workplace.

(1) Latest information available. Source: FRS Inmark.

(2) Latest information available. Market shares in Spain. Data prepared in-house. Source: Bank of Spain, Social Security, INVERCO, ICEA and Sistemas de tarjeta y medios de pago. Lending and deposits market share corresponding to the resident private sector.

(3) Latest information available. Data prepared in-house (includes deposits, mutual funds, capitalisation insurance, PPRs and OTRVs). Source: Banco de Portugal, APS, APFIPP.

(4) Individual customers between 20-74, with at least one transaction in CaixaBankNow in the last 12 months.

Responsible management and social commitment

- Featured on the main **sustainability indexes**: Dow Jones Sustainability Index, FTSE4Good, Ethibel Sustainability Index Excellence Europe, MSCI Global Sustainability Indexes and Advanced Sustainable Performance Indices.
- Euromoney recognised CaixaBank as Most responsible bank in Europe and Merco named CaixaBank the **Best** Spanish financial sector **institution** in **corporate social responsibility and corporate governance** in 2018.

Attractive return and solid financials

Results and business activity

- **Attributable profit for the first half of 2019 reached €622 million** (-52.1% year on year).

Its **performance** was mainly impacted by the **labour agreement** reached in the second quarter, which entailed an expense of €978 million (€685 million, net). **Excluding this impact, the company's profit increased 0.7% when compared to the same period of last year.**

- **Total funds** grew to €380,864 million **(+6.2 % in 2019)**.
- Total **loans and advances to customers, gross** came to €230,867 million (+2.7% in the year), while the **performing portfolio was up 3.3%** (+2.5%, excluding the pension prepayments in the second quarter).

Risk management

- Non-performing balances were down €793 million in the first half of 2019, bringing the **NPL ratio** down to **4.2%** (-46 basis points in 2019).
- The **coverage ratio** remained at **54%**.

Capital management

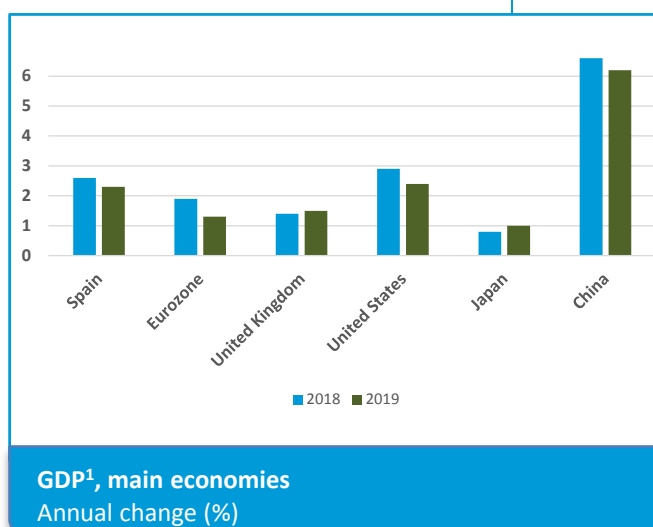
- The **Common Equity Tier 1 (CET1) ratio** remained at **11.6 % at 30 June 2019**. Excluding the extraordinary impacts of the first quarter (-11 basis points due to the first-time application of the IFRS 16 regulation and -5 basis points due to of higher capital requirements on financing of real estate assets), the semester registered +14 basis points due to organic generation of capital (+1 basis point in the quarter) and +7 basis points mostly caused by the positive performance of the markets and other impacts (-5 basis points in the quarter).
- The **Tier 1** ratio remained at **13.1%**. Since last year, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the capital regulations.
- The **Total Capital ratio** stood at **15.3%**.
- Meanwhile, the leverage ratio was 5.5%.
- With regard to the MREL requirement (22.5% of the risk-weighted assets at a consolidated level as of 1 January 2021), at 30 June, CaixaBank had an risk-weighted assets ratio of 21.2% taking into account all the liabilities currently eligible by the Single Resolution Board. Notably, an issue of €1,250 million of Senior non-preferred debt were carried out this quarter.

Macroeconomic trends and state of the financial markets

Global economic outlook

The indicators suggest that the **overall activity** in the second quarter of 2019 has maintained a slightly slower rate of progress than last year (an estimated 3.2% on the 3.3% of the fourth quarter of 2018), held back by a more volatile financial environment and the rise in trade tensions (with the threat of new tariffs and other barriers to trade between the US and China). However, the indicators of the major international economies have been reasonably positive in this less favourable environment. With regard to the emerging economies, the information on China's activity suggest that the different monetary and fiscal stimulus measures implemented by the authorities have mitigated the negative effects resulting from the trade tensions, especially on the external and industrial sectors. On the other hand, the strong economy of the US continues to stand out amongst the advanced economies, an economy with full employment and contained inflationary pressures.

For the rest of the year, CaixaBank Research forecasts that the world's economy will continue growing at a rhythm slightly higher than 3%. However, risk factors that have intensified in previous quarters, especially those of geopolitical nature, will continue shadowing over the scenario. The main central banks indicated in June that they will implement adjustments aimed at reinforcing the economic and financial environment if this climate of uncertainty continues. Specifically, the Fed, supported by the margin provided by the contained inflationary pressures, may reduce once or twice their benchmark interest rates in the final stretch of the year, with the aim of countering the impact of the global uncertainties with a more flexible financial environment.



(1) Forecasts for 2019 made by CaixaBank Research.

Economic scenario - Europe, Spain and Portugal

The **eurozone** continues to grow at a modest pace (slightly above 1%), stalled by temporary and external factors (moderate international trade, uncertain domestic and global politics and the production disruptions in the automotive sector). The persistence of these temporary drags on the economy, among of which the continued uncertainty over the Brexit is also particularly noteworthy (in which beyond the parliamentary majority against a disorderly exit, the difficulties encountered to approve an exit agreement allow for a wide range of possibilities), forecasts that the eurozone will maintain a moderate but sustained pace of growth for the remainder of the year (close to 1.5%). In this context, the ECB indicated that it could respond to this continuation of uncertainties with new stimulus measures, which may involve reductions of the interest rate on the deposit facility and a new delay in the indicative date for the first increase of rates to the end of 2020 or mid-2021. These measures, together with the new round of liquidity injections, which will start in September, will contribute to providing the European economic and financial environment with further resilience.

The Spanish and Portuguese economies have weathered the global economic downturn better than their partners. Specifically, in **Spain** the GDP climbed a solid 2.4% in the first quarter of 2019 (2.3% in the fourth quarter of 2018), and indicators suggest that there will be a similar trend in the second quarter. Likewise, **Portugal**'s GDP grew by 1.8% in the first quarter of 2019 (1.7% in the fourth quarter of 2018) and the information available on its activity suggests that this growth rate will continue. In both cases these positive figures are the result of a contrast between the solid performance of the domestic demand, well supported by both their dynamic labour markets and investment, and a deterioration of the external sector's contribution to the growth so far this year, which is moderate in Spain and somewhat more accentuated in Portugal.

As regards to the remainder of the year, the **Spanish economy** is expected to maintain a moderate growth above 2% (clearly higher than the European average), although lower than the rhythm experienced in previous years mainly due to the fading of temporary tail winds. In light of the labour market's strong performance and the continuity of a scenario of low interest rates, the internal demand will remain the main driving force for economic growth, especially thanks to the contribution of domestic consumption and investment. The external demand, which has been penalised by the trade tensions and the slower growth of the eurozone, will probably continue to contribute moderately while these obstacles continue to hinder the global environment. In **Portugal** forecasts indicate that the activity will continue to show growth rates similar to those in the first half of the year (close to, but slightly lower than, 2%). Similarly, Spain's economic growth will be supported by the buoyant domestic demand, while the external sector is expected to continue showing a negative trend, partly by the boost of imports resulting from investment in recent quarters, which even though it has a negative effect on the trade balance in the short term, it could have a positive impact on the potential for growth of the Portuguese economy in the medium term.

State of the financial markets

Following a first quarter of double-digit growth in the **stock markets**, the trend dropped sharply in the second quarter of 2019 with the breakdown of the trade negotiations between the US and China and the threat and imposition of new tariffs and other barriers to trade. As a result, the second quarter of the year was noted for a rise in volatility and an aversion to risk, and in some weeks the main stock indices accumulated losses close to 7%.

However, before the increased risks, the main central banks suggested the possibility of implementing a more flexible monetary policy for the final stretch of the year, especially with interest rate decreases in the US and liquidity injections in the Eurozone. This supported the recovery of stock market prices at the end of the second quarter, which helped the main indices close this second quarter in positive territory in the advanced economies (Dow Jones +2.6%, S&P 500 +3.8%, Eurostoxx 50 +3.6%) and practically without any losses in the emerging economies (MSCI for the emerging countries stands at -0.3%).

In the fixed income markets, firstly the aversion to the risk and then the expectation of a more flexible monetary policy by the Fed and the ECB caused a severe drop of the sovereign interest rates of the US, inverting the interest rate curve, and of the main Eurozone economies, not only in the Eurozone core (where the German 10-year interest rate decreased below -0.3%), but also in the periphery (where the risk premiums dropped to yearly lows).

Results

The Group's income statement

Year-on-year performance

€ million	1H19	1H18	Year-on-year	%
Net interest income	2,478	2,432	46	1.9
Dividend income	161	121	40	33.2
Share of profit/(loss) of entities accounted for using the equity method	209	503	(294)	(58.4)
Net fee and commission income	1,248	1,293	(45)	(3.5)
Trading income	261	293	(32)	(10.9)
Income and expense under insurance or reinsurance contracts	264	282	(18)	(6.4)
Other operating income and expense	(176)	(270)	94	(34.8)
Gross income	4,445	4,654	(209)	(4.5)
Recurring administrative expenses, depreciation and amortisation	(2,408)	(2,304)	(104)	4.5
Extraordinary expenses	(978)	(8)	(970)	
Pre-impairment income	1,059	2,342	(1,283)	(54.8)
Pre-impairment income stripping out extraordinary expenses	2,037	2,350	(313)	(13.3)
Allowances for insolvency risk	(204)	(248)	44	(17.6)
Other charges to provisions	(91)	(283)	192	(67.8)
Gains/(losses) on disposal of assets and others	(38)	(70)	32	(46.7)
Profit/(loss) before tax	726	1,741	(1,015)	(58.3)
Income tax expense	(104)	(401)	297	(74.1)
Profit/(loss) after tax	622	1,340	(718)	(53.6)
Profit/(loss) attributable to minority interest and others		42	(42)	
Profit/(loss) attributable to the Group	622	1,298	(676)	(52.1)

- **Attributable profit for the first half of 2019 reached €622 million**, down 52.1% year-on-year, mainly due to recording the **labour agreement in 2019 (+0.7% excluding this effect)**.

The **gross income** stood at €4,445 million with stability in core income¹, €4,084 million in 2019 (-0.2%).

The change in gross income (-4.5%) is mainly due to the reduction in the **Share of profit/(loss) of entities accounted for using the equity method** (-58.4%), which was a consequence of not accounting for Repsol's and BFA's profits and to the lower **extraordinary Trading income** in 2019 (-10.9%).

On the other hand, **Other operating income and expense** improved due to lower property expenses, as a result of the sale of the real estate business in 2018.

Recurring administrative expenses, depreciation and amortisation grew 4.5%.

Allowances for insolvency risk were down 17.6% when compared to last year.

The 51% Servihabitat repurchase transaction was included in 2018, which generated a loss of €-204 million (€-152 million recorded in **Other charges to provisions** and €-52 million in **Gains/(losses) on disposal of assets and others**), which explains the year-on-year evolution of these headings.

(1) Includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for Segurcaixa Adelas and income from the insurance investees of BPI.

Quarterly performance

€ million	2Q19	1Q19	Change %	2Q18	Change %
Net interest income	1,241	1,237	0.2	1,229	0.9
Dividend income	151	10		116	29.6
Share of profit/(loss) of entities accounted for using the equity method	102	107	(5.2)	237	(57.0)
Net fee and commission income	636	612	4.0	668	(4.7)
Trading income	213	48		157	36.8
Income and expense under insurance or reinsurance contracts	134	130	3.2	144	(6.9)
Other operating income and expense	(141)	(35)		(159)	(11.3)
Gross income	2,336	2,109	10.8	2,392	(2.3)
Recurring administrative expenses, depreciation and amortisation	(1,204)	(1,204)		(1,155)	4.3
Extraordinary expenses	(978)			(5)	
Pre-impairment income	154	905	(83.0)	1,232	(87.5)
Pre-impairment income stripping out extraordinary expenses	1,132	905	25.0	1,237	(8.5)
Allowances for insolvency risk	(81)	(123)	(34.7)	(109)	(25.9)
Other charges to provisions	(43)	(48)	(7.9)	(233)	(81.2)
Gains/(losses) on disposal of assets and others	(22)	(16)	30.2	(68)	(69.4)
Profit/(loss) before tax	8	718	(98.9)	822	(99.0)
Income tax expense	81	(185)		(219)	
Profit/(loss) after tax	89	533	(83.3)	603	(85.2)
Profit/(loss) attributable to minority interest and others				9	(93.4)
Profit/(loss) attributable to the Group	89	533	(83.4)	594	(85.1)

- **Excluding the impact of the labour agreement, the attributable profit grew 45.2% quarter on quarter.** The **pre-impairment income stripping out extraordinary expenses** increased 25.0% up to €1,132 million, boosted by the increase of gross income and stable costs.

The growth of **Gross income** (+10.8%) was driven by:

- The increase of core income up to €2,057 million (+1.5%).
- A higher **Dividend income** in the second quarter of 2019 (€104 and €46 million from Telefónica and BFA, respectively), as well as a higher **Trading income** due to the realisation of unrealised gains from fixed-income assets.
- **Other operating income and expense** includes the contribution of €-103 million paid to the Single Resolution Fund (SRF) in the second quarter of 2019.

Lower **Allowances for insolvency risk** and **Other charges to provisions**.

- When compared to **the same quarter of 2018, the attributable profit excluding extraordinary expenses grew 30.3%.**

The drop in **Gross income** (-2.3%) was mainly due to the lower core income (-1.2%; impacted by lower one-off fees and commissions from investment banking) and **Share of profit/(loss) of entities** (-57.0%) following the aforementioned changes in scope.

In addition, there was a higher **Dividend income** (+29.6%) by recognising BFA's dividend in the second quarter of 2019 and an increase in **Trading income** (+36.8%) due to the realisation of higher unrealised gains from fixed-income assets.

Recurring administrative expenses, depreciation and amortisation rose by 4.3% and **Extraordinary expenses** include the labour agreement for €978 million in the second quarter of 2019.

The second quarter of 2018 included the 51% Servihabitat repurchase transaction, which generated a loss of €-204 million (€-152 million recorded in **Other charges to provisions** and €-52 million in **Gains/(losses) on disposal of assets and others**).

Returns on average total assets¹

In %	2Q19	1Q19	4Q18	3Q18	2Q18
Interest income	1.79	1.76	1.81	1.77	1.83
Interest expense	(0.57)	(0.49)	(0.53)	(0.50)	(0.55)
Net interest income	1.22	1.27	1.28	1.27	1.28
Dividend income	0.15	0.01	0.02	0.00	0.12
Share of profit/(loss) of entities accounted for using the equity method	0.10	0.11	0.10	0.23	0.25
Net fee and commission income	0.63	0.63	0.67	0.66	0.70
Trading income	0.21	0.05	(0.05)	0.03	0.16
Income and expense under insurance or reinsurance contracts	0.13	0.13	0.14	0.14	0.15
Other operating income and expense	(0.14)	(0.03)	(0.23)	(0.03)	(0.17)
Gross income	2.30	2.17	1.93	2.30	2.49
Recurring administrative expenses, depreciation and amortisation	(1.19)	(1.24)	(1.21)	(1.19)	(1.20)
Extraordinary expenses	(0.96)	0.00	(0.01)	0.00	(0.01)
Pre-impairment income	0.15	0.93	0.71	1.11	1.28
Pre-impairment income stripping out extraordinary expenses	1.11	0.93	0.72	1.11	1.29
Allowances for insolvency risk	(0.08)	(0.13)	(0.05)	0.20	(0.11)
Other charges to provisions	(0.04)	(0.05)	(0.15)	(0.04)	(0.24)
Gains/(losses) on disposal of assets and others	(0.02)	(0.01)	(0.27)	(0.42)	(0.07)
Profit/(loss) before tax	0.01	0.74	0.24	0.85	0.86
Income tax expense	0.08	(0.19)	0.01	(0.33)	(0.23)
Profit/(loss) after tax	0.09	0.55	0.25	0.52	0.63
Profit/(loss) attributable to minority interest and others	0.00	0.00	0.03	0.04	0.01
Profit/(loss) attributable to the Group	0.09	0.55	0.22	0.48	0.62
Average total net assets (€ million)	406,725	393,767	384,500	388,276	385,155

(1) Annualised quarterly income/cost to total average assets.

