Business Activity and Results

January-December

2017

Contents

Note: The financial information contained in this document is unaudited and, accordingly, is subject to change. The consolidated income statement and the consolidated balance sheet for 2017 and 2016, 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 4/2004 of the Bank of Spain of 22 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 in relation to BPI specifically, the information set out in this report is not entirely consistent with the Group's published financial statements *(see Reconciliation with the financial information released by BPI following the presentation format of the CaixaBank Group under Appendices - Glossary below).* 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 definitions of certain alternative financial measures and, where appropriate, the reconciliation with the items contained on the financial statements for the period in question.

Change in scope of consolidation and comparability of information: On 7 February 2017, the CaixaBank Group effectively took control of the BPI Group (BPI). Since February, the Group has been reporting its total participation in BPI using the full consolidation method. Prior to this date, the financial information on BPI contained in this document was presented using the equity method in proportion to the Group's percentage of ownership at the time in question.

Commercial positioning

CaixaBank in Spain

13.8
million customers

30.0%
market penetration among individual customers

26.7%
market penetration as main bank among individual customers

383,186
in total assets (€ million)

349,458
in customer funds (€ million)

223,951
in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

72,775
in total liquid assets (€ million)

202%
liquidity coverage ratio (LCR)

CAPITAL MANAGEMENT

11.7%
fully-loaded CET1

15.7%
fully-loaded total capital

RISK MANAGEMENT

6.0%
NPL ratio

50%
NPL coverage ratio

58%
coverage ratio
(foreclosed available-for-sale RE assets)

Profitability and cost-to-income

1,684
profit attributable to the Group (€ million)
(+60.9% vs 2016)

+1,748
banking and insurance business

+173
Equity investments

+176
BPI

-413
non-core RE activity

54.3%
cost-to-income ratio, stripping out extraordinary expenses

8.4%
ROTE

11.2%
Recurring ROTE for banking and insurance business

Key Group figures[1]

€ million	January - December 2017	2016	Year-on-year	4Q17	Quarter-on-quarter
INCOME STATEMENT					
Net interest income	4,746	4,157	14.2%	1,196	(0.4%)
Net fee and commission income	2,499	2,090	19.5%	632	2.6%
Gross income	8,222	7,827	5.1%	1,731	(21.7%)
Recurring administrative expenses, depreciation and amortisation	(4,467)	(3,995)	11.8%	(1,124)	(0.2%)
Pre-impairment income stripping out extraordinary expenses	3,755	3,832	(2.0%)	607	(44.0%)
Pre-impairment income	3,645	3,711	(1.8%)	606	(44.0%)
Profit/(loss) before tax	2,098	1,538	36.4%	236	(72.4%)
Profit/(loss) attributable to the Group	1,684	1,047	60.9%	196	(69.8%)

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

(1) See indicator definitions in Appendices - Glossary.
(2) The ratio excludes the release of €676 million in provisions carried out in the fourth quarter of 2016.
(3) Exposure in Spain.
(4) Does not include branches outside Spain or representative offices.

Key Group information
for 2017

Our Bank

CaixaBank

Commercial strength

- CaixaBank relies on a universal banking model based on quality, customer proximity and expertise.
- With 13.8 million customers, it is the main bank for one out of every four retail customers in Spain. It has a market penetration[1] among individual customers of 30.0% and for 26.7% CaixaBank is their main bank.
- Named ***Best Bank in Spain 2017*** by Global Finance and by Euromoney for the third and fourth year in a row, respectively.
- The Bank's commercial prowess has enabled it to maintain high market shares[2] across all the main retail products and services.

Loans	Deposits	Payroll deposits	Investment funds	Saving insurances	Pension plans	Card turnover	Consumer lending
15.8%	14.2%	26.3%	16.7%	26.4%	23.5%	23.4%	16.8%

Specialised products and services

- **Expertise across business segments**, with a wide range of products and services tailored to the needs of customers. ***'Family'*** was launched in 2017, a corporate campaign based on personal and commercial proximity that encompasses all retail products of individual banking.
- Named ***Best private bank in Europe*** by The Banker and in ***Spain*** by Euromoney.

Innovation

- Leading entity in Spain and internationally when it comes to **online banking**[3] and **mobile banking**, with 5.7 and 4.3 million customers, respectively.
- ***Best Artificial Intelligence Project*** by The Banker following the launch of the first chatbot in the Spanish financial sector. This new initiative by imaginBank allows the bank to talk with customers and help them choose the offers and promotions best suited to their needs.
- Named ***Model Bank 2017*** by Celent for having the world's best digital transformation strategy and ***Best Digital Bank in Spain*** by Global Finance for its commitment to digitalisation and offering the best quality service to customers.
- Recognition from **Euromoney for technological innovation** and back-office systems.

Corporate responsibility

- Named ***Best bank in corporate responsibility and corporate governance*** in 2017 by Merco and ***Most responsible bank in Europe*** by Euromoney, a testament to its commitment to ensuring social and economic prosperity for both people and regions.
- **Presence on the following sustainability indices:** Dow Jones Sustainability Index (DJSI), FTSE4Good, Ethibel Sustainability Index (ESI) Excellence Europe, MSCI Global Sustainability Indexes and Advanced Sustainable Performance Indexes (ASPI).

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

(2) Latest information available. Data prepared in-house. Source: Bank of Spain, Social Security, INVERCO, ICEA, Servired, 4B and Euro6000. Share of loans and deposits for the domestic private sector.

(3) Customers who have carried out at least one transaction via the CaixaBank website in the last two months (latest information available).

BPI

- BPI, with a 1.9 million customer base, is **Portugal's fifth largest bank when it comes to assets** and boasts solid market shares[1]: 9.3% in lending activity and 10.5% in customer funds. It is also the **market leader in customer satisfaction**.

- CaixaBank's stake in BPI at 31 December 2017 stood at 84.5%.

  Following the end of the acceptance period for the public offering[2], 7 February 2017 was set as the effective assumption of control date in accordance with applicable accounting law. CaixaBank's stake in BPI has been recognised since 1 February under the full consolidation method (having previously been reported under the equity method), thus affecting the comparability of the information.

  Similarly, the Group's consolidated income statement in 2017 shows one-off impacts relating to the sale of 2% of BPI's stake in BFA to Unitel in January 2017, the result of the business combination as of the effective takeover and the recognition of restructuring costs incurred since that date.

- In the fourth quarter of 2017, CaixaBank announced that various contracts had been signed with BPI to acquire its asset management, insurance and certain other businesses[2]. BPI will continue to distribute investment funds and life insurance and pension products. At year-end 2017, VidaCaixa SAU de Seguros y Reaseguros completed its acquisition of BPI Vida e Pensoes[2].

Results and business activity

- **Attributable profit for 2017 grew to €1,684 million, up 60.9% year on year**. The full accounting consolidation of the results of BPI from February 2017 onward, as discussed previously, has impacted the main headings of the income statement and the balance sheet when compared with the previous year.

  Gross income of €8,222 million (+5.1% year on year): core income[3] grew to €7,887 million in 2017 (+18.0% at the Group in 2017; +8.0% at CaixaBank), with a drop in earnings on financial assets and liabilities and income contributed by investees.

  Earnings at CaixaBank stood at €1,508 million (+44.1% year on year), with BPI contributing a total of €176 million since the completion of the takeover.

- **Growth on the back of intensive commercial activity and the integration of BPI**:

  Customer funds were up 15.0% in 2017 to reach €349,458 million (+3.5% stripping out BPI).

  Loans and advances to customers, gross, amounted to €223,951 million, up 9.3% in 2017 (-1.9% stripping out BPI).

  The performing portfolio was up 10.3% in 2017 (-1.2% stripping out BPI).

Balance sheet strength

Risk management

- **NPLs** were down €1,668 million at CaixaBank perimeter in 2017, showing the improving quality of the loan portfolio (€-837 million in the quarter).

- The CaixaBank Group's **NPL ratio** fell to 6.0% (6.9% at 31 December 2016), while the NPL **coverage ratio** was 50% (47% at 31 December 2016).

- Meanwhile, the **net portfolio of foreclosed real estate assets available for sale** dropped to **€5,878 million** (€-378 million in 2017), with a **coverage ratio of 58%**. **Net foreclosed assets held for rent** fell to **€3,030 million** (€-48 million in 2017).

(1) Latest information available. Data prepared in-house (including deposits, mutual funds, capitalisation insurance, PPRs and OTRVs). Source: Banco de Portugal, APS, APFIPP. Leadership in customer satisfaction according to ECSI Portugal 2016 and 2017 – Índice Nacional de Satisfação dos Clientes (National Customer Satisfaction Index).

(2) See section on 'Significant Events in 2017'.

(3) Includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity accounting method for SegurCaixa Adeslas and income from BPI insurance investees.

Liquidity

- Robust retail lending structure, with a loan-to-deposits (LTD) ratio of 108%.
- Total liquid assets stood at €72,775 million (€+22,367 million and €+1,194 million in the year and in the quarter, respectively).
- The liquidity coverage ratio was 202%, well clear of the minimum requirement of 100% applicable from 1 January 2018.

Capital adequacy

- The **fully-loaded Common Equity Tier 1 (CET1) ratio remained at 11.7%**, Stripping out the impact of the acquisition of BPI (-108bp), the ratio was up 34 basis points in 2017.

- **Fully-loaded Tier 1 of 12.3%**, which includes the placement in June of €1,000 million in AT1[1] (Additional Tier 1) instruments.

- **Fully-loaded total capital of 15.7%**, affected by the positive impacts of the €1,000 million AT1 placement in June and the issue of €2,150 million of subordinated debt in February and July of 2017, as well as the redemption of the €1,302 million issue of subordinated debt completed in August.

- The fully-loaded leverage ratio was 5.3%.

- According to the criteria in force in 2017 for phased-in implementation, regulatory capital and leverage were: **12.7% CET1, 12.8% Tier 1, 16.1% total capital and 5.5% leverage ratio.**

Impact of IFRS 9

- Following the entry into force of IFRS 9 on 1 January 2018 the financial statements of the CaixaBank Group will see an estimated impact of:
  - Increase of €758 million in provisions for credit risk, which will entail an estimated increase in NPL coverage of approximately 5 percentage points.
  - Net impact on reserves of €-564 million.

- It will also have an impact on capital adequacy of -15 basis points on the fully-loaded CET1 ratio. CaixaBank does not intend to apply the voluntary phase-in period allowed by the regulators for determining the impact on capital.

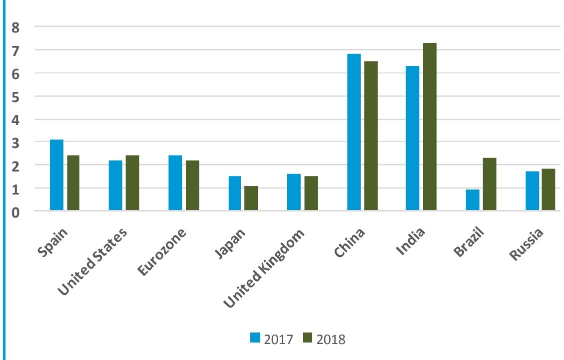
- The implementation of this rule at BPI does not imply any impact at CaixaBank Group level given that these assets were registered at fair value at the time of the business combination.

(1) See details under the section titled 'Liquidity and financing structure'.

Macroeconomic trends

Global economic climate and markets

The **global economy** grew by 3.6% in 2017, marking an improvement on the 3.2% reported in 2016 as both advanced and emerging economies saw a pick-up in economic activity. Supporting this upturn were a still accommodative monetary policy across developed countries, plus a moderate recovery of commodity prices and the fact that certain key emerging nations, notably Brazil and Russia, have now managed to shake off their recession. The growth was also aided by rallying levels of business and consumer confidence, in stark contrast to the numerous episodes of uncertainty we witnessed in 2016. This healthy macroeconomic climate was accompanied by a constructive tone across the financial markets, with historically low levels of volatility, significant stock markets gains and relatively stable interest rates on sovereign debt (although assets have not been immune to the rising geopolitical tensions across the globe, such as the ongoing stand-off between the United States and North Korea).



GDP[1], main economies
Change, year-to-date (%)

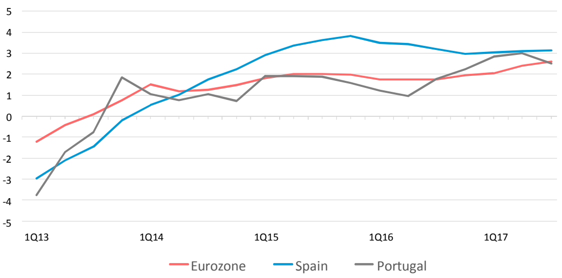
(1) Forecasts for 2018 made by CaixaBank Research.

Among emerging economies, China reported strong growth (6.9% following a 6.7% gain in 2016), in a year that featured the National Congress of the Communist Party of China. Triumphant President Xi Jinping is now embarking on his second five-year term of office and is expected to push on with the process of changing the productive model of the Chinese economy. Meanwhile, the US economy, with a relatively pragmatic Donald Trump at the helm, continued to move through a mature phase of the economic cycle by closing out the year with growth of 2.3%. While inflation growth fell short of expectations, healthy levels of economy activity and a buoyant labour market emboldened the Federal Reserve (Fed). After hesitating throughout nearly all of 2016, it finally took the plunge in 2017 by hiking the reference rate on three different occasions, bringing it to 1.25%-1.50% interval.

Global economic growth is likely to remain strong as we move through 2018, foreseeably gaining 3.8% based on the estimates of CaixaBank Research. The macroeconomic outlook will continue to find support from the relatively accommodative monetary conditions (the Fed's normalisation process, with three further hikes expected this year, will remain a slow and steady affair) and stable oil prices at just above $60 dollars/barrel (supported by the OPEC's agreement to cut crude oil output through to the end of 2018). However, 2018 will not be immune to risks. On the macroeconomic front, for the prices of financial assets to remain high, the Fed will need to continue pursuing a conservative approach to interest rate hikes and any sharp or abrupt increase could trigger market turbulence, particularly in the US stock markets. The United States is expected to see economic growth of slightly over 2% as it moves into 2018 and the labour market, with practically full employment, is likely to generate inflationary pressure. This fact, coupled with the positive impact on growth and inflation of President Trump's tax reform, could effectively force the Fed to move faster in raising interest rates. We would also be foolish to underestimate the financial imbalances in China and the proliferation of geopolitical and trade risks.

Economic scenario - Europe, Spain and Portugal

While the **euro area** started 2017 with significant levels of political risk and a muted growth outlook, the recent emergence of populist and Eurosceptic parties was held in check and the economic activity ended the year with growth of 2.5%, beating expectations as European nations finally began to fall into sync. The European Central Bank (ECB), which continued to offer extraordinarily accommodative monetary conditions over the year, with net asset purchasing of €60 billion a month, announced in October that its monetary stimulus programme would be scaled back in 2018. In 2018, we expect growth to consolidate the healthier climate with forecast gains of 2.2%, which will continue to find support from a rallying labour market and accommodative financial conditions. The ECB is expected to keep its asset purchasing programme at €30 billion per month through to September 2018 and to maintain interest rates at their current levels. Despite this relatively bright macroeconomic outlook, we still have outstanding business in the form of European integration, which has become particularly significant as Brexit talks continue. After reaching a preliminary agreement on the exit terms in late 2017, the United Kingdom and the EU are now entering 2018 with the aim of hammering out a transition agreement which, given how complex the process is, would allow the parties to continue negotiating beyond 2019 without generating any major disruption.



GDP[1]: Eurozone, Spain and Portugal
Change, year-on-year (%)

(1) Source: CaixaBank Research, based on Eurostat, INE (Spain and Portugal).

In **Spain**, economic activity remained exceptionally strong and the country is expected to close out 2017 with growth of 3.1%, largely on the back of internal demand. Private consumption continued to rally thanks to the significant improvements seen in the labour market (upwards of 500,000 jobs created in the period) and accommodative financial conditions. Business investment also picked up by moving from 3.3% growth in 2016 to around 5% in 2017. This strong growth was key in enabling the country to deliver on its public deficit target with the European Commission (3.1% of GDP), although public debt remained at levels only slightly lower than in 2016, at just below 100% of GDP. Against this still positive macroeconomic backdrop, and despite the uncertainty resulting from the political situation at home, economic activity is expected to remain strong and well-balanced as we move forward, albeit probably down on 2017. CaixaBank Research expects to see growth of 2.4% for 2018 in response to the likely slowdown in internal demand and as temporary tailwinds subside, such as the low oil prices, the tax reduction and the materialisation of buying decisions that had been put on hold during the crisis. This, however, is expected to be partially offset by an increased contribution from the external sector, driven by the healthy state of the global economy and the fact that Spanish exports have become increasingly competitive in recent years. The country's relatively bright economic growth outlook prompted Fitch to upgrade the rating of Spain's sovereign debt from BBB+ to A-, highlighting the fiscal adjustments successfully carried out in recent years. While the outlook is undeniably positive, the Spanish economy continues to face a number of significant challenges, such as high levels of unemployment and public debt.

Moving across to **Portugal**, the country's economy fared well during the year, with growth climbing from 1.5% in 2016 to above 2.5% in 2017, driven by private consumption and investment. Meanwhile credit agencies S&P and Fitch also upgraded the country's sovereign rating to bring it back within the investment grade band (from BB+ to BBB- and BBB, respectively). These decisions, which were prompted by a healthier set of growth projections, fiscal improvements, lower risks associated with external financing and further progress in the banking resolution processes, triggered a significant reduction in the risk premium, which fell from 390 basis points in February to 150 basis points at year-end. As we move through 2018, the significant gains made in 2017 place the Portuguese economy in better stead and should allow it to maintain strong levels of growth (CaixaBank Research expects to see 2.2%), with internal and external demand more evenly balanced. This outlook, coupled with encouraging levels of investor sentiment, will allow the country to continue correcting its macroeconomic imbalances while reducing its high levels of public debt.

Results

Income statement

Following the integration of BPI, the Group's income statement has been broken down into the following two perimeters in order to make it more readily comparable with other periods:

- **CaixaBank (CABK):** shows the results of CaixaBank, which operates largely in Spain. It includes the results of BPI under the equity method in January (prior to the effective takeover completion date in February), as well as the results of the resulting business combination since it was originated in a corporate transaction.
- **BPI:** shows the results that BPI contributes to the Group, which have been reported using the full consolidation method from February onward.

Year-on-year performance

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

- **Net interest income** amounted to €4,746 million (+14.2% year on year) following the integration of the business of BPI, which contributed 9.1% of growth. At CaixaBank, net interest income gained 5.1%, largely on the back of:
  - Active management of retail financing, especially maturity deposits, the cost of which has fallen from 0.53% in 2016 to 0.07% in 2017 (-46bp), and of demand deposits, where the interest rate fell by 5 basis points (from 0.08% in 2016 to 0.03% in 2017). The improvement was also down to the lower cost of institutional financing as both volumes and rates fell.
  - Negative income performance due to falling returns on the loan portfolio and the fixed income portfolio prompted by the drop in market interest rates.
- **Income from equity investments** totalled €653 million (-21.0%). The change at CaixaBank (-34.5%) was partly down to the negative impact of the January sale of 2% of BPI's stake in BFA (€-97 million attributed), as well as certain perimeter changes and a reduction in dividend income.

- Strong **fee and commission income**, which amounted to €2,499 million. The change here (+19.5%) was down to BPI's contribution (+13.2%) as well as the increased income deriving from CaixaBank's commercial activity (+6.3%).

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

- **Sustained growth in income under insurance contracts** (up 51.9% to €472 million) in response to intensive commercial activity and the termination in late October 2016 of a reinsurance contract on the individual life-risk portfolio of VidaCaixa.

- **Other operating income and expense** shows, among other items, the recognition in both years of property tax and the contributions paid to the Single Resolution Fund and to the Deposit Guarantee Fund. In 2017, income of €115 million was recognised in connection with the agreement reached with Cecabank.

- **Gross income** came to **€8,222 million, up 5.1%** on 2016.

- **Recurring administrative expenses, depreciation and amortisation** was impacted by the perimeter change and stood at €4,467 million (+11.8%, or +1.0% stripping out BPI). In 2017, a total of €110 million in extraordinary expenses has been reported in relation to BPI, while in 2016 a total of €121 million was reported in connection with the labour agreement reached at CaixaBank in the third quarter aimed at streamlining the workforce.

