Business activity and results

January-September

2018

Contents

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

This report has been prepared from the accounting records of CaixaBank, S.A. and the other Group companies, and includes certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank. For this reason, and 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 2017, 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.

IFRS 9 entered into force on 1 January 2018. We have therefore included, for comparison purposes, the opening balance sheet showing the effect of applying that standard to the balance sheet at 31 December 2017. Likewise, and in accordance with the Amendments to IFRS 4: Applying IFRS 9 Financial Instruments, the adoption of IFRS 9 can be deferred for insurers that belong to a financial conglomerate. In fact, the Group has decided to apply temporary exemption from IFRS 9 in respect of the financial investments of the Group's insurance firms for all periods that come before 1 January 2021 as it awaits the entry into force of the new IFRS 17: Insurance Contracts, which will govern the presentation and measurement of insurance contracts (including technical provisions). Accordingly, the information shown below does not reflect the change of accounting policy in relation to the investments undertaken by the Group's insurance firms, which are grouped under the heading 'Assets associated with the insurance business' on the balance sheet. To make the information more readily comparable, the Group has also reclassified the technical provisions relating to Unit Link and Flexible Investment Annuity (part under management), which are now reported under 'Liabilities associated with the insurance business'.

Commercial positioning

CaixaBank Group

15.7
million customers

29.3 %
market penetration among individual customers in Spain

26.3 %
market penetration as main bank among individual customers in Spain

387,751
in total assets (€ million)

363,621
in customer funds (€ million)

223,465
in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

76,079
in total liquid assets (€ million)

193%
liquidity coverage ratio (LCR), average 12 months

CAPITAL MANAGEMENT

11.4 %
fully-loaded CET1

15.2 %
fully-loaded total capital

RISK MANAGEMENT

5.1%
NPL ratio

54 %
NPL coverage ratio

59%
coverage ratio (foreclosed available for-sale RE assets)

Profitability and cost-to-income

1,913
Banking and insurance

+69
Equity Investments

1,768
profit attributable to the Group (€ million)
(+18.8 % vs 2017)

+168
BPI

-382
Non-core RE activity

53.2 %
cost-to-income ratio, stripping out extraordinary expenses

9.4 %
ROTE

12.2%
recurring ROTE for banking and insurance business

Key Group figures

€ million / %	January - September 2018	January - September 2017	Year-on-year	3Q18	Quarter-on-quarter
INCOME STATEMENT					
Net interest income	3,671	3,550	3.4%	1,239	0.7%
Net fee and commission income	1,938	1,867	3.8%	645	(3.3%)
Gross income	6,901	6,491	6.3%	2,247	(6.0%)
Recurring administrative expenses, depreciation and amortisation	(3,466)	(3,343)	3.7%	(1,162)	0.6%
Pre-impairment income stripping out extraordinary expenses	3,435	3,148	9.1%	1,085	(12.2%)
Pre-impairment income	3,424	3,039	12.7%	1,082	(12.1%)
Profit/(loss) attributable to the Group	1,768	1,488	18.8%	470	(20.8%)
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	53.3%	53.1%	0.2	53.3%	0.2
Cost-to-income ratio stripping out extraordinary expenses	53.2%	51.8%	1.4	53.2%	0.2
ROE	7.7%	6.6%	1.1	7.7%	(0.9)
ROTE	9.4%	8.0%	1.4	9.4%	(1.0)
ROA	0.5%	0.4%	0.1	0.5%	(0.1)
RORWA	1.3%	1.1%	0.2	1.3%	(0.1)

OTHER INDICATORS	September 2018	December 2017	Year-to-date	June 2018	Quarter-on-quarter
BALANCE SHEET					
Total assets	387,751	383,186	1.2%	396,117	(2.1%)
Equity	24,353	24,683	(1.3%)	24,099	1.1%
Customer funds	363,621	349,458	4.1%	366,163	(0.7%)
Loans and advances to customers, gross	223,465	223,951	(0.2%)	225,744	(1.0%)
RISK MANAGEMENT					
Non-performing loans (NPL)	12,116	14,305	(2,189)	12,714	(598)
Non-performing loan ratio	5.1%	6.0%	(0.9)	5.3%	(0.2)
Cost of risk (last 12 months)	0.08%	0.34%	(0.26)	0.24%	(0.16)
Provisions for insolvency risk	6,579	7,135	(556)	7,172	(593)
NPL coverage ratio	54%	50%	4	56%	(2)
Net foreclosed available for sale real estate assets[1]	5,346	5,878	(532)	5,553	(207)
Foreclosed available for sale real estate assets coverage ratio	59%	58%	1	59%	-
LIQUIDITY					
Total Liquid Assets	76,079	72,775	3,304	79,892	(3,813)
Loan to deposits	104%	108%	(4)	102%	2
Liquidity Coverage Ratio (last 12 months)	193%	185%	8	199%	(6)
CAPITAL ADEQUACY					
Fully-loaded Common Equity Tier 1 (CET1)[2]	11.4%	11.7%	(0.3)	11.4%	-
Fully-loaded Tier 1	12.9%	12.3%	0.6	12.9%	-
Fully-loaded total capital	15.2%	15.7%	(0.5)	15.7%	(0.5)
Fully-loaded Risk-Weighted Assets (RWAs)	148,826	148,626	200	147,754	1,072
Fully-loaded leverage ratio	5.6%	5.3%	0.3	5.4%	0.2
SHARE INFORMATION					
Share price (€/share)	3.938	3.889	0.049	3.706	0.232
Market capitalization	23,544	23,248	296	22,157	1,387
Book value per share (€/share)	4.04	4.06	(0.02)	4.00	0.04
Tangible book value per share (€/share)	3.33	3.35	(0.02)	3.29	0.04
Net income attributable per share (€/share) (12 months)	0.32	0.28	0.04	0.35	(0.03)
PER (Price/Profit)	12.44	14.02	(1.58)	10.64	1.80
Tangible PBV (Market value/ book value of tangible assets)	1.18	1.16	0.02	1.13	0.05
OTHER DATA (units)					
Employees	37,511	36,972	539	37,286	225
Branches[3]	5,176	5,379	(203)	5,239	(63)

(1) Exposure in Spain. Excluding the real estate assets to be sold off with the real estate business, the portfolio would amount to €608 million at 30 September 2018.
(2) The pro-forma ratio including the sale of the real estate business and the remaining divestment at Repsol would come to 11.7%.
(3) Does not include branches outside Spain and Portugal or representative offices.

Key information

CaixaBank Group

CaixaBank

Commercial strength

- CaixaBank has over **13.7 million customers in Spain**, making it the main bank for one out of every four retail customers. It has a market penetration[1] among individual customers of 29.3% and for 26.3% CaixaBank is their main bank.
- 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%	15.4%	27.1%	17.0%	27.1%	24.2%	23.2%	16.4%

Expertise and quality

- **Sound business segmentation**, with a wide range of products and services tailored to the needs of customers.
- Named **World's best consumer bank** by Global Finance.
- Recognised by International Finance Corporation as the **leading bank in developing foreign trade** in emerging countries.
- Named **Best bank** and **Best private banking institution** in Spain by Global Finance and Euromoney, respectively, for the fourth straight year.

Digitalisation

- Euromoney named CaixaBank **Best digital bank in Western Europe** on account of its digital transformation and innovation, while Financial Times named it **Best private bank in Europe** when it comes to applying technology.
- Among CaixaBank customers, **58% are now digital**[3].
- Recognised by both the Banker and Bank Administration Institute for its **innovative mobile app *CaixaBankNow***, a testament to the Bank's digital transformation and commitment to technological innovation.
- **Launch of the *Smart Money* app**, which offers digital advisory services and proposes investment portfolios based on the customer's risk profile and objectives.

Corporate responsibility

- Merco named CaixaBank the **Best financial sector institution in corporate social responsibility and corporate governance** in 2017.
- **Presence on the following sustainability indices:** Dow Jones Sustainability Index, FTSE4Good, Ethibel Sustainability Index Excellence Europe, MSCI Global Sustainability Indexes and Advanced Sustainable Performance Indices.

BPI

- BPI boasts solid market shares[4] in **Portugal**, with over **1.9 million customers**: 9.9% in lending activity and 11.1% in customer funds.
- Named by Euromoney as **Best bank in Portugal** in 2018 thanks to its strategy, innovation and social commitment.

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

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

(3) Customers aged between 20 and 74 active online in the last 12 months.

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

Agreement to sell the stake in Repsol[1]

The Board of Directors agreed to sell CaixaBank's stake in Repsol, S.A. through a series of sales structured as follows:

a) the two existing equity swap agreements over 4.61% of the company's share capital were settled ahead of maturity in September 2018;

b) the deal to sell the remaining 4.75% stake is expected to be completed by the first quarter of 2019. The stake has been accounted for as "Financial assets designated at fair value through other global profit or loss" and future changes will be reflected under this heading.

The income statement for the third quarter of 2018 includes a negative result of €453 million stemming from the deal. Once completed, the divestment programme is expected to have a neutral impact on CET1 fully loaded.

Results and business activity

- **Attributable profit for the first nine months of 2018 grew to €1,768 million** (+18.8% on the same period of 2017), on the back of:
  - **Gross income** growth (**+6.3%**), driven mainly by **core income**[2], which climbed to €6,183 million (+4.5%), and also higher income from **investees**, among others factors.
  - **Reduction in Allowances for insolvency risk** and **Other charges to provisions** (-74.1%).
  - A number of extraordinary events also impacted the income statement in both periods.
- **Total funds** grew to €363,621 million (**+4.1% in 2018**).
- Total loans and advances to customers, gross came to €223,465 million (-0.2% in the year), while the **performing portfolio was up 0.8%**.

Balance sheet strength

Risk management

- NPLs are down €2,189 million in the year to date (€-598 million in the quarter), bringing the **NPL ratio** down to **5.1%** (6.0% at December 2017).
- Meanwhile, the **coverage ratio** has climbed to **54%** (+4pp in the year following the adoption of IFRS 9, among other factors).
- The **net portfolio of foreclosed real estate assets available for sale** dropped to **€5,346 million** (€-532 million in 2018), with a **coverage ratio of 59%**.

  Excluding the real estate assets included in the deal to sell the real estate business, the portfolio of available-for-sale real estate assets, net, amounted to €608 million at the end of the third quarter.

  Net foreclosed assets held for rent fell to **€2,763 million** (€-267 million in 2018).

(1) See section on 'Significant events in the first nine months of 2018'.

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

Capital adequacy

- The **fully-loaded Common Equity Tier 1 (CET1) remained at 11.4% at 30 September 2018**. If we exclude the negative impact of 38 basis points deriving from extraordinary impacts in the first nine months (implementation of IFRS 9, repurchase of 51% of Servihabitat and the acquisition of non-controlling interests at BPI), the ratio gained 54 basis points from organic capital generation through to September, but shed 43 basis points mainly due to market volatility and other factors, notably the adjustment made in the third quarter to meet credit risk requirements for the non-performing mortgage portfolio under the TRIM[1] process of the European Central Bank.
  Presented pro-forma to reflect the likely materialisation in the coming months of the sale of the real estate business and the divestment of the remaining stake in Repsol, the CET1 ratio would come to 11.7%.

- **Fully-loaded Tier 1** stands at **12.9%**. The Group has managed to maintain, since the first quarter of 2018, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.

- **Fully-loaded total capital** is now **15.2%**, following the issuance of €1,000 million in Tier 2 instruments in April 2018, the redemption of an issuance of Tier 2 instruments worth €2,072 million in May 2018 (of which €1,574 million are eligible) and the redemption of a further issuance of Tier 2 instruments worth €750 million due for completion in November 2018 (of which €738 million are eligible).

- The fully-loaded leverage ratio was 5.6%.

(1) Targeted Review of Internal Models.

Ratings

- Since the release of earnings for the first half of the year, rating agencies Moody's and Fitch have upgraded CaixaBank's long-term rating by one notch, bringing it to Baa1 and BBB+, respectively.
- **The four agencies have upgraded CaixaBank's rating in 2018,** all citing enhanced profitability and a healthier risk profile following the decline in NPLs and the agreements to sell the real estate business and the stake in Repsol.

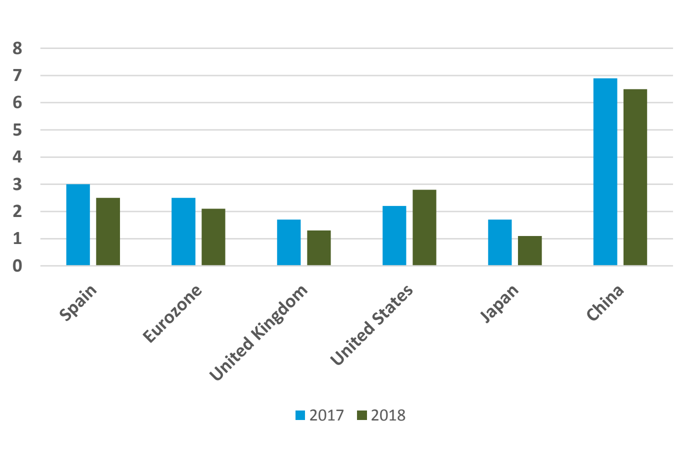
Post closing events

With regards to the judgment delivered on 16 October 2018 by Chamber 3 of the Spanish Supreme Court concerning tax office-taxpayer relations, and the subsequent press release issued by the presiding judge of that chamber on 19 October, due to the current uncertainty as to the eventual outcome of the case now being heard in that chamber and, as the case may be, in chamber 1 of the same court, no impact has been estimated on the financial statements at 30 September 2018.

Macroeconomic trends and state of the financial markets

Global economic outlook

Indicators for the last few months have shown a rebalancing of **global economic growth**, revealing a somewhat more muted performance from emerging economies. This readjustment is down to a gradual tightening of global financial conditions (a product of tighter monetary policy in the United States, plus: i) fears of rising protectionist sentiment; ii) concerns over the economic slowdown in China (while growth in the second quarter was 6.7% —roughly on par with previous quarters— indicators are pointing to a gentle slowdown in the near future); and iii) idiosyncratic weaknesses in more fragile emerging nations (such as Turkey and Argentina, where macroeconomic imbalances have already sparked financial tension and are now starting to undermine real economic activity). On the flip side, the economic outlook remains buoyant in the United States, which reported year-on-year GDP growth of 2.9% in the second quarter, an unemployment rate of below 4.0% and healthy rates of inflation, which are supporting the Fed's strategy of steadily hiking interest rates. Looking ahead to the rest of the year, CaixaBank Research predicts **global GDP growth** of around 3.8%, certainly high but slightly less than previously expected (mainly due to a somewhat quieter performance from emerging economies). Meanwhile, the balance of risks is following a downward path, largely in response to rising trade tensions between the United States and China and the potential erosion of economic sentiment.



GDP[1], main economies
Annual change (%)

(1) Forecasts for 2018 made by CaixaBank Research.

Economic scenario - Europe, Spain and Portugal

Indicators for the **euro area** show that growth has slowed to levels closer to the region's potential growth. In the second quarter of the year, GDP gained 0.4% quarter on quarter (2.1% year on year), the same as in the previous quarter but down on the levels seen at the end of 2017. By country, Germany continued to post solid growth (0.5% quarter on quarter, 1.9% year on year), clearly outperforming France (whose quarter-on-quarter growth of 0.2% was unexpectedly dire) and Italy (also 0.2% quarter on quarter, although this was to be expected and was on par with the country's recent performance). Country performances aside, indicators reveal that the **euro area** is well positioned within the expansionary phase of the economic cycle and is performing well enough. It is therefore reasonable to expect further growth at close to current levels over the coming quarters (CaixaBank Research expects to see growth of 2.1% for the whole of 2018). However, **Europe** is facing a number of major challenges of an institutional nature, such as Brexit negotiations (in which both sides must hammer out the final terms of the UK's withdrawal so as to make their previously agreed transition deal effective) and uncertainty surrounding the fiscal policy of the new Italian government.

Meanwhile, the **Spanish** economy is also showing signs of slowing. After posting growth of over 3% for three straight years, GDP for the second quarter of 2018 was up 2.5% year on year (0.6% quarter on quarter) and available indicators suggest that GDP growth in the third quarter is likely to be 2.4% (0.5% quarter on quarter). This dynamic was to be expected since the tailwinds that have supported the economy in recent years (low oil prices, shrinking interest rates, a depreciating euro and a relatively expansionary fiscal policy) are now petering out. Although this is accompanied by a somewhat less buoyant external sector, which will slow the contribution made by external demand, domestic demand should continue to support strong GDP growth driven by consumption and investment (2.5% for the whole of 2018 according to CaixaBank Research).

Moving across to **Portugal**, GDP growth picked up slightly in the second quarter (2.4% year on year, up 0.2pp on the level reported in the first quarter), mainly on the back of strong internal demand (while the external sector made a negative contribution following the significant increase in imports). The Portuguese economy should continue to perform well over the coming quarters, with growth likely to exceed 2%. This will be aided by a strong labour market, where figures continue to impress, while on the external front the growth slowdown across the euro area and an uncertain global outlook pose certain downside risks.

State of the financial markets

The **financial landscape** is rapidly moving away from the low levels of volatility seen in recent years, leading to erratic performances in the stock markets (except for the US market), higher risk premiums and interest rates and weakness across most international currencies versus the dollar. This change is partly down to concerns over the strength of China's growth, the ongoing trade spat between China and the United States and an upturn in financial turbulence across fragile emerging economies. However, the main underlying factor is a global tightening of monetary policy, which largely originated in the United States. The Fed has relied on the country's robust macroeconomic climate to bring its reference rate to the 2.00%-2.25% interval, with three hikes in the year to date and another expected this year followed by two more in 2019 (according to the projections of CaixaBank Research, which holds the same view as investors).