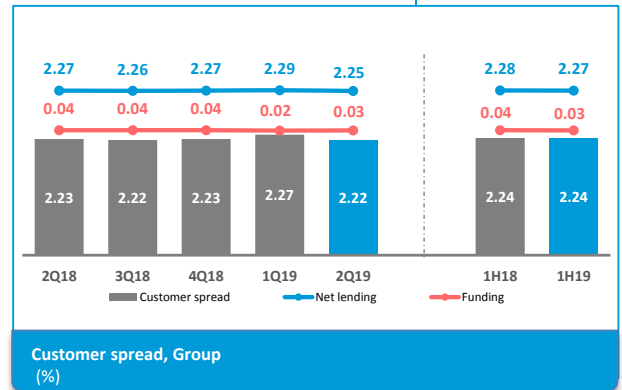
Gross income

Net interest income

- The **Net interest income** in the first half of 2019 totalled €2,478 million (+1.9% on the same period in 2018) mainly boosted by the increase of income from loans and lower retail and institutional financing expenses.

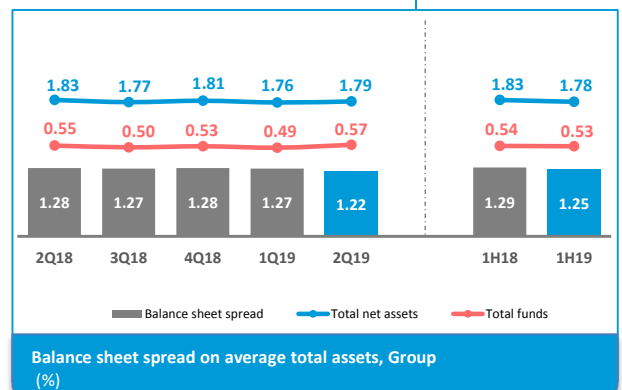
This growth was due to:

- Higher income from loans mainly due to a larger volume and the unchanged yield in an environment of negative interest rates.
- Sound management of retail funding, which involved a reduction in cost due to the cancellation of retail subordinated debt in June 2018 and to the reduction of 4 basis points in the cost of maturity deposits.
- Savings in the costs of institutional financing due to a lower price and the higher volume of the fixed income portfolio which compensates the yield drop.
- Greater contribution of the insurance business (savings products).

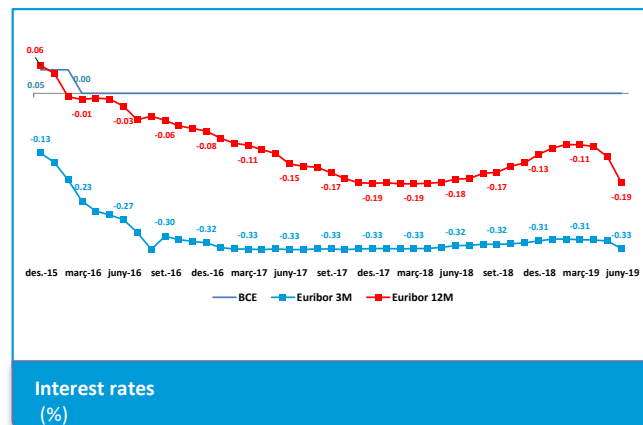


- Net interest income at the Group was up 0.2% **quarter on quarter** thanks to:

- Increased income due to a larger loan portfolio. Also supporting the growth in net interest income was the fact that this quarter had one more day than the previous quarter.
- Maintenance of the cost of demand deposits due to the stability of the rates in spite of the significant balance increase.
- Greater contribution of the insurance business.
- The improvement in the fixed-income yields and the lower cost of institutional financing compensate the negative impact resulting from the reduction of the fixed-income portfolio and the larger volume of funding.
- Negative impact due to the higher liquidity at negative rates.



The **customer spread** fell by 5 basis points in the quarter to 2.22%, mainly due to a reduction in the return on lending activity. The **balance sheet spread** came to 5 basis points below the previous quarter due to the increase of liquidity at negative rates. At the end of June, an early repayment of €13,410 million, corresponding to the TLTRO, was made without impacting the quarter's average balance or the future net interest income.



Quarterly cost and income

€ million	2Q19			1Q19			4Q18		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	31,860	46	0.58	23,555	44	0.76	20,980	45	0.85
Loans and advances (a)	212,858	1,196	2.25	210,726	1,188	2.29	208,608	1,195	2.27
Fixed income securities portfolio	36,524	93	1.02	39,323	90	0.93	36,067	90	1.00
Other assets with returns	60,071	472	3.15	56,592	383	2.75	54,478	416	3.03
Other assets	65,412	7	-	63,571	6	-	64,367	8	-
Total average assets (b)	406,725	1,814	1.79	393,767	1,711	1.76	384,500	1,754	1.81
Financial Institutions	42,221	(70)	0.67	42,505	(62)	0.60	41,475	(51)	0.49
Retail customer funds (c)	214,305	(16)	0.03	205,680	(13)	0.02	203,366	(20)	0.04
Demand deposits	181,765	(11)	0.02	173,969	(9)	0.02	171,236	(11)	0.03
Maturity deposits	32,540	(5)	0.07	31,711	(4)	0.05	32,130	(9)	0.12
Time deposits	29,274	(5)	0.07	29,004	(4)	0.06	29,343	(9)	0.13
Retail repurchase agreements and marketable debt securities	3,265	-	-	2,706	-	-	2,787	-	-
Wholesale marketable debt securities & other	28,694	(63)	0.88	26,734	(61)	0.92	25,935	(62)	0.95
Subordinated liabilities	5,400	(19)	1.40	5,400	(18)	1.36	5,723	(21)	1.44
Other funds with cost	68,421	(390)	2.29	65,286	(307)	1.91	63,100	(352)	2.21
Other funds	47,684	(15)	-	48,162	(13)	-	44,901	(12)	-
Total average funds (d)	406,725	(573)	0.57	393,767	(474)	0.49	384,500	(518)	0.53
Net interest income		1,241			1,237			1,236	
Customer spread (%) (a-c)		2.22			2.27			2.23	
Balance sheet spread (%) (b-d)		1.22			1.27			1.28	

€ million	3Q18			2Q18		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	23,981	45	0.74	22,360	43	0.76
Loans and advances (a)	208,805	1,190	2.26	208,857	1,182	2.27
Fixed income securities portfolio	35,261	92	1.03	34,365	98	1.14
Other assets with returns	54,667	393	2.85	55,369	431	3.12
Other assets	65,562	8	-	64,204	5	-
Total average assets (b)	388,276	1,728	1.77	385,155	1,759	1.83
Financial Institutions	43,893	(51)	0.46	44,052	(48)	0.44
Retail customer funds (c)	204,189	(18)	0.04	198,910	(18)	0.04
Demand deposits	170,106	(9)	0.02	164,979	(9)	0.02
Maturity deposits	34,083	(9)	0.11	33,931	(9)	0.11
Time deposits	31,022	(9)	0.12	31,849	(9)	0.11
Retail repurchase agreements and marketable debt securities	3,061	-	-	2,082	-	-
Wholesale marketable debt securities & other	25,941	(65)	1.00	27,200	(66)	0.97
Subordinated liabilities	6,150	(24)	1.55	7,404	(33)	1.77
Other funds with cost	63,557	(320)	2.00	63,780	(356)	2.24
Other funds	44,546	(11)	-	43,809	(9)	-
Total average funds (d)	388,276	(489)	0.50	385,155	(530)	0.55
Net interest income		1,239			1,229	
Customer spread (%) (a-c)		2.22			2.23	
Balance sheet spread (%) (b-d)		1.27			1.28	

To help readers interpret the information contained in this report, the following aspects should be taken into account:

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being TLTRO II income. Conversely, the heading financial intermediaries on the liabilities side shows the negative interest on the balances of financial intermediaries on the assets side. Only the net amount between income and expense for both headings has economic significance.
- "Other assets with returns" and "Other funds with cost" relate largely to the Group's life insurance activity.
- The balances of all headings except "Other assets" and "Other funds" correspond to balances with returns/cost. "Other assets" and "Other funds" incorporate balance items that do not have an impact on the net interest income and on returns and costs that are not assigned to any other item.
- Until the fourth quarter of 2018, BPI's interest rate hedges were accounted for at net value in the "Other funds" heading. As of the first quarter of 2019, the presentation criteria has been unified with the rest of the Group's, and the impacts are recognised in the headings that include the hedged elements. The reclassification had a positive impact on "Maturity deposits" and "Other funds" and a negative impact on Fixed income securities portfolio and Loans and advances.

Fees and commissions

- **Fee and commission income reached €1,248 million, -3.5%** on the same period of the previous year. **Good behaviour with respect to the first quarter (+4.0%), with positive performance of all income lines:**

- **Banking services, securities and other fees** amounted to €719 million (-3.0%). This includes income on securities, transactions, risk activities, deposit management, payment methods and investment banking.

The change versus the first half and the same quarter of 2018 is impacted, among others, by the drop in one-off investment banking transactions. Growth of 4.3% in the quarter mainly due to fees associated with methods of payment.

- The **fees and commissions from sale of insurance products** dropped when compared to 2018 (-10.4%), impacted by different timings of new product rollouts, with growth of 0.5% in the quarter.

- **Commissions from mutual funds, managed accounts and SICAVs** came to €257 million (-6.2%). This change was impacted by, among other factors, the reduction of the average net assets managed as a result of the markets' negative trend in the end of 2018.

The change with respect to the previous quarter (+3.0%) is due to, among others, the recovery of average assets managed.

- **Commissions from managing pension plans stand at €105 million (-2.6%)**. This year-on-year evolution was impacted by, among other factors, the entry into force of the limitation in pension plan management fees as of the second quarter of 2018.

Positive growth in the quarter (+5.8%) driven, among other aspects, by the increase in average assets.

- Growth in **Unit Link fees and commissions** in the year (+20.4%) and in the quarter (+9.3%).

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Banking services, securities and other fees	719	742	(3.0)	367	352	375	371	389
Sale of insurance products	110	123	(10.4)	55	55	52	52	62
Mutual funds, managed accounts and SICAVs	257	274	(6.2)	130	127	137	141	142
Pension plans	105	107	(2.6)	54	51	56	54	50
Unit Link and other ¹	57	47	20.4	30	27	25	27	25
Net fee and commission income	1,248	1,293	(3.5)	636	612	645	645	668

(1) Includes income corresponding to Unit Link and Flexible Investment Life Annuity (part managed).

Income from equity investments

- The **Dividend income** in the second quarter of both financial years includes Telefónica's dividend for €104 million. In addition, the second quarter of 2019 includes the recognition of €46 million corresponding to BFA, and the fourth quarter of 2018 a dividend of €23 million for the remaining investment in Repsol, on that date.

- The **Share of profit/(loss) of entities accounted for using the equity method** drops €294 million (-58.4%) on the same period of the previous year, mainly due to not accounting for Repsol's and BFA's profits in 2019 (€312 million accounted for in 2018). Stripping out this impact, the performance of this heading would have been positive (+9.4%).

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Dividend income	161	121	33.2	151	10	24	1	116
Share of profit/(loss) of entities accounted for using the equity method	209	503	(58.4)	102	107	101	222	237
Income from equity investments	370	624	(40.7)	253	117	125	223	353

Trading income

- **Trading income** reached €261 million (-10.9%), which includes in the second quarter, among others, the realisation of gains from fixed-income assets.

In 2018 it included the repricing of BPI's stake in Viacer as part of its divestment process and the result of the hedging transactions in connection with the subordinated bonds redeemed ahead of maturity.

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Trading income	261	293	(10.9)	213	48	(45)	30	157

Income and expense under insurance and reinsurance contracts

- Income derived from the life risk insurance activity reached €264 million, -6.4% in the year due to, among other factors different timings of new product rollouts. Growth of 3.2% with respect to the previous quarter.

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Income/expense under insurance or reinsurance contracts	264	282	(6.4)	134	130	132	137	144

Other operating income and expenses

- The year-on-year change of **Other operating income and expenses**, -34.8%, is essentially impacted by lower property expenses (Property Tax and maintenance and management costs from the portfolio of foreclosed assets), as a result of the sale of the real estate business in the fourth quarter of 2018.

The heading includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes. With regard to the latter, its timing generates a seasonal impact on the quarterly performance under this heading:

- The second quarter included the contribution to the Single Resolution Fund of €103 million¹ (€97 million in 2018).
- Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (estimated at €16 million for 2019 on the €48 million in 2018).
- Contribution to the Deposit Guarantee Fund (DGF) of €228 million reported in the fourth quarter.

(1) Includes BPI's contribution of €7 million to the Portuguese Resolution Fund (Fundo de Resolução).

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
SRF / DGF	(103)	(97)	6.2	(103)		(228)		(97)
Other real estate operating income and expense (including Spanish property tax)	(12)	(121)	(90.1)		(12)	(29)	3	(34)
Other	(61)	(52)	17.3	(38)	(23)	30	(30)	(28)
Other operating income and expense	(176)	(270)	(34.8)	(141)	(35)	(227)	(27)	(159)

Administration expenses, depreciation and amortisation

- **Recurring administrative expenses, depreciation and amortisation** stood at €2,408 million, +4.5%, stable when compared to the previous quarter. The year-on-year performance was impacted by:

- Personnel expenses increased by 4.2% due to their organic rise.
- General expenses dropped 2.6%, among other factors, due to the coming into force of the IFRS 16 (€75 million). Excluding this effect, greater expenditure due to the transformation of the distribution model (Store branches, inTouch), increased spending on technology, and new regulatory requirements have had an impact on its growth.

In the previous quarter, recognition of €7 million in property tax on buildings for own use.

- Depreciations and amortisations rose 29.6% as a result, among other factors, of the coming into force of the IFRS 16, which involves the recognition and subsequent amortisation of leased property usage rights and is compensated mainly by a reduction of general expenses.
- In the second quarter of 2019 **extraordinary expenses** included the agreement reached with the employee representatives regarding a plan of 2,023 compensated terminations, as well as other measures that provide further labour flexibility (longer opening hours, geographical reorganisation of the workforce, more Store and Business Bank branches, and more employees assigned to the inTouch remote service model, among other factors).

The impact on the second quarter's income statement reached €-978 million, gross. Employees will start leaving at the end of July and the majority of exits will be completed during the third quarter of 2019, which will result in cost savings (approximate savings of €200 million on an annual basis and €80 million in the second half of 2019).

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Gross income	4,445	4,654	(4.5)	2,336	2,109	1,866	2,247	2,392
Personnel expenses	(1,524)	(1,463)	4.2	(760)	(764)	(733)	(741)	(732)
General expenses	(624)	(641)	(2.6)	(312)	(312)	(331)	(320)	(324)
Depreciation and amortisation	(260)	(200)	29.6	(132)	(128)	(104)	(101)	(99)
Recurring administrative expenses, depreciation and amortisation	(2,408)	(2,304)	4.5	(1,204)	(1,204)	(1,168)	(1,162)	(1,155)
Extraordinary expenses	(978)	(8)		(978)		(13)	(3)	(5)

Cost-to-income ratio ¹	2Q19	1Q19	4Q18	3Q18	2Q18
Cost-to-income ratio (%)	67.0	54.7	53.1	53.3	53.1
Cost-to-income stripping out extraordinary expenses (%)	55.4	54.4	52.9	53.2	53.0
Core cost-to-income ratio ² (%)	57.7	56.9	56.4	56.3	56.5

(1) Last 12 months.

(2) Recurring administrative expenses, depreciation and amortisation (12 months) divided by Core income (12 months). See 'Annexes – Glossary'.

Allowances for insolvency risk and other charges to provisions

- **Allowances for insolvency risk** totalled €204 million, -17.6% on the same period of the previous year.

The following one-off impacts affected performance during the last quarters of 2018:

- Reversal of approximately €275 million in provisions in the third quarter of 2018 to update the recoverable value of the Group's exposure to a large borrower.
- In the fourth quarter of 2018 a positive one-off impact of €78 million after reviewing the expected credit losses associated with the credit risk adjustments made at the time BPI was acquired (€+22 million and €+19 million in the first quarter and second quarter of 2019, respectively).

The **cost of risk** (12 months) fell to **0.02%** (0.14% stripping out the reversal just mentioned of €275 million).

- **Other charges to provisions** shows mainly the coverage of future contingencies and impairment of other assets.

The second quarter of 2018 included the recognition of €-152 million resulting from the difference between the repurchase price from TPG for 51% of the real estate service and the fair value assigned to this holding at that given time.