- **Allowance for insolvency risk** amounted to €799 million (+154.2%). The change here was partly down to the release and resulting recognition in the fourth quarter of 2016 of €676 million in provisions following the development of internal models.

  The cost of risk for the CaixaBank perimeter fell to 0.39%, compared to the 0.46% reported in 2016[1].

- **Other charges to provisions** (€912 million) included in 2017, among other items, a total of €455 million in connection with the early retirements and €154 million in write-downs on exposure to the SAREB.

- **Gains/(losses) on disposals of assets and others** included in 2017, among other items, the result of the business combination resulting from the acquisition of BPI for €256 million and the year-on-year increase in earnings on real estate assets.

- With respect to **income tax expense**, double taxation avoidance principles are applied to income contributed by investees. This heading was impacted in 2017 by the results of the business combination with BPI.

- **Profit attributable to the Group** in 2017 amounted to **€1,684 million**, **up 60.9%** year on year (€1,047 million).

(1) The ratio at December 2016 excludes the release of €676 million in provisions carried out in the fourth quarter of 2016. Factoring in this impact, the ratio would be 0.15%.

Quarterly performance

€ million	Group 4Q17	Group 3Q17	Group Chg. in %	CABK 4Q17	CABK Chg. in %	BPI 4Q17	BPI Chg. in %
Net interest income	**1,196**	**1,201**	**(0.4)**	**1,088**	**(1.0)**	**108**	**5.5**
Dividend income	1	5	(84.5)		(85.5)	1	
Share of profit/(loss) of entities accounted for using the equity method	38	220	(82.4)	107	(27.5)	(69)	
Net fee and commission income	632	615	2.6	550	2.2	82	5.1
Gains/(losses) on financial assets and liabilities and others	(5)	110		(6)		1	(65.3)
Income and expense arising from insurance or reinsurance contracts	118	121	(3.1)	118	(3.1)		
Other operating income and expense	(249)	(61)		(248)		(1)	(2.5)
Gross income	**1,731**	**2,211**	**(21.7)**	**1,609**	**(17.6)**	**122**	**(52.8)**
Recurring administrative expenses, depreciation and amortisation	(1,124)	(1,127)	(0.2)	(1,010)	0.3	(114)	(4.4)
Extraordinary expenses	(1)	(3)	(60.6)	(1)	(60.6)		
Pre-impairment income	**606**	**1,081**	**(44.0)**	**598**	**(36.6)**	**8**	
Pre-impairment income stripping out extraordinary expenses	**607**	**1,084**	**(44.0)**	**599**	**(36.6)**	**8**	
Allowance for insolvency risk	(141)	(186)	(24.7)	(148)	(26.7)	7	(52.5)
Other charges to provisions	(112)	(37)		(111)		(1)	
Gains/(losses) on disposal of assets and others	(117)	(1)		(116)		(1)	
Profit/(loss) before tax	**236**	**857**	**(72.4)**	**223**	**(68.3)**	**13**	
Income tax expense	(42)	(187)	(77.6)	(22)	(86.3)	(20)	(32.6)
Profit/(loss) after tax	**194**	**670**	**(71.0)**	**201**	**(63.1)**	**(7)**	
Profit/(loss) attributable to minority interest and others	(2)	21		1		(3)	
Profit/(loss) attributable to the Group	**196**	**649**	**(69.8)**	**200**	**(63.2)**	**(4)**	

On a like-for-like basis € million	CABK 4Q16	CABK 1Q17	CABK 2Q17	CABK 3Q17	CABK 4Q17	BPI 3Q17	BPI 4Q17
Net interest income	**1,077**	**1,084**	**1,098**	**1,099**	**1,088**	**102**	**108**
Dividend income	86	8	107	5			1
Share of profit/(loss) of entities accounted for using the equity method	192	46	119	149	107	71	(69)
Net fee and commission income	544	545	590	538	550	77	82
Gains/(losses) on financial assets and liabilities and others	130	38	126	101	(6)	9	1
Income and expense arising from insurance or reinsurance contracts	97	110	123	121	118		
Other operating income and expense	(238)	(95)	(9)	(60)	(248)	(1)	(1)
Gross income	**1,888**	**1,736**	**2,154**	**1,953**	**1,609**	**258**	**122**
Recurring administrative expenses, depreciation and amortisation	(998)	(1,013)	(1,004)	(1,008)	(1,010)	(119)	(114)
Extraordinary expenses				(3)	(1)		
Pre-impairment income	**890**	**723**	**1,150**	**942**	**598**	**139**	**8**
Pre-impairment income stripping out extraordinary expenses	**890**	**723**	**1,150**	**945**	**599**	**139**	**8**
Allowance for insolvency risk	382	(255)	(228)	(200)	(148)	14	7
Other charges to provisions	(274)	(369)	(392)	(37)	(111)		(1)
Gains/(losses) on disposal of assets and others	(774)	278	4	(1)	(116)		(1)
Profit/(loss) before tax	**224**	**377**	**534**	**704**	**223**	**153**	**13**
Income tax expense	(149)	(22)	(124)	(156)	(22)	(31)	(20)
Profit/(loss) after tax	**75**	**355**	**410**	**548**	**201**	**122**	**(7)**
Profit/(loss) attributable to minority interest and others	(2)	2	1	2	1	19	(3)
Profit/(loss) attributable to the Group	**77**	**353**	**409**	**546**	**200**	**103**	**(4)**

Attributable profit of €196 million at the Group in the fourth quarter of 2017, down 69.8% on the previous quarter.

The change at **CaixaBank, which reported net profit of €200 million (-63.2% on the third quarter)**, was largely down to the contribution of €214 million paid to the Deposit Guarantee Fund in the fourth quarter, as well as lower earnings on financial assets and liabilities.

Attributable profit from **BPI** (**€-4 million)** was impacted by the negative attributable result from BFA in the quarter.

Returns on average total assets[1]

Data in %	3Q17 CABK	3Q17 BPI	3Q17 Group	4Q17 CABK	4Q17 BPI	4Q17 Group
Interest income	1.89	1.35	1.84	1.88	1.36	1.83
Interest expense	(0.62)	(0.11)	(0.57)	(0.67)	(0.08)	(0.61)
Net interest income	**1.27**	**1.24**	**1.27**	**1.21**	**1.28**	**1.22**
Dividend income	0.01	0.00	0.01	0.00	0.01	0.00
Share of profit/(loss) of entities accounted for using the equity method	0.17	0.86	0.23	0.12	(0.82)	0.04
Net fee and commission income	0.62	0.93	0.65	0.61	0.98	0.65
Gains/(losses) on financial assets and liabilities and others	0.12	0.11	0.12	(0.01)	0.01	(0.01)
Income and expense arising from insurance or reinsurance contracts	0.14	0.00	0.13	0.13	0.00	0.12
Other operating income and expense	(0.08)	(0.01)	(0.08)	(0.27)	(0.01)	(0.25)
Gross income	**2.25**	**3.13**	**2.33**	**1.79**	**1.45**	**1.77**
Recurring administrative expenses, depreciation and amortisation	(1.16)	(1.44)	(1.19)	(1.12)	(1.35)	(1.15)
Extraordinary expenses	(0.01)	0.00	0.00	(0.00)	0.00	(0.00)
Pre-impairment income	**1.08**	**1.69**	**1.14**	**0.67**	**0.10**	**0.62**
Pre-impairment income stripping out extraordinary expenses	**1.09**	**1.69**	**1.14**	**0.67**	**0.10**	**0.62**
Allowance for insolvency risk	(0.23)	0.17	(0.20)	(0.17)	0.08	(0.14)
Other charges to provisions	(0.04)	0.00	(0.04)	(0.12)	(0.02)	(0.12)
Gains/(losses) on disposal of assets and others	0.00	0.00	0.00	(0.13)	(0.01)	(0.12)
Profit/(loss) before tax	**0.81**	**1.86**	**0.90**	**0.25**	**0.15**	**0.24**
Income tax expense	(0.18)	(0.38)	(0.19)	(0.03)	(0.23)	(0.04)
Profit/(loss) after tax	**0.63**	**1.48**	**0.71**	**0.22**	**(0.08)**	**0.20**
Profit/(loss) attributable to minority interest and others	0.00	0.23	0.03	0.00	(0.03)	(0.00)
Profit/(loss) attributable to the Group	**0.63**	**1.25**	**0.68**	**0.22**	**(0.05)**	**0.20**
€ million						
Average total net assets	344,577	32,691	376,073	355,783	33,308	387,300

Data in %	4Q16 CABK	1Q17 CABK	1Q17 BPI	1Q17 Group	2Q17 CABK	2Q17 BPI	2Q17 Group
Interest income	2.02	1.96	1.43	1.93	1.92	1.35	1.87
Interest expense	(0.75)	(0.66)	(0.04)	(0.63)	(0.62)	(0.15)	(0.57)
Net interest income	**1.27**	**1.30**	**1.39**	**1.30**	**1.30**	**1.20**	**1.30**
Dividend income	0.10	0.01	0.00	0.01	0.13	0.07	0.12
Share of profit/(loss) of entities accounted for using the equity method	0.23	0.05	0.78	0.11	0.14	0.78	0.20
Net fee and commission income	0.64	0.65	0.86	0.66	0.70	0.90	0.72
Gains/(losses) on financial assets and liabilities and others	0.15	0.05	0.10	0.05	0.15	0.10	0.15
Income and expense arising from insurance or reinsurance contracts	0.11	0.13	0.00	0.12	0.15	0.00	0.13
Other operating income and expense	(0.28)	(0.11)	0.02	(0.11)	(0.01)	(0.20)	(0.02)
Gross income	**2.22**	**2.08**	**3.15**	**2.14**	**2.56**	**2.85**	**2.60**
Recurring administrative expenses, depreciation and amortisation	(1.17)	(1.22)	(1.56)	(1.23)	(1.19)	(1.48)	(1.23)
Extraordinary expenses	0.00	0.00	(0.20)	(0.02)	0.00	(1.17)	(0.10)
Pre-impairment income	**1.05**	**0.86**	**1.39**	**0.89**	**1.37**	**0.20**	**1.27**
Pre-impairment income stripping out extraordinary expenses	**1.05**	**0.86**	**1.59**	**0.91**	**1.37**	**1.37**	**1.37**
Allowance for insolvency risk	0.45	(0.31)	0.12	(0.28)	(0.27)	0.06	(0.24)
Other charges to provisions	(0.32)	(0.44)	(0.02)	(0.42)	(0.47)	(0.02)	(0.43)
Gains/(losses) on disposal of assets and others	(0.91)	0.34	0.00	0.32	0.00	0.00	0.00
Profit/(loss) before tax	**0.26**	**0.45**	**1.49**	**0.51**	**0.63**	**0.24**	**0.60**
Income tax expense	(0.18)	(0.03)	(0.29)	(0.04)	(0.14)	0.14	(0.12)
Profit/(loss) after tax	**0.09**	**0.42**	**1.20**	**0.47**	**0.49**	**0.38**	**0.48**
Profit/(loss) attributable to minority interest and others	0.00	0.00	0.20	0.02	0.00	0.05	0.01
Profit/(loss) attributable to the Group	**0.09**	**0.42**	**1.00**	**0.45**	**0.49**	**0.33**	**0.47**
€ million							
Average total net assets	338,674	339,061	20,203	359,264	337,447	32,843	368,639

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

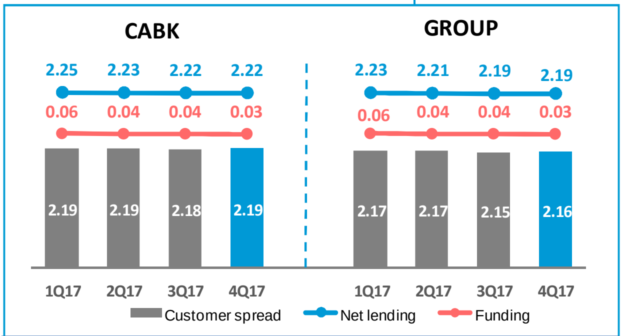
Gross income

Net interest income

- **Net interest income totalled €4,746 million in 2017** (+14.2% year on year) as a result of the full accounting consolidation of BPI from February onward, which accounted for 9.1% of growth. Net interest income at CaixaBank, against a backdrop of falling interest rates, was up 5.1% on account of:

  - Sharp reduction in the cost of maturity deposits, thanks to **forceful management of retail financing**. This reduction has reached -46 basis points in the last 12 months (from 0.53% in 2016 to 0.07% in 2017). The cost of demand deposits was down 5 basis points.
  - **Cost savings on institutional financing** due to lower volumes and rates.
  - The **change in income came in response to falling returns on the loan portfolio and the fixed income portfolio**, in turn due to the drop in market interest rates.

  The **customer spread** at CaixaBank in 2017 was **2.19%** (+12bp on 2016). Meanwhile, the **balance sheet spread** came to **1.27%** (+5bp on 2016) due to the reduction in the cost of deposits.



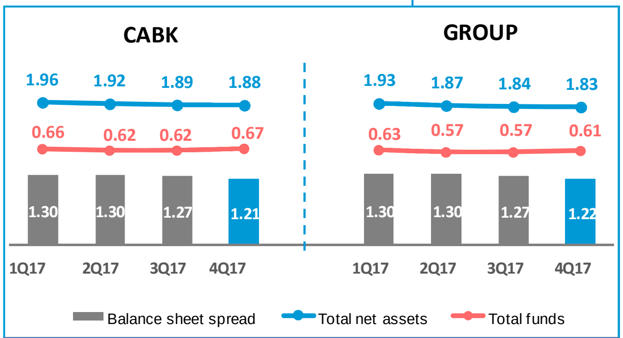
Customer spread
(%)

- **Net interest income** in the **fourth quarter was virtually unchanged (-0.4%),** with BPI contributing +0.6%. At CaixaBank, net interest income was down 1.0% largely as a result of:

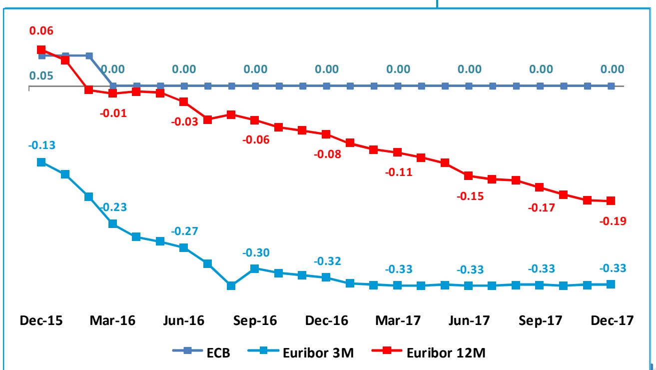
  - **Lower cost of retail deposits**, mainly due to the 4 basis-point reduction in the interest rate on maturity deposits (from 0.05% in the third quarter to 0.01% in the fourth).
  - **Reduction in financial income from lending activity** as **lending volume fell.** The interest rate remained stable at 2.22%.
  - **Lower cost of wholesale financing and lower returns on the fixed-income portfolio**, since new transactions are being arranged at rates lower than those issues maturing, in response to falling market rates.

  The customer spread was up 1 basis point to 2.19% at CaixaBank, following the 1 basis-point reduction in the cost of deposits and an unchanged interest rate on loans.

  Meanwhile, the **balance sheet spread came to 1.21%** (-6bp in the quarter), due largely to the increased balance in financial intermediaries for lending and borrowing activity.



Balance sheet spread of average total assets
(%)



Interest rates
(%)

Quarterly cost and income

€ million		4Q17 CABK			4Q17 BPI			4Q17 Group		
		Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions		23,685	45	0.76	1,471	3	0.75	25,142	48	0.75
Loans	(a)	189,587	1,061	2.22	19,865	97	1.93	209,451	1,158	2.19
Fixed income securities portfolio		27,283	78	1.13	5,634	8	0.58	32,617	81	0.98
Other assets with returns		50,777	494	3.86				50,777	494	3.86
Other assets		64,451	4		6,338	6		69,313	10	
Total average assets	**(b)**	**355,783**	**1,682**	**1.88**	**33,308**	**114**	**1.36**	**387,300**	**1,791**	**1.83**
Financial Institutions		55,628	(49)	0.35	3,877	(2)	0.22	59,416	(51)	0.34
Retail customer funds	(c)	166,878	(11)	0.03	20,304	(5)	0.09	187,178	(16)	0.03
Demand deposits		139,538	(10)	0.03	11,755			151,289	(10)	0.03
Maturity deposits		27,340	(1)	0.01	8,549	(5)	0.22	35,889	(6)	0.06
Time deposits		26,080	(1)	0.01	8,549	(5)	0.22	34,629	(6)	0.06
Retail repurchase agreements and marketable debt securities		1,260						1,260		
Wholesale marketable debt securities & other		26,375	(70)	1.05	694	(3)	1.93	27,069	(72)	1.06
Subordinated liabilities		5,946	(34)	2.28	359	(4)	4.88	6,005	(34)	2.27
Other funds with cost		57,122	(422)	2.93	4,130	11	(1.06)	61,252	(411)	2.66
Other funds		43,834	(8)		3,944	(3)		46,380	(11)	
Total average funds	**(d)**	**355,783**	**(594)**	**0.67**	**33,308**	**(6)**	**0.08**	**387,300**	**(595)**	**0.61**
Net interest income			**1,088**			**108**			**1,196**	
Customer spread (%)	**(a-c)**		**2.19**			**1.84**			**2.16**	
Balance sheet spread (%)	**(b-d)**		**1.21**			**1.28**			**1.22**	

€ million		3Q17 CABK			3Q17 BPI			3Q17 Group		
		Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions		13,977	48	1.36	1,252	2	0.61	15,210	50	1.30
Loans	(a)	190,558	1,069	2.22	19,881	94	1.87	210,440	1,163	2.19
Fixed income securities portfolio		26,580	93	1.39	4,847	8	0.69	31,577	97	1.22
Other assets with returns		50,444	427	3.35				50,444	427	3.35
Other assets		63,018	5		6,711	7		68,402	11	
Total average assets	**(b)**	**344,577**	**1,642**	**1.89**	**32,691**	**111**	**1.35**	**376,073**	**1,748**	**1.84**
Financial Institutions		37,873	(53)	0.55	3,870	(2)	0.17	41,725	(55)	0.52
Retail customer funds	(c)	175,988	(17)	0.04	19,995	(5)	0.10	195,983	(22)	0.04
Demand deposits		146,918	(13)	0.04	11,247			158,164	(13)	0.03
Maturity deposits		29,071	(4)	0.05	8,748	(5)	0.22	37,818	(9)	0.09
Time deposits		27,238	(4)	0.05	8,748	(5)	0.22	35,986	(9)	0.09
Retail repurchase agreements and marketable debt securities		1,832						1,833		
Wholesale marketable debt securities & other		25,784	(73)	1.12	730	(2)	1.21	26,514	(75)	1.12
Subordinated liabilities		6,245	(38)	2.39	361	(4)	4.89	6,305	(38)	2.38
Other funds with cost		55,859	(357)	2.54	4,092	8	(0.78)	60,093	(349)	2.31
Other funds		42,828	(5)		3,643	(4)		45,453	(8)	
Total average funds	**(d)**	**344,577**	**(543)**	**0.62**	**32,691**	**(9)**	**0.11**	**376,073**	**(547)**	**0.57**
Net interest income			**1,099**			**102**			**1,201**	
Customer spread (%)	**(a-c)**		**2.18**			**1.77**			**2.15**	
Balance sheet spread (%)	**(b-d)**		**1.27**			**1.24**			**1.27**	