Meanwhile, in Europe the ECB remains firmly committed to cautiously withdrawing its stimulus measures, as announced in June, and financial conditions remain accommodative despite the recent turbulence seen in Italy (where the risk premium has risen sharply due to concerns over its fiscal policy), which has resulted in relatively little contagion. More to the point, net asset purchasing will come to an end in December 2018 and the ECB is not expected to raise its reference rate until the end of 2019.

Results

The Group's income statement

Year-on-year performance

When reading the different headings of the income statement, please note that BPI was integrated using the full consolidation method on 1 February 2017 following the takeover. Up until that point it had been reported using the equity method.

€ million	9M18	9M17	Change	%
Net interest income	**3,671**	**3,550**	**121**	**3.4**
Dividend income	122	126	(4)	(3.8)
Share of profit/(loss) of entities accounted for using the equity method	725	488	237	48.8
Net fee and commission income	1,938	1,867	71	3.8
Gains/(losses) on financial assets and liabilities and others	323	287	36	13.0
Income and expense under insurance or reinsurance contracts	419	354	65	18.2
Other operating income and expense	(297)	(181)	(116)	63.9
Gross income	**6,901**	**6,491**	**410**	**6.3**
Recurring administrative expenses, depreciation and amortisation	(3,466)	(3,343)	(123)	3.7
Extraordinary expenses	(11)	(109)	98	(90.3)
Pre-impairment income	**3,424**	**3,039**	**385**	**12.7**
Pre-impairment income stripping out extraordinary expenses	**3,435**	**3,148**	**287**	**9.1**
Allowances for insolvency risk	(50)	(658)	608	(92.5)
Other charges to provisions	(327)	(800)	473	(58.9)
Gains/(losses) on disposal of assets and others	(477)	281	(758)	
Profit/(loss) before tax	**2,570**	**1,862**	**708**	**38.1**
Income tax expense	(720)	(336)	(384)	
Profit/(loss) after tax	**1,850**	**1,526**	**324**	**21.3**
Profit/(loss) attributable to minority interest and others	82	38	44	
Profit/(loss) attributable to the Group	**1,768**	**1,488**	**280**	**18.8**

Attributable profit for the first nine months of 2018 grew to €1,768 million, up 18.8% on the same period of 2017.

Gross income came to €6,901 million (+6.3% year on year), driven by growth in core income to €6,183 million in 2018 (+4.5%) and higher earnings on financial assets and liabilities and income from investees. Moreover, a total of €115 million in income was reported in 2017 in connection with the agreement reached with Cecabank.

Recurring administrative expenses, depreciation and amortisation was also up (+3.7%), but less so than core income.

Allowances for insolvency risk (-92.5%) was impacted by the normalisation of asset quality indicators and the extraordinary release of provisions following an improvement in debt recoverability of some €275 million. Other charges to provisions (-58.9%) shows the impact in 2018 of the deal to repurchase 51% of Servihabitat[1], while in 2017 it reflects the extraordinary negative impacts associated with early retirements and the write-down on the exposure to Sareb.

Gains/(losses) on disposal of assets and others shows, among others, the recognition in 2018 of €-453 million under the agreement to sell the stake in Repsol (in 2017 it shows the positive result of €256 million resulting from the business combination with BPI).

(1) The deal to repurchase 51% of Servihabitat has generated a loss of €-204 million on the 2018 income statement (€-152 million under Other charges to provisions and €-52 million under Gains/(losses) on disposal of assets and others).

Quarterly performance

€ million	3Q18	2Q18	Change	%	3Q17	Change %
Net interest income	**1,239**	**1,229**	**10**	**0.7**	**1,201**	**3.1**
Dividend income	1	116	(115)	(99.5)	5	(89.1)
Share of profit/(loss) of entities accounted for using the equity method	222	237	(15)	(6.0)	220	1.3
Net fee and commission income	645	668	(23)	(3.3)	615	4.8
Gains/(losses) on financial assets and liabilities and others	30	157	(127)	(80.0)	110	(71.4)
Income and expense under insurance or reinsurance contracts	137	144	(7)	(5.0)	121	12.8
Other operating income and expense	(27)	(159)	132	(82.9)	(61)	(55.6)
Gross income	**2,247**	**2,392**	**(145)**	**(6.0)**	**2,211**	**1.7**
Recurring administrative expenses, depreciation and amortisation	(1,162)	(1,155)	(7)	0.6	(1,127)	3.2
Extraordinary expenses	(3)	(5)	2	(38.5)	(3)	4.8
Pre-impairment income	**1,082**	**1,232**	**(150)**	**(12.1)**	**1,081**	**0.1**
Pre-impairment income stripping out extraordinary expenses	**1,085**	**1,237**	**(152)**	**(12.2)**	**1,084**	**0.1**
Allowances for insolvency risk	198	(109)	307		(186)	
Other charges to provisions	(44)	(233)	189	(80.4)	(37)	25.1
Gains/(losses) on disposal of assets and others	(407)	(68)	(339)		(1)	
Profit/(loss) before tax	**829**	**822**	**7**	**1.0**	**857**	**(3.1)**
Income tax expense	(319)	(219)	(100)	45.9	(187)	71.0
Profit/(loss) after tax	**510**	**603**	**(93)**	**(15.3)**	**670**	**(23.8)**
Profit/(loss) attributable to minority interest and others[1]	40	9	31		21	90.5
Profit/(loss) attributable to the Group	**470**	**594**	**(124)**	**(20.8)**	**649**	**(27.6)**

- The **quarter-on-quarter change in attributable profit in the third quarter of 2018 (€470 million)** was largely a result of the following:

  - Gross income down 6.0%, mainly because of the drop in income contributed by investees —the Telefónica dividend was reported in the second quarter— and also because of the decline in Gains/(losses) on financial assets and liabilities and others. The second quarter also showed the contribution of €97 million paid to the Single Resolution Fund (SRF).

    Strong core income, which was up on the previous quarter (+0.5%).

  - Allowances for insolvency risk includes the aforementioned release of provisions in the third quarter. It also shows the negative result on the repurchase of 51% of Servihabitat in the previous quarter.

  - The third quarter includes, among other impacts, the negative result deriving from the agreement to sell the stake in Repsol under Gains/(losses) on disposal of assets and others.

- When compared with the **same quarter of the previous year**, the Bank's commercial strength has generated gross income growth of 1.7%, despite the reduction in gains/(losses) on financial assets and liabilities in 2018.

  Growth in core income (+4.7%), with an increase in net interest income (+3.1%), fees and commissions (+4.8%) and insurance income (+12.8%), with the recurring cost base (+3.2%) growing at a slower pace than core income.

(1) Includes non-controlling interests and particularly the result of discontinued activities relating to Servihabitat's contribution to consolidated earnings since its acquisition in July 2018, given that the deal to sell the real estate has yet to be completed (€-31 million).

Return on average total assets[1]

In %	3Q18	2Q18	1Q18	4Q17	3Q17
Interest income	1.77	1.83	1.83	1.83	1.84
Interest expense	(0.50)	(0.55)	(0.54)	(0.61)	(0.57)
Net interest income	**1.27**	**1.28**	**1.29**	**1.22**	**1.27**
Dividend income	0.00	0.12	0.01	0.00	0.01
Share of profit/(loss) of entities accounted for using the equity method	0.23	0.25	0.29	0.04	0.23
Net fee and commission income	0.66	0.70	0.67	0.65	0.65
Gains/(losses) on financial assets and liabilities and others	0.03	0.16	0.15	(0.01)	0.12
Income and expense under insurance or reinsurance contracts	0.14	0.15	0.15	0.12	0.13
Other operating income and expense	(0.03)	(0.17)	(0.13)	(0.25)	(0.08)
Gross income	**2.30**	**2.49**	**2.43**	**1.77**	**2.33**
Recurring administrative expenses, depreciation and amortisation	(1.19)	(1.20)	(1.24)	(1.15)	(1.19)
Extraordinary expenses	(0.00)	(0.01)	0.00	(0.00)	0.00
Pre-impairment income	**1.11**	**1.28**	**1.19**	**0.62**	**1.14**
Pre-impairment income stripping out extraordinary expenses	**1.11**	**1.29**	**1.19**	**0.62**	**1.14**
Allowances for insolvency risk	0.20	(0.11)	(0.15)	(0.14)	(0.20)
Other charges to provisions	(0.04)	(0.24)	(0.05)	(0.12)	(0.04)
Gains/(losses) on disposal of assets and others	(0.42)	(0.07)	0.00	(0.12)	0.00
Profit/(loss) before tax	**0.85**	**0.86**	**0.99**	**0.24**	**0.90**
Income tax expense	(0.33)	(0.23)	(0.20)	(0.04)	(0.19)
Profit/(loss) after tax	**0.52**	**0.63**	**0.79**	**0.20**	**0.71**
Profit/(loss) attributable to minority interest and others	0.04	0.01	0.03	(0.00)	0.03
Profit/(loss) attributable to the Group	**0.48**	**0.62**	**0.76**	**0.20**	**0.68**
Average total net assets (€ million)	388,276	385,155	377,143	387,300	376,073

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

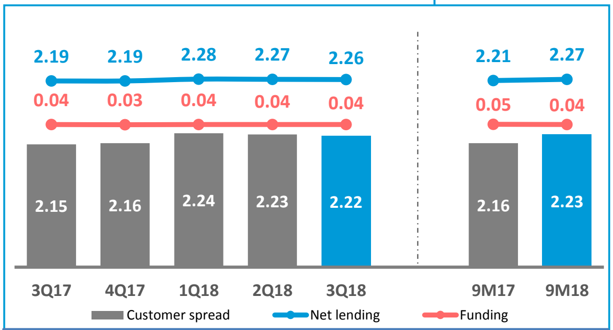
Gross income

Net interest income

- The **Group's net interest income in the year to date** amounts to €3,671 million (+3.4% on the same period of 2017), due to the integration of BPI in February 2017, which accounts for 0.4% of this growth.

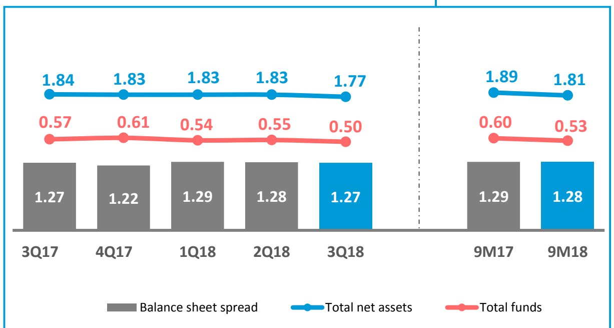
  Against a backdrop of rock-bottom interest rates, this growth is down to:

  - Increase of 6 basis points on the return on lending activity, due to the fact that new loans have been arranged at higher rates than the existing portfolio, as well as the shift in the product mix towards more profitable segments, all of which has helped offset the still negative repricings on the mortgage portfolio. The adoption of IFRS 9 also helped push up rates on loans.
  - Sound management of retail financing, which has seen a reduction of 2 basis points in the cost of maturity deposits and of 1 basis point in demand deposits.
  - The cost savings obtained on institutional financing, which has been arranged at lower prices, together with the increased volume of the fixed income portfolio, were able to counter the lower yield on fixed income securities and the cost increase of excess liquidity remunerated at negative rates.



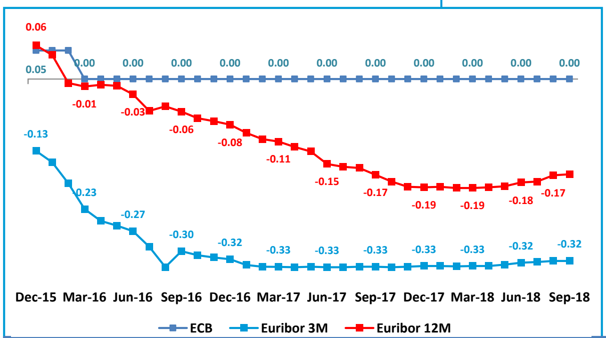
Customer spread, Group
(%)

- Net interest income was up 0.7% **quarter on quarter** thanks to:
  - Increased income on the loan portfolio due to the larger contribution made by the credit subsidiaries operating in the consumer financing segment, as well as new loans arranged at slightly higher rates than the existing loan portfolio. Also supporting the growth in net interest income was the fact that this quarter had one more day than the previous quarter.
  - Cost savings on retail funds due to the cancellation of the subordinated retail debt in June, as well as a reduction in the balance of term deposits and the continuation of the interest rate on demand deposits. These effects are enough to offset the significant increase of demand deposits in the balance.



Balance sheet spread on average total assets, Group
(%)

The **customer spread** fell by 1 basis point to **2.22%** in the third quarter due to a reduction in the return on lending activity. Meanwhile, the balance sheet spread was 1 basis point down on the previous quarter due to a reduction in the rate on lending activity and its lower weight on the balance sheet.



Interest rates
(%)

Quarterly cost and income

€ million		3Q18 Average balance	3Q18 Income or expense	3Q18 Rate %	2Q18 Average balance	2Q18 Income or expense	2Q18 Rate %	1Q18 Average balance	1Q18 Income or expense	1Q18 Rate %
Financial Institutions		23,981	45	0.74	22,360	43	0.76	17,577	43	1.00
Loans and advances	(a)	208,805	1,190	2.26	208,857	1,182	2.27	207,592	1,169	2.28
Fixed income securities portfolio		35,261	92	1.03	34,365	98	1.14	33,160	85	1.04
Other assets with returns		54,667	393	2.85	55,369	431	3.12	52,152	400	3.11
Other assets		65,562	8		64,204	5		66,662	8	
Total average assets	**(b)**	**388,276**	**1,728**	**1.77**	**385,155**	**1,759**	**1.83**	**377,143**	**1,705**	**1.83**
Financial Institutions		43,893	(51)	0.46	44,052	(48)	0.44	45,019	(45)	0.40
Retail customer funds	(c)	204,189	(18)	0.04	198,910	(18)	0.04	190,216	(17)	0.04
Demand deposits		170,106	(9)	0.02	164,979	(9)	0.02	155,860	(9)	0.02
Maturity deposits		34,083	(9)	0.11	33,931	(9)	0.11	34,357	(8)	0.09
Time deposits		31,022	(9)	0.12	31,849	(9)	0.11	32,859	(7)	0.09
Retail repurchase agreements and marketable debt securities		3,061			2,082			1,497	(1)	
Wholesale marketable debt securities & other		25,941	(65)	1.00	27,200	(66)	0.97	28,246	(69)	0.99
Subordinated liabilities		6,150	(24)	1.55	7,404	(33)	1.77	6,114	(32)	2.14
Other funds with cost		63,557	(320)	2.00	63,780	(356)	2.24	63,023	(328)	2.11
Other funds		44,546	(11)		43,809	(9)		44,525	(11)	
Total average funds	**(d)**	**388,276**	**(489)**	**0.50**	**385,155**	**(530)**	**0.55**	**377,143**	**(502)**	**0.54**
Net interest income			**1,239**			**1,229**			**1,203**	
Customer spread (%)	**(a-c)**		**2.22**			**2.23**			**2.24**	
Balance sheet spread (%)	**(b-d)**		**1.27**			**1.28**			**1.29**	

€ million		4Q17 Average balance	4Q17 Income or expense	4Q17 Rate %	3Q17 Average balance	3Q17 Income or expense	3Q17 Rate %
Financial Institutions		25,142	48	0.75	15,210	50	1.30
Loans and advances	(a)	209,451	1,158	2.19	210,440	1,163	2.19
Fixed income securities portfolio		32,617	81	0.98	31,577	97	1.22
Other assets with returns		50,777	494	3.86	50,444	427	3.35
Other assets		69,313	10		68,402	11	
Total average assets	**(b)**	**387,300**	**1,791**	**1.83**	**376,073**	**1,748**	**1.84**
Financial Institutions		59,416	(51)	0.34	41,725	(55)	0.52
Retail customer funds	(c)	187,178	(16)	0.03	195,983	(22)	0.04
Demand deposits		151,289	(10)	0.03	158,164	(13)	0.03
Maturity deposits		35,889	(6)	0.06	37,818	(9)	0.09
Time deposits		34,629	(6)	0.06	35,986	(9)	0.09
Retail repurchase agreements and marketable debt securities		1,260			1,833		
Wholesale marketable debt securities & other		27,069	(72)	1.06	26,514	(75)	1.12
Subordinated liabilities		6,005	(34)	2.27	6,305	(38)	2.38
Other funds with cost		61,252	(411)	2.66	60,093	(349)	2.31
Other funds		46,380	(11)		45,453	(8)	
Total average funds	**(d)**	**387,300**	**(595)**	**0.61**	**376,073**	**(547)**	**0.57**
Net interest income			**1,196**			**1,201**	
Customer spread (%)	**(a-c)**		**2.16**			**2.15**	
Balance sheet spread (%)	**(b-d)**		**1.22**			**1.27**	

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

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being TLTRO II income. Conversely, the heading financial intermediaries on the liabilities side shows the negative interest on the balances of financial intermediaries on the assets side. Only the net amount between income and expense for both headings has economic significance.
- Other assets with returns and Other funds with cost relate largely to the Group's life insurance activity.