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Allowances for insolvency risk	(204)	(248)	(17.6)	(81)	(123)	(47)	198	(109)
Other charges to provisions	(91)	(283)	(67.8)	(43)	(48)	(143)	(44)	(233)
Allowances for insolvency risk and other charges to provisions	(295)	(531)	(44.3)	(124)	(171)	(190)	154	(342)

Gains/(losses) on disposal of assets and others

- **Gains/(losses) on disposal of assets and others** includes, essentially, the results of completed one of transactions and proceeds on asset sales and write-downs, without any relevant aspects in the first half of 2019.

The year-on-year performance (-46.7%) mainly reflects the write-down in 2018 of the 49% stake previously held in Servihabitat so as to bring its book value in line with its new fair value (€-52 million).

The following one-off impacts affected performance during the last quarters of 2018:

- In the third quarter, recognition of the negative result derived from the agreement to sell the equity holding in Repsol (€-453 million) and the profit from the sale of the acquirer business (Point of Sale terminal - POS) of BPI to Comercia Global Payments (€+58 million).
- In the fourth quarter of 2018 formalisation of the sale of the real estate business (including expenses, taxes and other costs) for €-60 million, as well as €-154 million resulting from the change in the accounting classification of the stake held in BFA.

€ million	1H19	1H18	Year-on-year %	2Q19	1Q19	4Q18	3Q18	2Q18
Real estate results	(15)	(51)	(70.6)	(5)	(10)	(64)	(2)	(53)
Others	(23)	(19)	21.1	(17)	(6)	(194)	(405)	(15)
Gains/(losses) on disposal of assets and others	(38)	(70)	(46.7)	(22)	(16)	(258)	(407)	(68)

Business activity

Balance sheet

Total Group assets of €406,007 million at 30 June 2019, +0.5% in the quarter (+5.0% in the year):

€ million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
- Cash and cash balances at central banks and other demand deposits	17,067	23,857	(28.5)	19,158	(10.9)
- Financial assets held for trading	12,806	10,434	22.7	9,810	30.5
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss	573	638	(10.2)	704	(18.6)
<i>Equity instruments</i>	212	219	(3.2)	232	(8.6)
<i>Debt securities</i>	92	91	1.1	145	(36.6)
<i>Loans and advances</i>	269	328	(18.0)	327	(17.7)
- Financial assets at fair value with changes in other comprehensive income	20,359	26,145	(22.1)	21,888	(7.0)
- Financial assets at amortised cost	251,348	245,357	2.4	242,582	3.6
<i>Credit institutions</i>	6,648	8,533	(22.1)	7,555	(12.0)
<i>Customers</i>	227,700	219,713	3.6	217,967	4.5
<i>Debt securities</i>	17,000	17,111	(0.6)	17,060	(0.4)
- Derivatives - Hedge accounting	2,034	2,025	0.4	2,056	(1.1)
- Investments in joint ventures and associates	3,962	3,991	(0.7)	3,879	2.1
- Assets under the insurance business ¹	70,774	65,270	8.4	61,688	14.7
- Tangible assets ²	7,478	7,414	0.9	6,022	24.2
- Intangible assets	3,820	3,850	(0.8)	3,848	(0.7)
- Non-current assets and disposal groups classified as held for sale	1,285	1,290	(0.4)	1,239	3.7
- Other assets	14,501	13,865	4.6	13,748	5.5
Total assets	406,007	404,136	0.5	386,622	5.0
Liabilities	382,023	379,386	0.7	362,564	5.4
- Financial liabilities held for trading	11,514	9,705	18.6	9,015	27.7
- Financial liabilities at amortised cost	289,773	294,937	(1.8)	282,460	2.6
<i>Deposits from central banks and credit institutions</i>	26,965	41,831	(35.5)	37,440	(28.0)
<i>Customer deposits</i>	223,903	214,189	4.5	210,200	6.5
<i>Debt securities issued</i>	32,751	33,265	(1.5)	29,244	12.0
<i>Other financial liabilities</i>	6,154	5,652	8.9	5,576	10.4
- Liabilities under the insurance business ¹	68,298	63,779	7.1	60,452	13.0
- Provisions	5,484	4,421	24.0	4,610	19.0
- Other liabilities	6,954	6,544	6.3	6,027	15.4
Equity	23,984	24,750	(3.1)	24,058	(0.3)
- Shareholders' equity ³	25,218	25,832	(2.4)	25,384	(0.7)
- Minority interest	28	30	(6.7)	29	(3.4)
- Accumulated other comprehensive income ³	(1,262)	(1,112)	13.5	(1,355)	(6.9)
Total liabilities and equity	406,007	404,136	0.5	386,622	5.0

(1) In accordance with the Amendments to IFRS 4, the Group has decided to apply temporary exemption from IFRS 9 in respect of the financial investments of the Group's insurance firms for all periods that come before 1 January 2021 as it awaits the entry into force of the new IFRS 17: Insurance Contracts, which will govern the presentation and measurement of insurance contracts (including technical provisions). Accordingly, these investments are grouped under "Assets under the insurance business" on the balance sheet. To make the information more readily comparable, the Group has also grouped together the technical provisions relating to Unit Link and Flexible Investment Annuity (part under management), which are now reported jointly under 'Liabilities under the insurance business'.

(2) The change in this heading in the first half of the year is mainly due to the coming into force of IFRS 16 on 1 January 2019, which involves recognising the assets and liabilities related to leases on the leaseholder's balance sheet for the current value of the payments due in the lease agreement.

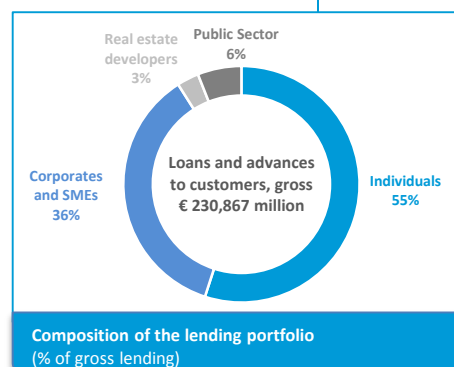
(3) The actuarial losses and gains previously recognised under the heading Shareholders' equity are shown under the heading Accumulated other Comprehensive Income. As a result of the change of accounting criterion, the equity figures corresponding to 31 December 2018 have been restated for comparison purposes, reclassifying €548 million under both headings, without any impact on total equity.

Loans and advances to customers using management criteria

Loans and advances to customers, gross stood at **€230,867 million** (+2.7%) and the **performing portfolio** gained 3.3% in 2019. Stripping out the seasonal impact of the pension prepayments made in June (€1,684 million), the **performing portfolio** grew 2.5% in the year.

Highlight changes by segment include:

- **Loans for home purchases** (-1.3% in the year and -0.6% in the quarter) continues to be marked by the deleveraging of families. However, there have been positive indicators of new growth in the last quarters.
- **Loans to individuals - other** was up 5.8% in 2019 and in the quarter, largely on the back of **consumer lending** activity (+8.2% in the year and 4.7% in the quarter) and the positive seasonal impact from the pension prepayments in the second quarter. Excluding the seasonal impact, loans to individuals - other was up 1.1% in the year and 1.0% in the quarter.
- Financing to the **Corporates and SMEs** was up 4.3% in 2019 (+2.5% in the quarter). The market share¹ for loans to businesses came to 14.8%.
- **Financing for real estate developers** dropped 2.8% in the year and the exposure to the **public sector** grew by +17.1%, although the change was affected by various one-off transactions.



€million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
Loans to individuals	127,944	126,446	1.2	127,046	0.7
Home purchases	90,482	91,038	(0.6)	91,642	(1.3)
Other	37,462	35,408	5.8	35,404	5.8
Of which: Consumer lending	14,003	13,380	4.7	12,946	8.2
Loans to business	89,074	87,248	2.1	85,817	3.8
Corporates and SMEs	82,951	80,943	2.5	79,515	4.3
Real estate developers ²	6,123	6,305	(2.9)	6,302	(2.8)
Public sector	13,849	12,738	8.7	11,830	17.1
Loans and advances to customers, gross³	230,867	226,432	2.0	224,693	2.7
Of which:					
Performing loans	220,925	215,914	2.3	213,962	3.3
Provisions for insolvency risk	(5,369)	(5,662)	(5.2)	(5,728)	(6.3)
Loans and advances to customers, net	225,498	220,770	2.1	218,965	3.0
Contingent Liabilities	15,688	14,802	6.0	14,588	7.5

(2) After a homogenisation of BPI's segmentation criteria with the Group's criteria, €527 million of real estate developer loans were resegmented at 2018 year-end mainly to financing for corporates and SMEs.

(3) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

(1) Latest information available. Data prepared in-house. Source: Bank of Spain. Market share in Spain.

Customer funds using management criteria

Customer funds came to **€380,864 million**, up +6.2% in 2019, impacted among other factors by the usual seasonal nature of the second quarter and the positive market performance, mainly in the first quarter of 2019.

- On-balance sheet funds stood at €276,876 million (+6.7%):
 - Demand deposits** increased to €189,951 million. Its growth (+9.0% in the year and +5.5% in the quarter) was down to, among others, the seasonal effect of double salary payments and the strength of the franchise.
 - Term deposits** totalled €30,813 million. Their yearly performance was impacted by the issue of a retail note in the previous quarter for €950 million with a 5-year maturity, which compensated the reduction of deposits in a backdrop of low interest rates on renewal of maturities.
 - Increase of **Insurance contract liabilities**¹ (+4.0% and +0.9% in the year and in the quarter, respectively) thanks to the evolution of the product portfolio and its adaptation to the customers' needs. The positive trend of the Unit Link stands out, growing 16.6% in the year and 5.0% in the quarter.

CaixaBank has cemented its leadership of the savings insurance market, with a share² of 27.6%.

- Assets under management** grew to €98,199 million. The increase in this heading (+4.5% in the year) was largely down to a more lively market performance following the slump seen at the end of the fourth quarter of 2018:

- The assets managed in **Mutual funds, managed accounts and SICAVs** stood at €66,513 million (+3.1% in the year, stable in the quarter).
- Pension plans** came to €31,686 million (+7.7% in the year and +2.3% in the quarter).

CaixaBank has a market share² of 16.8% in mutual funds, and 24.6% in pension plans.

- Other accounts, without any relevant changes, mainly includes temporary funds associated with transfers and collections, among others.

(1) Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Link and Flexible Investment Life Annuity (the part managed) products.

(2) Latest information available. Source: ICEA/INVERCO. Market share in Spain.

€ million	Jun 30, 2019	Mar 31, 2019	Var. %	Dec 31, 2018	Var. %
Customer funds	220,764	211,295	4.5	204,980	7.7
Demand deposits	189,951	180,033	5.5	174,256	9.0
Term deposits ³	30,813	31,262	(1.4)	30,724	0.3
Insurance contract liabilities	54,497	54,005	0.9	52,383	4.0
of which: Unit Link and other ⁴	10,559	10,056	5.0	9,053	16.6
Reverse repurchase agreements and other	1,615	1,374	17.5	2,060	(21.6)
On-balance sheet funds	276,876	266,674	3.8	259,423	6.7
Mutual funds, managed accounts and SICAVs	66,513	66,485	0.0	64,542	3.1
Pension plans	31,686	30,969	2.3	29,409	7.7
Assets under management	98,199	97,454	0.8	93,951	4.5
Other accounts	5,789	5,335	8.5	5,108	13.3
Total customer funds⁵	380,864	369,463	3.1	358,482	6.2

(3) Includes retail debt securities amounting to €1,773 million at 30 June 2019, of which €950 million correspond to the retail note issued in the first quarter of 2019.

(4) Includes technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed).

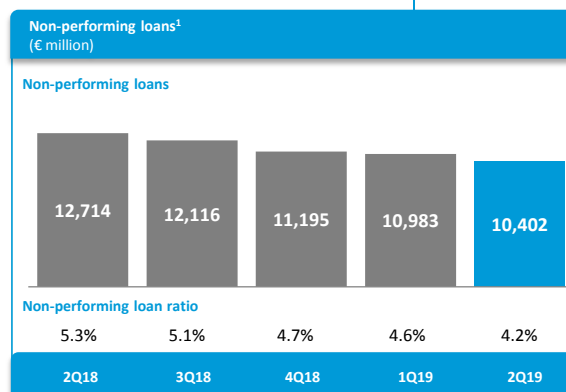
(5) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

Risk management

Credit risk quality

Non-performing loans

- The **NPL ratio dropped to 4.2%** (-46 basis points in the first half of the year).
- Non-performing loans have gone down €793 million** in the first semester (€-581 million in the quarter) standing at €10,402 million. In addition to the active management of the non-performing portfolio and the normalisation of the asset's quality indicators, the quarter includes portfolio sales.



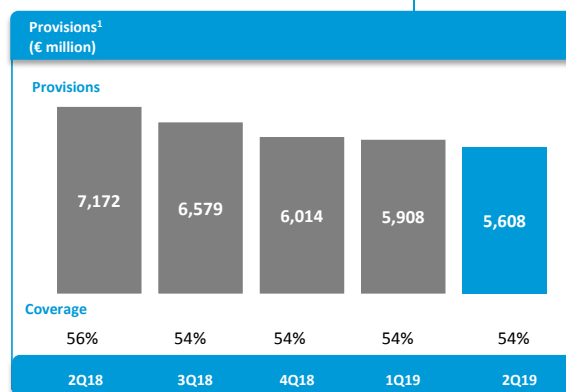
(1) Calculations include contingent liabilities and loans.

Non-performing assets (loans and contingent liabilities), additions and derecognitions

€ million	2Q18	3Q18	4Q18	1Q19	2Q19
Opening balance	13,695	12,714	12,116	11,195	10,983
Exposures recognized as non-performing (NPL-inflows)	806	886	996	799	668
Derecognitions from non-performing exposures	(1,787)	(1,484)	(1,917)	(1,011)	(1,249)
of which written off	(201)	(100)	(354)	(117)	(186)
Closing balance	12,714	12,116	11,195	10,983	10,402

Provisions for insolvency risk

- On 30 June 2019, **provisions for credit losses** stood at €5,608 million. The change in provisions in the period is largely down to the adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs.
- The **coverage ratio remained at 54%** (stable in the year).



Changes in provisions for insolvency risk

€ million	2Q18	3Q18	4Q18	1Q19	2Q19
Opening balance	7,597	7,172	6,579	6,014	5,908
Charges to provisions	109	(198)	47	123	81
Amounts used	(489)	(367)	(584)	(209)	(363)
Transfers and other changes	(45)	(28)	(28)	(20)	(18)
Closing balance	7,172	6,579	6,014	5,908	5,608

NPL ratio by segment

	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Loans to individuals	4.6%	4.7%	4.7%
Home purchases	3.7%	3.8%	3.8%
Other	6.8%	7.2%	7.2%
<i>of which: Consumer lending</i>	4.2%	4.2%	4.0%
Loans to business	4.5%	5.1%	5.4%
Corporates and SMEs	4.1%	4.5%	4.7%
Real estate developers	10.1%	12.9%	14.3%
Public sector	0.3%	0.4%	0.4%
NPL Ratio (loans and contingent liabilities)	4.2%	4.6%	4.7%

The change in the NPL ratio for "Loans to individuals-Other" at the end of the second quarter was mainly down to the pension prepayments, which pushes up and then decreases the volume of lending activity in the second and third quarters, respectively. Stripping out this effect, the NPL ratio for "Loans to individuals -other" in 2Q19 would have been 7.1%.

Classification by stages of gross lending and provisions

The following tables show loan book exposure as well as associated provisions, segmented by credit risk stage as per the applicable IFRS 9 regulation.