€ million		2Q17 CABK Average balance	Income or expense	Rate %	2Q17 BPI Average balance	Income or expense	Rate %	2Q17 Group Average balance	Income or expense	Rate %
Financial Institutions		9,913	39	1.58	1,512	2	0.53	11,394	41	1.44
Loans	(a)	191,460	1,066	2.23	19,788	96	1.95	211,249	1,163	2.21
Fixed income securities portfolio		22,933	87	1.52	4,919	9	0.73	27,550	93	1.35
Other assets with returns		50,018	417	3.34				50,018	417	3.34
Other assets		63,123	4		6,624	4		68,428	7	
Total average assets	**(b)**	**337,447**	**1,613**	**1.92**	**32,843**	**111**	**1.35**	**368,639**	**1,721**	**1.87**
Financial Institutions		39,014	(41)	0.42	3,776	(2)	0.21	42,823	(43)	0.40
Retail customer funds	(c)	168,937	(15)	0.04	20,035	(5)	0.10	188,969	(20)	0.04
Demand deposits		139,076	(10)	0.03	10,960			150,036	(10)	0.03
Maturity deposits		29,861	(5)	0.07	9,075	(5)	0.22	38,933	(10)	0.10
Time deposits		28,817	(5)	0.07	9,022	(5)	0.22	37,837	(10)	0.11
Retail repurchase agreements and marketable debt securities		1,044			53			1,096		
Wholesale marketable debt securities & other		25,794	(70)	1.09	753	(3)	1.60	26,544	(74)	1.12
Subordinated liabilities		5,297	(39)	2.95	360	(4)	4.46	5,357	(39)	2.92
Other funds with cost		55,045	(346)	2.52	4,093	6	(0.59)	59,400	(341)	2.30
Other funds		43,360	(4)		3,826	(5)		45,546	(8)	
Total average funds	**(d)**	**337,447**	**(515)**	**0.62**	**32,843**	**(13)**	**0.15**	**368,639**	**(525)**	**0.57**
Net interest income			**1,098**			**98**			**1,196**	
Customer spread (%)	**(a-c)**		**2.19**			**1.85**			**2.17**	
Balance sheet spread (%)	**(b-d)**		**1.30**			**1.20**			**1.30**	

€ million		1Q17 CABK Average balance	Income or expense	Rate %	1Q17 BPI Average balance	Income or expense	Rate %	1Q17 Group Average balance	Income or expense	Rate %
Financial Institutions		10,934	43	1.60	780	2	1.04	11,714	45	1.54
Loans	(a)	192,555	1,066	2.25	12,989	63	1.97	205,544	1,129	2.23
Fixed income securities portfolio		24,262	91	1.52	2,711	6	0.90	26,973	97	1.45
Other assets with returns		48,669	436	3.64				48,669	436	3.64
Other assets		62,641	4		3,723			66,364	4	
Total average assets	**(b)**	**339,061**	**1,640**	**1.96**	**20,203**	**71**	**1.43**	**359,264**	**1,711**	**1.93**
Financial Institutions		43,335	(40)	0.38	2,566	(1)	0.16	45,901	(41)	0.36
Retail customer funds	(c)	167,033	(25)	0.06	12,943	(3)	0.09	179,976	(28)	0.06
Demand deposits		132,224	(12)	0.04	6,805			139,029	(12)	0.04
Maturity deposits		34,809	(13)	0.14	6,138	(3)	0.20	40,947	(16)	0.15
Time deposits		34,128	(12)	0.15	6,103	(3)	0.20	40,231	(15)	0.15
Retail repurchase agreements and marketable debt securities		681	(1)	0.01	35			716	(1)	0.01
Wholesale marketable debt securities & other		27,544	(79)	1.17	575	(1)	0.71	28,119	(80)	1.16
Subordinated liabilities		4,600	(34)	3.04	10			4,610	(34)	3.03
Other funds with cost		53,040	(373)	2.85	2,776	7	(1.02)	55,816	(366)	2.66
Other funds		43,509	(5)		1,333	(4)		44,842	(9)	
Total average funds	**(d)**	**339,061**	**(556)**	**0.66**	**20,203**	**(2)**	**0.04**	**359,264**	**(558)**	**0.63**
Net interest income			**1,084**			**69**			**1,153**	
Customer spread (%)	**(a-c)**		**2.19**			**1.88**			**2.17**	
Balance sheet spread (%)	**(b-d)**		**1.30**			**1.39**			**1.30**	

To help readers interpret the tables showing the performance of cost and income, 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. Meanwhile the results from the insurance business of BPI are registered, net, under the heading "Other funds with cost".
- Since BPI was integrated on 1 February 2017, the results and average balances for the first quarter (which includes just two months) cannot be reliably compared with subsequent quarters.
- From the second quarter of 2017 onward, income from Units Links that BPI used to report as net interest income in its public information has, as of the effective takeover, been reclassified using CaixaBank reporting criteria to fees and commission income. This reclassification in the second quarter had an associated impact of €-2 million on net interest income.
- Information relating to the BPI perimeter reflects the full integration of its assets and liabilities, including the adjustments made to the business combination. When drawing up separate information for the CaixaBank and BPI perimeters, no adjustments have been made for the intra-group transactions between both perimeters (mainly the subordinated debt of BPI subscribed by CaixaBank), while this adjustment was made in relation to the information drawn up for the Group.
- CaixaBank's move to acquire the insurance business from BPI has had no significant impact on total average assets since the transaction was completed on 28 December 2017.

Fees and commissions

- **Fee and commission income totalled €2,499 million** (+19.5%).
- **Fee and commission income at CaixaBank** climbed to €2,223 million, up 6.3% on the same period of the previous year:
  - **Banking services, securities and other fees** amounted to €1,353 million (+2.6% in the year; -1.8% in the quarter). This includes income on securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking.

    Highlights for 2017 included a year-on-year increase in fee and commission income from transactions and in income associated with payment methods.
  - **Investment fund fees** were €446 million (+10.4% in the year; +5.5% in the quarter) due to the increase in assets under management. The previous year was impacted by market volatility, especially during the first six months.
  - **Growth in pension plan management fees of 9.2%** to reach €206 million (+17.6% in the quarter) following the increase in assets under management through the wide range of products on offer.
  - **Fees on insurance sales** climbed to €218 million (+21.5%; +5.2% in the quarter).

- **Fees and commission income from BPI** accounted for 13.2% of the growth in fee and commission income at the Group in 2017. This heading was up 5.1% on the previous quarter, with an increased contribution of fees and commissions from management of investment funds and sales of insurance.

€ million	Group			CABK		BPI
Year-on-year	**2017**	**2016**	**Chg. in %**	**2017**	**Chg. in %**	**2017**
Banking services, securities and other fees	1,521	1,320	15.3	1,353	2.6	168
Mutual funds, managed accounts and SICAVs	491	403	21.7	446	10.4	45
Pension plans	213	187	13.3	206	9.2	7
Sale of insurance products	274	180	52.3	218	21.5	56
Net fee and commission income	**2,499**	**2,090**	**19.5**	**2,223**	**6.3**	**276**

Quarter-on-quarter	**4Q17**	**3Q17**	**Chg. in %**	**2Q17**	**1Q17**	**4Q16**
Banking services, securities and other fees	315	322	(1.8)	372	344	333
Mutual funds, managed accounts and SICAVs	119	113	5.5	110	104	108
Pension plans	60	51	17.6	49	46	49
Sale of insurance products	56	52	5.2	59	51	54
CABK	**550**	**538**	**2.2**	**590**	**545**	**544**
Banking services, securities and other fees	48	47	(1.5)	44	29	
Mutual funds, managed accounts and SICAVs	15	13	12.0	11	6	
Pension plans	2	2	34.9	2	1	
Sale of insurance products	17	15	16.4	17 [1]	7	
BPI	**82**	**77**	**5.1**	**74**	**43**	
Banking services, securities and other fees	363	369	(1.8)	416	373	
Mutual funds, managed accounts and SICAVs	134	126	6.2	121	110	
Pension plans	62	53	18.2	51	47	
Sale of insurance products	73	67	7.6	76	58	
Group	**632**	**615**	**2.6**	**664**	**588**	

(1) In the first quarter of 2017, income of €2 million from Unit Links under the BPI perimeter was recognised as Net interest income in accordance with BPI's approach to presenting public information at that time. In the second quarter of 2017, this same amount, and the income generated in the period, were reported as additional fee and commission income on sales of insurance products using CaixaBank's own criteria for presenting public information.

Income from equity investments

- **Income from equity investments totalled €653 million (-21.0%)**. This heading shows earnings at entities accounted for using the equity method and dividend income.

  Dividend income in the second quarter includes the recognition of the full dividend amounting to €104 million (€0.40/share), approved at Telefónica's 2017 annual general meeting. In 2016, dividends accrued in the second (€0.40/share) and fourth (€0.34/share) quarters, depending on when they were approved.

  Highlights in relation to earnings at entities accounted for using the equity method included the following events:

  - The change at CaixaBank (-33.0%) was down to the perimeter change resulting from the swap of Bank of East Asia and GF Inbursa under the agreement reached with CriteriaCaixa in May 2016 and the full accounting consolidation of BPI from 1 February 2017.

    It also includes the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million) in January 2017, which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.

  - Earnings incorporated through the equity method at BFA came to €-68 million in the fourth quarter (€+64 million in the previous quarter). This includes extraordinary impacts totalling €-119 million, of which €-76 million relates to the estimated impact of applying (in accordance with IAS 29) the inflationary impact of Angola on BFA's financial statements.

€ million	Group			CABK		BPI
Year-on-year	**2017**	**2016**	**Chg. in %**	**2017**	**Chg. in %**	**2017**
Dividend income	127	199	(35.9)	120	(39.2)	7
Share of profit/(loss) of entities accounted for using the equity method	526	629	(16.3)	421	(33.0)	105
Income from equity investments	**653**	**828**	**(21.0)**	**541**	**(34.5)**	**112**

Quarter-on-quarter	4Q17	3Q17	Chg. in %	2Q17	1Q17	4Q16
Dividend income		5		107	8	86
Share of profit/(loss) of entities accounted for using the equity method	107	149	(27.5)	119	46	192
CABK	**107**	**154**	**(29.6)**	**226**	**54**	**278**
Dividend income	1			6		
Share of profit/(loss) of entities accounted for using the equity method	(69)	71		64	39	
BPI	**(68)**	**71**		**70**	**39**	
Dividend income	1	5	(84.5)	113	8	
Share of profit/(loss) of entities accounted for using the equity method	38	220	(82.4)	183	85	
Group	**39**	**225**	**(82.5)**	**296**	**93**	

Gains/(losses) on financial assets and liabilities and others

- **Gains/(losses) on financial assets and liabilities and others** stood at €282 million (-66.7% on the same period of 2016).

  In 2016, this figure included mainly the materialisation of unrealised gains on fixed-income assets classified as available-for-sale financial assets and the recognition of a gross capital gain of €165 million following completion of the acquisition of Visa Europe Ltd. by Visa Inc.

€ million	Group			CABK		BPI
Year-on-year	2017	2016	Chg. in %	2017	Chg. in %	2017
Gains/(losses) on financial assets and liabilities and others	282	848	(66.7)	259	(69.5)	23

Quarter-on-quarter	4Q17	3Q17	2Q17	1Q17	4Q16
CABK	(6)	101	126	38	130
BPI	1	9	8	5	
Group	(5)	110	134	43	

Income and expenses arising from insurance and reinsurance contracts

- **Growth in income** arising from life insurance activity to reach €472 million (+51.9%) on the back of intensive sales activity.

  The change here was also affected by the termination of the reinsurance contract on an individual life risk portfolio of VidaCaixa in late October 2016 (additional income of €97 million in 2017 and up €10 million on the fourth quarter of 2016). Stripping out this impact in 2017, annual growth would have been 20.6%.

€ million	Group		
Year-on-year	2017	2016	Chg. in %
Income and expense arising from insurance or reinsurance contracts	472	311	51.9

Quarter-on-quarter	4Q17	3Q17	2Q17	1Q17	4Q16
CABK / Group	118	121	123	110	97

Other operating income and expense

- **Other operating income and expense** (€-430 million; +5.6%) 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, the timing of which generates a seasonal impact on the quarterly performance under this heading:
  - Contribution to the Deposit Guarantee Fund (DGF) of €214 million at CaixaBank reported in the fourth quarter (€187 million in 2016).
  - The second quarter of 2017 includes the contributions of €75 million and €15 million related to the Single Resolution Fund (SRF) by CaixaBank and BPI[1], respectively.
  - Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (€50 million in 2017).
- The **year-on-year performance at CaixaBank** was also shaped by the following factors:
  - Income reported in the second quarter of 2017 under the agreement reached with Cecabank[2] (€+115 million)
  - The State-levied tax on deposits, formerly recognised under Other charges to provisions, has been moved under this heading since the first quarter of 2017 (€53 million in 2017).

€ million	Group			CABK		BPI
Year-on-year	**2017**	**2016**	**Chg. in %**	**2017**	**Chg. in %**	**2017**
SRF / DGF	(304)	(261)	16.5	(289)	10.7	(15)
Other	(126)	(146)	(13.7)	(123)	(15.8)	(3)
Other operating income and expense	**(430)**	**(407)**	**5.6**	**(412)**	**1.1**	**(18)**

Quarter-on-quarter	**4Q17**	**3Q17**	**2Q17**	**1Q17**	**4Q16**
SRF / DGF	(214)		(75)		(187)
Other	(34)	(60)	66	(95)	(51)
CABK	**(248)**	**(60)**	**(9)**	**(95)**	**(238)**
SRF			(15)		
Other	(1)	(1)	(2)	1	
BPI	**(1)**	**(1)**	**(17)**	**1**	
SRF / DGF	(214)		(90)		
Other	(35)	(61)	64	(94)	
Group	**(249)**	**(61)**	**(26)**	**(94)**	

(1) Includes €4 million relating to the contribution to the Portuguese Resolution Fund.

(2) See section on 'Significant Events in 2017'.

Administrative expenses, depreciation and amortisation

- Recurring administrative expenses, depreciation and amortisation was up 11.8% to €4,467 million, largely due to the integration of BPI (+10.8%).
- **Recurring expenses,** on a like-for-like basis remained relatively stable (+1.0% on 2016; +0.2% in staff expenses) as the Bank seeks to contain costs and improve efficiency as a key strategic priority.
- A total of €110 million in extraordinary expenses associated with BPI was reported in 2017 (of which €96 million were reported in the second quarter of 2017). The third quarter of 2016 included €121 million in connection with the CaixaBank labour agreement aimed at streamlining the workforce.

€ million	Group			CABK		BPI
Year-on-year	**2017**	**2016**	**Chg. in %**	**2017**	**Chg. in %**	**2017**
Gross income	8,222	7,827	5.1	7,452	(4.8)	770
Personnel expenses	(2,875)	(2,624)	9.5	(2,630)	0.2	(245)
General expenses	(1,165)	(1,000)	16.5	(1,014)	1.4	(151)
Depreciation and amortisation	(427)	(371)	15.3	(391)	5.6	(36)
Recurring administrative expenses, depreciation and amortisation	**(4,467)**	**(3,995)**	**11.8**	**(4,035)**	**1.0**	**(432)**
Extraordinary expenses	(110)	(121)	(8.7)	(4)	(96.7)	(106)

Quarter-on-quarter	**4Q17**	**3Q17**	**2Q17**	**1Q17**	**4Q16**
Gross income CABK	1,609	1,953	2,154	1,736	1,888
Personnel expenses	(663)	(653)	(655)	(659)	(645)
General expenses	(260)	(254)	(248)	(252)	(257)
Depreciation and amortisation	(87)	(101)	(101)	(102)	(96)
Recurring administrative expenses, depreciation and amortisation	**(1,010)**	**(1,008)**	**(1,004)**	**(1,013)**	**(998)**
Extraordinary expenses	(1)	(3)			
Gross income BPI	122	258	233	157	
Personnel expenses	(66)	(67)	(69)	(43)	
General expenses	(38)	(42)	(44)	(27)	
Depreciation and amortisation	(10)	(10)	(8)	(8)	
Recurring administrative expenses, depreciation and amortisation	**(114)**	**(119)**	**(121)**	**(78)**	
Extraordinary expenses			(96)	(10)	
Gross income Group	1,731	2,211	2,387	1,893	
Gastos de personal	(729)	(720)	(724)	(702)	
Gastos generales	(298)	(296)	(292)	(279)	
Depreciation and amortisation	(97)	(111)	(109)	(110)	
Recurring administrative expenses, depreciation and amortisation	**(1,124)**	**(1,127)**	**(1,125)**	**(1,091)**	
Extraordinary expenses	(1)	(3)	(96)	(10)	

Cost-to-income ratio Group	4Q17	3Q17	2Q17	1Q17	4Q16
Cost-to-income stripping out extraordinary expenses (%) [1]	54.3	51.8	52.2	52.4	51.0
Cost-to-income ratio (%) [1]	55.7	53.1	55.1	54.0	52.6

(1) Last 12 months. The Group ratio now includes BPI since its incorporation into the consolidated accounts in February 2017.

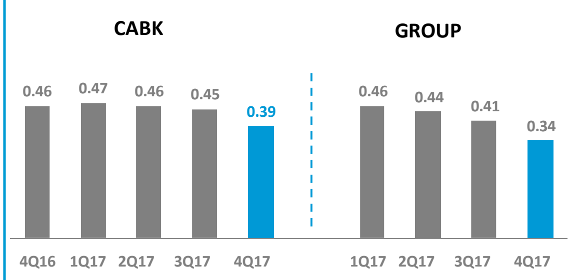
Impairment losses on financial assets and other charges to provisions

Impairment losses on financial assets

- **Allowances for insolvency risk stood at €799 million.**

  The annual performance (+154.2%) was down to the release of €676 million in provisions on the loan portfolio in the fourth quarter of 2016 following development of internal models compliant with the terms of Circular 4/2016. Stripping out this impact in 2016, the annual performance would be -19.3%.

  Meanwhile, the **cost of risk**[1] at the Group was 0.34%. At CaixaBank, it fell to 0.39% versus the 0.46% reported the previous year.



Cost of risk (last twelve months)[1] (%)

Other charges to provisions

- **Other charges to provisions** (€912 million) mainly includes the coverage of future contingencies and impairment of other assets.

  In 2017 the heading includes €455 million in connection with the early retirements (€152 million and €303 million in the first and second quarter of the year, respectively) and €154 million in write-downs on exposure to the SAREB in the first quarter. Allowances were recognised for legal contingencies in the fourth quarter of 2017, employing conservative criteria.

  In 2016, this heading included €160 million associated with early retirements in the second quarter and a further provision of €110 million in relation to floor clauses in the fourth quarter.

(1) BPI considered since its incorporation within the figures as of February 2017. The ratio excludes the release of €676 million in provisions carried out in the fourth quarter of 2016. Moreover, the 4Q17 ratio for the CABK perimeter does not include the credit relating to the acquisition of BPI Vida in order to provide a more accurate analysis of organic performance.

€ million	Group			CABK		BPI
Year-on-year	**2017**	**2016**	**Chg. in %**	**2017**	**Chg. in %**	**2017**
Allowance for insolvency risk	(799)	(314)	154.2	(831)	164.4	32
Other charges to provisions	(912)	(755)	20.8	(909)	20.4	(3)
Impairment losses on financial assets and other charges to provisions	**(1,711)**	**(1,069)**	**60.0**	**(1,740)**	**62.8**	**29**

Quarter-on-quarter	4Q17	3Q17	2Q17	1Q17	4Q16
Allowance for insolvency risk	(148)	(200)	(228)	(255)	382
Other charges to provisions	(111)	(37)	(392)	(369)	(274)
CABK	**(259)**	**(237)**	**(620)**	**(624)**	**108**
Allowance for insolvency risk	7	14	5	6	
Other charges to provisions	(1)		(1)	(1)	
BPI	**6**	**14**	**4**	**5**	
Allowance for insolvency risk	(141)	(186)	(223)	(249)	
Other charges to provisions	(112)	(37)	(393)	(370)	
Group	**(253)**	**(223)**	**(616)**	**(619)**	

Gains/(losses) on disposal of assets and others

- **Gains/(losses) on disposal of assets and others** essentially comprises the results of completed one-off transactions and proceeds on asset sales and write-downs mainly relating to the real estate portfolio. The change here was a result of:
  - Sustained increase in gains on sales of real estate assets. Proceeds from sales to net book value stood at 20% in 2017 (+14pp year on year).
  - Other results on real estate activity essentially shows allowances associated with asset valuations using the Group's internal models and the process of updating parameters carried out in the fourth quarter of 2017. The same quarter of the previous year included the recognition of €-656 million following the move to apply internal models.
  - Highlights in relation to other results include the result of the business combination with BPI in 2017 (€256 million) and write-downs of obsolete assets in the fourth quarter. In the first quarter of 2016, this heading includes the negative impact of the early redemption of the bonds exchangeable for Repsol shares.