Fees and commissions

- **Fee and commission income grew to €1,938 million**, up 3.8% on the same period of the previous year:
  - **Banking services, securities and other fees** amounted to €1,113 million and 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.

    The change versus the first nine months of 2017 (-4.0%) was partly down to the drop in fees and commissions from investment banking activity, along with the increase in fees and commissions paid under distribution agreements associated with consumer financing.

    The quarterly change is partly down to a number of seasonal impacts that typically occur in the third quarter, notably the reduction in fees from investment banking activity. Even so, this heading was up 0.2% on the same quarter of the previous year.
  - **Commissions from mutual funds, managed accounts and SICAVs** came to €415 million (+16.3%) following the steady increase in assets under management and changes in the product mix, up 12.4% on the same period of 2017.
  - **Growth of 7.4% in pension plan management fees** to reach €161 million, following the increase in assets under management through the wide range of products on offer. Fees were roughly on par with the same quarter of 2017 and were up 7.0% on the second quarter of 2018.
  - **Fees on insurance sales increased** to €249 million (+23.4%), up 17.0% on the same quarter of 2017, despite being down on the second quarter of 2018 (-8.1%) due to seasonal impacts.

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
Banking services, securities and other fees	1,113	1,158	(4.0)	371	389	353	363	369
Mutual funds, managed accounts and SICAVs	415	357	16.3	141	142	132	134	126
Pension plans	161	151	7.4	54	50	57	62	53
Sale of insurance products	249	201	23.4	79	87	83	73	67
Net fee and commission income	**1,938**	**1,867**	**3.8**	**645**	**668**	**625**	**632**	**615**

Income from equity investments

- **Income from equity investments totalled €847 million**. This heading shows earnings at entities accounted for using the equity method, as well as dividend income.
- Share of profit/(loss) of entities accounted for using the equity method (+48.8%) was down to the individual performances of the businesses concerned, plus the following extraordinary impacts:
  - Recognition in January 2017 of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), 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 of €221 million from BFA recognised under the equity method in the first nine months of 2018 (of which €150 million relate to the extraordinary impacts on profit and loss of the devaluation of Angola's currency, among other factors). Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.
- Dividend income included €104 million from Telefónica in the second quarter of both years.

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
Dividend income	122	126	(3.8)	1	116	5	1	5
Share of profit/(loss) of entities accounted for using the equity method	725	488	48.8	222	237	266	38	220
Income from equity investments	**847**	**614**	**37.9**	**223**	**353**	**271**	**39**	**225**

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

- **Gains/(losses) on financial assets and liabilities and others** climbed to €323 million (+13.0%) and include the materialisation of unrealised capital gains on financial assets available for sale, among other factors.

  The second quarter of 2018 also includes the result of the hedging transactions in connection with the subordinated bonds redeemed ahead of maturity, while results for the first quarter show the repricing of BPI's stake in Viacer following its sale.

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
Gains/(losses) on financial assets and liabilities and others	**323**	**287**	**13.0**	**30**	**157**	**136**	**(5)**	**110**

Income and expense under insurance and reinsurance contracts

- Sustained growth in income under life risk insurance contracts to reach €419 million (+18.2% in the year and +12.8% on the same quarter of 2017).

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
Income and expense under insurance or reinsurance contracts	**419**	**354**	**18.2**	**137**	**144**	**138**	**118**	**121**

Other operating income and expense

- **Other operating income and expense** (€-297 million) includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred from managing foreclosed real estate assets and contributions, as well as charges and taxes, the timing of which generates a seasonal impact on the quarterly performance under this heading:
  - The second quarter of 2018 included the contribution of €97 million to the Single Resolution Fund (SRF)[1].
  - Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (estimated at €48 million for 2018).
  - Contribution to the Deposit Guarantee Fund (DGF) of €214 million reported in the fourth quarter of 2017.

  Following the acquisition of Servihabitat, real estate costs were down in the third quarter, among others, because the associated portfolio management and administration costs are now eliminated from the consolidated earnings.

  Further highlights included income of €115 million in the second quarter of 2017 due to the agreement reached with Cecabank.

(1) Includes BPI's contribution of €5 million to the Portuguese Resolution Fund (Fundo de Resoluçao).

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
SRF / DGF	(97)	(90)	7.8		(97)		(214)	
Other real estate operating income and expense (including Spanish property tax)	(118)	(154)	(23.7)	3	(34)	(87)	(46)	(33)
Other	(82)	63		(30)	(28)	(24)	11	(28)
Other operating income and expense	**(297)**	**(181)**	**63.9**	**(27)**	**(159)**	**(111)**	**(249)**	**(61)**

Administrative expenses, depreciation and amortisation

- Recurring administrative expenses, depreciation and amortisation was up 3.7% to €3,466 million (+3.3% on the same period of 2017 if we strip out the integration of BPI's costs base). Costs have been growing at a slower pace than total income (gross income up 6.3%), and core income (+4.5%).

  Overhead expenses were up year on year, mainly due to the transformation of the distribution model, the expansion of the international business, increased spending on technology and new regulatory requirements.

  Amortisation was down, partly because of the write-downs of intangible assets carried out in the fourth quarter of 2017.

- The extraordinary expenses are associated with the integration of BPI (€11 million in 2018 and €109 million in the same period of 2017).

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
Gross income	6,901	6,491	6.3	2,247	2,392	2,262	1,731	2,211
Personnel expenses	(2,204)	(2,146)	2.7	(741)	(732)	(731)	(729)	(720)
General expenses	(961)	(867)	10.8	(320)	(324)	(317)	(298)	(296)
Depreciation and amortisation	(301)	(330)	(8.7)	(101)	(99)	(101)	(97)	(111)
Recurring administrative expenses, depreciation and amortisation	**(3,466)**	**(3,343)**	**3.7**	**(1,162)**	**(1,155)**	**(1,149)**	**(1,124)**	**(1,127)**
Extraordinary expenses	(11)	(109)	(90.3)	(3)	(5)	(3)	(1)	(3)

Cost-to-income ratio Group	3Q18	2Q18	1Q18	4Q17	3Q17
Cost-to-income stripping out extraordinary expenses (%) [2]	53.2	53.0	52.7	54.3	51.8
Cost-to-income ratio (%) [2]	53.3	53.1	53.9	55.7	53.1

(2) Last 12 months.

Allowances for insolvency risk and other charges to provisions

- **Allowances for insolvency risk** were down (-92.5%) following the normalisation of asset quality indicators and various extraordinary impacts.

  Allowances for insolvency risk in the third quarter generated net income of €198 million, which includes the reversal of some €275 million in provisions after updating the recoverable value of a large credit exposure.

  The cost of risk (12 months) fell to 0.08% (0.20% stripping out the reversal just mentioned).

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

  In the second quarter of 2018, this heading included a provision of €152 million to cover the difference between the purchase price of the 51% stake in the real estate servicer the Group is repurchasing from TPG and the estimated fair value of that stake.

  In 2017, this heading included €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 the exposure to the Sareb in the first quarter. Allowances were recognised for legal contingencies in the fourth quarter of 2017, employing conservative criteria.

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	1Q18	4Q17	3Q17
Allowances for insolvency risk	(50)	(658)	(92.5)	198	(109)	(139)	(141)	(186)
Other charges to provisions	(327)	(800)	(58.9)	(44)	(233)	(50)	(112)	(37)
Allowances for insolvency risk and other charges to provisions	**(377)**	**(1,458)**	**(74.1)**	**154**	**(342)**	**(189)**	**(253)**	**(223)**

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. The change here was a result of:
  - Real estate results of €-53 million, impacted by the 49% write-down of the stake previously held in Servihabitat so as to bring its book value in line with its new fair value (€-52 million).

    The process of updating the parameters used in the internal models also impacted results in the fourth quarter of 2017.
  - The Other heading reflects, in the third quarter of 2018, the negative result arising from the agreement to sell the Repsol stake (€-453 million) and also the profit from the sale of the acquiring business (point of sale terminals) from BPI to Comercia Global Payments (€+58 million).
  - In 2017, the main highlight was the result obtained from the business combination with BPI in the first quarter (€+256 million).

€ million	9M18	9M17	3Q18	2Q18	1Q18	4Q17	3Q17
Real estate results	(53)	47	(2)	(53)	2	(41)	6
Others	(424)	234	(405)	(15)	(4)	(76)	(7)
Gains/(losses) on disposal of assets and others	**(477)**	**281**	**(407)**	**(68)**	**(2)**	**(117)**	**(1)**

Business activity

Balance sheet

The **Group's total assets amounted to €387,751 million** at 30 September 2018, down 2.1% in the quarter (+1.3% on the opening balance sheet following the adoption of IFRS 9 on 1 January 2018):

€ million	Sep 30, 2018	Jun 30, 2018	Change %	Jan 1, 2018	Change %
- Cash and cash balances at central banks and other demand deposits	19,750	22,670	(12.9)	20,155	(2.0)
- Financial assets held for trading	9,068	10,077	(10.0)	9,641	(5.9)
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss	739	744	(0.7)	822	(10.1)
Equity instruments	*239*	*235*	1.7	284	(15.8)
Debt securities	*147*	*145*	1.4	148	(0.7)
Loans and advances	*353*	*364*	(3.0)	390	(9.5)
- Financial assets designated at fair value through other global profit or loss	20,685	20,027	3.3	19,857	4.2
- Financial assets measured at amortised cost	240,826	243,492	(1.1)	234,978	2.5
Credit institutions	*7,908*	*8,945*	(11.6)	*7,091*	11.5
Customers	*215,972*	*217,623*	(0.8)	*215,090*	0.4
Debt securities	*16,946*	*16,924*	0.1	*12,797*	32.4
- Derivatives - Hedge accounting	1,993	2,053	(2.9)	2,597	(23.3)
- Investments in joint ventures and associates	3,445	6,215	(44.6)	6,224	(44.6)
- Assets under the insurance business[1]	61,938	60,905	1.7	58,194	6.4
- Tangible assets	6,288	6,338	(0.8)	6,480	(3.0)
- Intangible assets	3,820	3,819	0.0	3,805	0.4
- Non-current assets and disposal groups classified as held for sale	5,501	5,646	(2.6)	6,069	(9.4)
- Other assets	13,698	14,131	(3.1)	13,816	(0.9)
Total assets	**387,751**	**396,117**	**(2.1)**	**382,638**	**1.3**
Liabilities	**363,398**	**372,018**	**(2.3)**	**358,511**	**1.4**
- Financial liabilities held for trading	8,618	9,328	(7.6)	8,605	0.2
- Financial liabilities designated at amortised cost	284,104	291,402	(2.5)	280,897	1.1
Deposits from central banks and credit institutions	*41,004*	*42,145*	*(2.7)*	*43,196*	*(5.1)*
Customer deposits	*209,788*	*215,632*	*(2.7)*	*203,608*	*3.0*
Debt securities issued	*29,327*	*29,294*	*0.1*	*29,919*	*(2.0)*
Other financial liabilities	*3,985*	*4,331*	*(8.0)*	*4,174*	*(4.5)*
- Liabilities under the insurance business[1]	60,314	60,438	(0.2)	57,991	4.0
- Provisions	4,669	4,889	(4.5)	5,009	(6.8)
- Other liabilities	5,693	5,961	(4.5)	6,009	(5.3)
Equity	**24,353**	**24,099**	**1.1**	**24,127**	**0.9**
- Own funds	25,104	24,658	1.8	23,665	6.1
- Minority interest	183	200	(8.5)	439	(58.3)
- Accumulated other comprehensive income	(934)	(759)	23.1	23	
Total liabilities and equity	**387,751**	**396,117**	**(2.1)**	**382,638**	**1.3**

NOTE: the balance sheet presented for comparative purposes at 1 January and 30 June 2018 following the adoption of IFRS 9 has been drawn up on the basis of the accounting policies in force at the date of this financial report. Total assets and equity on the balance sheet at 31 December 2017 (i.e. prior to the adoption of IFRS 9) were €383,186 and €24,683 million, respectively.

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

Loans and advances to customers

Loans and advances to customers, gross stood at **€223,465 million** (-0.2%), while the **performing portfolio** has gained 0.8% in the year to date.

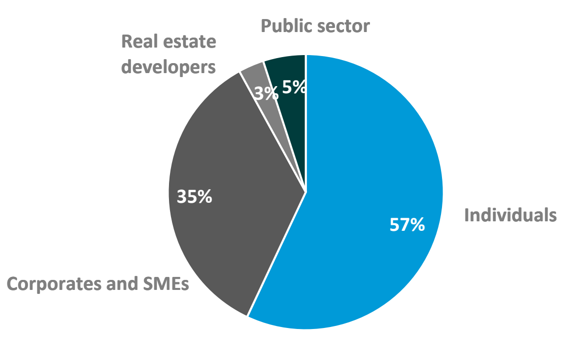
€ million	Sep 30, 2018	Jun 30, 2018	Change %	Dec 31, 2017	Change %
Loans to individuals	**127,601**	**129,758**	**(1.7)**	**128,490**	**(0.7)**
Home purchases	92,456	93,174	(0.8)	94,187	(1.8)
Other	35,145	36,584	(3.9)	34,303	2.5
Of which: Consumer lending in Spain	*11,472*	*10,978*	*4.5*	*9,929*	*15.5*
Loans to business	**83,872**	**83,022**	**1.0**	**83,463**	**0.5**
Corporates and SMEs	76,963	75,876	1.4	76,362	0.8
Real estate developers	6,909	7,146	(3.3)	7,101	(2.7)
Public sector	**11,992**	**12,964**	**(7.5)**	**11,998**	**(0.1)**
Loans and advances to customers, gross[1]	**223,465**	**225,744**	**(1.0)**	**223,951**	**(0.2)**
Of which:					
Performing loans	*211,830*	*213,520*	(0.8)	*210,154*	0.8
Provisions for insolvency risk	(6,296)	(6,878)	(8.5)	(6,832)	(7.8)
Loans and advances to customers, net	**217,169**	**218,866**	**(0.8)**	**217,119**	**0.0**
Contingent Liabilities	13,787	13,436	2.6	13,983	(1.4)

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

Quarterly decline in the performing portfolio (-0.8%), which would **remain stable** if we stripped out the impact of the pension prepayments made in June. Excluding this impact, performing loans to the private sector, i.e. excluding the public sector, were up 0.4% in the quarter.

Highlight changes by segment include:

- **Loans for home purchases (-0.8%)** continue to feel the effects of the ongoing household deleveraging process in a quarter typically impacted by seasonally low loan production in August.
- **Loans to individuals - other** was up 0.4% stripping out the effect of the pension prepayments in June. This improvement came on the back of consumer lending in Spain (+4.5% in the quarter and +15.5% in the year).
- Financing to the **productive sector ex-real estate developers** was up 1.4% in the quarter (+0.8% in the year).
- **Financing to real estate developers** accounted for 3.1% of the total loan portfolio at 30 September 2018 and continues to be impacted by the management of distressed assets.
- Exposure to the **public sector** was down in the quarter (-7.5%) and stable in the year due to the effects of certain one-off transactions.



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

Customer funds

Customer funds grew to €363,621 million (+4.1% in the year), with on balance sheet funds up 4.5% and assets under management up 2.9%.

€ million	Sep 30, 2018	Jun 30, 2018	Change %	Dec 31, 2017	Change %
Customer funds	203,473	208,654	(2.5)	196,611	3.5
Demand deposits	172,002	175,960	(2.2)	158,772	8.3
Term deposits[1]	31,471	32,694	(3.7)	35,793	(12.1)
Subordinated retail liabilities[2]				2,046	(100.0)
Insurance contract liabilities	52,032	51,483	1.1	49,965	4.1
Reverse repurchase agreements and other	3,263	2,440	33.7	968	
On-balance sheet funds	**258,768**	**262,577**	**(1.5)**	**247,544**	**4.5**
Mutual funds, managed accounts and SICAVs	68,912	68,272	0.9	66,882	3.0
Pension plans	30,426	30,044	1.3	29,669	2.6
Assets under management	**99,338**	**98,316**	**1.0**	**96,551**	**2.9**
Other accounts	**5,515**	**5,270**	**4.6**	**5,363**	**2.8**
Total customer funds[3]	**363,621**	**366,163**	**(0.7)**	**349,458**	**4.1**

(1) Includes retail debt securities amounting to €589 million at 30 September 2018.

(2) Full early redemption of the issuance of series I/2012 subordinated bonds in the second quarter of 2018. See section on 'Significant events in the first nine months of 2018'.

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

- Total funds were down in the quarter (-0.7%), particularly **on-balance sheet funds (-1.5%),** which fell in response to the impact of large accounts and because of the positive seasonal impacts typically reported in the previous quarter (notably the double salary payments).
  - **Demand deposits** dropped 2.2% to €172,002 million, while **term deposits** fell 3.7% to €31,471 million against a backdrop of rock-bottom interest rates on renewal of maturities.
  - **Liabilities under insurance contracts**[4] were up 1.1% in response to the Bank's intensive commercial efforts.

  CaixaBank has cemented its leadership of the savings insurance market, with a share[5] of 27.1%.

- **Assets under management** were up in the quarter to €99,338 million (+1.0%), despite rising levels of market volatility since the start of the year:
  - **Assets under management in mutual funds, managed accounts and SICAVs** increased to €68,912 million (+0.9% in the quarter), with the increase largely the result of new subscriptions.
  - **Pension plans** stood at €30,426 million (+1.3% in the quarter).

  CaixaBank has a market share[5] of 17.0% in investment funds and of 24.2% in pension plans.