Jun 30, 2019	Loan book exposure				Provisions			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
€ million								
Loans and advances	205,662	15,263	9,942	230,867	(669)	(732)	(3,968)	(5,369)
Contingent Liabilities	14,571	657	460	15,688	(31)	(17)	(191)	(239)
Total loans and advances and contingent liabilities	220,233	15,920	10,402	246,555	(700)	(749)	(4,159)	(5,608)

Mar 31, 2019	Loan book exposure				Provisions			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
€ million								
Loans and advances	200,145	15,769	10,518	226,432	(677)	(733)	(4,252)	(5,662)
Contingent Liabilities	13,721	616	465	14,802	(32)	(18)	(196)	(246)
Total loans and advances and contingent liabilities	213,866	16,385	10,983	241,234	(709)	(751)	(4,448)	(5,908)

Dec 31, 2018	Loan book exposure				Provisions			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
€ million								
Loans and advances	197,618	16,344	10,731	224,693	(697)	(742)	(4,289)	(5,728)
Contingent Liabilities	13,499	625	464	14,588	(37)	(24)	(225)	(286)
Total loans and advances and contingent liabilities	211,117	16,969	11,195	239,281	(734)	(766)	(4,514)	(6,014)

Refinancing

€ million	Jun 30, 2019		Mar 31, 2019		Dec 31, 2018	
	Total	of which: NPL	Total	of which: NPL	Total	of which: NPL
Individuals	5,356	3,367	5,480	3,419	5,557	3,444
Corporates and SMEs	3,163	1,880	3,412	2,060	3,371	2,085
Real estate developers	768	441	958	616	1,017	649
Public sector	252	19	261	20	218	21
Total	9,539	5,707	10,111	6,115	10,163	6,199
Provisions	2,371	2,151	2,506	2,317	2,501	2,321

Foreclosed real estate assets

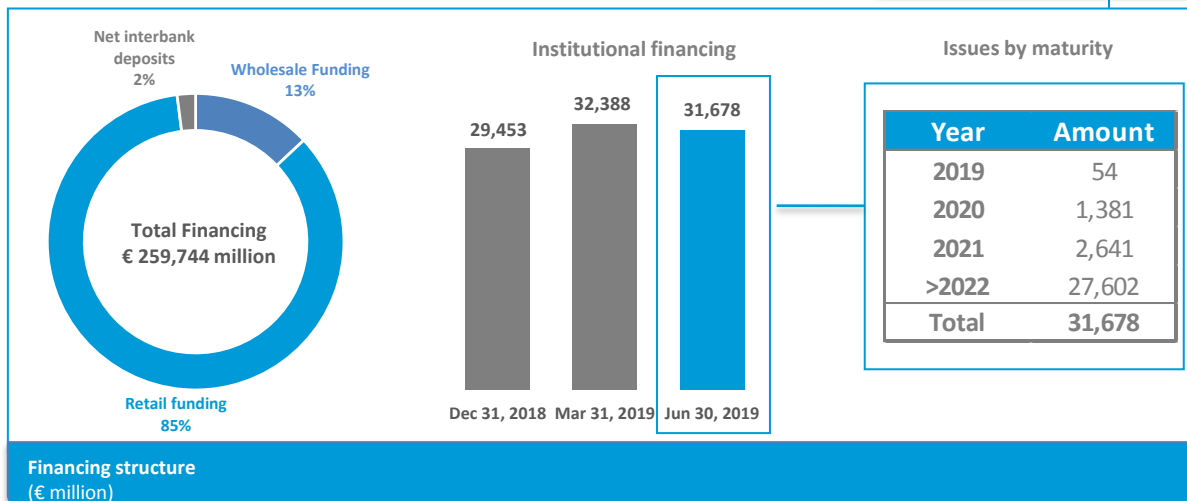
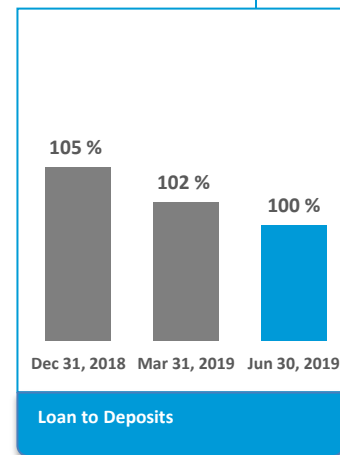
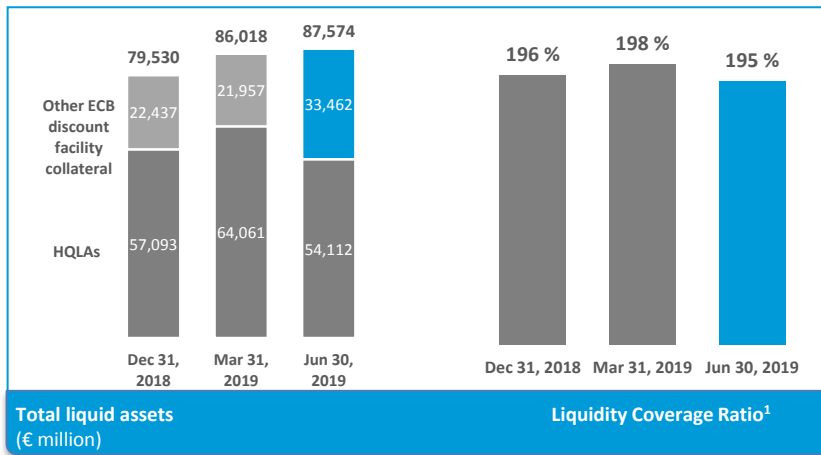
- The portfolio of **net foreclosed real estate assets available for sale**¹ in Spain amounted to €863 million (€+123 million in the year and €+50 million in the quarter). **The coverage ratio² was 39%** while the coverage ratio with accounting provisions² was 30%.
- Net foreclosed assets held for **rent** in Spain stood at €2,329 million (€-150 million in the year and €-79 million in the quarter).
- **Total real estate sales³ in 2019** amounted to €232 million.
- Meanwhile, **net foreclosed real estate assets at BPI** amounted to €21 million at 30 June 2019 (€-6 million in 2019 and €-4 million in the quarter).

(1) Does not include real estate assets in the process of foreclosure (€172 million, net, at 30 June 2019).

(2) See definition in 'Appendices - Glossary'.

(3) At sale price.

Liquidity and financing structure



- **Total liquid assets amounted to €87,574 million** at 30 June 2019, up €8,044 million in the year due to the evolution of the loan-deposit gap and the fact that new issues exceeded maturities.
- The Group's average **Liquidity Coverage Ratio (LCR)¹** at 30 June 2019 was **195 %**, well clear of the minimum requirement of 100% applicable from 1 January 2018 onward.
- The **Net Stable Funding Ratio (NSFR)²** stood at 124% at 30 June 2019.
- Solid retail financing structure with a **loan to deposits ratio of 100%**.
- The **balance drawn** under the ECB facility, which reached €28,183 million at 31 March 2019, dropped to **€14,773 million** at 30 June 2019 (€-13,410 million in the year due to the anticipated partial return of the TLTRO II).
- **Institutional financing³** of €31,678 million with **CaixaBank's successful access** to the markets during 2019 by issuing different debt instruments.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €6,033 million at the end of June 2019.

(1) Average for the last 12 months.

(2) Calculations applying the criteria established as per regulation (EU) 2019/876, to enter into force as of June 2021 (interpretation of the aforementioned criteria).

(3) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

Information on the Group's issuances in 2019

€ million						
Issue	Total amount	Amount	Maturity	Cost ¹	Demand ²	Issuer
Senior debt	1,000	1,000	7 years	1.195 % (midswap +0.90%)	2,250	CaixaBank
		1,000	5 years	2.47 % (midswap +2.25%)	2,400	CaixaBank
Senior non-preferred debt	2,300	50	10 years	2.00 % (midswap +1.56%)	Private	CaixaBank
		1,250	7 years	1.464 % (midswap +1.45%)	4,000	CaixaBank
Mortgage covered bonds ³	500	500	15 years	1.40 % (midswap +0.442%)	Private	CaixaBank
Obrigações hipotecárias	500	500	5 years	0.343 % (midswap +0.25%)	3,100	BPI

(1) Meaning the yield on the issuance.

(2) For the issuance of €1,250 million in Senior non-preferred debt, the maximum demand is indicated.

(3) The Mortgage Covered Bonds correspond to 6 private placements with an average weighted cost of 1.40%.

Following the end of June 2019, CaixaBank issued a private placement in yen for an equivalent amount of €82 million in Senior non-preferred debt with a coupon in JPY at 1.231%.

Collateralisation of mortgage covered bonds of CaixaBank, S.A.

€ million		Jun 30, 2019
Mortgage covered bonds issued	a	49,902
Loans and credits (collateral for mortgage covered bonds)	b	89,172
Collateralisation	b/a	179%
Overcollateralisation	b/a -1	79%
Mortgage covered bond issuance capacity⁴		3,579

(4) CaixaBank S.A. is also able to issue €2,454 million in regional public-sector covered bonds.

Capital management

- The **Common Equity Tier 1 (CET1)** ratio **remained at 11.6%¹ with respect to the previous quarter**. Excluding the extraordinary impacts of the first quarter (-11 basis points due to the first-time application of the IFRS 16 regulation and -5 basis points due to the adjustment to credit risk requirements for the speculative financing of property according to the applicable regulation²), the half year's growth registered +14 basis points due to organic generation of capital (+1 basis point in the quarter) and +7 basis points mostly caused by the positive performance of the markets and other impacts (-5 basis points in the quarter).
- These levels of CET1 lay the foundations for achieving the new capital objective set in the 2019-2021 Strategic Plan, which stands at approximately 12%, with an additional 1 percentage point prudential buffer being established until the end of 2021 to cover any future regulatory changes, including the end of the Basel 3 framework.
- The **Tier 1** ratio currently remains at **13.1%**. Since last year, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the capital regulations.
- The **Total Capital ratio** stood at **15.3%**.
- Meanwhile, the leverage ratio was 5.5%.
- With regard to the MREL requirement (22.5% of the risk-weighted assets at a consolidated level as of 1 January 2021), at 30 June CaixaBank had a risk-weighted assets ratio of 21.2% taking into account all the liabilities currently eligible³ by the Single Resolution Board. An issue of €1,250 million of Senior non-preferred debt and two other private issues of €50 million and €82⁴ million were carried out this quarter. At a subordinated level, primarily including Senior non-preferred debt, the MREL ratio reached 18.5%.
- Similarly, **CaixaBank is subject to minimum capital requirements** on a non-consolidated basis. The regulatory CET1 ratio under this perimeter was 13.3%, with risk-weighted assets (RWAs) totalling €132,943 million.
- **BPI** is also compliant with its minimum capital requirements. The bank's CET1 ratio at a sub-consolidated level stood at 13.4% at 30 June 2019.
- The decisions of the European Central Bank (ECB) and the national supervisor required the Group to maintain, during 2019, CET1⁵, Tier1 and Total Capital ratios of 8.77%, 10.27% and 12.27%, respectively.
- The Group's current level of capital adequacy confirm that the applicable requirements would not lead to any automatic restrictions of the capital adequacy regulations regarding the distribution of dividends, variable remuneration or interests to the holders of Additional Tier 1 capital securities (there is a margin of 279 basis points, equating to €4,110 million euros, until the Group's MDA trigger⁶).
- CaixaBank's dividends policy complies with the conditions outlined in the ECB recommendation published on 10 January 2019. Therefore, it does not present any limitations for the Company.

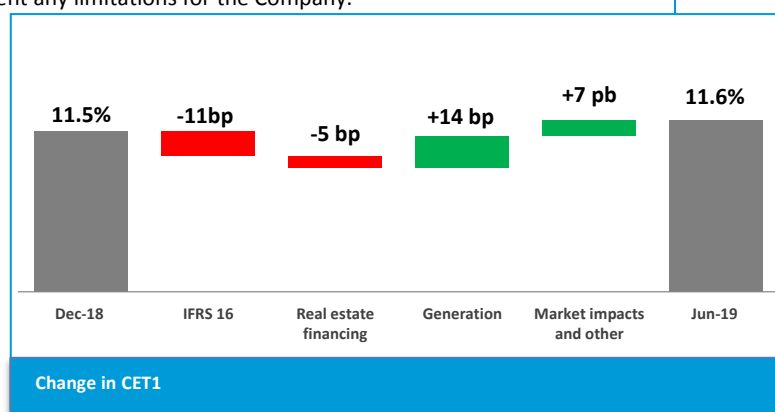
(1) From 1 January 2019, CaixaBank's capital ratios in a fully-loaded perspective are equal to the regulatory ratios.

(2) See article 128 of Regulation 575/2013 Capital Requirements Regulation (CRR).

(3) Among the liabilities eligible by the Single Resolution Board are the Senior preferred debt and other pari-passu liabilities.

(4) Settled on 3 July 2019.
(5) Includes the countercyclical buffer of 0.02% due to exposure in other countries (mainly the United Kingdom and Norway).

(6) See definition in 'Appendices - Glossary'.



Performance and key capital adequacy indicators

€million	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Quarter-on-quarter
CET1 Instruments	23,312	23,250	23,257	23,651	23,434	(217)
Shareholders' equity	25,132	25,581	25,384	25,832	25,218	(614)
Capital	5,981	5,981	5,981	5,981	5,981	0
Profit attributable to the Group	1,298	1,768	1,985	533	622	89
Reserves and other	17,853	17,832	17,418	19,318	18,615	(703)
Other CET1 Instruments ¹	(1,820)	(2,331)	(2,127)	(2,181)	(1,784)	397
Deductions from CET1	(6,490)	(6,312)	(6,457)	(6,396)	(6,418)	(22)
CET1	16,822	16,938	16,800	17,255	17,016	(239)
AT1 Instruments	2,232	2,233	2,233	2,234	2,235	1
AT1 Deductions	-	-	-	-	-	-
TIER 1	19,055	19,171	19,033	19,489	19,251	(238)
T2 Instruments	4,153	3,382	3,295	3,288	3,278	(10)
T2 Deductions	-	-	-	-	-	-
TIER 2	4,153	3,382	3,295	3,288	3,278	(10)
TOTAL CAPITAL	23,208	22,553	22,328	22,778	22,528	(250)
Other computable subordinated instruments. MREL ²	-	-	2,303	3,301	4,682	1,381
MREL, subordinated	-	-	24,631	26,079	27,210	1,131
Other computable instruments. MREL	-	-	2,943	4,001	4,001	-
MREL	-	-	27,574	30,080	31,211	1,131
Risk-weighted assets	147,754	148,826	145,942	148,777	147,184	(1,593)
CET1 Ratio	11.4%	11.4%	11.5%	11.6%	11.6%	-
Tier 1 Ratio	12.9%	12.9%	13.0%	13.1%	13.1%	-
Total Capital Ratio	15.7%	15.2%	15.3%	15.3%	15.3%	-
MREL Ratio, subordinated	16.6%	16.0%	16.9%	17.5%	18.5%	1.0%
MREL Ratio	-	-	18.9%	20.2%	21.2%	1.0%
Leverage Ratio	5.4%	5.6%	5.5%	5.5%	5.5%	-
CET1 Ratio - CABK (non-consolidated basis)	12.8%	12.6%	13.3%	13.1%	13.3%	0.2%
Tier 1 Ratio CABK (non-consolidated basis)	14.4%	14.2%	15.0%	14.8%	15.0%	0.2%
Total Capital Ratio - CABK (non-consolidated basis)	17.5%	16.7%	17.5%	17.3%	17.4%	0.1%
Risk-weighted assets (non-consolidated basis)	136,794	137,723	132,684	134,505	132,943	(1,562)
Profit/loss (non-consolidated basis)	510	780	1,163	370	551	181
ADIs ³	1,715	1,972	1,909	2,215	1,689	(526)
MDA Buffer- CABK (non-consolidated basis)	8,549	8,305	8,985	7,935	8,345	410
Leverage Ratio - CABK (non-consolidated basis)	6.1%	6.1%	6.3%	6.1%	5.9%	(0.2%)

From 1 January 2019, the regulatory and fully-loaded data are the same. The data shown for the non-consolidated of 2018 are regulatory. Data at December 2018 updated using the latest official information. Own funds have been restated.

(1) It mainly includes the forecast for dividends and OCI. The estimate of dividends for 2019 is 60% of the profit.

(2) An issue of €1,250 million of Senior non-preferred debt and two other private issues of €50 million and €82 million were carried out in the second quarter of 2019, the latter was settled on 3 July 2019.

(3) Does not include the share premium.

Segment reporting

This section shows financial information on the different businesses of the CaixaBank Group. After the sale of 80% of the real estate business in December 2018, starting from 2019 the non-core real estate business will no longer be reported separately, integrating the remaining assets in the Banking and Insurance business, with the exception of the stake in Coral Homes, which is assigned to the Equity Investment business.

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

- **Banking and Insurance:** shows earnings from the Group's banking, insurance and asset management activity mainly in Spain, as well as liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre. In addition, it includes the businesses acquired by CaixaBank from BPI during 2018 (i.e. insurance, asset management, and cards).
- **Equity investments:** this line of business essentially shows earnings on dividends and/or equity-accounted profits from the stakes, as well as the Trading income, held in Erste Group Bank, Repsol, Telefónica, BFA and BCI, net of the related funding costs. From 1 January 2019, the 20% stake in Coral Homes is added to this segment, after the sale of the real estate business at the end of December 2018. Similarly, it includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain as well as consolidated through BPI.

It includes the stakes in BFA, which after reassessing the significant influence at 2018 year-end is classified as Financial assets at fair value with changes in other comprehensive income, and in Repsol, until completing its sale in the second quarter of 2019.