€ million	Group		CABK	BPI
Year-on-year	**2017**	**2016**	**2017**	**2017**
Results on sale of property	248	72	248	
Other real estate results	(242)	(1,106)	(242)	
Others	158	(70)	159	(1)
Gains/(losses) on disposal of assets and others	**164**	**(1,104)**	**165**	**(1)**
Results on sales of property, net (on net carrying amount)	20%	6%	20%	

Quarter-on-quarter CABK	**4Q17**	**3Q17**	**2Q17**	**1Q17**	**4Q16**
Results on sale of property	108	61	44	35	50
Other real estate results	(149)	(55)	(28)	(10)	(834)
Others	(75)	(7)	(12)	253	10
CABK	**(116)**	**(1)**	**4**	**278**	**(774)**
Results on sales of property, net (on net carrying amount)	27%	21%	15%	15%	14%

Corporate income tax expense

- On the subject of **income tax expense**, double taxation avoidance principles are applied to income contributed by investees and earnings on corporate transactions. In 2017, the heading was affected appreciably by the results of the business combination with BPI.

  The fourth quarter of 2016 included the impact of the tax reforms ushered in by Royal Decree-Law 3 of 2 December 2016 of €-149 million, which imposed restrictions on the deductibility of losses on transfers of shares and other equity interests.

Business activity

Balance sheet

The **Group's total assets amounted to €383,186 million** at 31 December 2017 (+10.1% in the year following the integration of BPI and +1.1% in the quarter).

	Group				
€ million	Dec. 31, 2017	Sep. 30, 2017	Chg. in %	Dec. 31, 2016	Chg. in %
Cash, cash balances at central banks and other demand deposits	20,155	12,615	59.8	13,260	52.0
Financial assets held for trading	10,597	11,883	(10.8)	11,668	(9.2)
Available-for-sale financial assets	69,555	71,489	(2.7)	65,077	6.9
Loans and receivables	226,272	226,163	0.0	207,641	9.0
Loans and advances to central banks and credit institutions	7,378	5,950	24.0	6,742	9.4
Loans and advances to customers	216,318	217,330	(0.5)	200,338	8.0
Debt securities	2,576	2,883	(10.6)	561	
Held-to-maturity investments	11,085	11,154	(0.6)	8,306	33.5
Investments in joint ventures and associates	6,224	6,278	(0.9)	6,421	(3.1)
Tangible assets	6,480	6,509	(0.4)	6,437	0.7
Intangible assets	3,805	3,827	(0.6)	3,687	3.2
Non-current assets held for sale	6,069	6,283	(3.4)	6,405	(5.2)
Other assets	22,944	22,911	0.1	19,025	20.6
Total assets	**383,186**	**379,112**	**1.1**	**347,927**	**10.1**
Liabilities	**358,503**	**354,120**	**1.2**	**324,371**	**10.5**
Financial liabilities held for trading	8,605	9,045	(4.9)	10,292	(16.4)
Financial liabilities measured at amortised cost	280,897	276,458	1.6	254,093	10.5
Deposits from central banks and credit institutions	43,196	39,821	8.5	36,345	18.8
Customer deposits	203,608	204,048	(0.2)	187,167	8.8
Debt securities issued	29,919	29,428	1.7	27,708	8.0
Memorandum item: Subordinated liabilities	*5,054*	*5,070*	*(0.3)*	*4,119*	*22.7*
Other financial liabilities	4,174	3,161	32.0	2,873	45.3
Liabilities under insurance or reinsurance contracts	49,750	49,341	0.8	45,804	8.6
Provisions	5,001	5,065	(1.3)	4,730	5.7
Other liabilities	14,250	14,211	0.3	9,452	50.8
Equity	**24,683**	**24,992**	**(1.2)**	**23,556**	**4.8**
Own funds	24,204	24,496	(1.2)	23,400	3.4
of which: Profit/(loss) attributable to the Group	*1,684*	*1,488*	*13.2*	*1,047*	*60.9*
Minority interest	434	413	5.1	29	
Valuation adjustment and other	45	83	(45.8)	127	(64.6)
Total liabilities and equity	**383,186**	**379,112**	**1.1**	**347,927**	**10.1**

Loans and advances to customers

Loans and advances to customers, gross stood at **€223,951 million (+9.3% in 2017)** following the integration of BPI (+11.2%).

	Group						
€ million	**Dec 31, 2017**	**Sep 30, 2017**	**Change**	**Change %**	**Dec 31, 2016**	**Change**	**Change %**
Loans to individuals	**128,490**	**129,127**	**(637)**	**(0.5)**	**118,300**	**10,190**	**8.6**
Home purchases	94,187	95,228	(1,041)	(1.1)	86,405	7,782	9.0
Other	34,303	33,899	404	1.2	31,895	2,408	7.5
Of which: Consumer lending in Spain	*9,929*	*9,641*	*288*	*3.0*	*8,109*	*1,820*	*22.4*
Loans to business	**83,463**	**83,034**	**429**	**0.5**	**74,061**	**9,402**	**12.7**
Corporates and SMEs	76,181	74,746	1,435	1.9	64,813	11,368	17.5
Real estate developers	7,101	8,034	(933)	(11.6)	8,024	(923)	(11.5)
Criteria Caixa	181	254	(73)	(28.7)	1,224	(1,043)	(85.2)
Public sector	**11,998**	**13,005**	**(1,007)**	**(7.7)**	**12,496**	**(498)**	**(4.0)**
Loans and advances to customers, gross[1]	**223,951**	**225,166**	**(1,215)**	**(0.5)**	**204,857**	**19,094**	**9.3**
Of which:							
Performing loans	*210,154*	*210,441*	(287)	(0.1)	*190,506*	19,648	*10.3*
Allowance for impairment losses	(6,832)	(7,345)	513	(7.0)	(6,684)	(148)	2.2
Loans and advances to customers, net	**217,119**	**217,821**	**(702)**	**(0.3)**	**198,173**	**18,946**	**9.6**
Contingent Liabilities	13,983	12,237	1,746	14.3	10,608	3,375	31.8

At **CaixaBank, the total portfolio fell by 1.9% while the performing portfolio lost 1.2%** in 2017 (-0.4% and -0.1% in the quarter, respectively). Stripping out the reduction in financing to CriteriaCaixa due to the prudential deconsolidation process, the performing portfolio would be down by just 0.6% in 2017 and would be stable (+0.4%) if we also strip out the performance of the public sector.

	Dec 31, 2017		Sep 30, 2017		Quarter-on-quarter %		Dec 31, 2016	Year-to-date %
€ million	**CABK[2]**	**BPI[2]**	**CABK**	**BPI**	**CABK**	**BPI**	**CABK**	**CABK**
Loans to individuals	**115,973**	**12,517**	**116,698**	**12,429**	**(0.6)**	**0.7**	**118,300**	**(2.0)**
Home purchases	83,089	11,098	84,137	11,091	(1.2)	0,1	86,405	(3.8)
Other	32,884	1,419	32,561	1,338	1.0	6.1	31,895	3.1
Of which: Consumer lending in Spain	*9,929*		*9,641*		*3.0*		*8,109*	*22.4*
Loans to business	**74,442**	**9,021**	**73,724**	**9,310**	**1.0**	**(3.1)**	**74,061**	**0.5**
Corporates and SMEs	67,412	8,769	65,993	8,753	2.2	0.2	64,813	4.0
Real estate developers	6,849	252	7,477	557	(8.4)	(54.8)	8,024	(14.6)
Criteria Caixa	181		254		(28.7)		1,224	(85.2)
Public sector	**10,541**	**1,457**	**11,441**	**1,564**	**(7.9)**	**(6.8)**	**12,496**	**(15.6)**
Loans and advances to customers, gross[1]	**200,956**	**22,995**	**201,863**	**23,303**	**(0.4)**	**(1.3)**	**204,857**	**(1.9)**
Of which:								
Performing loans	*188,275*	*21,879*	*188,388*	*22,053*	*(0.1)*	*(0.8)*	*190,506*	*(1.2)*
Allowance for impairment losses	(5,858)	(974)	(6,327)	(1,018)	(7.4)	(4.3)	(6,684)	(12.4)
Loans and advances to customers, net	**195,098**	**22,021**	**195,536**	**22,285**	**(0.2)**	**(1.2)**	**198,173**	**(1.6)**
Contingent Liabilities	12,410	1,573	10,826	1,411	14.6	11.5	10,608	17.0

Highlights at **CaixaBank** in relation to the various segments of the loan portfolio included:

- **Loans for home purchases** continued to be affected by the ongoing household deleveraging process and the seasonal effect of end-of-year loan repayments, with new loans trailing loan repayments. The mortgage market share[3] was 17.6%.
- **Loans to individuals - other** was up 3.1% in 2017 (+1.0% in the quarter), essentially on the back of consumer loans (consumer lending in Spain up 22.4% in the year and up 3.0% in the quarter).

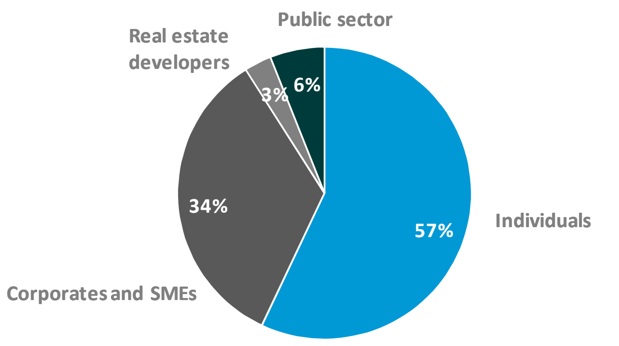
(1) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

(2) BPI Vida, acquired by VidaCaixa (CaixaBank perimeter) in December 2017, holds €784 million in gross lending activity at 31 December 2017. This figure has been kept within the BPI perimeter so as to allow for a more accurate analysis of organic performance in the quarter. See reconciliation in the Appendices - Glossary.

(3) Latest information available. Data prepared in-house: Source Bank of Spain (Infbal).

- Increase in financing to **businesses - productive sectors ex-real estate developers** (+4.0% in the year and +2.2% in the quarter).
- **Financing to real estate developers** is steadily accounting for less of the loan portfolio, falling to 3.4% at 31 December 2017 (-51bp in 2017) following the Bank's ongoing drive to manage distressed assets.
- Loans to the **public sector** were down in the quarter (-7.9%) and in the year (-15.6%) due to the effects of certain one-off transactions.

Lending activity at **BPI** fell slightly in the fourth quarter (-1.3% for the total portfolio and **-0.8% for the performing portfolio**), with growth in home purchases (+0.1%) and a sharp increase in loans for other purposes (+6.1%). The drop in lending was concentrated in loans to businesses and to the public sector.



Diversification of the lending portfolio, CaixaBank Group
(% of gross lending)

Customer funds

Customer funds fared well to close 2017 at €349,458 million, up 15.0% following the incorporation of BPI (+11.5%).

€ million	Dec 31, 2017	Sep 30, 2017	Change	Change %	Dec 31, 2016	Change	Change %
	Group						
Customer funds	196,611	199,563	(2,952)	(1.5)	175,655	20,956	11.9
Demand deposits	158,772	160,826	(2,054)	(1.3)	132,691	26,081	19.7
Term deposits[1]	35,793	36,683	(890)	(2.4)	39,624	(3,831)	(9.7)
Subordinated retail liabilities	2,046	2,054	(8)	(0.4)	3,340	(1,294)	(38.7)
Insurance contract liabilities	49,965	48,876	1,089	2.2	40,315	9,650	23.9
Reverse repurchase agreements and other	968	1,561	(593)	(38.0)	1,153	(185)	(16.0)
On-balance sheet funds	**247,544**	**250,000**	**(2,456)**	**(1.0)**	**217,123**	**30,421**	**14.0**
Mutual funds, managed accounts and SICAVs	66,882	66,270	612	0.9	56,674	10,208	18.0
Pension plans	29,669	29,219	450	1.5	25,216	4,453	17.7
Assets under management	**96,551**	**95,489**	**1,062**	**1.1**	**81,890**	**14,661**	**17.9**
Other accounts	**5,363**	**4,525**	**838**	**18.5**	**4,882**	**481**	**9.9**
Total customer funds[2]	**349,458**	**350,014**	**(556)**	**(0.2)**	**303,895**	**45,563**	**15.0**

At **CaixaBank, customer funds gained 3.5% in 2017** to reach €314,495 million, with liabilities under insurance contracts and assets under management both outperforming:

€ million	Dec 31, 2017		Sep 30, 2017		Quarter-on-quarter %		Dec 31, 2016	Year-to-date %
	CABK[3]	BPI[3]	CABK	BPI	CABK	BPI	CABK	CABK
Customer funds	176,468	20,143	179,436	20,127	(1.7)	0.1	175,655	0.5
Demand deposits	147,109	11,663	149,340	11,486	(1.5)	1.5	132,691	10.9
Term deposits[1]	27,314	8,479	28,051	8,632	(2.6)	(1.8)	39,624	(31.1)
Subordinated retail liabilities	2,045	1	2,045	9		(88.9)	3,340	(38.8)
Insurance contract liabilities	45,841	4,124	44,769	4,107	2.4	0.4	40,315	13.7
Reverse repurchase agreements and other	955	13	1,547	14	(38.3)	(7.1)	1,153	(17.2)
On-balance sheet funds	**223,264**	**24,280**	**225,752**	**24,248**	**(1.1)**	**0.1**	**217,123**	**2.8**
Mutual funds, managed accounts and SICAVs	61,077	5,805	60,331	5,939	1.2	(2.3)	56,674	7.8
Pension plans	26,941	2,728	26,529	2,690	1.6	1.4	25,216	6.8
Assets under management	**88,018**	**8,533**	**86,860**	**8,629**	**1.3**	**(1.1)**	**81,890**	**7.5**
Other accounts	**3,213**	**2,150**	**2,629**	**1,896**	**22.2**	**13.4**	**4,882**	**(34.2)**
Total customer funds[2]	**314,495**	**34,963**	**315,241**	**34,773**	**(0.2)**	**0.5**	**303,895**	**3.5**

Highlights at CaixaBank by type of funds were as follows:

- **On-balance sheet funds** totalled €223,264 million, up 2.8% in 2017 (-1.1% in the quarter). **Demand deposits** climbed 10.9% to €147,109 million, while **term deposits** fell 31.1% to €27,314 million.
- **Retail subordinated liabilities** were down following the full early redemption in the third quarter of subordinated bonds totalling €1,302 million.
- **Liabilities under insurance contracts**[4] were up 13.7% in response to the intensive commercial efforts.

  CaixaBank remains the leader with a 26.4% share[5] of the savings insurance market, thanks to the success of the commercial campaigns under the CaixaFu[Tu]ro programme.

(1) Includes retail debt securities amounting to €490 million at 31 December 2017 (€455 million at CaixaBank and €35 million at BPI).

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

(3) BPI Vida, acquired by VidaCaixa (CABK perimeter) in December 2017, contributed to the Group's insurance contract liabilities and pension plans. These balances have been kept within the BPI perimeter so as to provide a more accurate analysis of organic performance in the quarter. BPI Vida holds, among others, demand deposits and term deposits at Banco BPI, which have been eliminated. See reconciliation in the Appendices - Glossary

(4) Excluding the impact of the change in value of the associated financial assets.

(5) Latest information available. Data prepared in-house. Source: ICEA.

- **Assets under management** increased to €88,018 million (+7.5%; +1.3% in the quarter):
  - **Assets under management in investment funds, portfolios and SICAVs** stood at €61,077 million (+7.8% in 2017), with the increase largely the result of new subscriptions.
  - **Pension plans performed well** to reach €26,941 million (+6.8% in 2017).

  CaixaBank has a market share[1] of 16.7% in investment funds, and a share of 23.5% in pension plans.
- **Other accounts** was down 34.2% in the period due to the maturity in the first quarter of the subordinated debt of CriteriaCaixa placed among customers (€1,505 million).

At **BPI**, funds remained stable in the quarter (+0.5%), with certain adjustments made to the funds under management structure to reflect the distribution of Portuguese treasury bonds (under Other accounts).

(1) Latest information available. Data prepared in-house. Source: INVERCO.

Risk management

Credit risk quality

Non-performing loans

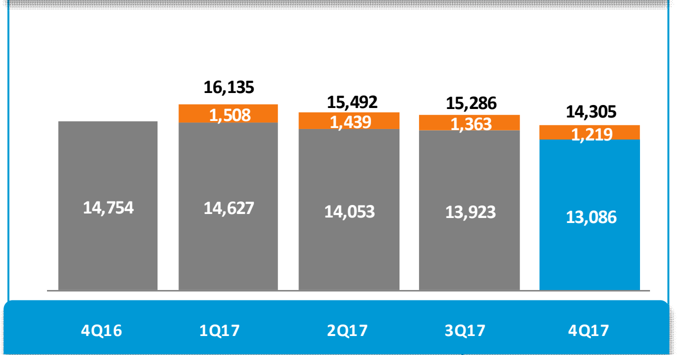
- The **Group's NPL ratio fell to 6.0%** (6.4% at September 2017 and 6.9% at December 2016).

  At CaixaBank, the NPL ratio[2] fell to 6.1% (6.9% at December 2016), while at BPI the ratio was 5.0%.

- At the **Group**, non-performing loans totalled €14,305 million. At **CaixaBank** (€13,086 million), this heading was down €1,668 million in 2017 and €837 million in the quarter, which include portfolio sales.

  The integration of **BPI** had the effect of increasing non-performing assets by €1,508 million, which at year-end 2017 totalled €1,219 million.

Non-performing loans[1]
(€ million)



(1) Calculations include loans and contingent liabilities.

(2) Calculations factoring in the credit of BPI Vida under the BPI perimeter to provide a more accurate analysis of organic performance.

NPL ratio by segment

	3Q17			4Q17		
	Group	CABK	BPI	Group	CABK	BPI
Loans to individuals	5.2%	5.3%	4.8%	5.2%	5.3%	4.7%
Home purchases	4.3%	4.2%	4.7%	4.2%	4.2%	4.6%
Other	8.0%	8.0%	5.9%	7.9%	8.0%	5.6%
Loans to business	9.4%	9.7%	7.0%	8.3%	8.6%	5.9%
Corporates and SMEs	7.9%	8.1%	6.0%	7.1%	7.3%	5.4%
Real estate developers	23.4%	23.5%	23.1%	21.7%	21.6%	23.8%
Public sector	1.6%	1.9%		1.4%	1.6%	
NPL Ratio (loans and contingent liabilities)	6.4%	6.5%	5.5%	6.0%	6.1%	5.0%

CABK on a like-for-like basis	4Q16	1Q17	2Q17	3Q17	4Q17
Loans to individuals	5.0%	5.1%	5.1%	5.3%	5.3%
Home purchases	4.0%	4.1%	4.1%	4.2%	4.2%
Other	7.7%	7.8%	7.5%	8.0%	8.0%
Of which: Consumer lending in Spain	3.0%	3.3%	3.5%	3.8%	4.2%
Loans to business	11.1%	10.5%	9.9%	9.7%	8.6%
Corporates and SMEs	9.0%	8.4%	8.3%	8.1%	7.3%
Real estate developers	30.4%	28.4%	23.8%	23.5%	21.6%
Public sector	1.5%	1.9%	1.8%	1.9%	1.6%
NPL Ratio (loans and contingent liabilities)	6.9%	6.8%	6.5%	6.5%	6.1%

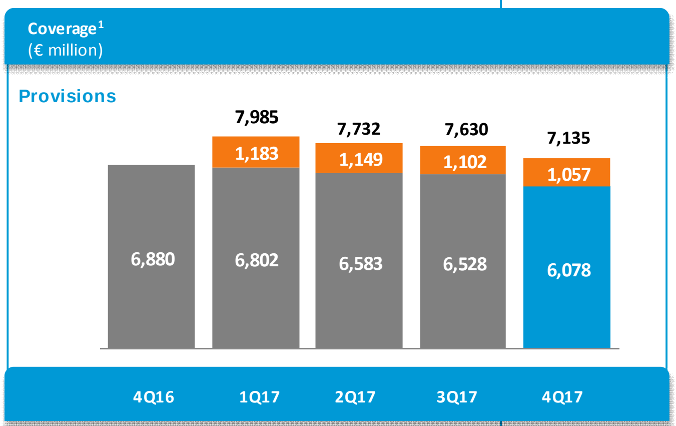
The NPL ratio for "Other" in the second quarter was impacted by the pre-payments made to pension holders, which pushed up and then decreased the volume of lending activity in the second and third quarters, respectively.