- Other accounts includes, among other items, transitional funds associated with transfers and collections.

(4) Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Linked products.

(5) Latest information available. Data prepared in-house. Source: ICEA/INVERCO. Market share in Spain.

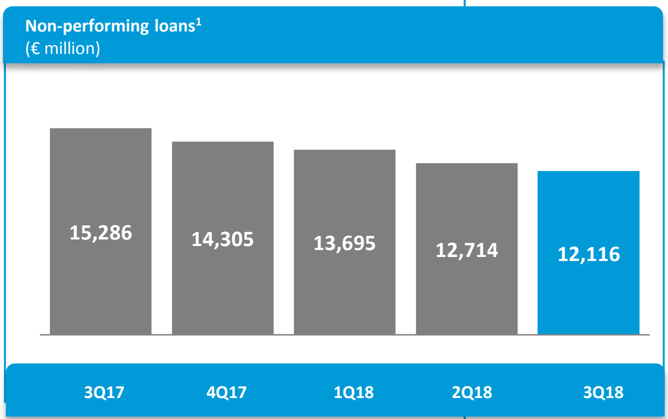
Risk management

Credit risk quality

Non-performing loans

- The **NPL ratio fell to 5.1%** (6.0% at December 2017).

- Non-performing loans fell to €12,116 million in response to the Bank's active management of its NPL ratio, the normalisation of asset quality indicators and an asset portfolio sale in the period. **Non-performing loans are down €2,189 million in the year to date (€-598 million in the quarter).**



(1) Figures include loans and contingent liabilities.

NPL ratio by segment

	3Q17	4Q17	1Q18	2Q18	3Q18
Loans to individuals	**5.2%**	**5.2%**	**5.3%**	**5.0%**	**4.9%**
Home purchases	4.3%	4.2%	4.2%	4.1%	3.9%
Other	8.0%	7.9%	8.0%	7.4%	7.5%
of which: Consumer lending in Spain	3.8%	4.2%	4.4%	4.1%	4.3%
Loans to business	**9.4%**	**8.3%**	**7.7%**	**6.8%**	**6.3%**
Corporates and SMEs	7.9%	7.1%	6.5%	5.8%	5.4%
Real estate developers	23.4%	21.7%	21.1%	17.4%	16.7%
Public sector	**1.6%**	**1.4%**	**0.8%**	**0.6%**	**0.6%**
NPL Ratio (loans and contingent liabilities)	**6.4%**	**6.0%**	**5.8%**	**5.3%**	**5.1%**

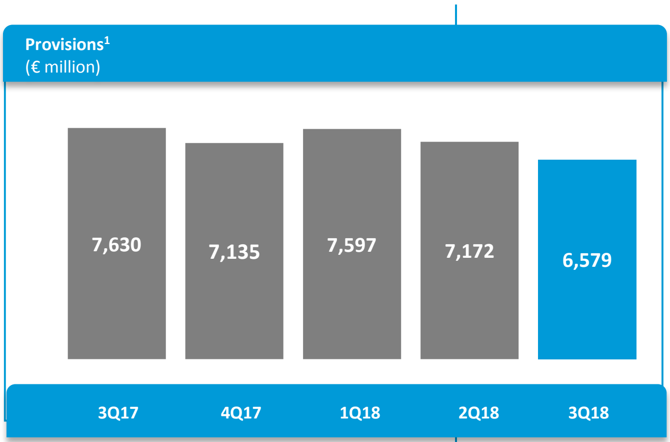
The change in the NPL ratio for "other purposes" at the end of the second quarter was mainly down to the pension prepayments, which pushes up and then decreases the volume of lending activity in the second and third quarters, respectively. Stripping out this effect, the NPL ratio for "Other" in 2Q18 would have been 7.7%.

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

€ million	3Q17	4Q17	1Q18	2Q18	3Q18
Opening balance	**15,492**	**15,286**	**14,305**	**13,695**	**12,714**
Exposures recognized as non-performing (NPL-inflows)	1,056	1,235	834	806	886
Derecognitions from non-performing exposures	(1,262)	(2,216)	(1,444)	(1,787)	(1,484)
of which written off	(203)	(222)	(266)	(201)	(100)
Closing balance	**15,286**	**14,305**	**13,695**	**12,714**	**12,116**

Provisions for insolvency risk

- The Group's provisions for insolvency risk at 30 September amounted to €6,579 million.
- Provisions for insolvency risk reflects the entry into force of IFRS 9 on 1 January 2018, which has had the effect of pushing up provisions for credit risks by a total of €791 million. Meanwhile, the change in provisions in the period is largely down to adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs.



(1) Includes loans and contingent liabilities.

Changes in allowances for insolvency risk

€ million	3Q17	4Q17	1Q18	2Q18	3Q18
Opening balance	**7,732**	**7,630**	**7,135**	**7,597**	**7,172**
Charges to provisions	186	141	139	109	(198)
Amounts used	(227)	(576)	(399)	(489)	(367)
Transfers and other changes	(61)	(60)	(69)	(45)	(28)
Application of IFRS 9			791		
Closing balance	**7,630**	**7,135**	**7,597**	**7,172**	**6,579**

Classification by stages of gross lending and provisions

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

September 30, 2018	Loan book exposure				Provisions			
€ million	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
Loans and advances	195,836	15,994	11,635	223,465	(1,049)	(690)	(4,557)	(6,296)
Contingent Liabilities	12,693	613	481	13,787	(86)	(21)	(176)	(283)
Total loans and advances and contingent liabilities	**208,529**	**16,607**	**12,116**	**237,252**	**(1,135)**	**(711)**	**(4,733)**	**(6,579)**

June 30, 2018	Loan book exposure				Provisions			
€ million	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
Loans and advances	196,817	16,703	12,224	225,744	(1,061)	(728)	(5,089)	(6,878)
Contingent Liabilities	12,376	570	490	13,436	(89)	(22)	(183)	(294)
Total loans and advances and contingent liabilities	**209,193**	**17,273**	**12,714**	**239,180**	**(1,150)**	**(750)**	**(5,272)**	**(7,172)**

Refinancing

	Sep 30, 2018		Jun 30, 2018	
€ million	Total	of which: NPL	Total	of which: NPL
Individuals	5,692	3,689	5,857	3,853
Corporates and SMEs	3,683	2,262	3,873	2,374
Real estate developers	1,111	740	1,173	751
Public sector	219	22	237	24
Total	**10,705**	**6,713**	**11,140**	**7,002**
Provisions	2,508	2,308	2,657	2,452

Foreclosed real estate assets in Spain

- The portfolio of net **foreclosed real estate assets available for sale** came to €5,346 million (€-799 million and €-207 million in the last 12 months and in the quarter, respectively). **The coverage ratio[1] was 59%**, while the coverage ratio with accounting provisions[1] was 51%. Real estate assets in the process of foreclosure (€275 million and €311 million, net, at 30 September and 30 June 2018, respectively) are not included in foreclosed real estate assets available for sale.

  Excluding the real estate assets included in the deal to sell the real estate business[2], the portfolio of available-for-sale real estate assets amounted to €608 million at the end of the third quarter (€522 million at 30 June 2018).

- Meanwhile, the portfolio of **rental property** amounted to €2,763 million, down €267 million in the year, which includes the sale of a portfolio of rental real estate assets worth €226 million in the second quarter.

- **Total real estate sales[3] came to €1,572 million in 2018**, up 50% on the same period of 2017 (+28% stripping out the aforementioned portfolio sale).

(1) See definition in Appendices - Glossary.

(2) See section on 'Significant events in the first nine months of 2018'.

(3) At sale price.

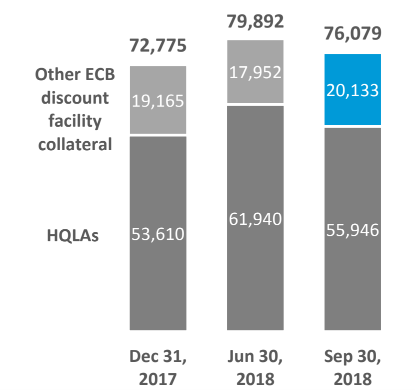
Foreclosed real estate assets and associated coverage

€ million	Net carrying amount	Coverage	Coverage %	Accounting provisions	Coverage with accounting provisions %
			Sep 30, 2018		
Property acquired related to loans to construction companies and real estate developments	**2,998**	**(5,721)**	**66**	**(3,944)**	**57**
Completed buildings	1,541	(1,629)	51	(1,303)	46
Homes	1,191	(1,145)	49	(939)	44
Other	350	(484)	58	(364)	51
Buildings under construction	325	(537)	62	(446)	58
Homes	256	(411)	62	(355)	58
Other	69	(126)	65	(91)	57
Land	1,132	(3,555)	76	(2,195)	66
Developed land	606	(1,509)	71	(940)	61
Other	526	(2,046)	80	(1,255)	70
Property acquired related to mortgage loans to homebuyers	**1,560**	**(1,236)**	**44**	**(907)**	**37**
Other	**788**	**(775)**	**50**	**(645)**	**45**
Total	**5,346**	**(7,732)**	**59**	**(5,496)**	**51**

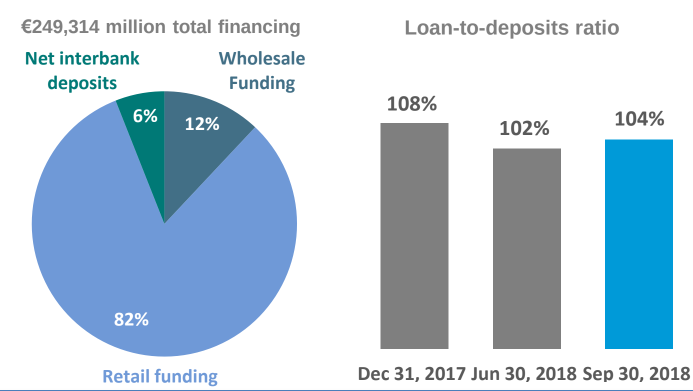
€ million	Net carrying amount	Coverage	Coverage %	Accounting provisions	Coverage with accounting provisions %
			Jun 30, 2018		
Property acquired related to loans to construction companies and real estate developments	**3,132**	**(5,870)**	**65**	**(4,031)**	**56**
Completed buildings	1,604	(1,689)	51	(1,328)	45
Homes	1,242	(1,187)	49	(954)	43
Other	362	(502)	58	(374)	51
Buildings under construction	337	(559)	62	(460)	58
Homes	261	(433)	62	(367)	58
Other	76	(126)	62	(93)	55
Land	1,191	(3,622)	75	(2,243)	65
Developed land	641	(1,544)	71	(975)	60
Other	550	(2,078)	79	(1,268)	70
Property acquired related to mortgage loans to homebuyers	**1,603**	**(1,269)**	**44**	**(924)**	**37**
Other	**818**	**(788)**	**49**	**(657)**	**45**
Total	**5,553**	**(7,927)**	**59**	**(5,612)**	**50**

Net foreclosed real estate assets at BPI amounted to €35 million at 30 September 2018 (€41 million at 30 June 2018).

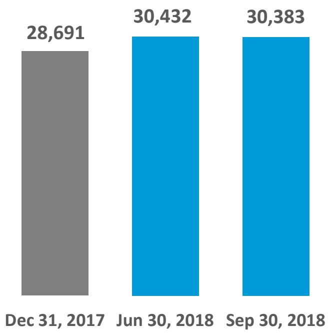
Liquidity
and financing structure



Total liquid assets
(€ million)



Financing structure



Issues by maturity

Year	Amount
2018	1,521
2019	2,133
2020	1,382
2021	2,641
>2021	22,706
Total	30,383

Wholesale funding
(€ million)

- **Total liquid assets amounted to €76,079 million** at 30 September 2018, up €3,304 million in the year to date.
- The Group's average **liquidity coverage ratio** (LCR)[1] at 30 September 2018 was **193%**, well clear of the period-end minimum requirement of 100% applicable from 1 January 2018 onward.
- Robust retail lending structure, with a **loan-to-deposits (LTD) ratio** of **104%**.
- The **balance drawn** under the ECB facility at 30 September 2018 fell to **€28,183 million**, all relating to TLTRO II. A total of €637 million in TLTRO I funding at BPI matured in the third quarter.
- **Institutional financing**[2] totalled €30,383 million, **with CaixaBank making successful use** of the markets in 2018 to place various debt issuances.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €4,090 million at the close of September 2018.

(1) Average for the last 12 months.

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

Information on the Group's issuances in the first nine months of 2018

€ million Issue	Total amount	Amount	Maturity	Cost[1]	Demand	Issuer
Mortgage covered bonds	1,625	1,000	10 years	1.116 % (midswap +0.22 %)	1,350	CaixaBank
		125	14 years	1.747 % (midswap +0.31%)	Private	CaixaBank
		50	14 years	1.744 % (midswap +0.31%)	Private	CaixaBank
		75	14 years	1.754 % (midswap +0.30%)	Private	CaixaBank
		375	14 years	1.559 % (midswap +0.32 %)	400	CaixaBank
Senior debt	1,000	1,000	5 years and 3 months	0.836 % (midswap +0.48 %)	2,200	CaixaBank
Additional Tier 1	1,250	1,250	Perpetual	5.354 %	3,500	CaixaBank
Subordinate debt issue (Tier 2)	1,000	1,000	12 years	2.323 % (midswap +1,68%)	2,299	CaixaBank
Obrigações hipotecárias	250	250	7 years	Euribor 6 months +0.30%	Private	BPI

(1) Meaning the yield on the issuance.

Following the close of the third quarter, CaixaBank completed an issuance of €1,000 million in senior non-preferred debt maturing in five years and paying an annual coupon of 1.75% (equivalent to the midswap + 145bp). Demand for the issue has been close to €2,250 million.

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

€ million		Sep 30, 2018
Mortgage covered bonds issued	a	50,859
Loans and credits (collateral for mortgage covered bonds)	b	91,100
Collateralization	**b/a**	**179%**
Overcollateralization	**b/a -1**	**79%**
Mortgage covered bond issuance capacity[2]		**2,946**

(2) CaixaBank S.A. is also able to issue €1,144 million in regional public-sector covered bonds.

Capital management

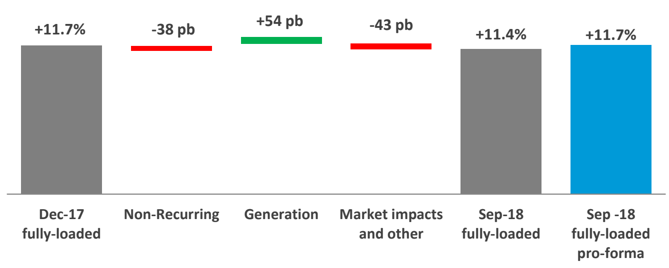
- The **fully-loaded Common Equity Tier 1 (CET1) remained at 11.4%** at 30 September 2018. If we exclude the negative impact of 38 basis points deriving from extraordinary impacts in the first nine months (implementation of IFRS 9, repurchase of 51% of Servihabitat and the acquisition of non-controlling interests at BPI), the ratio gained 54 basis points from organic capital generation through to September, but shed 43 basis points mainly due to market volatility and other factors, notably the adjustment made in the third quarter to meet credit risk requirements for the non-performing mortgage portfolio under the TRIM process of the European Central Bank.

  Presented pro-forma to reflect the likely materialisation in the coming months of the sale of the real estate business and the divestment of the remaining stake in Repsol, the CET1 ratio would come to 11.7%.

- The **fully-loaded Tier 1** ratio was **12.9%**. The Group has managed to maintain, since the first quarter of 2018, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- Fully-loaded **total capital** came to **15.2**%, following the issuance of €1,000 million in Tier 2 instruments in April 2018, the redemption of an issuance of Tier 2 instruments worth €2,072 million in May 2018 (of which €1,574 million are eligible) and the redemption of a further issuance of Tier 2 instruments worth €750 million due for completion in November 2018 (of which €738 million are eligible).
- Meanwhile, the fully-loaded leverage ratio was 5.6%.
- As regards the subordinated instruments needed to comply with future MREL requirements, the ratio of these subordinated instruments to RWAs, including mainly total capital and senior non-preferred, was 16.0% fully loaded[1].
- According to the criteria in force in 2018 for phased-in implementation, regulatory capital and leverage were: **11.6% CET1, 13.1% Tier 1, 15.4% total capital and 5.6% leverage ratio.**
- **CaixaBank is also subject to minimum capital requirements** on a non-consolidated basis. The regulatory CET1 ratio under this perimeter is 12.6%, with risk-weighted assets (RWAs) totalling €137,723 million.
- Banco BPI is also compliant with its minimum capital requirements. The bank's regulatory and fully-loaded CET1 ratios have converged in 2018 at a sub-consolidated level, standing at 13.1% at the end of September 2018.
- The European Central Bank (ECB) and the national supervisor require the Group to maintain regulatory CET1, Tier 1 and total capital ratios of 8.063%, 9.563% and 11.563%, respectively, at 30 September 2018 (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.
- The 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 354bp, equivalent to €5,273 million, before triggering the Group's regulatory MDA[2]).
- CaixaBank's dividend policy satisfies the conditions established by the ECB in its recommendation of 28 December 2017, meaning that it does not limit or confine the Bank in any way.

(1) Excludes the issuance of €1,000 million of SNP announced on 17 October, which will generate an impact of +67 basis points on the MREL ratio.

(2) See definition in Appendices - Glossary.