- **BPI:** covers the income from BPI's domestic banking business. The income statement shows the reversal of the fair value adjustments of the assets and liabilities resulting from the business combination and excludes the results and balance sheet figures associated with the assets of BPI assigned to the equity investments business (essentially BFA and BCI), as discussed previously.

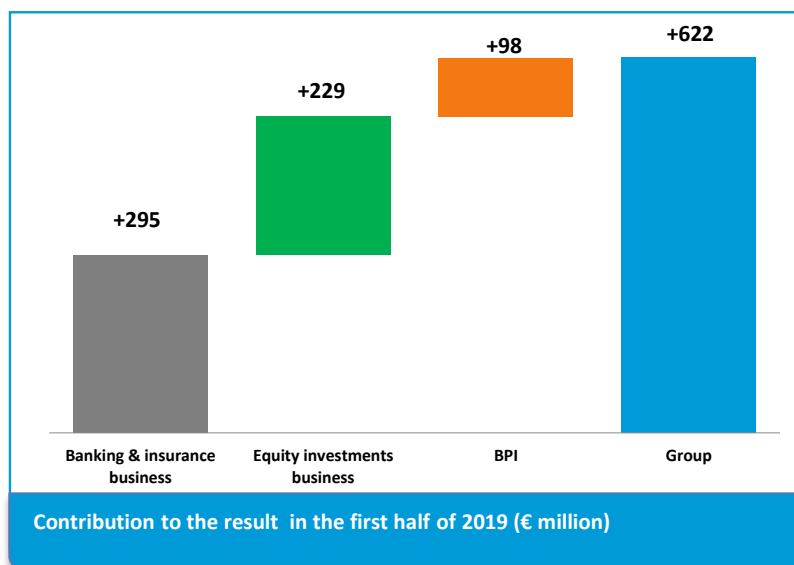
The operating expenses of these business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

In 2019, the allocation of capital to the investment business has been adapted to the Group's new capital corporate objective of maintaining a Common Equity Tier 1 (CET1) ratio of 12%, taking into account both the 12% consumption of capital for risk-weighted assets (11% in 2018) and any applicable deductions.

The allocation of capital to BPI is at sub-consolidated level, i.e. taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to this business.

The difference between the Group's total own funds and the capital assigned to the other businesses is attributed to the banking and insurance business, which includes the Group's corporate centre.

The result for the first half of 2019 arranged by business is as follows:



€ million	Banking & insurance business	Equity investments	BPI	Group
Net interest income	2,350	(72)	200	2,478
Dividends and share of profit/(loss) of entities accounted for using the equity method	107	252	11	370
Net fee and commission income	1,121		127	1,248
Trading income	205	50	6	261
Income and expense under insurance or reinsurance contracts	264			264
Other operating income and expense	(158)		(18)	(176)
Gross income	3,889	230	326	4,445
Recurring administrative expenses, depreciation and amortisation	(2,174)	(2)	(232)	(2,408)
Extraordinary expenses	(978)			(978)
Pre-impairment income	737	228	94	1,059
Pre-impairment income stripping out extraordinary expenses	1,715	228	94	2,037
Allowances for insolvency risk	(243)		39	(204)
Other charges to provisions	(91)			(91)
Gains/(losses) on disposal of assets and others	(40)		2	(38)
Profit/(loss) before tax	363	228	135	726
Income tax expense	(68)	1	(37)	(104)
Profit/(loss) after tax	295	229	98	622
Profit/(loss) attributable to minority interest and others				
Profit/(loss) attributable to the Group	295	229	98	622

Banking and insurance business

Profit for the first half of 2019 stood at €295 million (-63.4% with respect to the same period in 2018).

Excluding the labour agreement, the profit would have grown +21.4%.

ROTE¹ for the business, stripping out one-off impacts, was 9.8%.

€ million	1H19	1H18	Change %	2Q19	1Q19	4Q18	3Q18	2Q18
INCOME STATEMENT								
Net interest income	2,350	2,315	1.5	1,174	1,176	1,169	1,175	1,169
Dividend income and share of profit/(loss) of entities accounted for using the equity method	107	117	(8.5)	48	59	37	66	62
Net fee and commission income	1,121	1,149	(2.5)	569	552	573	581	599
Trading income	205	245	(16.5)	212	(7)	(52)	26	186
Income and expense under insurance or reinsurance contracts	264	282	(6.4)	134	130	132	137	144
Other operating income and expense	(158)	(249)	(36.8)	(123)	(35)	(227)	(22)	(141)
Gross income	3,889	3,859	0.8	2,014	1,875	1,632	1,963	2,019
Recurring administrative expenses, depreciation and amortisation	(2,174)	(2,072)	4.9	(1,086)	(1,088)	(1,061)	(1,048)	(1,042)
Extraordinary expenses	(978)			(978)				
Pre-impairment income	737	1,787	(58.8)	(50)	787	571	915	977
Pre-impairment income stripping out extraordinary expenses	1,715	1,787	(4.0)	928	787	571	915	977
Allowances for insolvency risk	(243)	(251)	(3.4)	(97)	(146)	(135)	187	(112)
Other charges to provisions	(91)	(283)	(67.8)	(43)	(48)	(146)	(45)	(233)
Gains/(losses) on disposal of assets and others	(40)	(70)	(42.1)	(22)	(18)	(98)	(11)	(68)
Profit/(loss) before tax	363	1,183	(69.3)	(212)	575	192	1,046	564
Income tax expense	(68)	(375)	(82.0)	92	(160)	(30)	(290)	(209)
Profit/(loss) after tax	295	808	(63.5)	(120)	415	162	756	355
Profit/(loss) attributable to minority interest and others		1				24	32	1
Profit/(loss) attributable to the Group	295	807	(63.4)	(120)	415	138	724	354
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)	2.28	2.28		2.26	2.30	2.28	2.27	2.28
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	644	656	(1.7)	327	317	332	333	346
Sale of insurance products	84	97	(13.7)	42	42	38	40	49
Mutual funds, managed accounts and SICAVs	239	249	(4.0)	121	118	126	131	133
Pension plans	105	107	(2.9)	54	51	55	54	50
Unit Link and other	49	40	23.0	25	24	22	23	21
Net fee and commission income	1,121	1,149	(2.5)	569	552	573	581	599
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(1,399)	(1,340)	4.5	(697)	(702)	(672)	(678)	(673)
General expenses	(548)	(550)	(0.3)	(273)	(275)	(294)	(279)	(280)
Depreciation and amortisation	(227)	(182)	23.8	(116)	(111)	(95)	(91)	(89)
Recurring administrative expenses, depreciation and amortisation	(2,174)	(2,072)	4.9	(1,086)	(1,088)	(1,061)	(1,048)	(1,042)
Extraordinary expenses	(978)			(978)				
OTHER INDICATORS								
ROTE ¹	9.8%	9.8%		9.8%	9.9%	10.1%	10.1%	9.8%
Cost-to-income ratio stripping out extraordinary expenses	57.2%	55.4%	1.8	57.2%	56.6%	56.1%	55.5%	55.4%
Cost of risk ²	0.09%	0.28%	(0.2)	0.09%	0.10%	0.09%	0.10%	0.28%
Customers	13.7	13.8	(0.5)	13.7	13.7	13.7	13.7	13.8
Employees	32,680	32,443	0.7	32,680	32,682	32,552	32,613	32,443
Branches	4,430	4,742	(6.6)	4,430	4,537	4,608	4,681	4,742
of which retail	4,219	4,543	(7.1)	4,219	4,326	4,409	4,482	4,543
ATMs	9,229	9,411	(1.9)	9,229	9,335	9,425	9,422	9,411

(1) The ratio for 1H19 excludes the impact from the labour agreement in 2Q19 (€-685 million, net), the extraordinary release of provisions carried out in 3Q18 (€193 million, net) and the completion of the sale of the real estate business in 4Q18 (arrangement expenses, taxes and other costs to the amount of €-48 million, net). The ratio for 1H18 excludes the impact from the repurchase of Servihabitat (€-204 million, net) and extraordinary expenses. The coupon for the part of the AT1 issue assigned to this business has also been deducted.

(2) The ratio for 1H19 would be 0.22% stripping out the extraordinary release of provisions in 3Q18 (approximately €+275 million).

The following shaped the year-on-year performance of the banking and insurance business (-63.4%):

- **Gross income totalled €3,889 million (+0.8%).** Core income remained stable (-0.1%) and the lower costs associated with the real estate activity compensated the lower Trading income (-16.5%):
 - The **Net interest income, €2,350 million, grows 1.5%**, due to, among other factors, an increase of income from loans as a result of a higher volume and lower retail and institutional financing expenses. The customer spread remained stable at 2.28%.
 - **Fee and commission income stood at €1,121 million (-2.5%** with respect to the same period in the previous year). Its year-on-year evolution is mainly impacted by the drop in one-off investment banking transactions and less fees and commissions from assets under management, among others factors, following the negative trend of the markets at the end of 2018-
 - **Trading income** reached €205 million (-16.5%), which includes in the second quarter of 2019 the realisation of gains from fixed-income assets.
 - **Income and expense under insurance or reinsurance contracts** reached €264 million, -6.4% in the year due to, among others, different timings of new product rollouts.
 - **Other operating income and expenses** amounted to €-158 million in the first half of 2019 (€-249 million in the same period of the previous year) mainly as a result of the lower expenses incurred following the sale of the real estate business.
- **Recurring administrative expenses, depreciation and amortisation** came to €2,174 million, up +4.9%.
- **Extraordinary expenses** included in the second quarter of 2019 the aforementioned labour agreement.
- **Allowances for insolvency risk** fell to €-243 million, -3.4% when compared to the same period of 2018.
- **Other charges to provisions** stood at €-91 million (-67.8% with respect to the same period of 2018), after recognising in the second quarter of 2018 the €-152 million in connection with the repurchase of Servihabitat.

The following aspects were largely behind the quarterly change:

- **Gross income** grew 7.4% in the quarter, with core income trending positively (+0.8%):
 - The **Net interest income** dropped slightly (-0.2%) with respect to the first quarter of 2019, among other factors, due to the lower financing of the equity investment business.
 - **Fees and commissions** were up 3.3% in the quarter, mainly aided by the increase in banking fees and the better performance of mutual fund and pension plan fees.
 - **Trading income** reached €212 million, due to the realisation of gains from fixed-income assets.
 - **Other operating income and expense** included, in the second quarter, the contribution of €85 million paid to the Single Resolution Fund (SRF).
- Reduction in the quarter of **Allowances for insolvency risk (-33.8%)** and **Other charges to provisions (-7.9%)**.

The following table shows business activity and asset quality indicators at 30 June 2019:

- **Loans and advances to customers, gross stood at €207,255 million** (+2.9% in the year), while the performing portfolio gained 3.4% in 2019 (+2.6%, excluding pension prepayments).
- **Customer funds were up 6.6% in the year to €351,105 million.**
- The **NPL ratio** fell to 4.2% (-50 basis points), with a **coverage ratio of 51%** (+1 percentage point in 2019).

€ million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
BALANCE SHEET					
Assets	369,906	367,023	0.8	350,859	5.4
Liabilities	349,761	346,318	1.0	330,554	5.8
Assigned capital	20,117	20,675	(2.7)	20,276	(0.8)
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	115,283	113,833	1.3	114,403	0.8
Home purchases	79,371	79,923	(0.7)	80,471	(1.4)
Other	35,912	33,910	5.9	33,932	5.8
Of which: Consumer lending ¹	12,801	12,231	4.7	11,836	8.2
Loans to business	79,894	78,110	2.3	76,812	4.0
Corporates and SMEs	73,952	71,985	2.7	70,687	4.6
Real estate developers	5,942	6,125	(3.0)	6,125	(3.0)
Public sector	12,078	11,115	8.7	10,202	18.4
Loans and advances to customers, gross	207,255	203,058	2.1	201,417	2.9
Of which performing loans	198,226	193,468	2.5	191,636	3.4
Of which non-performing loans	9,029	9,590	(5.8)	9,781	(7.7)
Provisions for insolvency risk	(4,603)	(4,881)	(5.7)	(4,914)	(6.3)
Loans and advances to customers, net	202,652	198,177	2.3	196,503	3.1
Contingent Liabilities	14,026	13,211	6.2	12,952	8.3
CUSTOMER FUNDS					
Customer funds	197,862	189,020	4.7	182,944	8.2
Demand deposits	175,588	166,441	5.5	160,922	9.1
Term deposits	22,274	22,579	(1.4)	22,022	1.1
Insurance contract liabilities	54,497	54,005	0.9	52,383	4.0
of which: Unit Link and other	10,559	10,056	5.0	9,053	16.6
Reverse repurchase agreements and other	1,598	1,357	17.8	2,044	(21.8)
On-balance sheet funds	253,957	244,382	3.9	237,371	7.0
Mutual funds, managed accounts and SICAVs	61,445	61,280	0.3	59,459	3.3
Pension plans	31,686	30,969	2.3	29,409	7.7
Assets under management	93,131	92,249	1.0	88,868	4.8
Other accounts	4,017	3,424	17.3	3,156	27.3
Total customer funds	351,105	340,055	3.2	329,395	6.6
ASSET QUALITY					
Non-performing loan ratio (%)	4.2%	4.6%	(0.4)	4.7%	(0.5)
Non-performing loan coverage ratio (%)	51%	51%	0.0	50%	1.0

(1) Includes the consumer lending of BPI Payments after purchasing the company by CaixaBank from BPI in November 2018.

Insurance activity

The banking and insurance business embraces all activity carried out by the Group's various insurance firms, mainly VidaCaixa de Seguros y Reaseguros and BPI Vida e Pensões. These companies offer a highly specialised range of life insurance, pensions and general insurance products, all of which are marketed to the Group's customer base.

The following table shows the income statement of the Group's **insurance firms¹**, which came to **€351 million**, up **21.1%** on the first half of 2018:

€ million	1H19	1H18	Change %	2Q19	1Q19	4Q18	3Q18	2Q18
Net interest income	156	149	4.7	81	75	78	78	77
Dividend income and share of profit/(loss) of entities accounted for using the equity method	83	79	5.4	40	43	28	64	38
Net fee and commission income	(39)	(79)	(50.4)	(20)	(19)	(12)	(33)	(39)
Trading income	57	1		57				
Income and expense under insurance or reinsurance contracts	264	282	(6.4)	134	130	132	137	144
Other operating income and expense	2	2			2	45	4	
Gross income	523	434	20.4	292	231	271	250	220
Recurring administrative expenses, depreciation and amortisation	(61)	(55)	10.1	(30)	(31)	(27)	(26)	(28)
Extraordinary expenses								
Pre-impairment income	462	379	21.9	262	200	244	224	192
Pre-impairment income stripping out extraordinary expenses	462	379	21.9	262	200	244	224	192
Allowances for insolvency risk						1		
Other charges to provisions								
Gains/(losses) on disposal of assets and others						1		
Profit/(loss) before tax	462	379	21.9	262	200	246	224	192
Income tax expense	(111)	(89)	24.6	(65)	(46)	(50)	(47)	(46)
Profit/(loss) after tax	351	290	21.1	197	154	196	177	146
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	351	290	21.1	197	154	196	177	146

- **Net interest income** includes the margin on life savings insurance products, which were up 4.7% on the first half of 2018, mainly due to a higher volume of the managed funds.
- **Share of profit/(loss) of entities accounted for using the equity method** shows the contribution made by Segurcaixa Adeslas, 49.9% of which is owned by VidaCaixa. The heading was up 5.4% in the year.
- **Fees and commissions²** is the net result of:
 - The fees and commissions received by VidaCaixa from managing Unit Linked products and pension plans.
 - The fees and commissions the Group's insurance firms pay the Group's banks for marketing their products.
- The Trading income include the realisation of gains from fixed-income assets in the second quarter of 2019.
- **Income and expense under insurance contracts**, which shows the margin obtained from the difference between premiums and the technical provisions, claims and other expenses of life-risk products, dropped 6.4% in the year due to, among other factors, the different schedule for the launching of new products, 3.2% increase on the previous quarter.
- **Recurring administrative expenses, depreciation and amortisation** increased, supporting the business' growth and evolution objectives.

(1) At company level prior to consolidation adjustments.

(2) The commercial network in Spain also receives fees from SegurcaixaAdeslas for distributing its products through the branch network, although these fees are not included in the income statement for the insurance business, because they relate instead to the banking business ex insurance.

Equity investments business

It contributed a profit of €229 million (-44.8%) in the first half of 2019. Its year-on-year trend is mainly impacted by perimeter variations (Repsol and BFA), and the sale of Viacer in 2018. Stripping out these impacts, profit from the business grew 52%.