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

€ million	4Q16	1Q17	2Q17	3Q17	4Q17
Opening balance	**15,199**	**14,754**	**16,135**	**15,492**	**15,286**
Exposures recognized as non-performing (NPL-inflows)	1,948	1,674	1,173	1,056	1,235
Derecognitions from non-performing exposures	(2,393)	(1,801)	(1,816)	(1,262)	(2,216)
of which written off	(262)	(158)	(124)	(203)	(222)
BPI's non-performing exposures at 31 March 2017		1,508			
Closing balance	**14,754**	**16,135**	**15,492**	**15,286**	**14,305**

Coverage

- Allowances for insolvency risk following the integration of BPI totalled €7,135 million. Meanwhile, the **Group's NPL coverage ratio was 50%** (+3pp in 2017).
- The change in allowances for insolvency risk was down to the acquisition of BPI, which contributed provisions of €1,183 million at 31 March 2017 (including €468 million in fair value adjustments relating to loans and contingent liabilities generated as part of the business combination), cancellation of debt incurred through the acquisition and foreclosure of real estate assets and derecognition of assets and write-offs.



(1) Calculations include loans and contingent liabilities.

Changes in allowances for insolvency risk

€ million	4Q16	1Q17	2Q17	3Q17	4Q17
Opening balance	**7,934**	**6,880**	**7,985**	**7,732**	**7,630**
Charges to provisions[2]	(382)	249	223	186	141
Amounts used	(554)	(252)	(414)	(227)	(576)
Transfers and other changes	(118)	(75)	(62)	(61)	(60)
BPI's insolvency allowances at 31 March 2017		1,183			
Closing balance	**6,880**	**7,985**	**7,732**	**7,630**	**7,135**

(2) Allowances for insolvency risks in the fourth quarter of 2016 included the release of €676 million in provisions.

Refinancing

	Dec. 31, 2017				Sep. 30, 2017			
	Group		CABK		Group		CABK	
€ million	Total	of which: NPL	Total	of which: NPL	Total	of which: NPL	Total	of which: NPL
Individuals	6,077	3,984	5,765	3,702	6,041	3,908	5,752	3,653
Business (stripping out real estate developers)	4,733	2,847	3,892	2,506	4,605	2,812	3,719	2,464
Real estate developers	1,301	947	1,242	890	1,430	1,095	1,301	987
Public sector	260	81	223	81	263	97	227	97
Total	**12,371**	**7,859**	**11,122**	**7,179**	**12,339**	**7,912**	**10,999**	**7,201**
Provisions	2,644	2,524	2,375	2,264	2,544	2,408	2,250	2,128

At 31 December 2016, refinanced transactions totalled €11,733 million. Of this amount, €7,314 million (62% of the portfolio) was classified as non-performing. Likewise, provisions associated with these transactions amounted to €2,569 million.

Foreclosed real estate assets in Spain

- **The portfolio of net foreclosed real estate assets available for sale in Spain fell to €5,878 million** (down €378 million in 2017). **The coverage ratio**[1] **was 58%** while the coverage ratio with accounting provisions[1] was 50%.

  Real estate assets in the process of foreclosure (€473 million and €556 million, net, at 31 December 2017 and 2016, respectively) are not considered foreclosed assets available for sale.

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

- **Total real estate sales**[2] **in 2017 came to €1,610 million** (up 20% on the same period of 2016), with positive proceeds reported since the fourth quarter of 2015. **Gains from sales to net book value stood at 20% in 2017** (+14pp year on year).

(1) See definition in Appendices – Glossary.

(2) At sale price.

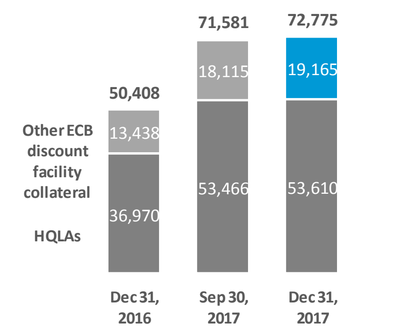
Foreclosed real estate assets available for sale and associated coverage

€ million	Net carrying amount	Coverage	Coverage %	Accounting provisions	Coverage with accounting provisions %
	Dec 31, 2017				
Property acquired related to loans to construction companies and real estate developments	**3,448**	**(6,150)**	**64**	**(4,215)**	**55**
Completed buildings	1,732	(1,757)	50	(1,385)	44
Houses	1,333	(1,226)	48	(1,001)	43
Other	399	(531)	57	(384)	49
Buildings under construction	362	(557)	61	(462)	56
Houses	290	(442)	60	(372)	56
Other	72	(115)	61	(90)	56
Land	1,354	(3,836)	74	(2,368)	64
Developed land	726	(1,676)	70	(1,057)	59
Other	628	(2,160)	77	(1,311)	68
Acquired related to mortgage loans to homebuyers	**1,598**	**(1,290)**	**45**	**(935)**	**37**
Other	**832**	**(794)**	**49**	**(661)**	**44**
Total	**5,878**	**(8,234)**	**58**	**(5,811)**	**50**

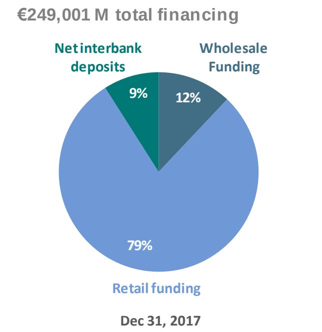
€ million	Net carrying amount	Coverage	Coverage %	Accounting provisions	Coverage with accounting provisions %
	Dec 31, 2016				
Property acquired related to loans to construction companies and real estate developments	**4,058**	**(7,085)**	**64**	**(4,754)**	**54**
Completed buildings	2,059	(2,151)	51	(1,589)	44
Houses	1,513	(1,535)	50	(1,171)	44
Other	546	(616)	53	(418)	43
Buildings under construction	362	(574)	61	(478)	57
Houses	344	(538)	61	(453)	57
Other	18	(36)	67	(25)	58
Land	1,637	(4,360)	73	(2,687)	62
Developed land	850	(1,932)	69	(1,189)	58
Other	787	(2,428)	76	(1,498)	66
Acquired related to mortgage loans to homebuyers	**1,449**	**(1,392)**	**49**	**(962)**	**40**
Other	**749**	**(763)**	**51**	**(579)**	**44**
Total	**6,256**	**(9,240)**	**60**	**(6,295)**	**50**

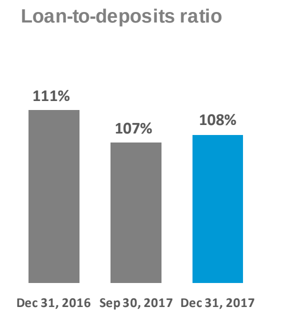
Meanwhile, **net foreclosed real estate assets at BPI amounted to €53 million at 31 December 2017** (€69 million and €74 million at 30 September and 31 March 2017, respectively).

Liquidity
and financing structure

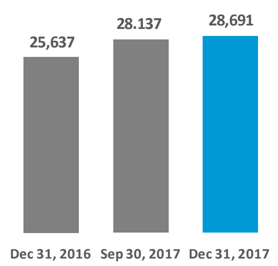


Total liquid assets
(€ million)





Financing structure



Issues by maturity

Year	Amount
2018	4,979
2019	2,133
2020	1,385
2021	2,641
>2021	17,553
Total	28,691

Wholesale funding
(€ million)

- **Total liquid assets amounted to €72,775 million** at 31 December 2017. The change here was down to the incorporation of BPI (€8,891 million), the shift in the loan-deposit gap and the fact that completed issues exceeded maturities in the year.
- The Group's **liquidity coverage ratio** (LCR) at 31 December 2017 was **202%**, well clear of the minimum requirement of 100% applicable from 1 January 2018 onward.
- The **balance drawn** under the ECB facility at 31 December 2017 amounted to **€28,820 million**, of which €637 million related to TLTRO I financing and €28,183 million to TLTRO II financing (€2,001 million deriving from the acquisition of BPI).
- **Institutional financing**[1] came to €28,691 million. The change in the year is largely a result of the following debt issuances, which were well received by investors:
  - Issuance of mortgage covered bonds worth €1,500 million at ten years, with demand exceeding €2,400 million. Coupon rate 1.25% and issue cost 60 basis points over the mid-swap rate.
  - Subordinated debt placement worth €1,000 million at ten years including the option to redeem from year five onward. The bond issue pays a coupon of 3.5% per annum and demand has exceeded €2,000 million. From year five onward, the bonds pay an annual fixed coupon equal to the five-year swap rate plus a spread of 3.35%.
  - Issuance of senior bonds worth €1,000 million at seven years, paying a coupon of 1.125% and with demand exceeding €3,500 million.
  - Inaugural €1,000 million placement of perpetual Additional Tier 1, including the option to redeem them early from year seven onward. The coupon is subject to certain conditions and is also discretionary. It has

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

been set at 6.75% per year for the first seven years. From then on, it will be revised by applying a spread of 649.8 basis points to the applicable five-year swap rate. Payment will invariably be made quarterly in arrears. The issue was placed exclusively among qualified investors and attracted demand in excess of €3,500 million.

- Private placement of subordinated debt (Tier 2) worth €150 million, with a maturity of 25 years, redeemable from year twenty onward and paying a coupon of 4%.
- Subordinated debt placement worth €1,000 million at eleven years, including the option to redeem from year six onward. The bond issue pays a coupon of 2.75% per annum and demand has exceeded €2,800 million. From year six onward, the bonds will pay an annual fixed coupon equal to the five-year mid-swap rate plus a spread of 2.35%.
- Private placement of mortgage covered bonds worth €375 million at fifteen years, paying a fixed coupon of 1.625%, equivalent to the mid-swap plus 0.33%.
- First issue of non-preferred senior debt worth €1,250 million at five years, paying a coupon of 1.125% (mid-swap plus 0.95%). Demand for the issue has been close to €3,500 million.
- Issue of mortgage covered bonds worth €600 million at eight years subscribed by the EIB in US dollars. The bonds pay a variable coupon (6-month Libor + 0.59%).
- Total maturities in 2017 amounted to €5,379 million.

• Meanwhile, BPI issued subordinated debt worth €300 million in the first quarter of 2017, which was fully subscribed by CaixaBank (having no impact on a consolidated level).

• Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €3,160 million at year-end 2017.

• In early 2018, a €1,000 million issuance of mortgage covered bonds was placed at ten years and paying a coupon of 1% (mid-swap + 0.22%); as was an increase of mortgage covered bonds issued in July worth €375 million at fourteen years and paying a coupon of 1.625% (mid-swap + 0.33%); and a placement of €1,000 million in senior debt at five years and three months and paying a coupon of 0.75% (mid-swap + 0.48%).

Performance of the loan-to-deposits ratio

€ million	Dec. 31, 2017 Group	Dec. 31, 2017 CABK	Dec. 31, 2017 BPI	Sep. 30, 2017 Group	Sep. 30, 2017 CABK	Sep. 30, 2017 BPI	Dec. 31, 2016 Group
Loans and advances to customers, net	**211,769**	**190,834**	**20,935**	**213,625**	**192,025**	**21,600**	**194,811**
Loans and advances to customers, gross	223,951	200,956	22,995	225,166	201,863	23,303	204,857
Allowance for impairment losses	(6,832)	(5,858)	(974)	(7,345)	(6,327)	(1,018)	(6,684)
Brokered loans[1]	(5,350)	(4,264)	(1,086)	(4,196)	(3,511)	(685)	(3,362)
Customer funds	**196,611**	**176,468**	**20,143**	**199,563**	**179,436**	**20,127**	**175,655**
Demand deposits	158,772	147,109	11,663	160,826	149,340	11,486	132,691
Time deposits	35,793	27,314	8,479	36,683	28,051	8,632	39,624
Subordinated liabilities (retail)	2,046	2,045	1	2,054	2,045	9	3,340
Loan to Deposits	**107.7%**	**108.1%**	**103.9%**	**107.0%**	**107.0%**	**107.3%**	**110.9%**

(1) Loans financed with funds received from public institutions.

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

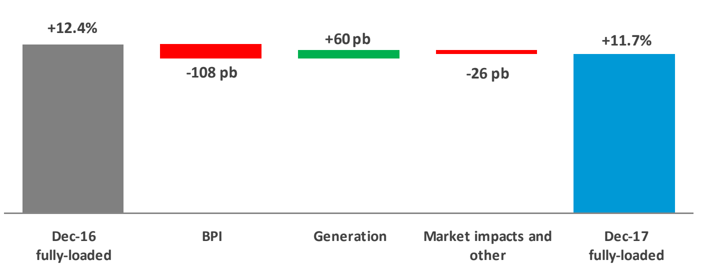
€ million		Dec. 31, 2017
Mortgage covered bonds issued	a	51,690
Loans and credits (collateral for mortgage covered bonds)	b	93,245
Collateralization	**b/a**	**180%**
Overcollateralization	**b/a -1**	**80%**
Mortgage covered bond issuance capacity[2]		**2,805**

(2) CaixaBank S.A. is also able to issue €355 million in regional public-sector covered bonds.

Capital management

- The CaixaBank Group had a **fully-loaded Common Equity Tier 1 (CET1) ratio of 11.7**% at 31 December 2017, within the 11-12% band envisaged in the Strategic Plan. Excluding the impact of the integration of Portuguese bank BPI, the ratio gained +60 basis points in the year from capital generation (retained earnings net of changes in credit risk-weighted assets) but shed 26 basis points in response to market conditions and other factors. Fully-loaded risk weighted assets (RWA) amounted to €148,626 million at the end of December 2017.
- The fully-loaded Tier 1 ratio was 12.3%. This ratio was bolstered in June by the placement[1] of €1,000 million in additional Tier 1 (AT1) instruments.
- Fully-loaded total capital was 15.7%, clearing the 14.5% target envisioned in the Strategic Plan. The ratio improved over the year following the issue of €1,000 million in AT1 instruments mentioned previously and various issues[1] of subordinated debt totalling €2,150 million between February and July. The ratio also reflects the redemption of the €1,302 million issue of subordinated debt in August.
- The application of IFRS 9 will have an impact of -15 basis points on the fully-loaded CET1 ratio (-38bp impact on reserves and +23bp in other impacts on capital, mainly due to the release of deductions for surplus provisions covering expected losses on the IRB). The fully-loaded ratios will be 11.5% for CET1, 12.2% for Tier 1 and 15.6% for total capital. CaixaBank does not intend to apply the voluntary phase-in period allowed by the regulators for determining the impact on capital.
- The fully-loaded leverage ratio was 5.3%.
- In relation to the subordinated elements and to comply with future MREL requirements, a total of €1,250 million in senior non-preferred debt was issued in September. The ratio of subordinated instruments to RWA, including mainly total capital and senior non-preferred, was 16.8% fully loaded.
- According to the criteria in force in 2017 for phased-in implementation, regulatory capital and leverage were: **12.7% CET1, 12.8% Tier 1, 16.1% total capital and 5.5% leverage ratio.**
- According to the criteria in force in 2018 for phased-in implementation, regulatory capital and leverage in December were: **11.8% CET1, 12.5% Tier 1, 15.9% total capital and 5.5% leverage ratio.** Additionally, and if we factor in the impact of the initial application of IFRS 9, these ratios would be: 11.7% CET1, 12.4% Tier 1 and 15.8% total capital.
- **CaixaBank** is also subject to minimum capital requirements on a non-consolidated basis. The regulatory CET1 ratio at CaixaBank under this perimeter is 13.6%, with RWAs totalling €138,781 million.

(1) See details under the section 'Liquidity and financing structure'.



Change in fully-loaded CET1

- To illustrate the **capital adequacy of the consolidated CaixaBank perimeter excluding BPI, regulatory CET1 would be 12.7% (11.6% fully-loaded)**, while BPI's own regulatory CET1 ratio is 13.2% (12.3% fully-loaded).
- The European Central Bank (ECB) and the national supervisor require the CaixaBank Group to maintain regulatory CET1, Tier 1 and total capital ratios of 7.375%, 8.875% and 10.875%, respectively, at 31 December 2017 (including the phased-in implementation of the capital conservation and systemic risk buffers), which climb to 8.75%, 10.25% and 12.25% in a fully-loaded perspective. Since the buffers are to be phased in, these requirements for 2018 will be 8.063% for regulatory CET1, 9.563% for regulatory Tier 1 and 11.563% for regulatory total capital. On a fully-loaded basis, the requirements remain unchanged in 2018.
- The CaixaBank Group's current ratios show that the requirements imposed on the Group will not trigger any of the automatic restrictions envisaged in applicable capital adequacy regulations relating to payouts of dividends, variable remuneration and interest to holders of Additional Tier 1 capital instruments (there is a margin of 393 basis points, i.e. €5,857 million, before triggering the Group's regulatory MDA[1]).
- CaixaBank's dividend policy meets the requirements prescribed by the ECB in its recommendation of 28 December 2017, on the dividend distribution policies of credit institutions, meaning therefore that it does not limit or confine the Bank in any way.

(1) See definition in Appendices – Glossary.

Performance and key capital adequacy indicators

€ million	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Year-to-date
	BIS III (Regulatory)					
CET1 Instruments	22,923	23,851	23,582	23,885	23,921	998
Shareholders' equity	23,400	23,833	23,830	24,496	24,204	804
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	1,047	403	839	1,488	1,684	637
Reserves and other	16,372	17,449	17,010	17,027	16,530	158
Other CET1 Instruments[1]	(477)	18	(248)	(611)	(283)	194
Deductions from CET	(5,134)	(5,623)	(4,695)	(4,871)	(4,960)	174
CET1	**17,789**	**18,228**	**18,887**	**19,014**	**18,961**	**1,172**
AT1 Instruments			999	999	999	999
AT1 Deductions			(878)	(883)	(891)	(891)
TIER 1	**17,789**	**18,228**	**19,008**	**19,130**	**19,069**	**1,280**
T2 Instruments[2]	4,088	5,506	4,097	5,136	5,023	935
T2 Deductions	(85)	(39)	(34)	(40)	(50)	35
TIER 2	4,003	5,467	4,063	5,096	4,973	970
TOTAL CAPITAL	**21,792**	**23,695**	**23,071**	**24,226**	**24,042**	**2,250**
Risk-weighted assets	134,864	153,060	151,504	149,690	148,872	14,008
CET1 Ratio	13.2%	11.9%	12.5%	12.7%	12.7%	(0.5%)
Tier 1 Ratio	13.2%	11.9%	12.5%	12.8%	12.8%	(0.4%)
Total Capital Ratio [2]	16.2%	15.5%	15.2%	16.2%	16.1%	(0.1%)
Buffer MDA [3]	5,243	4,644	5,562	5,845	5,857	614
Ratio Capital Total + Senior Non-Preferred				17.2%	17.2%	
Leverage Ratio	5.7%	5.6%	5.6%	5.6%	5.5%	(0.2%)
CET1 Ratio - CABK (non consolidated basis)	12.6%	12.4%	12.8%	12.9%	13.6%	1.0%
Tier 1 Ratio CABK (non consolidated basis)	12.6%	12.4%	13.2%	13.4%	14.1%	1.5%
Total Capital Ratio - CABK (non consolidated basis)	15.5%	15.9%	16.5%	16.8%	17.4%	1.9%
Risk-weighted assets (non consolidated basis)	137,093	140,595	138,950	136,154	138,781	1,688
Profit/loss (non consolidated basis)	1,035	422	720	914	1,428	393
ADIs [4]	1,336	1,760	2,001	2,183	2,235	899
Buffer MDA [3] *- CABK (non consolidated basis)*	7,571	7,011	8,128	8,158	9,373	1,802
Leverage Ratio - CABK (non consolidated basis)	5.6%	5.8%	5.9%	5.8%	6.1%	0.5%

€ million	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Year-to-date
	BIS III (Fully-loaded)					
CET1 Instruments	22,891	23,898	23,637	23,945	23,967	1,076
Shareholders' equity	23,400	23,833	23,830	24,496	24,204	804
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	1,047	403	839	1,488	1,684	637
Reserves and other	16,372	17,449	17,010	17,027	16,530	158
Other CET1 Instruments[1]	(509)	65	(193)	(551)	(237)	272
Deductions from CET	(6,243)	(6,312)	(6,251)	(6,533)	(6,649)	(406)
CET1	**16,648**	**17,586**	**17,386**	**17,412**	**17,318**	**670**
AT1 Instruments			999	999	999	999
AT1 Deductions					-	
TIER 1	**16,648**	**17,586**	**18,385**	**18,411**	**18,317**	**1,669**
T2 Instruments[2]	4,088	5,506	4,097	5,136	5,023	935
T2 Deductions					-	
TIER 2	4,088	5,506	4,097	5,136	5,023	935
TOTAL CAPITAL	**20,736**	**23,092**	**22,482**	**23,547**	**23,340**	**2,604**
Risk-weighted assets	134,385	152,874	151,223	149,448	148,626	14,241
CET1 Ratio	12.4%	11.5%	11.5%	11.7%	11.7%	(0.7%)
Tier 1 Ratio	12.4%	11.5%	12.2%	12.3%	12.3%	(0.1%)
Total Capital Ratio [2]	15.4%	15.1%	14.9%	15.8%	15.7%	0.3%
Ratio Capital Total + Senior Non-Preferred				16.8%	16.8%	
Leverage Ratio	5.4%	5.4%	5.5%	5.4%	5.3%	(0.1%)

(1) Mainly includes dividend forecast, valuation adjustments and minority interests.