Change in fully-loaded CET1

Performance and key capital adequacy indicators

€ million	BIS III (Regulatory)					
	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Quarter-on-quarter
CET1 Instruments	23,885	23,921	23,495	23,302	23,241	(61)
Shareholders' equity	24,496	24,204	24,374	24,658	25,104	446
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	1,488	1,684	704	1,298	1,768	470
Reserves and other	17,027	16,539	17,689	17,379	17,355	(24)
Other CET1 Instruments[1]	(611)	(283)	(879)	(1,356)	(1,863)	(507)
Deductions from CET	(4,871)	(4,960)	(5,975)	(6,101)	(5,955)	146
CET1	**19,014**	**18,961**	**17,520**	**17,201**	**17,286**	**85**
AT1 Instruments	999	999	2,231	2,232	2,233	1
AT1 Deductions	(883)	(891)				
TIER 1	**19,130**	**19,069**	**19,751**	**19,433**	**19,519**	**86**
T2 Instruments[2]	5,136	5,023	4,472	4,153	3,382	(771)
T2 Deductions	(40)	(50)				
TIER 2	5,096	4,973	4,472	4,153	3,382	(771)
TOTAL CAPITAL	**24,226**	**24,042**	**24,223**	**23,586**	**22,901**	**(685)**
Risk-weighted assets	149,690	148,872	148,472	147,898	148,969	1,071
CET1 Ratio	12.7%	12.7%	11.8%	11.6%	11.6%	(0.0%)
Tier 1 Ratio	12.8%	12.8%	13.3%	13.1%	13.1%	(0.0%)
Total Capital Ratio	16.2%	16.1%	16.3%	15.9%	15.4%	(0.5%)
MDA Buffer[3]	5,845	5,857	5,549	5,276	5,273	(3)
MREL Ratio, subordinated[4]	17.2%	17.2%	17.5%	16.8%	16.2%	(0.6%)
Leverage Ratio	5.6%	5.5%	5.8%	5.5%	5.6%	0.2%
CET1 Ratio - CABK (non consolidated basis)	12.9%	13.6%	13.2%	12.8%	12.6%	(0.2%)
Tier 1 Ratio CABK (non consolidated basis)	13.4%	14.1%	14.8%	14.4%	14.2%	(0.2%)
Total Capital Ratio - CABK (non consolidated basis)	16.8%	17.4%	18.1%	17.5%	16.7%	(0.8%)
Risk-weighted assets (non consolidated basis)	136,154	138,781	135,660	136,794	137,723	929
Profit/loss (non consolidated basis)	914	1,428	118	510	780	270
ADIs[5]	2,183	2,235	1,852	1,715	1,972	257
MDA Buffer[3] *- CABK (non consolidated basis)*	8,158	9,373	8,944	8,549	8,305	(244)
Leverage Ratio - CABK (non consolidated basis)	5.8%	6.1%	6.4%	6.1%	6.1%	0.0%

€ million	BIS III (Fully-loaded)					
	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Quarter-on-quarter
CET1 Instruments	23,945	23,967	23,517	23,312	23,250	(62)
Shareholders' equity	24,496	24,204	24,374	24,658	25,104	446
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	1,488	1,684	704	1,298	1,768	470
Reserves and other	17,027	16,539	17,689	17,379	17,355	(24)
Other CET1 Instruments[1]	(551)	(237)	(857)	(1,346)	(1,854)	(508)
Deductions from CET	(6,533)	(6,649)	(6,356)	(6,490)	(6,312)	178
CET1	**17,412**	**17,318**	**17,161**	**16,822**	**16,938**	**117**
AT1 Instruments	999	999	2,231	2,232	2,233	1
AT1 Deductions						
TIER 1	**18,411**	**18,317**	**19,392**	**19,055**	**19,171**	**116**
T2 Instruments[2]	5,136	5,023	4,472	4,153	3,382	(771)
T2 Deductions						
TIER 2	5,136	5,023	4,472	4,153	3,382	(771)
TOTAL CAPITAL	**23,547**	**23,340**	**23,864**	**23,208**	**22,553**	**(655)**
Risk-weighted assets	149,448	148,626	148,328	147,754	148,826	1,072
CET1 Ratio	11.7%	11.7%	11.6%	11.4%	11.4%	(0.0%)
Tier 1 Ratio	12.3%	12.3%	13.1%	12.9%	12.9%	(0.0%)
Total Capital Ratio	15.8%	15.7%	16.1%	15.7%	15.2%	(0.5%)
MREL Ratio, subordinated[4]	16.8%	16.8%	17.2%	16.6%	16.0%	(0.6%)
Leverage Ratio	5.4%	5.3%	5.7%	5.4%	5.6%	0.2%

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

(2) Does not include the issuance of subordinated debt for the nominal sum of €750 million (€472 million eligible), which will be redeemed in November 2018.

(3) The relevant MDA buffer is either the non-consolidated or the consolidated, whichever is lower. The individual MDA figures published in the reports for the first and second quarters of 2018 have now been re-estimated in this report for the third quarter.

(4) Excludes the issuance of €1,000 million of SNP announced on 17 October 2018, which will have an impact of 67 basis points on the MREL ratio.

(5) Does not include the share premium.

Segment reporting

This section shows financial information on the different businesses of the CaixaBank Group, which are structured as follows:

- **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. From 1 January, it also shows the results of BPI Vida e Pensões, while from April it shows the results of BPI Gestão de Activos and BPI Global Investment Fund.

- **Non-core real estate:** shows the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:

  - Loans to real estate developers classified as non-core.

  - All foreclosed real estate assets (available for sale and rental), most of which are owned by real estate subsidiary BuildingCenter.

  - Other real estate assets and interests.

- **Equity investments**: essentially shows income from dividends and/or profit accounted for using the equity method, net of financing costs, from the Group's interests, as well as gains/(losses) on the financial assets and liabilities held at Erste Group Bank, Repsol, Telefónica, BFA, BCI and Viacer. It also includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain as part of its drive to diversify across sectors, as well as the stakes consolidated through BPI.

  The results contributed by BPI to the consolidated income statement under the equity method are included through to the effective takeover in February 2017, whereupon a new business segment was created. Meanwhile, the Repsol stake has been classified following the agreement to sell the company as a financial asset designated at fair value through other global profit or loss.

  BPI: this business shows the results following the takeover of BPI in February 2017, from which time the Portuguese bank's assets and liabilities have been reported using the full consolidation method (considering the adjustments made to the business combination). The income statement shows the reversal of the fair value adjustments of the assets and liabilities resulting from the business combination and excludes the results and balance sheet figures associated with the assets of BPI assigned to the equity investments business (essentially BFA, BCI and Viacer), as discussed previously.

The operating expenses of these 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 investments 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 own funds. The capital consumed at BPI by the investees assigned to the equity investments business is allocated consistently to this business.

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

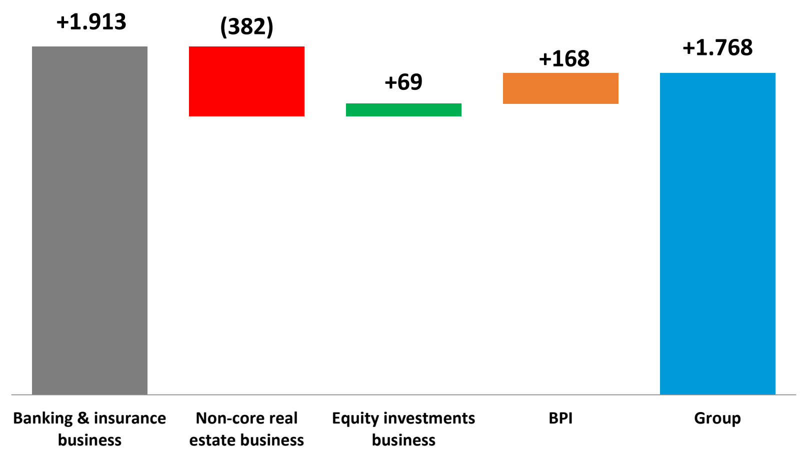
While the Group has kept the same structure of business segments in 2018, it has made certain changes to its presentation criteria, with 2017 restated for comparison purposes as follows:

- Impact of the aforementioned allocation to the equity investments business of BFA, BCI and Viacer mainly, which were previously shown in the BPI business segment.
- Analytical income at the banking and insurance business is no longer charged to the non-core real estate business, in connection with the marketing and sale of assets[1].

In April, CaixaBank Asset Management SGIIC, S.A.U. completed the acquisition of the asset management businesses of BPI (BPI Gestao de Activos, SGFI, S.A. and BPI Global Investment Fund Management Company S.A.). The deal had no impact on the Group's consolidated balance sheet or income statement. 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 removed from CaixaBank's consolidated income statement. The mutual funds that BPI continues to market and sell are still reported as assets under management within the BPI business segment.

(1) Gross analytical income charged to the non-core real estate business in the first nine months of 2017 amounted to €88 million (€132 million for the whole year 2017).

Results for the first nine months of 2018 arranged by business are as follows:



Contribution to the result in the first nine months of 2018 (€ million)

€ million	Banking & insurance business	Non-core real estate business	Equity investments	BPI	Group
Net interest income	**3,503**	**(13)**	**(117)**	**298**	**3,671**
Dividends and share of profit/(loss) of entities accounted for using the equity method	181	2	651	13	847
Net fee and commission income	1,735	(5)		208	1,938
Gains/(losses) on financial assets and liabilities and others	271		10	42	323
Income and expense under insurance or reinsurance contracts	419				419
Other operating income and expense	(153)	(118)		(26)	(297)
Gross income	**5,956**	**(134)**	**544**	**535**	**6,901**
Recurring administrative expenses, depreciation and amortisation	(3,030)	(90)	(3)	(343)	(3,466)
Extraordinary expenses				(11)	(11)
Pre-impairment income	**2,926**	**(224)**	**541**	**181**	**3,424**
Pre-impairment income stripping out extraordinary expenses	**2,926**	**(224)**	**541**	**192**	**3,435**
Allowances for insolvency risk	(119)	55		14	(50)
Other charges to provisions	(135)	(193)		1	(327)
Gains/(losses) on disposal of assets and others	(28)	(53)	(453)	57	(477)
Profit/(loss) before tax	**2,644**	**(415)**	**88**	**253**	**2,570**
Income tax expense	(729)	64	13	(68)	(720)
Profit/(loss) after tax	**1,915**	**(351)**	**101**	**185**	**1,850**
Profit/(loss) attributable to minority interest and others	2	31	32	17	82
Profit/(loss) attributable to the Group	**1,913**	**(382)**	**69**	**168**	**1,768**

Banking and insurance business

Profit amounted to €1,913 million, up 34.0% on the first nine months of 2017.

ROTE for the business, stripping out extraordinary impacts, came to 12.2%.

€ million	9M18	9M17	Change %	3Q18	2Q18	1Q18	4Q17	3Q17
INCOME STATEMENT								
Net interest income	**3,503**	**3,455**	**1.3**	**1,181**	**1,175**	**1,147**	**1,148**	**1,155**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	181	156	17.1	74	55	52	35	62
Net fee and commission income	1,735	1,673	3.8	583	601	551	549	539
Gains/(losses) on financial assets and liabilities and others	271	285	(4.7)	26	186	59	18	103
Income and expense under insurance or reinsurance contracts	419	354	18.2	137	144	138	118	121
Other operating income and expense	(153)	(10)		(25)	(107)	(21)	(202)	(27)
Gross income	**5,956**	**5,913**	**0.7**	**1,976**	**2,054**	**1,926**	**1,666**	**1,953**
Recurring administrative expenses, depreciation and amortisation	(3,030)	(2,945)	2.9	(1,017)	(1,012)	(1,001)	(981)	(982)
Extraordinary expenses		(3)					(1)	(3)
Pre-impairment income	**2,926**	**2,965**	**(1.3)**	**959**	**1,042**	**925**	**684**	**968**
Pre-impairment income stripping out extraordinary expenses	**2,926**	**2,968**	**(1.4)**	**959**	**1,042**	**925**	**685**	**971**
Allowances for insolvency risk	(119)	(680)	(82.5)	183	(142)	(160)	(185)	(198)
Other charges to provisions	(135)	(624)	(78.3)	(38)	(52)	(45)	(117)	(32)
Gains/(losses) on disposal of assets and others	(28)	234		(9)	(15)	(4)	(80)	(7)
Profit/(loss) before tax	**2,644**	**1,895**	**39.5**	**1,095**	**833**	**716**	**302**	**731**
Income tax expense	(729)	(462)	57.1	(302)	(231)	(196)	(74)	(189)
Profit/(loss) after tax	**1,915**	**1,433**	**33.7**	**793**	**602**	**520**	**228**	**542**
Profit/(loss) attributable to minority interest and others	2	5	(41.4)	1	1		1	2
Profit/(loss) attributable to the Group	**1,913**	**1,428**	**34.0**	**792**	**601**	**520**	**227**	**540**
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)[1]	2.28	2.19	0.09	2.27	2.28	2.29	2.19	2.18
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	994	1,038	(4.2)	335	348	311	314	323
Mutual funds, managed accounts and SICAVs	380	327	16.4	131	133	116	119	113
Pension plans	161	146	11.1	54	50	57	60	51
Sale of insurance products	200	162	22.3	63	70	67	56	52
Net fee and commission income	**1,735**	**1,673**	**3.8**	**583**	**601**	**551**	**549**	**539**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(1,995)	(1,942)	2.7	(670)	(665)	(660)	(656)	(646)
General expenses	(814)	(742)	9.7	(273)	(274)	(267)	(258)	(249)
Depreciation and amortisation	(221)	(261)	(14.7)	(74)	(73)	(74)	(67)	(87)
Recurring administrative expenses, depreciation and amortisation	**(3,030)**	**(2,945)**	**2.9**	**(1,017)**	**(1,012)**	**(1,001)**	**(981)**	**(982)**
Extraordinary expenses		**(3)**					**(1)**	**(3)**
OTHER INDICATORS								
ROTE[2]	12.2%	10.0%	2.2	12.2%	12.0%	12.0%	10.6%	10.0%
Cost-to-income ratio stripping out extraordinary expenses (12 months)	52.6%	51.1%	1.5	52.6%	52.3%	51.6%	51.8%	51.1%
Cost of risk (12 months)[3]	0.14%	0.46%	(0.3)	0.14%	0.32%	0.36%	0.41%	0.46%
Customers[1]	13.7	13.8	(0.7)	13.7	13.8	13.8	13.8	13.8
Employees[1]	32,613	32,126	1.5	32,613	32,443	32,210	32,041	32,126
Branches[1/4]	4,681	4,889	(4.3)	4,681	4,742	4,815	4,874	4,889
of which retail	4,482	4,697	(4.6)	4,482	4,543	4,618	4,681	4,697
ATMs	9,422	9,403	0.2	9,422	9,411	9,394	9,427	9,403

(1) The figures relate to CaixaBank, including the non-core real estate business.
(2) Last 12 months, excluding extraordinary aspects net of tax: the ratio for 9M18 excludes the impact of the extraordinary release of provisions in the third quarter (€193 million) and extraordinary expenses. Meanwhile, the ratio for 9M17 excludes the provisions released in the fourth quarter of 2016 (€+433 million), the result of the business combination with BPI in the first quarter of 2017 (€+256 million), the early retirements completed in the second quarter of 2017 (€-212 million). The coupon for the part of the AT1 issue assigned to this business has also been deducted.
(3) 0.27% stripping out the extraordinary release of provisions in the third quarter (approximately €+275 million).
(4) Does not include branches outside Spain or representative offices.

The following highlights shaped the year-on-year performance of the banking and insurance business (+34.0%):

- **Gross income came to €5,956 million (+0.7%)**, driven by the increase in core income (+3.4%), which offset the positive income reported in 2017 due to the agreement reached with Cecabank.

  - **Net interest income gained 1.3% to reach €3,503 million**, supported by an improving return on loans, a lower cost of retail deposits and a reduction in income from funding other businesses. The customer spread improved by 9 basis points to 2.28%.

  - **Fee and commission income** totalled €1,735 million, up 3.8% on the same period of 2017 thanks to the healthy performance of commissions from mutual funds, portfolios and SICAVs (+16.4%), pension plans (+11.1%) and insurance sales (+22.3%), in a context of lower banking fees (-4.2%) largely due to the drop in income from investment banking activity and commissions paid under distribution agreements relating to consumer financing.

  - **Gains/(losses) on financial assets and liabilities and others** were down 4.7% when compared with the same period of 2017.

  - **Income and expense under insurance or reinsurance contracts** gained 18.2% to reach €419 million in response to intensive sales activity.

  - **Other operating income and expense** for the first nine months of 2017 included the income arising from the agreement reached with Cecabank (€115 million).

- **Recurring administrative expenses, depreciation and amortisation** came to €3,030 million, up 2.9% on the first nine months of 2017.

- **Allowances for insolvency risk** fell by €-119 million (-82.5%), partly in response to the extraordinary release of provisions following an improvement in debt recoverability of some €275 million.

- **Other charges to provisions** amounted to €-135 million. In the same period of 2017, this heading included €-455 million in connection with early retirements.

- **Gains/(losses) on disposals of assets and others** included, in the first nine months of 2017, the result of the business combination with BPI (€256 million) since it derived from a corporate transaction.

The following aspects were largely behind the quarterly change:

- **Net interest income** grew to €1,181 million (+0.5%).

- The quarterly decline in **fees and commissions** (-3.0% versus the second quarter) was a result of typical seasonal impacts in the period, with reduced investment banking income.