- The **Net interest income** corresponds to the cost of financing the investee business, which drops mainly due to the reduction of the asset financed in the framework of Repsol's divestment, partly compensated by incorporating Coral Homes in this business from 1 January 2019.
- The **Dividend income** includes, in both financial years, €104 million corresponding to Telefónica and in the second quarter of 2019, €46 million dividend corresponding to BFA.
- The **Share of profit/(loss) of entities accounted for using the equity method** stood at €101 million (€396 million accounted for in the same period of the previous year). Repsol's and BFA's contribution to this heading in the first half of 2018 was €312 million. Excluding the above-mentioned change in scope, it grew 20.2%.
- **Trading income** reached €50 million in the first half of 2019 and includes the gains from hedge contracts on associate investees.

Noteworthy in the quarterly change is the **dividend income** corresponding to Telefónica and BFA for an amount of €104 million and €46 million, respectively, in the second quarter of 2019. The fourth quarter of 2018 shows a dividend of €23 million accruing on the remaining stake in Repsol.

Gains/(losses) on disposal of assets and others included €-154 million in the fourth quarter of 2018 due to the change of accounting classification of the stake in BFA. The third quarter of 2018 included the negative result (€-453 million) due to the agreement to sell the stake in Repsol.

€ million	1H19	1H18	Change %	2Q19	1Q19	4Q18	3Q18	2Q18
Net interest income	(72)	(80)	(10.3)	(34)	(38)	(32)	(37)	(40)
Dividend income	151	104	45.3	151		23		104
Share of profit/(loss) of entities accounted for using the equity method	101	396	(74.5)	47	54	72	151	182
Net fee and commission income								
Trading income	50	17		1	49	1	(7)	(43)
Income and expense under insurance or reinsurance contracts								
Other operating income and expense								
Gross income	230	437	(47.4)	165	65	64	107	203
Recurring administrative expenses, depreciation and amortisation	(2)	(2)		(1)	(1)	(1)	(1)	(1)
Extraordinary expenses								
Pre-impairment income	228	435	(47.6)	164	64	63	106	202
Pre-impairment income stripping out extraordinary expenses	228	435	(47.6)	164	64	63	106	202
Allowances for insolvency risk								
Other charges to provisions								
Gains/(losses) on disposal of assets and others						(154)	(453)	
Profit/(loss) before tax	228	435	(47.6)	164	64	(91)	(347)	202
Income tax expense	1	8	(86.0)	5	(4)	77	5	6
Profit/(loss) after tax	229	443	(48.3)	169	60	(14)	(342)	208
Profit/(loss) attributable to minority interest and others		28				1	4	4
Profit/(loss) attributable to the Group	229	415	(44.8)	169	60	(15)	(346)	204
ROTE ¹	27.1%	33.7%	(6.6)	27.1%	28.8%	40.1%	35.7%	33.7%

(1) ROTE for 2018 excludes the impact of the agreement to sell Repsol.

€ million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
BALANCE SHEET					
Assets					
Investments (Financial assets at fair value with changes in other comprehensive income and associates) and other ¹	4,919	5,576	(11.8)	4,685	5.0
Liabilities					
Intra-group financing and other liabilities	3,773	4,285	(11.9)	3,653	3.3
Assigned capital²	1,146	1,291	(11.2)	1,032	11.0

(1) The figures for 2019 include the investment in Coral Homes.

(2) The capital assigned to BFA and BCI is the amount required at sub-consolidated level for BPI for those interests.

BPI

Profit from the banking business of BPI amounted to €98 million (+28.9% with respect to the same period in 2018). ROTE for the business, stripping out extraordinary impacts¹, was 6.6%.

€ million	1H19	1H18	Change %	2Q19	1Q19	4Q18	3Q18	2Q18
INCOME STATEMENT								
Net interest income	200	197	1.5	101	99	99	101	100
Dividend income and share of profit/(loss) of entities accounted for using the equity method	11	7	48.4	7	4	(7)	6	5
Net fee and commission income	127	144	(11.4)	67	60	72	64	69
Trading income	6	31	(81.7)		6	6	11	14
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(18)	(21)	(10.8)	(18)			(5)	(18)
Gross income	326	358	(8.9)	157	169	170	177	170
Recurring administrative expenses, depreciation and amortisation	(232)	(230)	0.8	(117)	(115)	(106)	(113)	(112)
Extraordinary expenses		(8)				(13)	(3)	(5)
Pre-impairment income	94	120	(21.7)	40	54	51	61	53
Pre-impairment income stripping out extraordinary expenses	94	128	(26.6)	40	54	64	64	58
Allowances for insolvency risk	39	3		16	23	88	11	3
Other charges to provisions						3	1	
Gains/(losses) on disposal of assets and others	2				2	(6)	57	
Profit/(loss) before tax	135	123	9.8	56	79	136	130	56
Income tax expense	(37)	(34)	8.6	(16)	(21)	(39)	(34)	(16)
Profit/(loss) after tax	98	89	10.1	40	58	97	96	40
Profit/(loss) attributable to minority interest and others		13				3	4	4
Profit/(loss) attributable to the Group	98	76	28.9	40	58	94	92	36
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)	1.88	1.84	0.04	1.89	1.87	1.79	1.84	1.84
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	75	86	(12.6)	40	35	43	38	43
Sale of insurance products	26	26	2.2	13	13	14	12	13
Mutual funds, managed accounts and SICAVs	18	25	(27.7)	9	9	11	10	9
Pension plans						1		
Unit Link and other	8	7	5.8	5	3	3	4	4
Net fee and commission income	127	144	(11.4)	67	60	72	64	69
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(123)	(121)	1.5	(62)	(61)	(60)	(62)	(58)
General expenses	(76)	(91)	(16.4)	(39)	(37)	(37)	(41)	(44)
Depreciation and amortisation	(33)	(18)	90.1	(16)	(17)	(9)	(10)	(10)
Recurring administrative expenses, depreciation and amortisation	(232)	(230)	0.8	(117)	(115)	(106)	(113)	(112)
Extraordinary expenses		(8)				(13)	(3)	(5)
OTHER INDICATORS								
ROTE ¹	6.6%	8.9%	(2.3)	6.6%	7.5%	8.0%	8.2%	8.9%
Cost-to-income ratio stripping out extraordinary expenses	67.0%	62.5%	4.5	67.0%	65.0%	63.7%	63.1%	62.5%
Customers	1.9	1.9	(1.8)	1.9	1.9	1.9	1.9	1.9
Employees	4,830	4,843	(0.3)	4,830	4,821	4,888	4,898	4,843
Branches	486	497	(2.2)	486	496	495	495	497

(1) ROTE 12 months excludes the following net attributable one-off impacts: result on the sale of BPI's acquiring business to Comercia Global Payments (€40 million); the review carried out due to the passing of time, in relation to the expected credit losses originally calculated at the time BPI was acquired in February 2017 (€14 million in the second quarter of 2019, €16 million in the first quarter of 2019 and €57 million in the fourth quarter of 2018); and the extraordinary expenses.

Gross income was down 8.9% year-on-year, mainly because of the changes in scope and the decline in Trading income:

- **Net interest income** was up 1.5%.
- **Fee and commission income** totalled €127 million (-11.4%). In 2018 the heading includes fees from the businesses of asset management, cards and POS sold by BPI to CaixaBank Asset Management, CaixaBank Payments and Comercia, respectively, throughout the year. **Excluding this effect, fees and commissions would have increased 8.5% with respect to the first half of 2018.**
- **Trading income** totalled €6 million (-81.7%).
- **Other operating income and expense** included in 2019 the contribution of €-18 million paid to the SRF and to the Portuguese Fundo de Resoluçao (€-17 million in 2018).

Recurring administrative expenses, depreciation and amortisation stood at €232 million (+0.8%).

The year-on-year performance had a positive impact of €41 million on the **Allowances for insolvency risk**, in the first half of 2019 (€22 million and €19 million in the first and second quarter of 2019, respectively), from reviewing the expected credit losses associated with the adjustment of credit risk calculated at the time BPI was acquired in February 2017.

The following aspects were largely behind the quarterly change:

- **Core income** grew 6.1% in the quarter, aided by the **Net interest income** (+2.0%) and **Net fee and commission income** (+10.6%) due to an increase in banking fees.
- Recognition, in the second quarter of 2019, of the amounts paid to the SRF and to the Portuguese Fundo de Resoluçao (€-18 million).

With regard to the indicators on business activity and asset quality of BPI:

- **Loans and advances to customers**, gross, reached €23,612 million (+1.4% in the year) and the performing portfolio gained 1.7% in 2019.
- **Customer funds stood at €29,759 million**, up 2.3% in the year.
- BPI's **NPL ratio** fell to 4.0% (-20 basis points in the year), as per the CaixaBank Group's NPL classification criteria.
- The NPL coverage ratio, including the provisions posted by CaixaBank due to business combination, came to 84%. The half-yearly change (-3 percentage points) came in response to the aforementioned review of provisions in relation to the business combination.

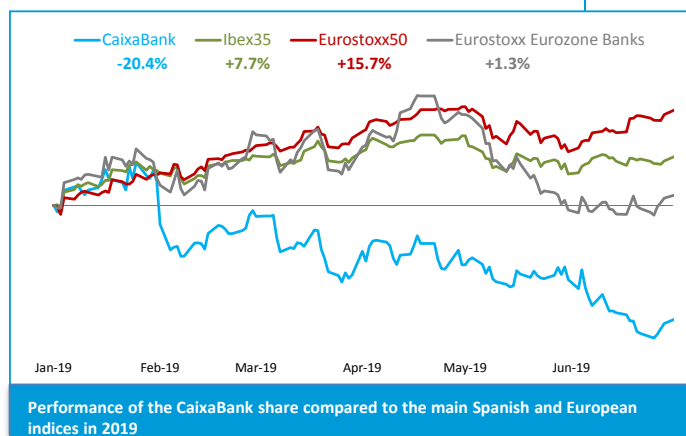
€ million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
BALANCE SHEET					
Assets	31,182	31,537	(1.1)	31,078	0.3
Liabilities	28,489	28,783	(1.0)	28,357	0.5
Assigned capital	2,693	2,754	(2.2)	2,721	(1.0)
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	12,661	12,613	0.4	12,643	0.1
Home purchases	11,111	11,115	(0.0)	11,171	(0.5)
Other	1,550	1,498	3.5	1,472	5.3
Of which: Consumer lending	1,202	1,149	4.6	1,110	8.3
Loans to business	9,180	9,138	0.5	9,005	1.9
Corporates and SMEs	8,999	8,958	0.5	8,828	1.9
Real estate developers	181	180	0.6	177	2.3
Public sector	1,771	1,623	9.1	1,628	8.8
Loans and advances to customers, gross	23,612	23,374	1.0	23,276	1.4
Of which performing loans	22,699	22,446	1.1	22,326	1.7
Of which non-performing loans	913	928	(1.6)	950	(3.9)
Provisions for insolvency risk	(766)	(781)	(1.9)	(814)	(5.9)
Loans and advances to customers, net	22,846	22,593	1.1	22,462	1.7
Contingent Liabilities	1,662	1,591	4.5	1,636	1.6
CUSTOMER FUNDS					
Customer funds	22,902	22,275	2.8	22,036	3.9
Demand deposits	14,363	13,592	5.7	13,334	7.7
Term deposits	8,539	8,683	(1.7)	8,702	(1.9)
Reverse repurchase agreements and other	17	17		16	6.3
On-balance sheet funds	22,919	22,292	2.8	22,052	3.9
Mutual funds, managed accounts and SICAVs ¹	5,068	5,205	(2.6)	5,083	(0.3)
Assets under management	5,068	5,205	(2.6)	5,083	(0.3)
Other accounts	1,772	1,911	(7.3)	1,952	(9.2)
Total customer funds	29,759	29,408	1.2	29,087	2.3
Memorandum items					
Insurance contracts sold ²	4,348	4,224	2.9	4,120	5.5
ASSET QUALITY					
Non-performing loan ratio (%)	4.0%	4.1%	(0.1)	4.2%	(0.2)
Non-performing loan coverage ratio (%)	84%	85%	(1.0)	87%	(3.0)

(1) This heading includes the balance of mutual funds managed by BPI Gestao de Activos and BPI Global Investment Fund, which are now owned by CaixaBank Asset Management, although the funds continue to be marketed by BPI.

(2) Relate to the insurance products of BPI Vida e Pensões, for which VidaCaixa is responsible under the Group's corporate structure. While reported under the banking and insurance business, the policies are marketed by BPI.

The CaixaBank share

- The **CaixaBank share** closed trading on 30 June 2019 at €2,518, down -9.6% in the quarter, impacted by the volatility in the financial markets and during which the ECB confirmed the extension of its flexible monetary policy. The bank securities were impacted by the forecast of low interest rates for a longer period, with the Eurostoxx50 Banks and Ibex 35 Banks dropping -5.5% and -4.0%, respectively, in the same period. While, the general indices showed greater resistance (Ibex 35 -0.40% and Eurostoxx 50 +3.6% in the quarter).
- In the second quarter of 2019 the **trading volume¹ of the CaixaBank share in euros** was down 18.6% on the previous quarter and down 60.8% on the volume of shares traded in the second quarter of 2018. Meanwhile, the number of shares traded dropped 9.5% on the first quarter of 2019 and 45.0% on the same quarter of the previous year.



(1) Traded in trading platforms, includes: BME, BATS Chi-X, TURQUOISE and BATS Europe, among others; excludes over-the-counter transactions.

Key performance indicators for the CaixaBank share

	Jun 30, 2019
Market capitalization (€ million)	15,053
Number of outstanding shares ²	5,978,254
Share price (€/share)	
Share price at the beginning of the period (December 31, 2018)	3.164
Share price at closing of the period (June 28, 2019)	2.518
Maximum price ³	3.400
Minimum price ³	2.438
Trading volume in 2019 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	84,721
Minimum daily trading volume	6,284
Average daily trading volume	24,403
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	1,195
Average number of shares (12 months) ²	5,978,367
Net income attributable per Share (EPS) (€/share)	0.20
Net equity excluding minority interest (€ million)	23,956
Number of shares at June 30, 2019 ²	5,978,254
Book value per share (€/share)	4.01
Net equity excluding minority interest (tangible) (€ million)	19,714
Number of shares at June 30, 2019 ²	5,978,254
Tangible book value per share (€/share)	3.30
PER (Price / Profit)	12.60
TangibleP/BV (Market value/ tangible book value)	0.76
Dividend Yield⁴	6.75%

(2) Number of shares, in thousands, excluding treasury shares.

(3) Share price at close of trading.

(4) Calculated by dividing the remuneration for the financial year 2018 (0.17 euros/share) by the closing price at the end of the period (2,518 euros/share).

Shareholder remuneration

- Total shareholder remuneration for 2018 was €0.17 per share, after paying a supplementary dividend in cash of €0.10/share in April 2019. The total amount paid is equivalent to 51% of net consolidated profit, in line with the target envisaged in the 2015-2018 Strategic Plan.
- In accordance with the new dividend policy approved by the Board of Directors on 31 January 2019, the remuneration of shareholders, as of 2019, will be a single cash dividend paid around April 2020 after the close of the financial year.
- Likewise, in the 2019-2021 Strategic Plan, CaixaBank reported its intention, in compliance with the dividend policy, of remunerating shareholders by distributing an amount in cash greater than 50% of consolidated net profit, setting the maximum amount to be distributed charged to 2019 at 60% of the consolidated net profit.

Appendices

Investment portfolio

Main investees at 30 June 2019:

CaixaBank	%	Business segment
Telefónica	5.00%	Equity investments
Erste Group Bank	9.92%	Equity investments
Coral Homes	20.00%	Equity investments
SegurCaixa Adeslas	49.92%	Banking and insurance
Comercia Global Payments	49.00%	Banking and insurance
BPI	100%	BPI
BFA	48.10%	Equity investments
Banco Comercial e de Investimentos (BCI)	35.67%	Equity investments

Repsol's divestment was completed in the second quarter of 2019.

Information on financing for home purchases

Financing for home purchases

€ million	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
Without mortgage collateral	751	734	715
of which: non-performing	7	7	7
With mortgage collateral	79,721	79,189	78,656
of which: non-performing	3,045	3,001	2,949
Total	80,472	79,923	79,371

Loan-to-value breakdown¹

€ million	Jun 30, 2019					TOTAL
	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	
Gross amount	21,578	29,388	20,009	4,109	3,572	78,656
of which: non-performing	214	382	551	556	1,246	2,949

(1) Loan-to-value calculated on the basis of latest appraisals according to the criteria set out in Circular 4/2016.