(2) The total capital ratios for June 2017 include the redemption of €1,302 million in subordinated debt completed in August 2017. The ratios at September 2017 include the two issuances subscribed in July 2017, amounting to €1,150 million.

(3) The relevant MDA buffer is either the non-consolidated or the consolidated, whichever is lower.

(4) Does not include the share premium or the potential extra dividend charged to 2017 profit.

Segment reporting

This section shows financial information on the different businesses of the CaixaBank Group:

CaixaBank

Information is presented for the same business divisions that existed prior to the effective takeover of BPI, although from February 2017, the attributable results contributed by this investee will no longer be included under the Equity investments business, but will be reported instead as a new business (BPI).

- **Banking and insurance:** includes all revenues from banking, insurance and asset management, liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre.

  Following completion of the takeover of BPI, the banking and insurance business includes the results of the business combination since it was originated in a corporate transaction.

- **Non-core real estate**: shows the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:
  - Non-core lending to real estate developers.
  - Foreclosed real estate assets (available for sale and rental) mainly owned by the real estate subsidiary BuildingCenter.
  - Other real estate assets and interests.

- **Equity investments:** includes essentially income from dividends and/or profit accounted for using the equity method, net of financing costs, from the interests held in Erste Group Bank, Repsol and Telefónica. It also includes the significant impacts on income of other relevant stakes acquired by the Group as part of its diversification across sectors, as added as part of the Group's latest acquisitions in Spain.

  Includes the contribution to the CaixaBank Group through to May 2016 of the attributable results due to the stakes held in Bank of East Asia and GF Inbursa. In 2017, it includes BPI's results through to and including January. With the takeover now completed, as of February BPI's results will be reported as a new business within the consolidated results under the full consolidation method.

Operating expenses for these three business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

Capital is assigned to the non-core real estate and equity investment businesses to pursue the **corporate target of maintaining a fully-loaded regulatory Common Equity Tier 1 (CET1) ratio of between 11% and 12%**. The capital assigned to these businesses takes into account both the consumption of capital for risk-weighted assets at 11% and all applicable deductions. Capital is assigned to BPI on a sub-consolidated basis, meaning in view of the subsidiary's resources.

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

BPI

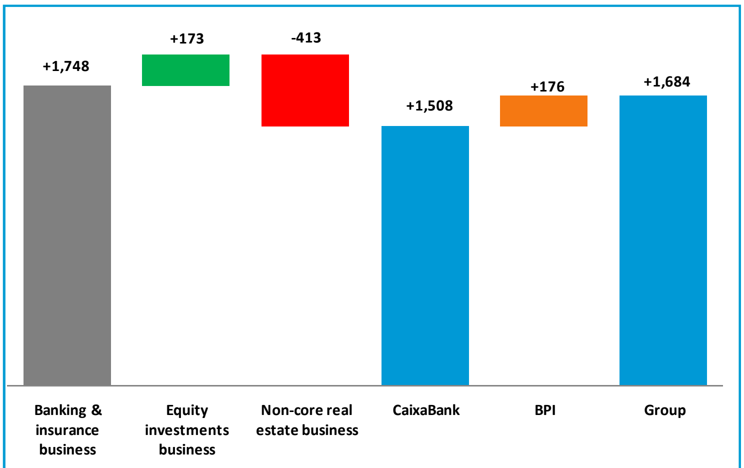
Shows the results brought to the consolidated statements by BPI from February 2017 onward under the full consolidation of assets and liabilities method (considering the adjustments made in the business combination) and the own funds of this business are essentially those of BPI on a sub-consolidated basis. The income statement includes the reversal of the adjustments deriving from the measurement at fair value of the assets and liabilities under the business combination.

In the fourth quarter of 2017, CaixaBank announced that various contracts had been signed with BPI to acquire its asset management, insurance and certain other businesses.

On 28 December 2017, VidaCaixa SAU de Seguros y Reaseguros acquired all the share capital of BPI Vida e Pensoes, Companhia de Seguros, SA. While this deal has no impact on the Group's consolidated balance sheet or income statement, the effect has been reflected on the closing balance sheets of the business segments. Meanwhile, the capital gain generated at BPI as a result of the sale is not reflected on the income statement of this business, since it has been eliminated from the Group´s consolidated income statement.

The other transactions will be completed over the course of 2018.

Results for 2017 arranged by business are as follows:



Contribution to the result of segment reporting 2017 (€ million)

€ million	Banking & insurance business	Non-core real estate business	Equity investments	CABK	BPI	Group
Net interest income	**4,603**	**(71)**	**(163)**	**4,369**	**377**	**4,746**
Dividends and share of profit/(loss) of entities accounted for using the equity method	191	32	318	541	112	653
Net fee and commission income	2,222	1		2,223	276	2,499
Gains/(losses) on financial assets and liabilities and others	303		(44)	259	23	282
Income and expense arising from insurance or reinsurance contracts	472			472		472
Other operating income and expense	(80)	(332)		(412)	(18)	(430)
Gross income	**7,711**	**(370)**	**111**	**7,452**	**770**	**8,222**
Recurring administrative expenses, depreciation and amortisation	(3,926)	(105)	(4)	(4,035)	(432)	(4,467)
Extraordinary expenses	(4)			(4)	(106)	(110)
Pre-impairment income	**3,781**	**(475)**	**107**	**3,413**	**232**	**3,645**
Pre-impairment income stripping out extraordinary expenses	**3,785**	**(475)**	**107**	**3,417**	**338**	**3,755**
Allowance for insolvency risk	(865)	34		(831)	32	(799)
Other charges to provisions	(741)	(172)	4	(909)	(3)	(912)
Gains/(losses) on disposal of assets and others	154	6	5	165	(1)	164
Profit/(loss) before tax	**2,329**	**(607)**	**116**	**1,838**	**260**	**2,098**
Income tax expense	(575)	194	57	(324)	(54)	(378)
Profit/(loss) after tax	**1,754**	**(413)**	**173**	**1,514**	**206**	**1,720**
Profit/(loss) attributable to minority interest and others	6			6	30	36
Profit/(loss) attributable to the Group	**1,748**	**(413)**	**173**	**1,508**	**176**	**1,684**
Fully-loaded Common Equity Tier 1 (CET1)				11.6%	12.3%	11.7%
Fully-loaded Total Capital				15.9%	14.0%	15.7%
Common Equity Tier 1 (CET1)				12.7%	13.2%	12.7%

Banking and insurance business

Profit at 31 December 2017 came to €1,748 million (-11.8%).

- **Gross income totalled €7,711 million (+1.0%)**. Here, the improved generation of core income effectively offset the drop in earnings on financial assets and liabilities.
  - **Net interest income was up 4.9% to €4,603 million.**
  - **Fee and commission income** stood at €2,222 million (+6.3%).
  - **Gains/(losses) on financial assets and liabilities and other** was down 64.2% following the materialisation, in 2016, of increased capital gains on available-for-sale fixed-income securities and earnings of €165 million from the Visa Europe Ltd deal.
  - **Income and expenses arising from insurance and reinsurance contracts** up 51.9% to €472 million in response to intensive commercial activity and the termination in late October 2016 of the reinsurance contract on the individual life-risk portfolio of VidaCaixa.
  - **Other operating income and expense** (-49.2%) includes the income from the agreement reached with Cecabank (€115 million) and the expense associated with the state-levied tax on deposits, which was previously reported under Other charges to provisions (€53 million in 2017). Includes, in both years, the contribution paid to the DGF and the SRF.
- **Recurring administrative expenses, depreciation and amortisation** came to €3,926 million (+1.3% on 2016). Extraordinary expenses of €121 million in 2016 in connection with the labour agreement.
- **The cost-to-income ratio stripping out extraordinary expenses** was 50.9% (vs. 50.7% in 2016).
- **Allowance for insolvency risk** were €-865 million in 2017. Impact of €+618 million in 2016 following the development of new internal models in the fourth quarter. Stripping out this effect, the heading remains stable (+0.3%).
- **Other charges to provisions** included €455 million to cover early retirements in 2017 (€160 million in 2016). Additionally, figures for 2016 include €110 million to cover contingencies relating to floor clauses.
- **Gains/(losses) on disposals of assets and others** includes, among other items, the result of the business combination with BPI (€256 million) since it derived from a corporate transaction.

ROTE[1] for the business, stripping out one-off impacts, was 11.2%.

(1) Last 12 months excluding one-off aspects, net of tax: In 2017 the early retirements completed in the second quarter of 2017 (€-212 million), the result of the business combination with BPI (€+256 million) and extraordinary expenses. The coupon for the part of the AT1 issue assigned to this business has also been deducted. In 2016 the release of provisions in the fourth quarter (€+433 million) and extraordinary expenses.

€ million	2017	2016	Change in %	4Q16	1Q17	2Q17	3Q17	4Q17
Net interest income	**4,603**	**4,387**	**4.9**	**1,130**	**1,142**	**1,158**	**1,155**	**1,148**
Dividends and share of profit/(loss) of entities accounted for using the equity method	191	159	21.1	33	44	50	62	35
Net fee and commission income	2,222	2,089	6.3	544	544	590	539	549
Gains/(losses) on financial assets and liabilities and others	303	846	(64.2)	132	38	144	103	18
Income and expense arising from insurance or reinsurance contracts	472	311	51.9	97	110	123	121	118
Other operating income and expense	(80)	(156)	(49.2)	(173)	16	56	6	(158)
Gross income	**7,711**	**7,636**	**1.0**	**1,763**	**1,894**	**2,121**	**1,986**	**1,710**
Recurring administrative expenses, depreciation and amortisation	(3,926)	(3,875)	1.3	(967)	(984)	(979)	(982)	(981)
Extraordinary expenses	(4)	(121)					(3)	(1)
Pre-impairment income	**3,781**	**3,640**	**3.9**	**796**	**910**	**1,142**	**1,001**	**728**
Pre-impairment income stripping out extraordinary expenses	**3,785**	**3,761**	**0.6**	**796**	**910**	**1,142**	**1,004**	**729**
Allowance for insolvency risk	(865)	(244)		316	(272)	(210)	(198)	(185)
Other charges to provisions	(741)	(525)	41.0	(240)	(219)	(373)	(32)	(117)
Gains/(losses) on disposal of assets and others	154	21		10	253	(12)	(7)	(80)
Profit/(loss) before tax	**2,329**	**2,892**	**(19.5)**	**882**	**672**	**547**	**764**	**346**
Income tax expense	(575)	(904)	(36.4)	(279)	(113)	(176)	(199)	(87)
Profit/(loss) after tax	**1,754**	**1,988**	**(11.9)**	**603**	**559**	**371**	**565**	**259**
Profit/(loss) attributable to minority interest and others	6	9	(32.7)	(2)	2	1	2	1
Profit/(loss) attributable to the Group	**1,748**	**1,979**	**(11.8)**	**605**	**557**	**370**	**563**	**258**
ROTE	11.2%	10.8%	0.4	10.8%	9.0%	10.3%	10.5%	11.2%
Cost-to-income ratio stripping out extraordinary expenses	50.9%	50.7%	0.2	50.7%	51.3%	50.7%	50.4%	50.9%

The following aspects were largely behind the quarterly change:

- **Share of profit/(loss) of entities accounted for using the equity method** includes higher income, in the third quarter, from the seasonal impact associated with the business of SegurCaixa Adeslas.
- **Other operating income and expense** in the second quarter of 2017 included the contribution paid to the Single Resolution Fund (SRF) and the aforementioned agreement reached with Cecabank (€115 million). The fourth quarter also includes the contribution paid to the Deposit Guarantee Fund (DGF).
- In relation to **Allowances for insolvency risk**, it should be noted that the fourth quarter of 2016 included the impact on this business of the Group's development of internal models used to calculate coverage for insolvency risk (€+618 million).
- **Other charges to provisions** includes €303 million in allowances for early retirements in the second quarter of 2017 (€152 million in the first quarter), plus a further provision of €110 million to cover contingencies relating to floor clauses in the fourth quarter of 2016.

The following figures at 31 December 2017 on **business activity, balance sheet and asset quality** as well as number of employees, **take into account the impact of VidaCaixa de Seguros y Reaseguros's acquisition of BPI Vida e Pensoes.**

€ million	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016	Quarter-on-quarter %	Year-to-date %
Balance sheet					
Assets	**335,945**	**327,336**	**327,606**	**2.6**	**2.5**
of which: loans and advances to customers, net	194,728	194,113	196,267	0.3	(0.8)
Liabilities	**316,428**	**307,680**	**307,118**	**2.8**	**3.0**
of which: On-balance sheet funds	226,770	225,635	217,014	0.5	4.5
Assigned capital	**19,641**	**19,586**	**20,332**	**0.3**	**(3.4)**
Activity					
Loans and advances to customers, gross	**199,990**	**199,758**	**201,970**	**0.1**	**(1.0)**
Customers funds	**320,500**	**315,117**	**303,781**	**1.7**	**5.5**
On-balance sheet funds	226,770	225,635	217,014	0.5	4.5
Assets under management	90,518	86,853	81,885	4.2	10.5
Other accounts	3,212	2,629	4,882	22.2	(34.2)
Asset quality					
Non-performing loan ratio (%)	5.5%	5.7%	5.8%	(0.2)	(0.3)
Non-performing loan coverage ratio (%)	47%	48%	48%	(1)	(1)
Employees and banking resources (units)[1]					
Employees	32,041	32,126	32,403	(85)	(362)
Branches[2]	4,874	4,889	5,027	(15)	(153)
of which retail	4,681	4,697	4,851	(16)	(170)
ATMs	9,427	9,403	9,479	24	(52)

(1) Scope corresponding to the CaixaBank perimeter excluding BPI.
(2) Does not include foreign branches or representative offices.

Additionally, below are the aforementioned indicators on business activity and asset quality, excluding the impact of the sale of BPI Vida e Pensoes to VidaCaixa, in order to facilitate the analysis of the quarterly organic change[3]:

€ million	Dec 31, 2017 Pro-forma	Sep 30, 2017	Dec 31, 2016	Quarter-on-quarter %	Year-to-date %
Activity					
Loans and advances to customers, gross	**199,206**	**199,758**	**201,970**	**(0.3)**	**(1.4)**
Customers funds	**314,401**	**315,117**	**303,781**	**(0.2)**	**3.5**
On-balance sheet funds	223,177	225,635	217,014	(1.1)	2.8
Assets under management	88,011	86,853	81,885	1.3	7.5
Other accounts	3,213	2,629	4,882	22.2	(34.2)
Asset quality					
Non-performing loan ratio (%)	5.5%	5.7%	5.8%	(0.2)	(0.3)
Non-performing loan coverage ratio (%)	47%	48%	48%	(1)	(1)

(3) See reconciliation in Appendices - Glossary

Non-core real estate business

- **Losses generated by the non-core real estate business were down to €-413 million in 2017** (€-1,125 million in 2016):

  - **Allowances for insolvency risk** were down due to the lower volume of net loans following the write-downs already carried out, as well as the impact of recoveries.
  - **Other charges to provisions** in 2017 included €154 million in write-downs on the exposure to the SAREB.
  - **Gains (losses) on disposal of assets and others (€6 million in 2017)** includes the impact of:
    - **Improving proceeds from sales of real estate assets**, which reached €248 million (€72 million in 2016).
    - **Other results on real estate activity** essentially shows allowances associated with asset valuations using the Group's internal models and the process of updating parameters carried out in the fourth quarter of 2017. The same quarter of the previous year included the recognition of €-656 million following the decision to apply internal models.

€ million	2017	2016	Change in %	4Q16	1Q17	2Q17	3Q17	4Q17
Net interest income	**(71)**	**(66)**	**7.6**	**(17)**	**(15)**	**(19)**	**(17)**	**(20)**
Dividends and share of profit/(loss) of entities accounted for using the equity method	32	18	75.5	7	11	5	6	10
Net fee and commission income	1	1	21.9		1		(1)	1
Gains/(losses) on financial assets and liabilities and others								
Income and expense arising from insurance or reinsurance contracts								
Other operating income and expense	(332)	(251)	32.5	(65)	(111)	(65)	(66)	(90)
Gross income	**(370)**	**(298)**	**24.2**	**(75)**	**(114)**	**(79)**	**(78)**	**(99)**
Recurring administrative expenses, depreciation and amortisation	(105)	(116)	(9.5)	(30)	(28)	(24)	(25)	(28)
Pre-impairment income	**(475)**	**(414)**	**14.7**	**(105)**	**(142)**	**(103)**	**(103)**	**(127)**
Allowance for insolvency risk	34	(70)		66	17	(18)	(2)	37
Other charges to provisions	(172)	(66)		(34)	(150)	(19)	(5)	2
Gains/(losses) on disposal of assets and others	6	(1,034)		(784)	25	16	6	(41)
Profit/(loss) before tax	**(607)**	**(1,584)**	**(61.7)**	**(857)**	**(250)**	**(124)**	**(104)**	**(129)**
Income tax expense	194	459	(57.6)	249	78	39	31	46
Profit/(loss) after tax	**(413)**	**(1,125)**	**(63.4)**	**(608)**	**(172)**	**(85)**	**(73)**	**(83)**
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	**(413)**	**(1,125)**	**(63.4)**	**(608)**	**(172)**	**(85)**	**(73)**	**(83)**

The non-core real estate balance sheet has fallen by 11.0% in the year:

- **Loans and advances to customers, net**, was down 39.5% in the year due to the ongoing active management of problematic assets.
- **The net portfolio of foreclosed real estate assets available for sale fell to** €5,878 million (down €378 million in 2017).
- **Net foreclosed assets held for rent** came to €3,030 million (€-48 million in 2017).

€ million	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016	Quarter-on-quarter %	Year-to-date %
Balance sheet					
Assets	**11,530**	**12,103**	**12,949**	**(4.7)**	**(11.0)**
Loans and advances to customers, net	1,154	1,423	1,906	(18.9)	(39.5)
Other assets	10,376	10,680	11,043	(2.8)	(6.0)
Foreclosed available for sale real estate assets	5,878	6,145	6,256	(4.3)	(6.0)
Real estate assets held for rent	3,030	3,054	3,078	(0.8)	(1.6)
Other assets	1,468	1,481	1,709	(0.9)	(14.1)
Liabilities	**10,199**	**10,634**	**11,351**	**(4.1)**	**(10.1)**
On-balance sheet funds	87	117	109	(25.6)	(20.2)
Other liabilities	404	401	276	0.7	46.4
Intra-group financing	9,708	10,116	10,966	(4.0)	(11.5)
Assigned capital	**1,331**	**1,469**	**1,598**	**(9.4)**	**(16.7)**
Activity					
Loans and advances to customers, gross	**1,750**	**2,105**	**2,887**	**(16.9)**	**(39.4)**
Customers funds	**94**	**124**	**114**	**(24.2)**	**(17.5)**
On-balance sheet funds	87	117	109	(25.6)	(20.2)
Assets under management	7	7	5		40.0
Asset quality					
Non-performing loan ratio (%)	76.2%	77.8%	80.0%	(1.6)	(3.8)
Non-performing loan coverage ratio (%)	42%	40%	41%	2	1

Equity investment business

- **The business reported profits of €173 million in 2017 (-9.9%).**
  - **Net interest income** shows the cost of financing the business and stood at €-163 million.
  - Dividend income includes the impact of the lower dividend pay-out at Telefónica.
  - **Earnings at entities accounted for using the equity method** were impacted by the perimeter departures as well as by the attributable loss of €97 million following the sale of 2% of BFA.
  - The **year-on-year change can also be explained by a number of one-off aspects in 2016 in connection with:**
    - Extraordinary write-downs made to a number of unlisted stakes under Other charges to provisions.
    - Negative result stemming from the early repayment of Repsol bonds exchangeable for shares (essentially the impact of delivering the shares and of cancelling the embedded derivative on the instrument, which was recognised in equity due to its consideration as cash flow hedge).