- **Gains/(losses) on financial assets and liabilities** were up in the second quarter of 2018 due to the inclusion of the results obtained from the hedge contracts on the subordinated bonds that were redeemed ahead of maturity.

- **Other operating income and expense** includes, in the second quarter of 2018, the contribution of €80 million paid to the Single Resolution Fund (SRF).

- **Allowances for insolvency risk** amounted to €183 million (income) in the quarter and includes the impact of the aforementioned release of provisions.

The following table shows business activity and asset quality indicators at 30 September 2018.

- **Loans and advances to customers, gross** stood at **€198,817 million** (**-0.6%** in the year), while the performing portfolio has gained 0.2% in the year to date.
- **Customer funds are up 4.4% in the year** to €334,529 million.
- The **NPL ratio** has fallen to 4.7% (-80bp), with a **coverage ratio of 51%**.

€ million	Sep 30, 2018	Jun 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets	342,423	347,298	(1.4)	335,945	1.9
Liabilities	322,982	328,348	(1.6)	316,427	2.1
Assigned capital	20,254	19,662	3.0	19,540	3.7
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**114,816**	**117,027**	**(1.9)**	**115,973**	**(1.0)**
Home purchases	81,223	81,970	(0.9)	83,089	(2.2)
Other	33,593	35,057	(4.2)	32,884	2.2
Loans to business	**73,687**	**73,013**	**0.9**	**73,476**	**0.3**
Corporates and SMEs	68,679	67,750	1.4	68,377	0.4
Real estate developers	5,008	5,263	(4.8)	5,099	(1.8)
Public sector	**10,314**	**11,285**	**(8.6)**	**10,541**	**(2.2)**
Loans and advances to customers, gross	**198,817**	**201,325**	**(1.2)**	**199,990**	**(0.6)**
Of which performing loans	189,085	191,083	(1.0)	188,691	0.2
Of which non-performing loans	9,732	10,242	(5.0)	11,299	(13.9)
Provisions for insolvency risk	(4,972)	(5,493)	(9.5)	(5,274)	(5.7)
Loans and advances to customers, net	**193,845**	**195,832**	**(1.0)**	**194,716**	**(0.4)**
Contingent Liabilities	11,917	11,598	2.8	12,162	(2.0)
CUSTOMERS FUNDS					
Customer funds	181,934	186,979	(2.7)	175,850	3.5
Demand deposits	159,119	162,996	(2.4)	146,652	8.5
Term deposits	22,815	23,983	(4.9)	27,153	(16.0)
Subordinated retail liabilities				2,045	
Insurance contract liabilities	52,032	51,483	1.1	49,965	4.1
Reverse repurchase agreements and other	3,248	2,425	33.9	955	
On-balance sheet funds	**237,214**	**240,887**	**(1.5)**	**226,770**	**4.6**
Mutual funds, managed accounts and SICAVs [1]	63,384	62,630	1.2	60,850	4.2
Pension plans	30,425	30,043	1.3	29,668	2.6
Assets under management	**93,809**	**92,673**	**1.2**	**90,518**	**3.6**
Other accounts	**3,506**	**3,376**	**3.9**	**3,213**	**9.1**
Total customer funds	**334,529**	**336,936**	**(0.7)**	**320,501**	**4.4**
ASSET QUALITY					
Non-performing loan ratio (%)	4.7%	4.9%	(0.2)	5.5%	(0.8)
Non-performing loan coverage ratio (%)	51%	54%	(3.0)	47%	4.0

(1) The balance of mutual funds from the second quarter of 2018 onward includes the institutional investment funds, net of eliminations, marketed by BPI Gestao de Activos and BPI Global Investment Fund (€153 million at 30 September 2018).

Insurance activity

The banking and insurance business embraces all activity carried out by the Group's various insurance firms, mainly VidaCaixa de Seguros y Reaseguros and, since late December 2017, BPI Vida e Pensões. These companies offer a highly specialised range of life insurance, pensions and general insurance products, all of which are marketed to the Group's customer base.

The following table shows changes in the income statement of the insurance firms.

€ million	9M18	9M17	Year-on-year %	3Q18	2Q18	Quarter-on-quarter %	1Q18
Net interest income	**227**	**221**	**2.7**	**78**	**77**	**1.3**	**72**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	143	128	11.6	64	38	68.4	41
Net fee and commission income	(112)	(84)	34.2	(33)	(39)	(15.4)	(40)
Gains/(losses) on financial assets and liabilities and others	1	64					1
Income and expense under insurance or reinsurance contracts	419	354	18.2	137	144	(5.0)	138
Other operating income and expense	6	7	(0.1)	4			2
Gross income	**684**	**690**	**(0.9)**	**250**	**220**	**13.6**	**214**
Recurring administrative expenses, depreciation and amortisation	(81)	(82)	(1.4)	(26)	(28)	(7.1)	(27)
Pre-impairment income	**603**	**608**	**(0.8)**	**224**	**192**	**16.7**	**187**
Allowances for insolvency risk							
Other charges to provisions							
Gains/(losses) on disposal of assets and others							
Profit/(loss) before tax	**603**	**608**	**(0.8)**	**224**	**192**	**16.7**	**187**
Income tax expense	(136)	(134)	2.6	(47)	(46)	2.2	(43)
Profit/(loss) after tax	**467**	**474**	**(1.5)**	**177**	**146**	**21.2**	**144**
Profit/(loss) attributable to minority interest and others							
Profit/(loss) attributable to the Group	**467**	**474**	**(1.5)**	**177**	**146**	**21.2**	**144**

- **Net interest income** includes the margin on life insurance products, which were up 2.7% on the same period of 2017 (+1.3% in the quarter).
- **Share of profit/(loss) of entities accounted for using the equity method** shows the contribution made by SegurCaixa Adeslas, 49.9% of which is owned by VidaCaixa. The quarterly growth (+68.4%) is largely down to a reduction in the claims ratio for the health insurance segment, which typically occurs in the third quarter.
- **Fees and commissions**[1] is the net result of:
  - The fees and commissions received by VidaCaixa from managing Unit Linked products and pension plans.
  - The fees and commissions the Group's insurance firms pay the Group's banks for marketing their products.

  Meanwhile, the year-on-year change in this heading was largely down to the higher fees paid to the branch network following the increase in commercial activity.
- **Gains/(losses) on financial assets and liabilities and others** included, in the first nine months of 2017, the capital gains obtained from the sale of fixed income instruments by VidaCaixa.
- **Income and expense under insurance contracts**, which shows the margin obtained from the difference between premia and claims on life-risk products, was up 18.2% on the same period of 2017, mainly on the back of an increase in volume of life-risk portfolios under management. The quarterly change (-5.0%) was a result of the commercial campaigns carried out in the previous quarter.

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

Non-core real estate business

The **non-core real estate business** generated losses of **€-382 million** in the first nine months of 2018, impacted by the result of the deal to buy back 51% of real estate servicer Servihabitat.

Following the acquisition and within the context of the deal to sell the real estate business, profit/(loss) from Servihabitat is no longer reported under the equity method and is now classified as a discontinued operation.

€ million	9M18	9M17	Change %	3Q18	2Q18	1Q18	4Q17	3Q17
Net interest income	(13)	(51)	(74.4)	(6)	(6)	(1)	(20)	(17)
Dividend income and share of profit/(loss) of entities accounted for using the equity method	2	22	(91.7)	(8)	7	3	10	6
Net fee and commission income	(5)			(2)	(2)	(1)	1	(1)
Gains/(losses) on financial assets and liabilities and others								
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(118)	(154)	(23.7)	3	(34)	(87)	(46)	(33)
Gross income	(134)	(183)	(26.8)	(13)	(35)	(86)	(55)	(45)
Recurring administrative expenses, depreciation and amortisation	(90)	(77)	16.9	(31)	(30)	(29)	(28)	(25)
Extraordinary expenses								
Pre-impairment income	(224)	(260)	(13.8)	(44)	(65)	(115)	(83)	(70)
Pre-impairment income stripping out extraordinary expenses	(224)	(260)	(13.8)	(44)	(65)	(115)	(83)	(70)
Allowances for insolvency risk	55	(3)		4	30	21	37	(2)
Other charges to provisions	(193)	(174)	10.9	(7)	(181)	(5)	2	(5)
Gains/(losses) on disposal of assets and others	(53)	47		(2)	(53)	2	(41)	6
Profit/(loss) before tax	(415)	(390)	6.4	(49)	(269)	(97)	(85)	(71)
Income tax expense	64	122	(47.2)	12	22	30	33	21
Profit/(loss) after tax	(351)	(268)	42.2	(37)	(247)	(67)	(52)	(50)
Profit/(loss) attributable to minority interest and others	31			31				
Profit/(loss) attributable to the Group	(382)	(268)	42.2	(68)	(247)	(67)	(52)	(50)

- **Net interest income** shows the financial income obtained from loans to non-core real estate developers, net of the cost of financing real estate assets. The improvement in net interest income in the first nine months of 2018 was largely down to the lower cost of financing the real estate business, most of which is carried out through BuildingCenter.
- The change in the quarter in **Share of profit/(loss) of entities accounted for using the equity method** was a result of Servihabitat's profit/(loss) being registered as a discontinued operation, among other factors.
- The heading **Other operating income and expense** has improved since the third quarter, among others, due to the elimination from the consolidated earnings of the portfolio management and administration fees charged by Servihabitat.
- The year-on-year change in **Allowances for insolvency risk** is down to the impact of recoveries.
- **Other charges to provisions** includes, in the first nine months of 2018, €-152 million resulting from the acquisition of the real estate servicer, versus €-154 million in write-downs on Sareb exposure in 2017.
- **Gains (losses) on disposal of assets and others** (€-53 million) includes the proceeds obtained from the sale of real estate assets and the allowances associated with asset valuations. Notably, the second quarter included €-52 million in connection with the arrangement to buy back Servihabitat.
- **Profit/(loss) attributable to minority interest and others** (€-31 million) corresponds to the **result of discontinued activities** relating to Servihabitat's contribution to consolidated earnings since its acquisition in July 2018 (seeing as though the deal to sell the real estate business has yet to be completed). The contribution is expressed as the difference between its income with external customers unaffiliated with the Group and its total expenses.

The non-core real estate business is down 10.3% in the year to date:

- **Loans and advances to customers, net** has fallen 27.5% in the year to date due to the ongoing active management of distressed assets.
- **The net portfolio of foreclosed real estate assets available for sale fell to** €5,346 million (€-532 million in 2018).
- **Net foreclosed real estate assets held for rent** came to €2,763 million (€-267 million in 2018), with an occupancy ratio of 87%.

€ million	Sep 30, 2018	Jun 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets	**10,338**	**10,447**	**(1.0)**	**11,530**	**(10.3)**
Loans and advances to customers, net	837	910	(8.0)	1,154	(27.5)
Other assets	9,501	9,537	(0.4)	10,376	(8.4)
Foreclosed available for sale real estate assets	5,346	5,553	(3.7)	5,878	(9.1)
Real estate assets held for rent	2,763	2,806	(1.5)	3,030	(8.8)
Other assets[1]	1,392	1,178	18.2	1,468	(5.2)
Liabilities	**9,250**	**9,296**	**(0.5)**	**10,199**	**(9.3)**
Customers deposits	80	71	12.7	87	(8.0)
Other liabilities[1]	850	542	56.8	404	
Intra-group financing	8,320	8,683	(4.2)	9,708	(14.3)
Assigned capital	**1,088**	**1,151**	**(5.5)**	**1,331**	**(18.3)**
ACTIVITY					
Loans and advances to customers, gross	**1,255**	**1,375**	**(8.7)**	**1,750**	**(28.3)**
Customers funds	**85**	**76**	**11.8**	**94**	**(9.6)**
On-balance sheet funds	80	71	12.7	87	(8.0)
Assets under management	5	5		7	(28.6)
ASSET QUALITY					
Non-performing loan ratio (%)	70.4%	70.1%	0.3	76.2%	(5.8)
Non-performing loan coverage ratio (%)	45%	46%	(1.0)	42%	3.0

(1) The increase in the headings Other assets and Other liabilities in the third quarter is down to the integration of Servihabitat's balance sheet following the acquisition of the full stake.

Equity investments business

The business contributed total profit of €69 million to the Group in the first nine months of 2018.

- The third quarter of 2018 includes the negative result (€-453 million) deriving from the agreement to sell the stake in Repsol under **Gains/(losses) on disposal of assets and others**.

  As of the date of the agreement to sell, the heading **Share of profit/(loss) of entities accounted for using the equity method** no longer shows the allocation of results from Repsol.

- Dividend income included €104 million from Telefónica in the second quarter of 2018 and 2017.

- The change in **Share of profit/(loss) of entities accounted for using the equity method** was down to the individual performances of the businesses concerned, plus the following extraordinary impacts:

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

  - Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.

  - The first nine months of 2018 includes the recognition of €221 million in attributable profit from BFA under the equity method (of which €150 million relates to the extraordinary impacts on profit and loss of the devaluation of Angola's currency, among other factors).

    Net attributable profit from BFA came to €172 million in the first nine months of 2018.

- **Gains/(losses) on financial assets and liabilities and others** includes the repricing of Viacer[1] in the first quarter of 2018 and the dividend pass-through committed under hedge contracts on associate investees in the second quarter.

(1) The repricing of the sale price of BPI's stake in Viacer added €54 million to the net attributable profit/(loss).

€ million	9M18	9M17	Change %	3Q18	2Q18	1Q18	4Q17	3Q17
Net interest income	**(117)**	**(127)**	**(8.4)**	**(37)**	**(40)**	**(40)**	**(41)**	**(41)**
Dividend income	104	106	(2.2)		104			
Share of profit/(loss) of entities accounted for using the equity method	547	314	74.4	151	182	214	(4)	152
Net fee and commission income								
Gains/(losses) on financial assets and liabilities and others	10	(20)		(7)	(43)	60	(24)	(2)
Income and expense under insurance or reinsurance contracts								
Other operating income and expense								
Gross income	**544**	**273**		**107**	**203**	**234**	**(69)**	**109**
Recurring administrative expenses, depreciation and amortisation	(3)	(3)		(1)	(1)	(1)	(1)	(1)
Extraordinary expenses								
Pre-impairment income	**541**	**270**		**106**	**202**	**233**	**(70)**	**108**
Pre-impairment income stripping out extraordinary expenses	**541**	**270**		**106**	**202**	**233**	**(70)**	**108**
Allowances for insolvency risk								
Other charges to provisions							4	
Gains/(losses) on disposal of assets and others	(453)			(453)			5	
Profit/(loss) before tax	**88**	**270**	**(66.9)**	**(347)**	**202**	**233**	**(61)**	**108**
Income tax expense	13	22	(43.8)	5	6	2	27	5
Profit/(loss) after tax	**101**	**292**	**(65.1)**	**(342)**	**208**	**235**	**(34)**	**113**
Profit/(loss) attributable to minority interest and others	32	23	39.1	4	4	24	(10)	10
Profit/(loss) attributable to the Group	**69**	**269**	**(74.0)**	**(346)**	**204**	**211**	**(24)**	**103**
ROTE[2]	35.7%	31.0%	4.7	35.7%	33.7%	30.2%	15.7%	31.0%

(2) ROTE for the last 12 months excludes in 2018 the impact deriving from the agreement to sell Repsol and in 2017 the impact of the tax reform ushered in by Royal Decree-Law 3/2016 of 2 December.

€ million	Sep 30, 2018	Jun 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets					
Investments (available for sale and associated) and other	4.942	6.612	(25,3)	6.894	(28,3)
Liabilities					
Intra-group financing and other liabilities	3.848	5.253	(26,7)	5.306	(27,5)
Assigned capital[1]	**1.069**	**1.326**	**(19,4)**	**1.499**	**(28,7)**

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

Further information on BFA

€ million	9M18	9M17	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Share of profit/(loss) of entities accounted for using the equity method	**221**	**65**	**65**	**56**	**100**	**(68)**	**64**	**58**	**(57)**
Stripping out extraordinary impacts[2]	71	162	23	27	21	51	64	58	40
Extraordinary impacts[2]	150	(97)	42	29	79	(119)			(97)
Others	**(8)**		**(2)**		**(6)**				
Contribution by BFA before tax and minority interest	**213**	**65**	**63**	**56**	**94**	**(68)**	**64**	**58**	**(57)**
Attributable net contribution after tax and minority interest	**172**	**28**	**54**	**46**	**72**	**(52)**	**49**	**44**	**(65)**
Other impacts after tax on the equity of the Group[3]	**(227)**	**83**	**(61)**	**(34)**	**(132)**	**80**			**83**

(2) The first quarter of 2017 includes the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), largely the result of valuation adjustments due to conversion differences, previously reported in equity.
The fourth quarter of 2017 includes, in accordance with IAS 29, an impact of €-76 million after applying the accumulative inflationary effects of the Angolan economy during the year to BFA's financial statements.
In the first nine months of 2018, the extraordinary result was largely a result of the devaluation of the Angolan currency. The impact of inflation in 2018 is considered part of the non-extraordinary results generated by BFA.

(3) The amount in the first quarter of 2017 derives from valuation adjustments due to conversion differences, transferred to P&L at the time of the sale by BPI of the 2% stake in BFA.
The fourth quarter of 2017 includes, among other effects, the impact of the inflationary effects of Angola's economy (€76 million, gross).
In the first nine months of 2018, the heading includes the impact of the devaluation of the Angolan currency, among other factors.

BPI

BPI's banking business contributed a total of €168 million to total profit (€59 million in the same period of 2017 due to the recognition of certain extraordinary expenses).