Mar 31, 2019						
€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
Gross amount	21,493	29,723	20,328	4,188	3,457	79,189
of which: non-performing	221	394	562	574	1,250	3,001

Dec 31, 2018						
€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
Gross amount	21,386	30,033	20,669	4,275	3,358	79,721
of which: non-performing	222	409	587	585	1,242	3,045

Ratings

Agency	Long-Term ¹	Short-Term	Outlook	Last review	Rating of covered bonds
S&P Global	BBB+	A-2	Stable	31 May 2019	AA
Fitch	BBB+	F2	Stable	8 October 2018	
Moody's	Baa1	P-2	Stable	17 May 2019	Aa1
DBRS	A	R-1 (low)	Stable	29 March 2019	AAA

(1) Relates to the rating assigned to the senior preferred long-term debt of CaixaBank.

Glossary

In addition to the financial information prepared in accordance with International Financial Reporting Standards (IFRSs), this document includes certain Alternative Performance Measures (APMs) as defined in the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) (the "ESMA Guidelines"). CaixaBank uses certain APMs, which have not been audited, for a better understanding of the company's financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRSs. Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

ESMA guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

In accordance with these guidelines, following is a list of the APMs used, along with a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

Alternative Performance Measures used by the Group

1. Profitability and cost-to-income:

a) Customer spread

Explanation: difference between:

- average rate of return on loans (annualised income for the quarter from loans and advances divided by the net average balance of loans and advances for the quarter); and
- average rate for retail deposits (annualised quarterly cost of retail deposits divided by the average balance of those same retail deposits for the quarter, excluding subordinated liabilities).

Purpose: allows the Group to track the spread between interest income and costs for customers.

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Annualised quarterly income from loans and advances to customers	4,741	4,721	4,741	4,818	4,797
Denominator	Net average balance of loans and advances to customers	208,857	208,805	208,608	210,726	212,858
(a)	Average yield rate on loans (%)	2.27	2.26	2.27	2.29	2.25
Numerator	Annualised quarterly cost of on-balance sheet customers funds	72	71	79	53	64
Denominator	Average balance of on-balance sheet retail customers funds	198,910	204,189	203,366	205,680	214,305
(b)	Average cost rate of retail deposits (%)	0.04	0.04	0.04	0.02	0.03
	Customer spread (%) (a - b)	2.23	2.22	2.23	2.27	2.22

b) Balance sheet spread

Explanation: difference between:

- average rate of return on assets (annualised interest income for the quarter divided by total average assets for the quarter); and
- average cost of funds (annualised interest expenses for the quarter divided by total average funds for the quarter).

Purpose: allows the Group to track the spread between interest income and cost for its on-balance sheet assets and liabilities.

	2Q18	3Q18	4Q18	1Q19	2Q19	
Numerator	Annualised quarterly interest income	7,055	6,856	6,959	6,939	7,276
Denominator	Average total assets for the quarter	385,155	388,276	384,500	393,767	406,725
(a)	Average return rate on assets (%)	1.83	1.77	1.81	1.76	1.79
Numerator	Annualised quarterly interest expenses	2,126	1,940	2,055	1,922	2,298
Denominator	Average total liabilities for the quarter	385,155	388,276	384,500	393,767	406,725
(b)	Average cost of fund rate (%)	0.55	0.50	0.53	0.49	0.57
	Balance sheet spread (%) (a - b)	1.28	1.27	1.28	1.27	1.22

c) ROE

Explanation: profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon reported in equity) divided by average shareholder equity plus valuation adjustments for the last 12 months.

Purpose: allows the Group to monitor the return on its equity.

For the purpose of including the evolution of valuation adjustments (OCI) in the entity's assets, the methodology employed to calculate the ROE is changed. As of 2019, valuation adjustments will be incorporated in the denominator, restating 2018 figures for comparison purposes. The method for calculating the ratio and the restatement of 2018 also applies to the reporting of business segments.

	2Q18	3Q18	4Q18	1Q19	2Q19	
Numerator	Adjusted profit attributable to the Group 12M	2,083	1,893	1,902	1,720	1,195
Denominator	Average shareholder equity + valuation adjustments	24,125	24,091	24,044	24,136	24,232
	ROE (%)	8.6%	7.9%	7.9%	7.1%	4.9%

Stripping out the labour agreement the ratio would be 7.7% in the second quarter of 2019.

d) ROTE

Explanation: quotient between:

- profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon reported in equity); and
- 12-month average shareholder equity plus valuation adjustments deducting intangible assets using management criteria (calculated as the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of provisions, recognised in Investments in joint ventures and associates in the public balance sheet).

Purpose: metric used to measure the return on a company's tangible equity.

For the purpose of including the evolution of valuation adjustments (OCI) in the entity's assets, the methodology employed to calculate the ROTE is changed. As of 2019, valuation adjustments will be incorporated in the denominator, restating 2018 figures for comparison purposes. The method for calculating the ratio and the restatement of 2018 also applies to the reporting of business segments.

	2Q18	3Q18	4Q18	1Q19	2Q19	
Numerator	Adjusted profit attributable to the Group 12M	2,083	1,893	1,902	1,720	1,195
Denominator	Average shareholder equity + valuation adjustments excluding intangible assets 12M	19,880	19,850	19,800	19,882	19,970
	ROTE (%)	10.5%	9.5%	9.6%	8.7%	6.0%

Stripping out the labour agreement the ratio would be 9.4% in the second quarter of 2019.

e) ROA

Explanation: net profit (adjusted by the amount of the Additional Tier 1 coupon reported in equity) divided by average total assets for the last 12 months.

Purpose: measures the level of return relative to assets.

	2Q18	3Q18	4Q18	1Q19	2Q19	
Numerator	Adjusted net profit 12M	2,144	1,942	1,957	1,743	1,210
Denominator	Average total assets 12M	381,431	384,507	383,801	387,900	393,278
	ROA (%)	0.6%	0.5%	0.5%	0.4%	0.3%

Stripping out the labour agreement the ratio would be 0.5% in the second quarter of 2019.

f) RORWA

Explanation: net profit (adjusted by the amount of the Additional Tier 1 coupon reported in equity) divided by average total risk-weighted assets for the last 12 months.

Purpose: measures the return based on risk-weighted assets.

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Adjusted net profit 12M	2,144	1,942	1,957	1,743	1,210
Denominator	Regulatory risk-weighted assets 12M	149,189	148,644	148,184	147,860	147,809
	RORWA (%)	1.4%	1.3%	1.3%	1.2%	0.8%

Stripping out the labour agreement the ratio would be 1.3% in the second quarter of 2019

g) Cost-to-income ratio

Explanation: operating expenses (administrative expenses, depreciation and amortisation) divided by gross income (or core income¹ for the core cost to income) for the last 12 months.

Purpose: metric widely used in the banking sector to compare the cost to income generated.

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Administrative expenses + depreciation and amortisation 12M	4,566	4,602	4,658	4,710	5,732
Denominator	Gross income 12M	8,595	8,632	8,767	8,614	8,558
	Cost-to-income ratio	53.1%	53.3%	53.1%	54.7%	67.0%

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Administrative expenses + depreciation and amortisation stripping out extraordinary expenses 12M	4,555	4,590	4,634	4,689	4,738
Denominator	Gross income 12M	8,595	8,632	8,767	8,614	8,558
	Cost-to-income ratio stripping out extraordinary expenses	53.0%	53.2%	52.9%	54.4%	55.4%

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Administrative expenses + depreciation and amortisation stripping out extraordinary expenses 12M	4,555	4,590	4,634	4,689	4,738
Denominator	Core income ¹ 12M	8,063	8,157	8,217	8,236	8,210
	Core cost-to-income ratio	56.5%	56.3%	56.4%	56.9%	57.7%

2. Risk management:

a) Cost of risk

Explanation: total allowances for insolvency risk (12 months) divided by average lending, gross, plus contingent liabilities, using management criteria.

Purpose: indicator used to monitor and track the cost of insolvency allowances on the loan book.

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Total allowances for insolvency risk 12M	575	191	97	81	53
Denominator	Average of gross loans + contingent liabilities 12M	237,292	237,202	237,253	238,364	239,771
	Cost of risk (%)	0.24%	0.08%	0.04%	0.03%	0.02%

Stripping out the extraordinary release of €275 million in provisions carried out in the third quarter of 2018, the ratio for 2Q19, 1Q19, 4Q18 and 3Q18 would be 0.14%, 0.15, 0.16% and 0.20%, respectively.

(1) Includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for Segurcaixa Adelas and income from the insurance investees of BPI.

b) Non-performing loan ratio

Explanation: quotient between:

- non-performing loans and advances to customers and contingent liabilities, using management criteria; and
- total gross loans to customers and contingent liabilities, using management criteria.

Purpose: indicator used to monitor and track the change and quality of the loan portfolio.

	2Q18	3Q18	4Q18	1Q19	2Q19
Numerator Non-performing loans and advances to customers + contingent liabilities	12,714	12,116	11,195	10,983	10,402
Denominator Total gross loans to customers + contingent liabilities	239,180	237,252	239,281	241,234	246,555
Non-performing loan ratio (%)	5.3%	5.1%	4.7%	4.6%	4.2%

c) Coverage ratio

Explanation: quotient between:

- total credit loss provisions for loans to customers and contingent liabilities, using management criteria; and
- non-performing loans and advances to customers and contingent liabilities, using management criteria.

Purpose: indicator used to monitor NPL coverage via provisions.

	2Q18	3Q18	4Q18	1Q19	2Q19
Numerator Provisions on loans to customers + contingent liabilities	7,172	6,579	6,014	5,908	5,608
Denominator Non-performing loans and advances to customers + contingent liabilities	12,714	12,116	11,195	10,983	10,402
Coverage ratio (%)	56%	54%	54%	54%	54%

d) Real estate available for sale coverage ratio

Explanation: quotient between:

- gross debt cancelled at the foreclosure or surrender of the real estate asset less the present net book value of the real estate asset; and
- gross debt cancelled at the foreclosure or surrender of the real estate asset.

Purpose: reflects the coverage level via write-downs and accounting provisions on foreclosed real estate assets available for sale.

	2Q18	3Q18	4Q18	1Q19	2Q19
(a) Gross debt cancelled at the foreclosure	13,480	13,078	1,209	1,339	1,420
(b) Net book value of the foreclosed asset	5,553	5,346	740	813	863
Numerator Total coverage of the foreclosed asset (a - b)	7,927	7,732	469	526	557
Denominator Gross debt cancelled at the foreclosure	13,480	13,078	1,209	1,339	1,420
Real estate available for sale coverage ratio (%)	59%	59%	39%	39%	39%

e) Real estate available for sale coverage ratio with accounting provisions

Explanation: quotient between:

- accounting provision: charges to provisions of foreclosed assets; and
- book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

Purpose: indicator of accounting provisions covering foreclosed real estate assets available for sale.

	2Q18	3Q18	4Q18	1Q19	2Q19
Numerator Accounting provisions of the foreclosed assets	5,612	5,496	285	328	366
(a) Net book value of the foreclosed asset	5,553	5,346	740	813	863
(b) Accounting provisions of the foreclosed assets	5,612	5,496	285	328	366
Denominator Gross book value of the foreclosed asset (a + b)	11,165	10,842	1,025	1,141	1,229
Real estate available for sale accounting coverage (%)	50%	51%	28%	29%	30%

3. Liquidity:

a) Total liquid assets

Explanation: sum of HQLAs (High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014) plus the available balance under the facility with the European Central Bank (non-HQLA).

Purpose: shows the Bank's liquidity position.

		2Q18	3Q18	4Q18	1Q19	2Q19
(a)	High Quality Liquid Assets (HQLAs)	61,940	55,946	57,093	64,061	54,112
(b)	Available balance under the ECB facility (non- HQLAs)	17,952	20,133	22,437	21,957	33,462
	Total liquid assets (a + b)	79,892	76,079	79,530	86,018	87,574

b) Loan to deposits

Explanation: quotient between:

- net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions); and
- customer deposits on the balance sheet.

Purpose: metric showing the retail funding structure (allows to value the proportion of retail lending being funded by customer funds).

		2Q18	3Q18	4Q18	1Q19	2Q19
Numerator	Loans and advances to customers, net (a-b-c)	213,782	212,445	214,370	216,205	221,075
(a)	Loans and advances to customers, gross	225,744	223,465	224,693	226,432	230,867
(b)	Provisions for insolvency risk	6,878	6,296	5,728	5,662	5,369
(c)	Brokered loans	5,084	4,724	4,595	4,565	4,423
Denominator	On-balance sheet customers funds	208,654	203,473	204,980	211,295	220,764
	Loan to Deposits (%)	102%	104%	105%	102%	100%

Other relevant indicators:

EPS (Earnings per share): profit attributable to the Group¹ for the last 12 months divided by the average number of shares outstanding.

The **average number of shares outstanding** is calculated as average shares issued less the average number of treasury shares.

Market capitalisation: share price multiplied by the number of outstanding shares minus the number of treasury shares held at the end of the period.

BVPS (Book value per share): equity less minority interests divided by the number of fully diluted shares outstanding at a specific date.

Fully-diluted outstanding shares equals shares issued (less treasury shares) plus the shares resulting from a theoretical redemption/conversion of the issued exchangeable debt instruments, at a specific date.

TBVPS (Tangible book value per share): quotient between:

- equity less minority interests and intangible assets; and
- the number of fully-diluted outstanding shares at a specific date.

PER (Price-to-earnings ratio): share price divided by earnings per share (EPS).

P/BV: share price divided by book value.

P/TBV: share price divided by tangible book value.

Dividend yield: dividends paid (in shares or cash) in the last 12 months divided by the period-end share price.

MDA (maximum distributable amount) buffer: the capital threshold below which limitations exist on dividend payments, variable remuneration and interest payments to holders of Additional Tier 1 capital instruments. It is defined as Pillar 1 + Pillar 2 capital requirements + capital buffers + possible AT1 and T2 deficits.

Available Distributable Items (ADIs): sum of profit and unrestricted reserves, net of dividends (based on the individual financial statements). Does not include the share premium.

OCI: other comprehensive income.

MREL: minimum requirement of own funds and eligible liabilities with the capacity to absorb losses in addition to the issues eligible for total capital, it includes Senior non-preferred debt, Senior preferred debt and other pari-passu liabilities, in accordance with the Single Resolution Board.

Subordinated MREL: comprises eligible issues for total capital and issues of Senior non-preferred debt.

(1) Figures adjusted to reflect the amount of the Additional Tier 1 coupon reported in equity.

Adaptation of the layout of the public income statement to management format

Net fee and commission income. Includes the following line items:

- Fee for commission income.
- Fee for commission expense.

Trading income. Includes the following line items:

- Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss (net).
- Gains/(losses) on financial assets not designated for trading that must be designated at fair value through profit or loss (net).
- Trading income (net).
- Gains/(losses) from hedge accounting (net).
- Exchange differences (net).

Administrative expenses depreciation and amortisation. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

- (+) Gross income.
- (-) Operating expenses.

Allowances for insolvency risk and charges to provisions. Includes the following line items:

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss and net gains/(losses) on adjustments.
- Provisions/(reversal) of provisions.

Of which: Allowances for insolvency risk.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss corresponding to Loans and advances to customers, using management criteria
- Provisions/(reversal) of provisions corresponding to Provisions for contingent liabilities, using management criteria.

Of which: Other charges to provisions.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss, excluding balances corresponding to Loans and advances to customers, using management criteria.
- Provisions/(reversal) of provisions, excluding provisions corresponding to contingent liabilities using management criteria.

Gains/(losses) on derecognition of assets and others. Includes the following line items:

- Impairment/(reversal) of impairment on investments in joint ventures or associates.
- Impairment/(reversal) of impairment on non-financial assets.
- Gains/(losses) on derecognition of non-financial assets and investments (net).
- Negative goodwill recognised in profit or loss.
- Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (net).

Profit/(loss) attributable to minority interests and others. Includes the following line items:

- Profit/(loss) for the period attributable to minority interests (non-controlling interests).
- Profit/(loss) after tax from discontinued operations.

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

June 2019	
€ million	
Financial assets at amortised cost - Customers (Public Balance Sheet)	227,700
Reverse repurchase agreements (public and private sector)	(520)
Clearing Houses	(4,264)
Other, non-retail, financial assets	(170)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	269
Other, non-retail, financial assets	(214)
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	2,113
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	584
Provisions for insolvency risk	5,369
Loans and advances to customers (gross) using management criteria	230,867

Liabilities under insurance contracts

June 2019	
€ million	
Liabilities under the insurance business (Public Balance Sheet)	68,298
Capital gains/(losses) under the insurance business (excluding unit linked and other)	(13,801)
Liabilities under the insurance business, using management criteria	54,497

Customer funds

June 2019	
€ million	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	223,903
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	(3,297)
Multi-issuer covered bonds and subordinated deposits	(2,986)
Counterparties and other	(311)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	1,773
Retail issues and other	1,773
Liabilities under insurance contracts, using management criteria	54,497
Total on-balance sheet customer funds	276,876
Assets under management	98,199
Other accounts ¹	5,789
Total customer funds	380,864

(1) Includes, among others, transitional funds associated with transfers and collection activity, as well as other customer funds distributed by the Group.