- The accompanying quarterly performance shows:
  - Recognition of the Telefónica dividend in the second quarter of 2017.
  - The attributable loss resulting from the sale of 2% of BPI's stake in BFA in the first quarter of 2017.
  - The impact of the tax reform ushered in by Royal Decree Law 3 of 2 December 2016 in the fourth quarter of 2016.

€ million	2017	2016	Change in %	4Q16	1Q17	2Q17	3Q17	4Q17
Net interest income	**(163)**	**(164)**	**(0.8)**	**(36)**	**(43)**	**(41)**	**(39)**	**(40)**
Dividends	104	185	(43.8)	85		104		
Share of profit/(loss) of entities accounted for using the equity method	214	466	(54.1)	153	(1)	67	86	62
Net fee and commission income Gains/(losses) on financial assets and liabilities and others Income and expense arising from insurance or reinsurance contracts Other operating income and expense	(44)	2		(2)		(18)	(2)	(24)
Gross income	**111**	**489**	**(77.3)**	**200**	**(44)**	**112**	**45**	**(2)**
Recurring admin. expenses, depreciation and amort.	(4)	(4)	4.2	(1)	(1)	(1)	(1)	(1)
Pre-impairment income	**107**	**485**	**(77.9)**	**199**	**(45)**	**111**	**44**	**(3)**
Allowance for insolvency risk								
Other charges to provisions	4	(164)						4
Gains/(losses) on disposal of assets and others	5	(91)						5
Profit/(loss) before tax	**116**	**230**	**(49.3)**	**199**	**(45)**	**111**	**44**	**6**
Income tax expense	57	(37)		(119)	13	13	12	19
Profit/(loss) after tax	**173**	**193**	**(9.9)**	**80**	**(32)**	**124**	**56**	**25**
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	**173**	**193**	**(9.9)**	**80**	**(32)**	**124**	**56**	**25**
ROTE	14.8%	15.7%	(0.9)	15.7%	26.6%	27.2%	28.4%	14.8%

ROTE for the last 12 months excludes, as of the fourth quarter of 2016 to the third quarter of 2017, the impact of the tax reform ushered in by Royal Decree-Law 3/2016.

€ million	Dec 31, 2017	Sep 30, 2017	Dec 31, 2016	Quarter-on-quarter %	Year-to-date %
Balance sheet					
Assets					
Investments (available for sale and associated)	6,167	6,483	7,372	(4.9)	(16.3)
Liabilities					
Intra-group financing and other liabilities	5,155	5,337	5,902	(3.4)	(12.7)
Assigned capital	**1,012**	**1,146**	**1,470**	**(11.7)**	**(31.2)**

BPI

- **Since its integration in February, BPI has contributed a total of €176 million to the Group's earnings (€-4 million in the fourth quarter of 2017).**
- The quarter saw a positive trend in net interest income (+5.5%) and in fee and commission income (+5.1%), due to the increase in fees from investment fund management activities and sales of insurance.

Share of profit/ (loss) of entities accounted for using the equity method shows, among other items, attributed earnings from the stakes held in BFA and BCI.

Earnings incorporated through the equity method at BFA came to €-68 million in the fourth quarter (€+64 million in the previous quarter). This includes extraordinary impacts totalling €-119 million, of which €-76 million relates to the estimated impact of applying (in accordance with IAS 29) the inflationary impact of Angola on BFA's financial statements.

Net attributable profit/(loss) from BFA in the quarter reached €-52 million.

Recurring administrative expenses, depreciation and amortisation was down to €114 million. **Extraordinary expenses** includes a total of €-96 million in restructuring costs in the second quarter (€-10 million in the first quarter of 2017).

Allowances for insolvency risk gained €7 million in the fourth quarter thanks to the increase in recoveries in the third quarter of 2017.

€ million	2017	1Q17 (feb'17-mar'17)	2Q17	3Q17	4Q17	Quarter-on-quarter %
Net interest income	**377**	**69**	**98**	**102**	**108**	**5.5**
Dividends and share of profit/(loss) of entities accounted for using the equity method	112	39	70	71	(68)	
Net fee and commission income	276	43	74	77	82	5.1
Gains/(losses) on financial assets and liabilities and others	23	5	8	9	1	
Income and expense arising from insurance or reinsurance contracts						
Other operating income and expense	(18)	1	(17)	(1)	(1)	(2.5)
Gross income	**770**	**157**	**233**	**258**	**122**	**(52.8)**
Recurring administrative expenses, depreciation and amortisation	(432)	(78)	(121)	(119)	(114)	(4.4)
Extraordinary expenses	(106)	(10)	(96)			
Pre-impairment income	**232**	**69**	**16**	**139**	**8**	
Pre-impairment income stripping out extraordinary expenses	**338**	**79**	**112**	**139**	**8**	
Allowance for insolvency risk	32	6	5	14	7	(52.5)
Other charges to provisions	(3)	(1)	(1)		(1)	
Gains/(losses) on disposal of assets and others	(1)				(1)	
Profit/(loss) before tax	**260**	**74**	**20**	**153**	**13**	
Income tax expense	(54)	(14)	11	(31)	(20)	(32.6)
Profit/(loss) after tax	**206**	**60**	**31**	**122**	**(7)**	
Profit/(loss) attributable to minority interest and others	30	10	4	19	(3)	
Profit/(loss) attributable to the Group	**176**	**50**	**27**	**103**	**(4)**	

The following information has been included to help readers interpret the changes just discussed and the criteria for presenting BPI's results at CaixaBank:

The figures reported by Banco BPI for 2017 differ from its contribution in the financial statements and from the relevant business segment within the CaixaBank Group. This is because of the impact of the fair value adjustments of its assets and liabilities within the business combination and the attribution of results to minority interests.

In addition, BPI's results for the year were recognised at the CaixaBank Group under the equity investments business using the equity method in January 2017 and then using the full consolidation method over the rest of the period. Therefore, earnings performance for the first quarter at BPI cannot accurately be compared since the bank has been accounted for using the fully consolidation method since February.

The results published by BPI include the one-off impact arising from the sale in January of 2% of its stake in BFA. This impact is presented for the attributable amount at the CaixaBank Group in the equity investments business, as previously discussed.

The sale of BPI Vida e Pensoes, Companhia de Seguros, SA to VidaCaixa de Seguros y Reaseguros was also completed at the end of the fourth quarter of 2017. This deal has impacted the balance sheet and the income statement, affected by the capital gain of the sale, reported by Banco BPI. The segment reporting prepared by CaixaBank for the BPI segment does not include the proceeds from the sale since it has been eliminated from the consolidated income statement.

- Turning to business activity and asset quality indicators, the period included the following highlights:

Loans and advances to customers, gross, came to €22,211 million, down 4.7% in the quarter. Stripping out the operation discussed previously, **the decrease in gross lending would be limited to -1.3% and the performing portfolio to -0.8%**.

Meanwhile, **customer funds came to €28,864 million**, down 17.0% on the previous quarter and with the **quarterly change standing at 0.5% on a like-for-like basis**.

BPI's **NPL ratio** was 5.1% in the quarter using the CaixaBank Group's NPL classification criteria (5.0% stripping out the sale of BPI Vida e Pensoes).

Meanwhile, BPI reported an NPL ratio of 2.9% using the *crédito em risco* criterion applicable in accordance with Portuguese regulations. The main difference between Portuguese regulations and CaixaBank's NPL classification criteria lies in the different treatment for overdue customer positions, contingent liabilities, NPL classification on subjective criteria and the different treatment of refinanced loans.

The NPL coverage ratio climbed to 87% (+6pp in the quarter) and includes provisions posted by CaixaBank stemming from the business combination.

€ million	Dec 31, 2017	Sep 30, 2017	Quarter-on-quarter %	Pro-forma[1] Dec 31, 2017	Pro-forma[1] Quarter-on-quarter %
Activity					
Loans and advances to customers, gross	**22,211**	**23,303**	**(4.7)**	**22,995**	**(1.3)**
Customers funds	**28,864**	**34,773**	**(17.0)**	**34,963**	**0.5**
On-balance sheet funds	20,687	24,248	(14.7)	24,280	0.1
Assets under management	6,026	8,629	(30.2)	8,533	(1.1)
Other accounts	2,151	1,896	13.4	2,150	13.4
Asset quality					
Non-performing loan ratio (%)	5.1%	5.5%	(0.4)	5.0%	(0.5)
Non-performing loan coverage ratio (%)	87%	81%	6	87%	6
Banking resources (units)					
Employees	4,931	5,178	(247)	4,948	(230)
Branches[2]	505	508	(3)	505	(3)

(1) Without considering the sale of BPI Vida e Pensoes.
(2) Does not include foreign branches or representative offices.

To help readers interpret the pro-forma information on business activity at 31 December 2017, the following aspects should be taken into account:

Gross lending does not include the €784 million reduction resulting from the aforementioned sale of BPI Vida e Pensoes.

Meanwhile, on-balance sheet funds do not reflect the outflow of €4,124 million in liabilities under insurance contracts, which are now included on VidaCaixa's balance sheet and which BPI will continue to report as assets under management in the information it discloses publicly. Moreover, the pro-forma vision does not include, among others, €531 million in demand and term deposits held by BPI Vida e Pensoes at Banco BPI, which were eliminated up until that sale from the sub-consolidated perimeter of BPI.

Assets under management include a total of €2,507 million, mainly in pension plans, which following the sale are no longer reported at BPI since they are no longer managed or sold by the bank.

The **balance sheet** at 31 December 2017 shows information as per the new corporate structure, reflecting the outflow of lending activity and funds from the BPI perimeter to become part of VidaCaixa (within the banking and insurance business of the Group's segment reporting).

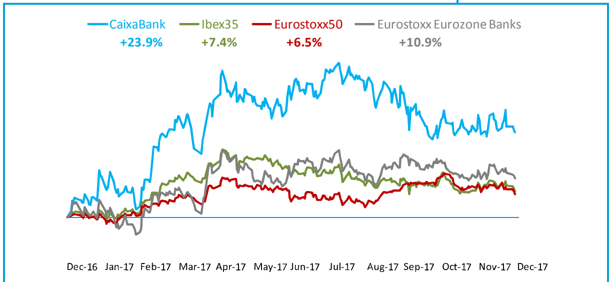
€ million	Dec 31, 2017	Sep 30, 2017	Quarter-on-quarter %
Cash, cash balances at central banks and other demand deposits	1,095	1,380	(20.7)
Financial assets held for trading	294	1,189	(75.3)
Available-for-sale financial assets	3,834	3,691	3.9
Loans and receivables	22,109	23,180	(4.6)
Loans and advances to central banks and credit institutions	872	895	(2.6)
Loans and advances to customers and debt securities	21,237	22,285	(4.7)
Other assets	2,212	3,750	(41.0)
Total assets	**29,544**	**33,190**	**(11.0)**
Liabilities	**26,721**	**30,469**	**(12.3)**
Financial liabilities held for trading	170	179	(5.0)
Financial liabilities measured at amortised cost	25,922	25,423	2.0
Deposits from central banks and credit institutions	3,978	3,960	0.5
Customer deposits	20,714	20,174	2.7
Debt securities issued	980	1,078	(9.1)
Other financial liabilities	250	211	18.5
Insurance contract liabilities		4,107	(100.0)
Other liabilities	629	760	(17.2)
Equity	**2,823**	**2,721**	**3.7**
Asigned capital	2,220	2,295	(3.3)
Minority interest, valuation adjustment and other	603	426	41.5
Total liabilities and equity	**29,544**	**33,190**	**(11.0)**

See Reconciliation of financial information presented by BPI with the presentation format used by the CaixaBank Group in the Appendices - Glossary.

The CaixaBank share

Share price performance

- European stock markets made significant gains in 2017 thanks to a bullish economy and rallying company earnings. The Spanish blue chip IBEX 35 added 7.4% versus the close of 2016 while the Euro Stoxx 50 gained 6.5%. This annual growth could well have been more pronounced had the sharp rise in early 2017 not been interrupted by the appearance of various, mainly political episodes of uncertainty towards the end of the year, causing the IBEX 35 to dip 3.3% in the fourth quarter and the Euro Stoxx 50 to slip by 2.5% from the close of September. Among the various factors shackling the performance of European stock markets we have Merkel's difficulty in forming a government in Germany, the uncertainty surrounding the Brexit talks and, in the case of the Spanish stock market, the political uncertainty on the domestic front. Meanwhile, the main North American indices remained bullish throughout the year, including the final stretch. This was largely down to the Donald Trump's tax reform and widespread confidence that the Fed will ultimately be successful in normalising monetary policy.



CaixaBank shares versus the main Spanish and European indices in 2017

- The European banking index closed out the fourth quarter in negative territory, with the Euro Stoxx Banks sliding 5.7% against a backdrop of low interest rates, which the ECB has announced it will keep at current levels for the time being. The quarterly decline was cushioned by the approval of the latest package of reforms under the new banking regulation Basel III bis, which has reduced regulatory certainty and has therefore been welcomed by the markets.

- The **CaixaBank share closed the year at €3.889/share, showing a notable increase of 23.9% in the year** in spite of the 8.3% decline seen in the last quarter of 2017.

- Trading volume[1] for the CaixaBank share in euros increased significantly in the fourth quarter, at 39% year on year in a climate of high market volatility. In annual terms, trading volume was up 43% on 2016 in euros and 8% down in number of shares.

Shareholder returns

- On 23 February 2017, CaixaBank's Board of Directors approved the new dividend policy, under which remuneration for 2017 will consist of two cash dividends (payable every six months, with payment likely to be made in November 2017 and April 2018) for a sum equal to or exceeding 50% of net consolidated profit.

- A cash payout of €0.07 per share was made on 2 November 2017, corresponding to the first dividend payment charged to profit for 2017.

- CaixaBank has paid shareholders a total of €0.13 per share in the last twelve months through two half-yearly payments in cash.

(1) Trading volume excluding one-off transactions.

Shareholder returns over the last twelve months

Concept	€/share	Payment date
Cash dividend, interim 2017	0.07	Nov. 2, 2017
Cash dividend, final 2016	0.06	Apr. 13, 2017

Key performance indicators for the CaixaBank share

	Dec. 31, 2017
Market capitalization (€ M)	23,248
Number of outstanding shares[1]	5,977,872
Share price (€/share)	
Share price at the beginning of the period (December 30, 2016)	3.140
Share price at closing of the period (December 29, 2017)	3.889
Maximum price[2]	4.500
Minimum price[2]	3.190
Trading volume in 2017 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	53,300
Minimum daily trading volume	3,354
Average daily trading volume	16,133
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	1,658
Average number of shares (12 months)[1]	5,977,738
Net income attributable per Share (EPS) (€/share)	**0.28**
Net equity excluding minority interest (€ million)	24,249
Number of shares at December 31, 2017[1]	5,977,872
Book value per share (€/share)	**4.06**
Net equity excluding minority interest (tangible) (€ million)	20,009
Number of shares at December 31, 2017[1]	5,977,872
Tangible book value per share (€/share)	**3.35**
PER (Price / Profit)	**14.02**
TangibleP/BV (Market value/ tangible book value)	**1.16**
Dividend Yield[3]	**3.34%**

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

(2) Share price at close of trading.

(3) Calculated by dividing the yield for the last 12 months (€0.13/share) by the closing price at the end of the period (€3.889/share).

Significant events in 2017

This section provides further information on the significant events to have occurred in 2017.

Public offer to acquire and assume control of BPI

CaixaBank's stake in BPI currently stands at 84.5% following completion, on 7 February 2017, of the acceptance period for the mandatory takeover bid filed by the Portuguese stock market regulatory (Comissão do Mercado de Valores Mobiliários) on 16 January 2017. The offered price for the bid was €1.134 per share and with demand totalling 39.01% of BPI's share capital, the total payout was therefore €644.5 million.

In accordance with applicable accounting law, 7 February 2017 was set as the effective assumption of control date and the total stake in BPI (84.5%) has been reported under the full consolidation method since 1 February, having been previously reported under the equity method.

The Group's consolidated income statement for 2017 shows the following one-off impacts:

- On 5 January 2017, BPI completed the sale of 2% of its stake in BFA to the company Unitel, SA, whose stake in BFA therefore climbed to 51.9% while BPI's interest dropped to 48.1%. The parties also entered into a new shareholder agreement in respect of BFA.
  The arrangement allowed for the deconsolidation of BFA from BPI's consolidated balance sheet, thus enabling BPI to resolve its risk exposure breach due to its controlling stake in BFA. The transaction generated a negative attributable impact of €97 million for CaixaBank, which was recognised under the equity method.
- The net result of measuring BPI's assets and liabilities at fair value as of the effective takeover date, as a result of the business combination, was €256 million.
- Recognition of €110 million in extraordinary expenses associated with BPI.

Agreement with Cecabank

On 28 June 2017, CaixaBank announced that CaixaBank Asset Management SGIIC, SAU and VidaCaixa, SAU de Seguros y Reaseguros had reached an agreement with Cecabank, SA through CaixaBank. Under the arrangement Cecabank will continue to act, until 31 March 2027, as exclusive depository of 80% of the assets held in investment funds, securities investment companies (SICAVs) and individual system pension funds managed by CaixaBank AM and VidaCaixa, respectively. Cecabank will act as the exclusive custodian of the remaining 20% until 31 March 2022, except for a small percentage, for which the exclusive nature of the agreement will be phased out between 31 March 2025 and 31 March 2027. This new arrangement was effectively a continuation of the original agreement reached in 2012, when Cecabank began serving as depository for the two CaixaBank subsidiaries.

Under the agreement, CaixaBank received a payment of €115 million, which was reported as income in the second quarter of 2017. Over the coming ten years CaixaBank could receive variable payments of up to a further €85 million, depending on the performance of Cecabank's depository business.

Appointment of Lead Director

CaixaBank announced that its Board of Directors, at a meeting held on 22 June 2017, decided to appoint Francesc Xavier Vives Torrents as Lead Director (independent director), in light of a report issued by the Appointments Committee supporting his appointment. The appointment took effect on 18 July 2017, following the approval by the European Central Bank of the modification to the by-laws agreed upon at the General Shareholders' Meeting of 6 April 2017.

Prudential deconsolidation of CaixaBank from CriteriaCaixa

On 26 September 2017, the Governing Council of the European Central Bank, acting on a proposal from the Supervisory Board, confirmed that CriteriaCaixa no longer exercises control or dominant influence over CaixaBank and is therefore is no longer its parent company, on the understanding that the conditions announced on 26 May 2016 for the prudential deconsolidation of CaixaBank from CriteriaCaixa had been met.

As a result, CaixaBank is now the parent company of the financial conglomerate comprising all regulated group entities. CaixaBank is now classified as a significant supervised entity and forms, together with the credit institutions belonging to its group, a significant supervised group at which CaixaBank is the entity to have undergone the greatest prudential consolidation.

Change of corporate registered office

On 6 October 2017, CaixaBank's Board of Directors unanimously agreed to move the Bank's registered office to calle Pintor Sorolla, 2-4 in Valencia.

Minimum prudential capital requirements for 2018

On 13 December 2017, CaixaBank, S.A. received the decision of the European Central Bank (BCE) on the minimum prudential capital requirements after hearing the results of the Supervisory Review and Evaluation Process (SREP). CaixaBank also received a decision from the Bank of Spain on the capital buffer required of it due to its status as an Other Systematically Important Institution (O-SII).

These decisions show no changes on the previous year in terms of the fully-loaded ratio, at 1.5% and 0.25%, respectively, and mean that the CaixaBank Group must maintain in 2018 a Common Equity Tier 1 (CET1) phase-in ratio of 8.063%, which includes: the Pillar 1 regulatory minimum (4.5%); the ECB's Pillar 2 requirement (1.5%); the capital conservation buffer (1.875%); and the O-SII buffer (0.187%). On a fully loaded basis, the minimum CET1 requirement would therefore be 8.75%. Similarly, taking minimum applicable Pillar 1 requirements for Tier 1 (6%) and for total capital (8%), capital requirements would be 9.563% phase-in / 10.25% fully loaded for Tier 1 and 11.563% phase-in / 12.25% fully loaded for total capital.