For a more meaningful picture of year-on-year earnings performance, please note that the figures for 2017 cannot be reliably compared with subsequent results because of the Bank's full integration in February 2017.

In relation to the quarterly change, **net attributable profit** for the third quarter amounted to €92 million, compared with €36 million in the previous quarter following the sale of BPI's acquiring business (point of sale terminals) to Comercia.

- **Gross income** was up €7 million in the third quarter (4.1%), partly due to the recognition of the amounts paid to the SRF and to the Portuguese Fundo de Resoluçao in the second quarter of 2018 (€-17 million). Net interest income climbed 1% while fee and commission income was down 7.2%.
- **Recurring administrative expenses, depreciation and amortisation** remained virtually stable in the quarter.
- The change in **Profit/(loss) attributable to minority interest and others** was down to CaixaBank's larger stake in BPI.

ROTE for the business, stripping out extraordinary impacts, was 8.2%.

€ million	9M18	9M17	Change %	3Q18	2Q18	1Q18	4Q17	3Q17
INCOME STATEMENT								
Net interest income	**298**	**273**	**9.5**	**101**	**100**	**97**	**109**	**104**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	13	16	(27.6)	6	5	2	(2)	5
Net fee and commission income	208	194	6.9	64	69	75	82	77
Gains/(losses) on financial assets and liabilities and others	42	22	99.6	11	14	17	1	9
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(26)	(17)	50.9	(5)	(18)	(3)	(1)	(1)
Gross income	**535**	**488**	**9.4**	**177**	**170**	**188**	**189**	**194**
Recurring administrative expenses, depreciation and amortisation	(343)	(318)	7.8	(113)	(112)	(118)	(114)	(119)
Extraordinary expenses	(11)	(106)		(3)	(5)	(3)		
Pre-impairment income	**181**	**64**		**61**	**53**	**67**	**75**	**75**
Pre-impairment income stripping out extraordinary expenses	**192**	**170**	**12.4**	**64**	**58**	**70**	**75**	**75**
Allowances for insolvency risk	14	25	(42.9)	11	3		7	14
Other charges to provisions	1	(2)		1			(1)	
Gains/(losses) on disposal of assets and others	57			57			(1)	
Profit/(loss) before tax	**253**	**87**		**130**	**56**	**67**	**80**	**89**
Income tax expense	(68)	(18)		(34)	(16)	(18)	(28)	(24)
Profit/(loss) after tax	**185**	**69**		**96**	**40**	**49**	**52**	**65**
Profit/(loss) attributable to minority interest and others	17	10	70.0	4	4	9	7	9
Profit/(loss) attributable to the Group	**168**	**59**		**92**	**36**	**40**	**45**	**56**
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)	1.84	1.77	0.07	1.84	1.84	1.83	1.84	1.77
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	124	120	2.4	38	43	43	48	47
Mutual funds, managed accounts and SICAVs	35	30	15.4	10	9	16	15	13
Pension plans		5					2	2
Sale of insurance products	49	39	28.2	16	17	16	17	15
Net fee and commission income	**208**	**194**	**6.9**	**64**	**69**	**75**	**82**	**77**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(183)	(179)	2.4	(62)	(58)	(63)	(66)	(67)
General expenses	(132)	(113)	17.0	(41)	(44)	(47)	(38)	(42)
Depreciation and amortisation	(28)	(26)	4.5	(10)	(10)	(8)	(10)	(10)
Recurring administrative expenses, depreciation and amortisation	**(343)**	**(318)**	**7.8**	**(113)**	**(112)**	**(118)**	**(114)**	**(119)**
Extraordinary expenses	**(11)**	**(106)**		**(3)**	**(5)**	**(3)**		
OTHER INDICATORS								
ROTE[1]	8.2%	10.3%	(2.1)	8.2%	9.0%	9.5%	9.8%	10.3%
Cost-to-income ratio stripping out extraordinary expenses (12 months)	63.1%	65.2%	(2.1)	63.1%	62.5%	63.4%	63.8%	65.2%
Customers	1.9	1.9	(0.1)	1.9	1.9	1.9	1.9	1.9
Employees	4,898	5,178	(5.4)	4,898	4,843	4,897	4,931	5,178
Branches	495	508	(2.6)	495	497	503	505	508

(1) RoTE 12 months excludes extraordinary net impacts attributable to the Group: results of the sale of BPI's acquiring business to Comercia Global Payments (€40 million), extraordinary expenses and the net result from the businesses that have now been sold to CaixaBank (€9 million).

BPI's balance sheet was down 5.4% in the quarter (+4.3% in the year):

- **Loans and advances to customers, gross amounted to €23,393 million,** up 1.5% in the quarter.
- Meanwhile, **customer funds amounted to €29,007 million**, down 0.5% on the previous quarter.
- BPI's **NPL ratio** improved to 4.3% in the quarter, as per the CaixaBank Group's NPL classification criteria.
- The NPL coverage ratio stood at 92% and includes provisions from CaixaBank stemming from the business combination process.

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

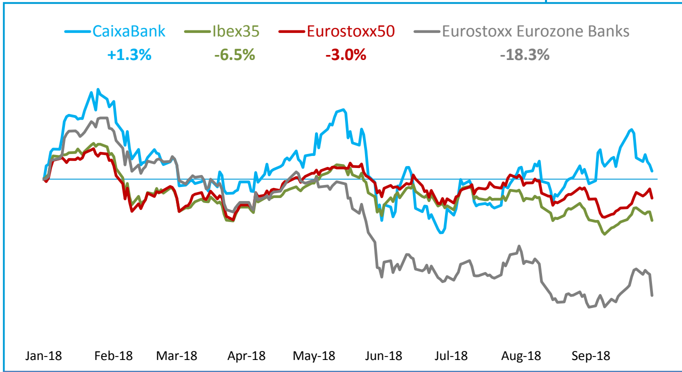
€ million	Sep 30, 18	Jun 30, 18	Quarter-on-quarter %	Dec 31, 17	Year-to-date %
BALANCE SHEET					
Assets	30,048	31,760	(5.4)	28,817	4.3
Liabilities	27,318	29,121	(6.2)	26,571	2.8
Assigned capital	2,693	2,519	6.9	1,834	46.8
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**12,785**	**12,731**	**0.4**	**12,517**	**2.1**
Home purchases	11,233	11,204	0.3	11,098	1.2
Other	1,552	1,527	1.6	1,419	9.4
Loans to business	**8,930**	**8,634**	**3.4**	**8,237**	**8.4**
Corporates and SMEs	8,284	8,126	1.9	7,985	3.7
Real estate developers	646	508	27.2	252	
Public sector	**1,678**	**1,679**	**(0.1)**	**1,457**	**15.2**
Loans and advances to customers, gross	**23,393**	**23,044**	**1.5**	**22,211**	**5.3**
Of which performing loans	22,404	22,052	1.6	21,095	6.2
Of which non-performing loans	989	992	(0.3)	1,116	(11.4)
Provisions for insolvency risk	(906)	(920)	(1.5)	(962)	(5.8)
Loans and advances to customers, net	**22,487**	**22,124**	**1.6**	**21,249**	**5.8**
Contingent Liabilities	1,628	1,596	2.0	1,573	3.5
CUSTOMERS FUNDS					
Customer funds	21,459	21,604	(0.7)	20,674	3.8
Demand deposits	12,823	12,913	(0.7)	12,054	6.4
Term deposits	8,636	8,691	(0.6)	8,619	0.2
Subordinated retail liabilities				1	
Reverse repurchase agreements and other	15	15		13	15.4
On-balance sheet funds	**21,474**	**21,619**	**(0.7)**	**20,687**	**3.8**
Mutual funds, managed accounts and SICAVs[1]	5,524	5,638	(2.0)	6,026	(8.3)
Assets under management	**5,524**	**5,638**	**(2.0)**	**6,026**	**(8.3)**
Other accounts	**2,009**	**1,894**	**6.1**	**2,150**	**(6.6)**
Total customer funds	**29,007**	**29,151**	**(0.5)**	**28,863**	**0.5**
Memorandum items					
Insurance contracts sold[2]	4,162	4,179	(0.4)	4,124	0.9
ASSET QUALITY					
Non-performing loan ratio (%)	4.3%	4.4%	(0.1)	5.1%	(0.8)
Non-performing loan coverage ratio (%)	92%	93%	(1.0)	87%	5.0

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

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

The CaixaBank share and market

- The **price of the CaixaBank share** increased during the third quarter to close at **€3.938/share**, up 6.3% on the previous quarter. The share has now gained 1.3% in the year to date, despite relatively high levels of market volatility and clearly outperforming the Ibex 35 Banks and Eurostoxx Banks indices, which were both down in the same period (-16.9% and -18.3%, respectively).
- Trading volume in euros was 15.4% down on the previous quarter, but 0.6% up on the volume of shares traded in the third quarter of 2017. Meanwhile, the number of shares traded was down 16.0% on the second quarter of 2018, but up 10.6% on the third quarter of 2017.



Change in the CaixaBank share compared to the main Spanish and European indices in the first nine months of 2018

Key performance indicators for the CaixaBank share

	Sep 30, 2018
Market capitalization (€ million)	23,544
Number of outstanding shares[1]	5,978,621
Share price (€/share)	
Share price at the beginning of the period (December 29, 2017)	3.889
Share price at closing of the period (September 28, 2018)	3.938
Maximum price[2]	4.440
Minimum price[2]	3.560
Trading volume in 2018 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	42,099
Minimum daily trading volume	5,365
Average daily trading volume	13,437
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	1,893
Average number of shares (12 months)[1]	5,978,354
Net income attributable per Share (EPS) (€/share)	**0.32**
Net equity excluding minority interest (€ million)	24,170
Number of shares at September 30, 2018[1]	5,978,621
Book value per share (€/share)	**4.04**
Net equity excluding minority interest (tangible) (€ million)	19,922
Number of shares at September 30, 2018[1]	5,978,621
Tangible book value per share (€/share)	**3.33**
PER (Price / Profit)	**12.44**
TangibleP/BV (Market value/ tangible book value)	**1.18**
Dividend Yield[3]	**3.81%**

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

(2) Share price at close of trading.

(3) Calculated by dividing the yield for the past 12 months (€0.15/share) by the closing price at the end of the period (€3.938/share).

Shareholder returns over the last 12 months

- Under CaixaBank's current dividend policy, remuneration for 2018 will comprise two half-yearly dividends payable in cash and the Bank fully intends to pay out at least 50% of consolidated net profit.
- Total shareholder remuneration in the last 12 months has been for the 2017 annual period (€0.15 per share).

Concept	€/share	Payment date
Cash dividend, interim 2017	0.07	Nov 2, 2017
Cash dividend, final 2017	0.08	Apr 13, 2018

- On 25 October 2018, the Board of Directors approved payment of a dividend of €0.07 per share, payable in cash and charged to profit for 2018.

Significant events in the first nine months of 2018

Acquisition of shares in Banco BPI

On 6 May 2018, CaixaBank announced an agreement reached with certain companies belonging to the Allianz Group to acquire shares representing 8.425% of the share capital of Banco BPI. The total purchase price is €177,979,336, giving a price per share of €1.45.

Accordingly, CaixaBank asked the Chairman of BPI's general meeting to call a meeting of shareholders to approve BPI's delisting in accordance with article 27.1.b) of the Portuguese Securities Market Code. The extraordinary general meeting was held on 29 June 2018, at which shareholders approved the delisting of Banco BPI at €1.45/share. The Comissão do Mercado de Valores Mobiliários (Portuguese stock market regulator) then announced on 23 August 2018 that an independent auditor should review the price of the offering on the understanding that it might constitute an inequitable price since it derives from a private agreement reached with a shareholder (Allianz Group). At the date of this report, the auditor is still in the process of reviewing the price.

Early redemption of subordinated bonds

CaixaBank published a significant corporate event on 4 June 2018, announcing that on 8 June 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of Subordinated Bonds Series I/2012", with a balance amounting to €2,072.3 million. The redemption price was 100% of the nominal outstanding balance, plus any accrued and unpaid coupon.

CaixaBank also filed a significant corporate event on 14 September 2018 to announce that on 14 November 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of subordinated bonds of CaixaBank, S.A., Series I/2013", for the nominal sum of €750 million. The redemption price will be 100% of the nominal outstanding balance of the issuance, plus any accrued and unpaid coupon.

Acquisition of 51% of the share capital of Servihabitat

On 8 June 2018, CaixaBank announced that it had reached an agreement with the company SH Findel, SARL (controlled by TPG Sixth Street Partners) to acquire 51% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. at a price of €176.5 million. The deal was cleared by the authorities and completed on 13 July 2018.

The repurchase of 51% of Servihabitat has had a negative impact of -15 basis points on the fully-loaded CET1 ratio and of €-204 million on the 2018 income statement. In the coming years, it is expected to have a positive impact on the income statement of some €45 million a year.

Agreement to sell 80% of the real estate business

On 28 June 2018, CaixaBank arranged to sell 80% of its real estate business to a company owned by Lone Star Fund X and Lone Star Real Estate Fund V.

The real estate business to be sold to Lone Star comprises mainly the portfolio of real estate assets available for sale at 31 October 2017, as well as 100% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. The gross value of the real estate assets at 31 October 2017 was roughly €12,800 million (with a net book value of approximately €6,700 million).

CaixaBank intends to convey its real estate business to a newco, 80% of which it will then sell to Lone Star, while retaining the remaining 20% stake. Under the arrangement, the entire real estate business has been initially valued at roughly €7,000 million. CaixaBank will complete the transaction through its real estate subsidiary BuildingCenter, S.A.

The selling price for 80% of the company will be equivalent to 80% of the final value assigned to the real estate business at the date of completion. This price will largely depend on the number of real estate assets that remain with the company at that date.

Under the deal, Servihabitat will continue to service the real estate assets of the CaixaBank Group for a five-year term under a new agreement that will allow CaixaBank to become more flexible and efficient, including the cost reductions and savings announced along with the repurchase of 51% of Servihabitat.

Lone Star and CaixaBank will sign a further agreement on the completion date to govern their relations as joint owners of the company.

Completion of the deal will mark the deconsolidation of the real estate business, which is estimated to have a neutral impact on the income statement and a positive impact of 30 basis points on the fully-loaded CET1 ratio. The deal with Lone Star and the repurchase of 51% of Servihabitat are expected to have a combined impact on the fully-loaded CET1 ratio of +15 basis points.

The arrangement is also expected to generate cost savings of some €550 million before tax over the following three years (2019-2021), including the new servicing agreement with Servihabitat.

Agreement to sell the stake in Repsol

On 20 September 2018, the Board of Directors agreed to sell CaixaBank’s stake in Repsol, S.A. through a series of sales structured as follows:

a) Early settlement in September 2018 of the two existing equity swap agreements over 30,547,921 (1.91%) and 43,074,196 (2.70%) shares at €15.39 and €15.55, respectively.
b) The remaining position of 75,789,715 shares (4.75%) is to be accounted for as “Financial assets designated at fair value through other global profit or loss”, future changes will be reflected under this heading.
   The divestment programme for these shares is expected to be completed by the first quarter of 2019. Selling will be subject to a daily cap of 15% of the volume traded during the day. The number of shares ultimately sold will depend on market conditions and on fetching a share price that ensures that the income obtained represents a fair value for CaixaBank shareholders, among other considerations.

The income statement for the third quarter of 2018 includes a negative result of €-453 million stemming from the deal. Once completed, the divestment programme is expected to have a neutral impact on CET1 fully loaded.

Appendices

Investment portfolio

Main investees (associates and available for sale) at 30 September 2018:

CaixaBank	%	Business segment
Telefónica	5.00%	Equity investments
Repsol	4.59%	Equity investments
Erste Group Bank	9.92%	Equity investments
SegurCaixa Adeslas	49.92%	Banking and insurance
Comercia Global Payments	49.00%	Banking and insurance
ServiHabitat Servicios Inmobiliarios	100.00%	Non-core real estate
Sareb	12.24%	Non-core real estate
BPI	94.95%	BPI
BFA[1]	48.10%	Equity investments
Banco Comercial e de Investimentos (BCI)[1]	35.67%	Equity investments

(1) The percentage of ownership attributed to CaixaBank at 30 September 2018 was 45.67% at BFA and 33.87% 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, 2017	Jun 30, 2018	Sep 30, 2018
Without mortgage collateral	762	775	768
of which: non-performing	10	7	7
With mortgage collateral	82,327	81,195	80,455
of which: non-performing	3,465	3,345	3,185
Total	**83,089**	**81,970**	**81,223**

Loan-to-value breakdown[2]

	Sep 30, 2018					
€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
Gross amount	21,376	30,584	21,145	4,275	3,075	80,455
of which: non-performing	215	451	648	626	1,245	3,185

(2) 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	Sep 30, 2018	Weight %	Jun 30, 2018	Weight %	Dec 31, 2017	Weight %
Without mortgage collateral	580	9.3	741	11.2	813	11.9
With mortgage collateral	5,662	90.7	5,890	88.8	6,016	88.1
Completed buildings	3,878	62.1	4,184	63.1	4,336	63.5
Homes	2,672	42.8	2,754	41.5	2,811	41.2
Other	1,206	19.3	1,430	21.6	1,525	22.3
Buildings under construction	1,156	18.5	1,065	16.1	931	13.6
Homes	1,037	16.6	925	13.9	840	12.3
Other	119	1.9	140	2.1	91	1.2
Land	628	10.1	641	9.7	749	11.0
Developed land	378	6.1	378	5.7	422	6.2
Other	250	4.0	263	4.0	326	4.7
Total	**6,242**	**100.0**	**6,631**	**100.0**	**6,830**	**100.0**

(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.