Institutional issuances for banking liquidity purposes

June 2019	
€ million	
Financial liabilities at amortised cost - Debt securities (Public Balance Sheet)	32,751
Institutional financing not considered for the purpose of managing bank liquidity	(4,059)
Securitised bonds	(1,644)
Value adjustments	(759)
Retail	(1,773)
Issues acquired by companies within the group and other	117
Customer deposits for the purpose of managing bank liquidity²	2,986
Institutional financing for the purpose of managing bank liquidity	31,678

(2) A total of €2,953 million in multi-issuer covered bonds (net of retained issues) and €33 million in subordinated deposits.

Foreclosed real estate assets (available for sale and held for rent)

June 2019

€ million

Non-current assets and disposal groups classified as held for sale (Public Balance Sheet)	1,285
Other assets	(485)
Inventories under the heading - Other assets (Public Balance Sheet)	63
Foreclosed available for sale real estate assets	863
Tangible assets (Public Balance Sheet)	7,478
Tangible assets for own use	(4,828)
Other assets	(321)
Foreclosed rental real estate assets	2,329

Historical income statement figures for the CABK and BPI perimeters

a) Quarterly performance of the income statement and solvency ratios:

€ million	CABK				
	2Q19	1Q19	4Q18	3Q18	2Q18
Net interest income	1,141	1,139	1,138	1,139	1,131
Dividend income	103	10	24		115
Share of profit/(loss) of entities accounted for using the equity method	91	99	77	147	175
Net fee and commission income	569	552	573	581	599
Trading income	213	42	(52)	22	143
Income and expense under insurance or reinsurance contracts	134	130	132	137	144
Other operating income and expense	(123)	(35)	(227)	(22)	(141)
Gross income	2,128	1,937	1,665	2,004	2,166
Recurring administrative expenses, depreciation and amortisation	(1,087)	(1,089)	(1,062)	(1,049)	(1,043)
Extraordinary expenses	(978)				
Pre-impairment income	63	848	603	955	1,123
Pre-impairment income stripping out extraordinary expenses	1,041	848	603	955	1,123
Allowances for insolvency risk	(97)	(146)	(135)	187	(112)
Other charges to provisions	(43)	(48)	(146)	(45)	(233)
Gains/(losses) on disposal of assets and others	(22)	(18)	(98)	(464)	(68)
Profit/(loss) before tax	(99)	636	224	633	710
Income tax expense	102	(164)	35	(277)	(199)
Profit/(loss) after tax	3	472	259	356	511
Profit/(loss) attributable to minority interest and others			23	33	
Profit/(loss) attributable to the Group	3	472	236	323	511
<i>Risk-weighted assets</i>	129,768	131,529	129,014	131,785	130,872
<i>Common Equity Tier 1 (CET1)</i>	11.3%	11.4%	11.3%	11.2%	11.2%
<i>Total capital</i>	15.3%	15.3%	15.3%	15.2%	15.9%

€ million	BPI				
	2Q19	1Q19	4Q18	3Q18	2Q18
Net interest income	100	98	98	100	98
Dividend income	48			1	1
Share of profit/(loss) of entities accounted for using the equity method	11	8	24	75	62
Net fee and commission income	67	60	72	64	69
Trading income		6	7	8	14
Income and expense under insurance or reinsurance contracts					
Other operating income and expense	(18)			(5)	(18)
Gross income	208	172	201	243	226
Recurring administrative expenses, depreciation and amortisation	(117)	(115)	(106)	(113)	(112)
Extraordinary expenses			(13)	(3)	(5)
Pre-impairment income	91	57	82	127	109
Pre-impairment income stripping out extraordinary expenses	91	57	95	130	114
Allowances for insolvency risk	16	23	88	11	3
Other charges to provisions			3	1	
Gains/(losses) on disposal of assets and others		2	(160)	57	
Profit/(loss) before tax	107	82	13	196	112
Income tax expense	(21)	(21)	(27)	(42)	(20)
Profit/(loss) after tax	86	61	(14)	154	92
Profit/(loss) attributable to minority interest and others			5	7	9
Profit/(loss) attributable to the Group	86	61	(19)	147	83
<i>Risk-weighted assets</i>	17,416	17,248	16,928	17,041	16,882
<i>Common Equity Tier 1 (CET1)</i>	13.4%	13.5%	13.2%	13.1%	12.8%
<i>Total capital</i>	15.2%	15.2%	15.0%	14.8%	14.6%

b) Quarterly cost and income as part of net interest income:

€ million	CAIXABANK														
	2Q19			1Q19			4Q18			3Q18			2Q18		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	29,465	44	0.60	21,638	41	0.76	19,625	42	0.86	21,691	42	0.77	20,342	40	0.80
Loans and advances (a)	192,144	1,097	2.29	190,052	1,091	2.33	187,960	1,096	2.31	188,222	1,089	2.30	188,518	1,084	2.31
Fixed income securities portfolio	31,410	88	1.12	34,450	85	1.00	31,421	85	1.08	30,178	85	1.12	29,533	90	1.23
Other assets with returns	60,071	472	3.15	56,592	383	2.75	54,478	416	3.03	54,667	393	2.85	55,369	431	3.12
Other assets	65,653	4	-	63,787	3	-	63,961	3	-	65,443	6	-	63,645	4	-
Total average assets (b)	378,743	1,705	1.81	366,519	1,603	1.77	357,445	1,642	1.82	360,201	1,615	1.78	357,407	1,649	1.85
Financial Institutions	38,949	(69)	0.71	38,977	(60)	0.63	37,596	(50)	0.53	38,690	(50)	0.51	39,194	(48)	0.49
Retail customer funds (c)	192,238	(16)	0.03	184,227	(12)	0.03	182,176	(14)	0.03	183,070	(13)	0.03	177,878	(13)	0.03
Demand deposits	168,138	(11)	0.03	161,054	(9)	0.02	158,563	(11)	0.03	157,517	(9)	0.02	152,429	(9)	0.02
Maturity deposits	24,101	(5)	0.09	23,173	(3)	0.05	23,614	(3)	0.06	25,553	(4)	0.06	25,449	(4)	0.06
Time deposits	20,835	(5)	0.10	20,466	(3)	0.06	20,827	(3)	0.06	22,492	(4)	0.07	23,368	(4)	0.07
Retail repurchase agreements and marketable debt securities	3,265	-	-	2,707	-	-	2,786	-	-	3,061	-	-	2,081	-	-
Wholesale marketable debt securities & other	27,440	(59)	0.86	25,889	(57)	0.89	25,415	(62)	0.97	25,666	(63)	0.97	26,926	(64)	0.95
Subordinated liabilities	5,400	(19)	1.40	5,400	(18)	1.36	5,723	(21)	1.44	6,150	(24)	1.55	7,404	(33)	1.77
Other funds with cost	68,421	(390)	2.29	65,286	(307)	1.91	63,100	(352)	2.21	63,557	(320)	2.00	63,780	(356)	2.24
Other funds	46,295	(11)	-	46,740	(10)	-	43,435	(5)	-	43,068	(6)	-	42,225	(4)	-
Total average funds (d)	378,743	(564)	0.60	366,519	(464)	0.51	357,445	(504)	0.56	360,201	(476)	0.53	357,407	(518)	0.58
Net interest income		1,141		1,139			1,138			1,139			1,131		
Customer spread (%) (a-c)		2.26		2.30			2.28			2.27			2.28		
Balance sheet spread (%) (b-d)		1.21		1.26			1.26			1.25			1.27		

€ million	BPI														
	2Q19			1Q19			4Q18			3Q18			2Q18		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	2,449	3	0.45	2,095	4	0.74	1,942	3	0.63	2,304	3	0.46	2,053	2	0.42
Loans and advances (a)	20,889	99	1.89	20,854	97	1.89	20,815	100	1.90	20,584	101	1.94	20,340	98	1.93
Fixed income securities portfolio	5,414	9	0.67	5,172	9	0.68	4,946	13	1.08	5,382	13	0.97	5,132	14	1.09
Other assets with returns	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,279	2	-	3,195	2	-	3,303	4	-	3,303	2	-	3,423	2	-
Total average assets (b)	32,031	113	1.41	31,316	112	1.45	31,006	120	1.54	31,573	119	1.50	30,948	116	1.51
Financial Institutions	3,462	(1)	0.16	3,726	(2)	0.22	4,065	(2)	0.15	5,217	(1)	0.06	4,894	(1)	0.05
Retail customer funds (c)	22,574	-	0.00	21,961	(1)	0.02	21,756	(6)	0.11	21,510	(5)	0.10	21,404	(5)	0.09
Demand deposits	13,994	-	0.00	13,258	-	-	13,123	-	-	12,867	-	-	12,825	-	-
Maturity deposits	8,580	-	0.00	8,703	(1)	0.05	8,633	(6)	0.28	8,644	(5)	0.25	8,579	(5)	0.23
Time deposits	8,580	-	0.00	8,703	(1)	0.05	8,633	(6)	0.28	8,644	(5)	0.25	8,579	(5)	0.23
Retail repurchase agreements and marketable debt securities	-	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-
Wholesale marketable debt securities & other	1,254	(4)	1.41	845	(4)	2.04	520	(4)	3.38	275	(4)	6.15	275	(4)	6.52
Subordinated liabilities	300	(4)	5.59	300	(4)	5.55	300	(4)	5.55	300	(4)	5.55	300	(4)	5.54
Other funds with cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other funds	4,441	(4)	-	4,484	(3)	-	4,365	(6)	-	4,271	(5)	-	4,075	(4)	-
Total average funds (d)	32,031	(13)	0.16	31,316	(14)	0.18	31,006	(22)	0.29	31,573	(19)	0.25	30,948	(18)	0.24
Net interest income		100		98			98			100			98		
Customer spread (%) (a-c)		1.89		1.87			1.79			1.84			1.84		
Balance sheet spread (%) (b-d)		1.25		1.27			1.25			1.25			1.27		

c) Quarterly change in fees and commissions:

€ million	CAIXABANK				
	2Q19	1Q19	4Q18	3Q18	2Q18
Banking services, securities and other fees	327	317	332	333	346
Sale of insurance products	42	42	38	40	49
Mutual funds, managed accounts and SICAVs	121	118	126	131	133
Pension plans	54	51	55	54	50
Unit Link and other	25	24	22	23	21
Net fee and commission income	569	552	573	581	599

€ million	BPI				
	2Q19	1Q19	4Q18	3Q18	2Q18
Banking services, securities and other fees	40	35	43	38	43
Sale of insurance products	13	13	14	12	13
Mutual funds, managed accounts and SICAVs	9	9	11	10	9
Pension plans	-	-	1	-	-
Unit Link and other	5	3	3	4	4
Net fee and commission income	67	60	72	64	69

d) Quarterly change in administrative expenses, depreciation and amortisation:

€ million	CAIXABANK				
	2Q19	1Q19	4Q18	3Q18	2Q18
Gross income	2,128	1,937	1,665	2,004	2,166
Personnel expenses	(698)	(703)	(673)	(679)	(674)
General expenses	(273)	(275)	(294)	(279)	(280)
Depreciation and amortisation	(116)	(111)	(95)	(91)	(89)
Recurring administrative expenses, depreciation and amortisation	(1,087)	(1,089)	(1,062)	(1,049)	(1,043)
Extraordinary expenses	(978)				

€ million	BPI				
	2Q19	1Q19	4Q18	3Q18	2Q18
Gross income	208	172	201	243	226
Personnel expenses	(62)	(61)	(60)	(62)	(58)
General expenses	(39)	(37)	(37)	(41)	(44)
Depreciation and amortisation	(16)	(17)	(9)	(10)	(10)
Recurring administrative expenses, depreciation and amortisation	(117)	(115)	(106)	(113)	(112)
Extraordinary expenses			(13)	(3)	(5)

e) Changes in the NPL ratio:

	CAIXABANK			BPI		
	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Loans to individuals	4.7%	4.8%	4.8%	3.7%	3.8%	3.9%
Home purchases	3.7%	3.8%	3.8%	3.7%	3.8%	3.8%
Other	6.9%	7.4%	7.3%	4.3%	4.3%	4.3%
Loans to business	4.5%	5.2%	5.5%	4.8%	4.9%	5.1%
Corporates and SMEs	4.0%	4.5%	4.7%	4.4%	4.5%	4.7%
Real estate developers	9.7%	12.6%	14.1%	22.4%	22.5%	22.9%
Public sector	0.4%	0.5%	0.4%	0.1%		
NPL Ratio (loans and contingent liabilities)	4.2%	4.6%	4.7%	4.0%	4.1%	4.2%

Activity indicators by region

This additional view of the Group's activities has been included to show loans and funds by the region in which they originated (for instance, loans and funds of BPI Vida, BPI Gestao de Activos, BPI Global Investment Fund and the cards business are reported in Portugal and not in Spain, to which they would otherwise relate under the Group's corporate structure).

Spain

€ million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	115,158	113,712	1.3	114,275	0.8
Home purchases	79,371	79,923	(0.7)	80,471	(1.4)
Other	35,787	33,789	5.9	33,804	5.9
Of which: Consumer lending	12,750	12,179	4.7	11,786	8.2
Loans to business	79,284	77,271	2.6	76,140	4.1
Corporates and SMEs	73,342	71,146	3.1	70,015	4.8
Real estate developers	5,942	6,125	(3.0)	6,125	(3.0)
Public sector	12,078	11,115	8.7	10,202	18.4
Loans and advances to customers, gross	206,520	202,098	2.2	200,617	2.9
CUSTOMER FUNDS					
Customer funds	198,216	189,594	4.5	183,558	8.0
Demand deposits	175,867	166,800	5.4	161,418	9.0
Term deposits	22,349	22,794	(2.0)	22,140	0.9
Insurance contract liabilities	50,149	49,781	0.7	48,263	3.9
of which: Unit Link and other	8,126	7,693	5.6	6,739	20.6
Reverse repurchase agreements and other	1,598	1,357	17.8	2,044	(21.8)
On-balance sheet funds	249,963	240,732	3.8	233,865	6.9
Mutual funds, managed accounts and SICAVs	61,379	61,205	0.3	59,275	3.5
Pension plans	28,684	28,049	2.3	26,589	7.9
Assets under management	90,063	89,254	0.9	85,864	4.9
Other accounts	4,017	3,424	17.3	3,156	27.3
Total customer funds	344,043	333,410	3.2	322,885	6.6

Portugal

€ million	Jun 30, 2019	Mar 31, 2019	Change %	Dec 31, 2018	Change %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	12,786	12,734	0.4	12,771	0.1
Home purchases	11,111	11,115	-	11,171	(0.5)
Other	1,675	1,619	3.5	1,600	4.7
Of which: Consumer lending	1,253	1,201	4.3	1,160	8.0
Loans to business	9,790	9,977	(1.9)	9,677	1.2
Corporates and SMEs	9,609	9,797	(1.9)	9,500	1.1
Real estate developers	181	180	0.6	177	2.3
Public sector	1,771	1,623	9.1	1,628	8.8
Loans and advances to customers, gross	24,347	24,334	0.1	24,076	1.1
CUSTOMER FUNDS					
Customer funds	22,548	21,701	3.9	21,422	5.3
Demand deposits	14,084	13,233	6.4	12,838	9.7
Term deposits	8,464	8,468	(0.0)	8,584	(1.4)
Insurance contract liabilities	4,348	4,224	2.9	4,120	5.5
of which: Unit Link and other	2,433	2,363	3.0	2,314	5.1
Reverse repurchase agreements and other	17	17	-	16	6.3
On-balance sheet funds	26,913	25,942	3.7	25,558	5.3
Mutual funds, managed accounts and SICAVs	5,134	5,280	(2.8)	5,267	(2.5)
Pension plans	3,002	2,920	2.8	2,820	6.5
Assets under management	8,136	8,200	(0.8)	8,087	0.6
Other accounts	1,772	1,911	(7.3)	1,952	(9.2)
Total customer funds	36,821	36,053	2.1	35,597	3.4

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This report contains a number of the Alternative Performance Measures (APMs) set out in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) ("the ESMA Guidelines") so as to provide a clearer picture of the company's financial performance and situation. Please be advised that these APMs have not been audited. These measures constitute additional information and should be treated accordingly. In no event are they intended to replace the financial information drawn up in accordance with International Financial Reporting Standards (IFRS). Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. As such, they may not be comparable. Please consult the report for further details of the APMs used. The report also provides a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

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