The ECB's decision means that the phase-in CET1 level below which the CaixaBank Group would be required to limit dividend payments in 2018, as well as variable pay and interest to holders of additional tier 1 capital instruments -commonly referred to as the maximum distributable amount trigger (MDA trigger)- is 8.063%, to which any potential additional Tier 1 or Tier 2 capital deficits would need to be added in respect of the minimum implied levels of Pillar 1 of 1.5% and 2%, respectively.

Agreements on transactions relating to BPI

On 23 November 2017, CaixaBank announced that various contracts had been signed in relation to Banco BPI, specifically:

- CaixaBank Asset Management SGIIC, SAU will acquire from BPI the entire share capital of the companies BPI Gestao de Activos, SGFI, SA and BPI Global Investment Fund Management Company SA in exchange for €75 million and €8 million, respectively. Meanwhile, VidaCaixa SAU de Seguros y Reaseguros is to acquire from BPI the entire share capital in BPI Vida e Pensoes, Companhia de Seguros, SA in a deal worth €135 million. In both cases, BPI will continue to distribute the investment funds and life insurance and pension products of the acquired companies.
- Lastly, CaixaBank SA is to acquire the brokerage, research and corporate finance business from Banco Portugués de Investimento, SA (BPI subsidiary). The price of the deal will be equivalent to the book value of the net operating assets transferred at the completion date, which is estimated at approximately €4 million.

Likewise, on 21 December 2017 CaixaBank announced that it had entered into the agreements in principle for the transactions relating to Banco BPI, SA, whereby:

- CaixaBank Payments will acquire from Banco BPI its card issuing business in exchange for €53 million. Comercia Global Payments EP, SL will acquire from Banco BPI the acquiring bank business in exchange for €60 million.
- CaixaBank Payments and Comercia are to appoint Banco BPI as their exclusive agent for the marketing and sale of the products affecting their newly acquired businesses.

The transactions just discussed require clearance from the relevant authorities and the acquisition of BPI Vida e Pensoes by VidaCaixa SAU de Seguros y Reaseguros was successfully completed in late December 2017.

Investment portfolio

Main investees, associates and assets available for sale at 31 December 2017:

CaixaBank	
Telefónica	5.00%
Repsol[1]	9.64%
Erste Group Bank	9.92%
SegurCaixa Adeslas	49.92%
Comercia Global Payments	49.00%
ServiHabitat Servicios Inmobiliarios	49.00%
Sareb	12.24%

BPI	
BFA[2]	48.10%
Banco Comercial e de Investimentos (BCI)[2]	35.67%

(1) 9.46% share on 22 January 2018 after formalising the last scrip dividend to be paid in cash.

(2) The percentage of ownership attributed by CaixaBank at 31 December 2017 was 40.65% at BFA and 30.15% at BCI.

Information on financing for home purchases and loans to real estate developers by CaixaBank

Change in financing for home purchases

Financing for home purchases

€ million	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017
Without mortgage collateral	748	752	766	762	762
of which: non-performing	9	9	9	9	10
With mortgage collateral	85,657	84,936	84,188	83,375	82,327
of which: non-performing	3,470	3,493	3,491	3,523	3,465
Total	**86,405**	**85,688**	**84,954**	**84,137**	**83,089**

Loan-to-value breakdown[3]

	Dec. 31, 2017					
€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
Gross amount	21,093	31,402	22,402	4,441	2,989	82,327
of which: non-performing	225	514	795	693	1,239	3,465

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

Loans to real estate developers

Changes in loans to real estate developers[1]

€ million	Dec. 31, 2017	Weight %	Sep. 30, 2017	Weight %	Dec. 31, 2016	Weight %	Year-to-date
Without mortgage collateral	813	11.9	1,242	16.6	1,173	14.7	(360)
With mortgage collateral	6,016	88.1	6,218	83.4	6,829	85.3	(813)
Completed buildings	4,336	63.5	4,551	61.0	5,188	64.8	(852)
Homes	2,811	41.2	2,948	39.5	3,391	42.4	(580)
Other	1,525	22.3	1,603	21.5	1,791	22.4	(266)
Buildings under construction	931	13.6	901	12.1	668	8.3	263
Homes	840	12.3	808	10.8	598	7.5	242
Other	91	1.2	93	1.1	70	0.9	21
Land	749	11.0	766	10.3	979	12.2	(230)
Developed land	422	6.2	433	5.8	697	8.7	(275)
Other	326	4.7	333	4.4	282	3.5	44
Total	**6,830**	**100.0**	**7,460**	**100.0**	**8,002**	**100.0**	**(1,172)**

(1) According to Bank of Spain Circular 5/2011, financial institutions are required to disclose transparency information on loans for home purchases and loans to real estate developers in relation to their business activity in Spain.

Loans to real estate developers within the CaixaBank scope at 31 December 2017, 30 September 2017 and 31 December 2016 (€6,849, €7,477 and €8,024 million, respectively) includes €19, €17 and €22 million, respectively, in lending to real estate developers outside Spain, not considered in the information attached in accordance with Bank of Spain Circular 5/2011.

NPLs and coverage for real estate development risk[2]

€ million	Dec. 31, 2017 Non-performing	Dec. 31, 2017 Coverage %[3]	Sep. 30, 2017 Non-performing	Sep. 30, 2017 Coverage %[3]	Dec. 31, 2016 Non-performing	Dec. 31, 2016 Coverage %[3]
Without mortgage collateral	137	83	143	78	181	80
With mortgage collateral	1,344	40	1,610	39	2,254	41
Completed buildings	970	31	1,190	32	1,719	34
Homes	529	29	620	30	917	32
Other	441	34	570	34	802	37
Buildings under construction	43	45	54	47	78	53
Homes	33	51	42	54	66	58
Other	10	23	12	21	12	25
Land	331	64	366	63	457	64
Developed land	185	70	205	70	304	66
Other	146	55	161	54	153	61
Total	**1,481**	**44**	**1,753**	**42**	**2,435**	**44**

(2) The surplus value of mortgage collateral to the non-performing real estate developer portfolio at 31 December 2017, 30 September 2017 and 31 December 2016 amounts to €602, €707 and €989 million, respectively.

(3) Total impairment allowances for the real estate developer segment divided by non-performing loans for that segment.

Ratings

Agency	Long-Term[4]	Short-Term	Outlook	Last review date	Rating of covered bonds program
S&P Global	BBB	A-2	Positive	6 October 2017	A+
Fitch	BBB	F2	Positive	7 April 2017	
Moody's	Baa2	P-2	Stable	10 May 2017	Aa2
DBRS	A (low)	R-1 (low)	Stable	14 July 2017	AA (High)

(4) Relates to the rating assigned to the preferred senior debt of CaixaBank. Moody's also assigns a rating for long-term deposits, which is currently Baa2 with a positive outlook.

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

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 activity divided by the average balance of on-balance sheet retail funds for the quarter, excluding subordinated liabilities).

Purpose: facilitates tracking of the differential of the spread between interest income and costs from customers.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	Annualised quarterly income from loans and advances to customers	4,579	4,665	4,614	**4,594**
Denominator	Net average balace of loans and advances to customers	205,544	211,249	210,440	**209,451**
(a)	**Average yield rate on loans (%)**	**2.23**	**2.21**	**2.19**	**2.19**
Numerator	Annualised quarterly cost of on-balance sheet customers funds	114	80	87	63
Denominator	Average balance of on-balance sheet retail customers funds	179,976	188,969	195,983	187,178
(b)	**Average cost rate of retail deposits (%)**	**0.06**	**0.04**	**0.04**	**0.03**
	Customer spread (%) (a - b)	2.17	2.17	2.15	2.16

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: facilitates tracking of the differential between interest income and cost for the on balance assets and liabilities.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	Annualised quarterly interest income	6,939	6,903	6,935	**7,106**
Denominator	Average total assets for the quarter	359,264	368,639	376,073	**387,300**
(a)	**Average return rate on assets (%)**	**1.93**	**1.87**	**1.84**	**1.83**
Numerator	Annualised quarterly interest expenses	2,263	2,106	2,170	2,361
Denominator	Average total liabilities for the quarter	359,264	368,639	376,073	387,300
(b)	**Average cost of fund rate (%)**	**0.63**	**0.57**	**0.57**	**0.61**
	Balance sheet spread (%) (a - b)	**1.30**	**1.30**	**1.27**	**1.22**

c) ROE:

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

Purpose: allows for the monitoring of return on own funds.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Adjusted profit attributable to the Group 12M**	1,177	1,246	1,551	**1,658**
Denominator	**Average equity 12M**	23,016	23,212	23,675	**23,897**
	ROE (%)	**5.1%**	**5.4%**	**6.6%**	**6.9%**

d) ROTE:

Explanation:

- Profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon after tax reported in equity) divided by
- 12 months average shareholder equity 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.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Adjusted profit attributable to the Group12M**	1,177	1,246	1,551	**1,658**
Denominator	**Average equity excluding intangible assets 12M**	18,843	19,098	19,508	**19,679**
	ROTE (%)	**6.2%**	**6.5%**	**8.0%**	**8.4%**

e) ROA:

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

Purpose: measure of return relative to assets.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Adjusted net profit 12M**	1,194	1,200	1,523	**1,693**
Denominator	**Average total assets 12M**	344,392	351,935	360,645	**372,905**
	ROA (%)	**0.3%**	**0.3%**	**0.4%**	**0.5%**

f) RORWA:

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

Purpose: measure of return based on Risk Weighted Assets.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	Adjusted net profit 12M	1,194	1,200	1,523	**1,693**
Denominator	Regulatory risk-weighted assets 12M	138,256	141,861	145,567	**149,060**
	RORWA (%)	0.9%	0.8%	1.0%	1.1%

g) Cost-to-income ratio:

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

A similar indicator is also reported that does not take into account extraordinary operating expenses.

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

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	Administrative expenses + depreciation and amortisation 12M	4,214	4,436	4,450	**4,577**
Denominator	Gross income 12M	7,798	8,058	8,379	**8,222**
	Cost-to-income ratio	54.0%	55.1%	53.1%	55.7%

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	Administrative expenses + depreciation and amortisation stripping out extraordinary expenses	4,083	4,209	4,340	**4,467**
Denominator	Gross income 12M	7,798	8,058	8,379	**8,222**
	Cost-to-income ratio stripping out extraordinary expenses	52.4%	52.2%	51.8%	54.3%

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.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	Total allowances for insolvency risk 12M	1,014	984	952	799
Denominator	Average of gross loans + contingent liabilities 12M	220,741	225,848	231,247	236,772
	Cost of risk (%)	0.46%	0.44%	0.41%	0.34%

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

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.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Non-perfoming loans and advances to customers + contingent liabilities**	16,135	15,492	15,286	14,305
Denominator	**Total gross loans to customers + contingent liabilities**	239,818	240,165	237,403	237,934
	Non-performing loan ratio (%)	**6.7%**	**6.5%**	**6.4%**	**6.0%**

c) Coverage ratio:

Explanation: quotient between:

- Total impairment allowances on 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 a bank's NPL coverage via provisions.

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Impairment allowances on loans to customers + contingent liabilities**	7,985	7,732	7,630	7,135
Denominator	**Non-perfoming loans and advances to customers + contingent liabilities**	16,135	15,492	15,286	14,305
	Coverage ratio (%)	**49%**	**50%**	**50%**	**50%**

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 assets available for sale.

		Group			
		1Q17	2Q17	3Q17	4Q17
(a)	Gross debt cancelled at the foreclosure	15,356	15,073	14,596	14,112
(b)	Net book value of the foreclosed asset	6,285	6,258	6,145	5,878
Numerator	**Total coverage of the foreclosed asset (a - b)**	**9,071**	**8,815**	**8,451**	**8,234**
Denominator	**Gross debt cancelled at the foreclosure**	**15,356**	**15,073**	**14,596**	**14,112**
	Real estate available for sale coverage ratio (%)	**59%**	**58%**	**58%**	**58%**

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

Explanation: quotient between:

- Accounting coverage: accounting provisions for foreclosed assets; and
- Book value of the foreclosed asset, gross: sum of net carrying amount and accounting coverage.

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

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Accounting provisions of the foreclosed assets**	**6,196**	**6,088**	**5,930**	**5,811**
(a)	Net book value of the foreclosed asset	6,285	6,258	6,145	5,878
(b)	Accounting provisions of the foreclosed assets	6,196	6,088	5,930	5,811
Denominator	**Gross book value of the foreclosed asset (a + b)**	**12,481**	**12,346**	**12,075**	**11,689**
	Real estate available for sale accounting coverage (%)	**50%**	**49%**	**49%**	**50%**

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 Central Bank (non-HQLA).

Purpose: shows a company's liquidity position.

		Group			
		1Q17	2Q17	3Q17	4Q17
(a)	High Quality Liquid Assets (HQLAs)	36,769	50,197	53,466	53,610
(b)	Available balance under the facility with the ECB no HQLAs	18,487	15,397	18,115	19,165
	Total liquid assets (a + b)	55,256	65,594	71,581	72,775

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: indicator of the retail funding structure (percentage of customer funds used to finance customer lending).

		Group			
		1Q17	2Q17	3Q17	4Q17
Numerator	**Loans and advances to customers, net (a-b-c)**	**216,070**	**216,643**	**213,625**	**211,769**
(a)	Loans and advances to customers, gross	227,934	228,435	225,166	223,951
(b)	Allowance for impairment losses	7,617	7,420	7,345	6,832
(c)	Brokered loans	4,247	4,372	4,196	5,350
Denominator	**Customers funds on balance sheet**	**191,721**	**200,838**	**199,563**	**196,611**
	Loan to Deposits (%)	112.7%	107.9%	107.0%	107.7%

Other relevant indicators:

EPS (Earnings per share): profit attributable to the Group[1] 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 issued 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 shares outstanding 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): on the basis of the individual financial statements, the sum of profit and unrestricted reserves, net of dividends. Does not include the share premium.

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

Adapting the layout of the public income statement to management format

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

- Fee and commission income.
- Fee and commission expense.

Gains/(losses) on financial assets and liabilities and others. 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 and liabilities held for trading, net.
- Gains/(losses) from hedge accounting, net.
- Exchange differences (net).

Operating expenses. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

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

Impairment losses on financial and other provisions. Includes the following line items:

- Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.
- 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 receivables 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 receivables 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) after tax from discontinued operations.
- Profit/(loss) for the period attributable to minority interests (non-controlling interests).

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

December 2017

€ million	Group
Loans and advances to customers (Public Balance Sheet)	**226,272**
Credit institutions (Public Balance Sheet)	(7,378)
NPL provisions	6,832
Other, non-retail, financial assets (asset under the asset protection scheme and others)	(768)
Reverse repurchase agreements (public and private sector)	(912)
Fixed income bonds not considered as retail financing [1]	(95)
Loans and advances to customers, gross	**223,951**

(1) Reported as Debt securities under the Loans and accounts receivable line of the public balance sheet.

Liabilities under insurance contracts

December 2017

€ million	Group
Liabilities araising from insurance contracts (Public Balance Sheet)	**49,750**
Capital gains/(losses) on insurance assets available for sale	(8,026)
Unit-links [2]	8,241
Liabilities araising from insurance contracts, under management criteria	**49,965**

(2) Recognised under 'Other liabilities' in the public balance sheet.

Customer funds

December 2017

€ million	Group
Financial liabilities at amortised cost - Customers (Public Balance Sheet)	**203,608**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers)	**(8,565)**
Multi-issuer covered bonds and subordinated deposits	(3,932)
Counterparties and other	(4,633)
Retail financial liabilities (registered under Debt securities)	**2,536**
Retail issues and other	2,536
Liabilities under insurance contracts, using management criteria	**49,965**
Total on-balance sheet customer funds	**247,544**
Assets under management	**96,551**
Other accounts [3]	**5,363**
Total customer funds	**349,458**

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

Institutional issuances for banking liquidity purposes

December 2017

€ million	Group
Debt securities issued (Public Balance Sheet)	**29,919**
Institutional financing not considered for the purpose of managing bank liquidity	**(5,160)**
Securitized bonds	(2,443)
Value adjustments	(378)
Retail	(2,536)
Issues acquired by companies within the group	197
Customer deposits for the purpose of managing bank liquidity [4]	**3,912**
Deposits from credit institutions (Public Balance Sheet) - Mortgage covered bonds (BEI)	**20**
Institutional financing for the purpose of managing bank liquidity	**28,691**

(4) A total of €3,879 million in multi-issuer covered bonds (net of retained issues) and €33 million in subordinated deposits.

Reconciliation of financial information presented by BPI with the presentation format used by the CaixaBank Group:

a) Income statement

December 2017 € million	Published by BPI	Consolidation adjustments[1]	BPI's contribution Feb-Dec
Net interest income	**407**	**(30)**	**377**
Dividend income	7		7
Share of profit/(loss) of entities accounted for using the equity method	125	(20)	105
Net fee and commission income	297	(21)	276
Gains/(losses) on financial assets and liabilities and others	14	9	23
Other operating income and expense	(186)	168	(18)
Gross income	**664**	**106**	**770**
Recurring administrative expenses, depreciation and amortisation	(456)	24	(432)
Extraordinary expenses	(107)	1	(106)
Pre-impairment income	**101**	**131**	**232**
Pre-impairment income stripping out extraordinary expenses	**208**	**130**	**338**
Allowance for insolvency risk	5	27	32
Other charges to provisions		(3)	(3)
Gains/(losses) on disposal of assets and others		(1)	(1)
Profit/(loss) before tax	**106**	**154**	**260**
Income tax expense	(96)	42	(54)
Share of profit/(loss) of entities accounted for using the equity method			
Profit/(loss) after tax	**10**	**196**	**206**
Profit/(loss) attributable to minority interest and others		30	30
Profit/(loss) attributable to the Group	**10**	**166**	**176**

(1) The key aspects of the consolidation adjustments are essentially as follows:

- Retrocession of the contribution of the January results of BPI under the different headings on the income statement.
- Net change of the fair value adjustments generated from the business combination.
- Attribution of profit to minority interests
- Removal of the capital gain on the sale of *BPI Vida e Pensoes*.

b) Customer funds

December 2017 € million	BPI[a]	BPI ex BPI Vida[b]	BPI ex BPI Vida in CABK using management critera[c]
Customer funds	20,673	20,142	20,143
Demand deposits	12,054	11,663	11,663
Term deposits	8,584	8,444	8,444
Retail debt securities	35	35	35
Subordinated liabilities			1
Insurance contract liabilities		4,096	4,124
Reverse repurchase agreements and other	13	13	13
On-balance sheet funds	**20,686**	**24,251**	**24,280**
Mutual funds, managed accounts and SICAVs	6,027	5,805	5,805
Pension plans		2,748	2,728
Insurance contract liabilities	4,096		
Assets under management	**10,123**	**8,553**	**8,533**
Other accounts	**2,151**	**2,151**	**2,150**
Total customer funds	**32,960**	**34,955**	**34,963**

(a) BPI has reported the client funds post sale of BPI Vida to VidaCaixa de Seguros y Reaseguros.

(b) BPI has reported the aforementioned sale pro-forma at 31 December 2017 (+€4,096 million of Insurance contract liabilities, which BPI following the sale registers off- balance, +€2,748 million of pension plans. Additionally, €531 million of demand and term deposits placed by BPI Vida at BPI bank have been eliminated, among other minor adjustments).

(c) The difference between the funds reported by BPI ex-BPI Vida and those reported under management criteria at CABK is largely down to the fair value adjustments at 31 December 2017 resulting from the business combination.

c) Loans and advances to customers

December 2017 € million	BPI[a]	BPI ex BPI Vida[b]	BPI ex BPI Vida in CABK using management critera[c]
Loans and advances to customers, net	**21,659**	**22,434**	**22,021**

(a) BPI has reported the loans and advances to customers post sale of BPI Vida to VidaCaixa de Seguros y Reaseguros.

b) BPI has reported the aforementioned sale pro-forma at 31 December 2017 (essentially €+772 million net lending at 31 December 2017).

(c) The difference between net lending reported by BPI ex-BPI Vida and net lending under management criteria at CABK is largely down to the available funds at 31 December 2017 due to the fair value adjustments resulting from the business combination.

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Institutional Investors & Analysts
investors@caixabank.com
+34 93 411 75 03

Mejor Banca Privada en España 2017

Mejor Banco en España 2017

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Banco del Año en España 2016