NPLs and coverage for real estate development risk[2]

	Sep 30, 2018		Jun 30, 2018		Dec 31, 2017	
€ million	Non-performing	Coverage %[3]	Non-performing	Coverage %[3]	Non-performing	Coverage %[3]
Without mortgage collateral	105	83	114	84	137	83
With mortgage collateral	969	44	1,050	46	1,344	40
Completed buildings	736	36	783	38	970	31
Homes	403	32	419	35	529	29
Other	333	41	364	42	441	34
Buildings under construction	41	64	42	60	43	45
Homes	33	72	12	72	33	51
Other	8	34	30	56	10	23
Land	192	72	225	69	331	64
Developed land	118	73	144	74	185	70
Other	74	70	81	61	146	55
Total	**1,074**	**48**	**1,164**	**50**	**1,481**	**44**

(2) The surplus value of mortgage collateral to the non-performing real estate developer portfolio at 30 September 2018, 30 June 2018 and 31 December 2017 amounts to €482 million, €521 million and €602 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	Rating of covered bonds
S&P Global	BBB+	A-2	Stable	6 April 2018	AA-
Fitch	BBB+	F2	Stable	8 October 2018	
Moody's	Baa1	P-2	Stable	1 August 2018	Aa1
DBRS	A	R-1 (low)	Stable	12 April 2018	AAA

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

Glossary

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

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

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

Alternative Performance Measures used by the Group

1. Profitability and cost-to-income:

a) Customer spread

Explanation: difference between:

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

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

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	Annualised quarterly income from loans and advances to customers	4,614	4,594	4,741	4,741	4,721
Denominator	Net average balace of loans and advances to customers	210,440	209,451	207,592	208,857	208,805
(a)	**Average yield rate on loans (%)**	**2.19**	**2.19**	**2.28**	**2.27**	**2.26**
Numerator	Annualised quarterly cost of on-balance sheet customers funds	87	63	69	72	71
Denominator	Average balance of on-balance sheet retail customers funds	195,983	187,178	190,216	198,910	204,189
(b)	**Average cost rate of retail deposits (%)**	**0.04**	**0.03**	**0.04**	**0.04**	**0.04**
	Customer spread (%) (a - b)	2.15	2.16	2.24	2.23	2.22

b) Balance sheet spread

Explanation: difference between:

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

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

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	Annualised quarterly interest income	6,935	7,106	6,915	7,055	6,856
Denominator	Average total assets for the quarter	376,073	387,300	377,143	385,155	388,276
(a)	**Average return rate on assets (%)**	**1.84**	**1.83**	**1.83**	**1.83**	**1.77**
Numerator	Annualised quarterly interest expenses	2,170	2,361	2,036	2,126	1,940
Denominator	Average total liabilities for the quarter	376,073	387,300	377,143	385,155	388,276
(b)	**Average cost of fund rate (%)**	**0.57**	**0.61**	**0.54**	**0.55**	**0.50**
	Balance sheet spread (%) (a - b)	1.27	1.22	1.29	1.28	1.27

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.

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Adjusted profit attributable to the Group 12M**	1,551	1,658	1,946	2,083	**1,893**
Denominator	**Average equity 12M**	23,675	23,897	24,058	24,230	**24,428**
	ROE (%)	6.6%	6.9%	8.1%	8.6%	7.7%

d) ROTE

Explanation: Quotient between:

- profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon after tax reported in equity); and
- 12-month 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.

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Adjusted profit attributable to the Group 12M**	1,551	1,658	1,946	2,083	**1,893**
Denominator	**Average equity excluding intangible assets 12M**	19,508	19,679	19,805	19,985	**20,187**
	ROTE (%)	8.0%	8.4%	9.8%	10.4%	9.4%

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: measures the level of return relative to assets.

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Adjusted net profit 12M**	1,588	1,693	2,004	2,144	**1,942**
Denominator	**Average total assets 12M**	360,645	372,905	377,313	381,431	**384,507**
	ROA (%)	0.4%	0.5%	0.5%	0.6%	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: measures the return based on risk weighted assets.

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Adjusted net profit 12M**	1,588	1,693	2,004	2,144	**1,942**
Denominator	**Regulatory risk-weighted assets 12M**	145,567	149,060	150,211	149,189	**148,644**
	RORWA (%)	1.1%	1.1%	1.3%	1.4%	1.3%

g) Cost-to-income ratio

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

The Bank also uses a variant of this indicator that does not count extraordinary operating expenses in the numerator.

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

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	Administrative expenses + depreciation and amortisation 12M	4,450	4,577	4,628	4,566	**4,602**
Denominator	Gross income 12M	8,379	8,222	8,591	8,595	**8,632**
	Cost-to-income ratio	53.1%	55.7%	53.9%	53.1%	53.3%

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	Administrative expenses + depreciation and amortisation stripping out extraordinary expenses	4,340	4,467	4,525	4,555	**4,590**
Denominator	Gross income 12M	8,379	8,222	8,591	8,595	**8,632**
	Cost-to-income ratio stripping out extraordinary expenses	51.8%	54.3%	52.7%	53.0%	53.2%

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.

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	Total allowances for insolvency risk 12M	952	799	689	575	**191**
Denominator	Average of gross loans + contingent liabilities 12M	231,247	236,772	237,648	237,292	**237,202**
	Cost of risk (%)	0.41%	0.34%	0.29%	0.24%	0.08%

The ratio for 3Q17 excludes the release of €676 million in provisions carried out in the fourth quarter of 2016.

The 3Q18 ratio stripping out the extraordinary release of provisions of some €275 million, in the third quarter 2018, would be 0.20%.

b) Non-performing loan ratio

Explanation: quotient between:

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

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	Non-perfoming loans and advances to customers + contingent liabilities	15,286	14,305	13,695	12,714	**12,116**
Denominator	Total gross loans to customers + contingent liabilities	237,403	237,934	236,218	239,180	**237,252**
	Non-performing loan ratio (%)	6.4%	6.0%	5.8%	5.3%	5.1%

c) Coverage ratio

Explanation: quotient between:

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

Purpose: indicator used to monitor NPL coverage via provisions.

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Provisions on loans to customers + contingent liabilities**	7,630	7,135	7,597	7,172	**6,579**
Denominator	**Non-perfoming loans and advances to customers + contingent liabilities**	15,286	14,305	13,695	12,714	**12,116**
	Coverage ratio (%)	**50%**	**50%**	**55%**	**56%**	**54%**

d) Real estate available for sale coverage ratio

Explanation: quotient between:

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

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

		3Q17	4Q17	1Q18	2Q18	3Q18
(a)	Gross debt cancelled at the foreclosure	14,596	14,112	13,999	13,480	13,078
(b)	Net book value of the foreclosed asset	6,145	5,878	5,810	5,553	5,346
Numerator	**Total coverage of the foreclosed asset (a - b)**	**8,451**	**8,234**	**8,189**	**7,927**	**7,732**
Denominator	**Gross debt cancelled at the foreclosure**	**14,596**	**14,112**	**13,999**	**13,480**	**13,078**
	Real estate available for sale coverage ratio (%)	**58%**	**58%**	**58%**	**59%**	**59%**

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

Explanation: quotient between:

- accounting coverage: accounting provisions for foreclosed real estate assets; and
- book value of the foreclosed asset, gross: sum of net carrying amount and the accounting provision.

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

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Accounting provisions of the foreclosed assets**	**5,930**	**5,811**	**5,780**	**5,612**	**5,496**
(a)	Net book value of the foreclosed asset	6,145	5,878	5,810	5,553	5,346
(b)	Accounting provisions of the foreclosed assets	5,930	5,811	5,780	5,612	5,496
Denominator	**Gross book value of the foreclosed asset (a + b)**	**12,075**	**11,689**	**11,590**	**11,165**	**10,842**
	Real estate available for sale accounting coverage (%)	**49%**	**50%**	**50%**	**50%**	**51%**

3. Liquidity:

a) Total liquid assets

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

Purpose: shows the Bank's liquidity position.

		3Q17	4Q17	1Q18	2Q18	3Q18
(a)	**High Quality Liquid Assets (HQLAs)**	53,466	53,610	54,026	61,940	**55,946**
(b)	**Available balance under the ECB facility (non- HQLAs)**	18,115	19,165	19,190	17,952	**20,133**
	Total liquid assets (a + b)	**71,581**	**72,775**	**73,216**	**79,892**	**76,079**

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 (allows the Bank to track the part of retail lending that is funded by customer funds)

		3Q17	4Q17	1Q18	2Q18	3Q18
Numerator	**Loans and advances to customers, net (a-b-c)**	**213,625**	**211,769**	**210,789**	**213,782**	**212,445**
(a)	Loans and advances to customers, gross	225,166	223,951	223,249	225,744	223,465
(b)	Provisions for insolvency risk	7,345	6,832	7,299	6,878	6,296
(c)	Brokered loans	4,196	5,350	5,161	5,084	4,724
Denominator	**On-balance sheet customers funds**	**199,563**	**196,611**	**197,296**	**208,654**	**203,473**
	Loan to Deposits (%)	**107%**	**108%**	**107%**	**102%**	**104%**

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

OCI: other comprehensive income.

(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 not designated for trading that must be designated 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 assets and other provisions. Includes the following line items:

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

of which: Allowances for insolvency risk.

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

of which: Other charges to provisions.

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

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

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

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

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

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

September 2018 € million	
Financial assets measured at amortised cost - Customers (Public Balance Sheet)	**215,972**
Reverse repurchase agreements (public and private sector)	(296)
Clearing Houses	(768)
Other, non-retail, financial assets	(464)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	**353**
Other, non-retail, financial assets	(299)
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	**2,039**
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	**632**
Provisions for insolvency risk	**6,296**
Loans and advances to customers (gross) using management criteria	**223,465**

Liabilities under insurance contracts

September 2018 € million	
Liabilities under insurance contracts (Public Balance Sheet)	**60,314**
Capital gains/(losses) under the insurance business	(8,282)
Liabilities under insurance contracts, using management criteria	**52,032**

Customer funds

September 2018 € million	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	**209,788**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	**(3,641)**
Multi-issuer covered bonds and subordinated deposits	(3,747)
Counterparties and other	106
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	**589**
Retail issues and other	589
Liabilities under insurance contracts, using management criteria	**52,032**
Total on-balance sheet customer funds	**258,768**
Assets under management	**99,338**
Other accounts[1]	**5,515**
Total customer funds	**363,621**

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

Institutional issuances for banking liquidity purposes

September 2018 € million	
Financial liabilities at amortised cost - Debt securities (Public Balance Sheet)	**29,327**
Institutional financing not considered for the purpose of managing bank liquidity	**(2,711)**
Securitised bonds	(1,957)
Value adjustments	(282)
Retail	(589)
Issues acquired by companies within the group and other	117
Customer deposits for the purpose of managing bank liquidity[2]	**3,747**
Deposits from credit institutions (Public Balance Sheet) - Mortgage covered bonds (BEI)	**20**
Institutional financing for the purpose of managing bank liquidity	**30,383**

(2) A total of €3,714 million in multi-issuer covered bonds (net of retained issues) and €33 million in subordinated deposits.

Reconciliation with the financial information released by BPI:

a) Income statement presented as per the Group's segment reporting

September 2018 € million	Published by BPI	Attributable to Group	Business BPI	 Equity Investments
Net interest income	**315**	**293**	**298**	**(5)**
Dividend income	2	2	2	
Share of profit/(loss) of entities accounted for using the equity method	246	245	11	234
Net fee and commission income	202	208	208	
Gains/(losses) on financial assets and liabilities and others	77	99	42	57
Other operating income and expense	(16)	(26)	(26)	
Gross income	**826**	**821**	**535**	**286**
Recurring administrative expenses, depreciation and amortisation	(330)	(343)	(343)	
Extraordinary expenses	(8)	(11)	(11)	
Pre-impairment income	**488**	**467**	**181**	**286**
Pre-impairment income stripping out extraordinary expenses	**496**	**478**	**192**	**286**
Allowances for insolvency risk	27	14	14	
Other charges to provisions		1	1	
Gains/(losses) on disposal of assets and others	58	57	57	
Profit/(loss) before tax	**573**	**539**	**253**	**286**
Income tax expense	(108)	(91)	(68)	(23)
Profit/(loss) from discontinued operations (net)	64			
Profit/(loss) after tax	**529**	**448**	**185**	**263**
Profit/(loss) attributable to minority interest and others		49	17	32
Profit/(loss) attributable to the Group	**529**	**399**	**168**	**231**

The difference between the earnings released by BPI and the earnings attributable to the Group is largely a result of consolidation adjustments (especially the elimination of the capital gain generated at BPI following the sale of the asset management business to CaixaBank), standardisation adjustments and the net change in the fair value adjustments generated from the business combination.

Meanwhile, the earnings attributable to the Group are presented in accordance with the contribution made to the BPI business and to the equity investments business, in the latter case as per the assignment to that business of BFA and BCI.

b) Customer funds at BPI as per the Group's segment reporting

September 2018 € million	Published by BPI	Adjustments	BPI segment
Total customer funds	**33,153**	**(4,146)**	**29,007**

The difference between the funds reported by BPI and those reported by CaixaBank for the BPI business can largely be explained by the fact that the liabilities under insurance contracts and their fair value adjustments at 30 September 2018, as generated by the business combination, have been reported in the banking and insurance business following the sale of BPI Vida to VidaCaixa de Seguros y Reaseguros.

c) Loans and advances to customers at BPI as per the Group's segment reporting

September 2018 € million	Published by BPI	Adjustments	BPI segment
Loans and advances to customers, net	**22,867**	**(380)**	**22,487**

The difference between loans and advances to customers, net, reported by BPI and those reported by CaixaBank for its BPI business is largely down to the associated fair value adjustments generated by the business combination at 30 September 2018.

Historical income statement figures for the CABK and BPI perimeters

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

€ million	CABK 3Q18	2Q18	1Q18	4Q17	3Q17
Net interest income	**1,139**	**1,131**	**1,108**	**1,088**	**1,099**
Dividend income		115	5		5
Share of profit/(loss) of entities accounted for using the equity method	147	175	158	107	149
Net fee and commission income	581	599	550	550	538
Gains/(losses) on financial assets and liabilities and others	22	143	59	(6)	101
Income and expense under insurance or reinsurance contracts	137	144	138	118	121
Other operating income and expense	(22)	(141)	(108)	(248)	(60)
Gross income	**2,004**	**2,166**	**1,910**	**1,609**	**1,953**
Recurring administrative expenses, depreciation and amortisation	(1,049)	(1,043)	(1,031)	(1,010)	(1,008)
Extraordinary expenses				(1)	(3)
Pre-impairment income	**955**	**1,123**	**879**	**598**	**942**
Pre-impairment income stripping out extraordinary expenses	**955**	**1,123**	**879**	**599**	**945**
Allowances for insolvency risk	187	(112)	(139)	(148)	(200)
Other charges to provisions	(45)	(233)	(50)	(111)	(37)
Gains/(losses) on disposal of assets and others	(464)	(68)	(2)	(116)	(1)
Profit/(loss) before tax	**633**	**710**	**688**	**223**	**704**
Income tax expense	(277)	(199)	(153)	(22)	(156)
Profit/(loss) after tax	**356**	**511**	**535**	**201**	**548**
Profit/(loss) attributable to minority interest and others	33			1	2
Profit/(loss) attributable to the Group	**323**	**511**	**535**	**200**	**546**
Risk-weighted assets	131,785	130,872	131,772	131,982	132,943
Fully-loaded Common Equity Tier 1 (CET1)	*11.2%*	*11.2%*	*11.6%*	*11.6%*	*11.7%*
Fully-loaded total capital	*15.2%*	*15.9%*	*16.4%*	*15.9%*	*16.1%*
CET1	*11.4%*	*11.5%*	*11.9%*	*12.7%*	*12.7%*

€ million	BPI 3Q18	2Q18	1Q18	4Q17	3Q17
Net interest income	**100**	**98**	**95**	**108**	**102**
Dividend income	1	1		1	
Share of profit/(loss) of entities accounted for using the equity method	75	62	108	(69)	71
Net fee and commission income	64	69	75	82	77
Gains/(losses) on financial assets and liabilities and others	8	14	77	1	9
Income and expense under insurance or reinsurance contracts					
Other operating income and expense	(5)	(18)	(3)	(1)	(1)
Gross income	**243**	**226**	**352**	**122**	**258**
Recurring administrative expenses, depreciation and amortisation	(113)	(112)	(118)	(114)	(119)
Extraordinary expenses	(3)	(5)	(3)		
Pre-impairment income	**127**	**109**	**231**	**8**	**139**
Pre-impairment income stripping out extraordinary expenses	**130**	**114**	**234**	**8**	**139**
Allowances for insolvency risk	11	3		7	14
Other charges to provisions	1			(1)	
Gains/(losses) on disposal of assets and others	57			(1)	
Profit/(loss) before tax	**196**	**112**	**231**	**13**	**153**
Income tax expense	(42)	(20)	(29)	(20)	(31)
Profit/(loss) after tax	**154**	**92**	**202**	**(7)**	**122**
Profit/(loss) attributable to minority interest and others	7	9	33	(3)	19
Profit/(loss) attributable to the Group	**147**	**83**	**169**	**(4)**	**103**
Risk-weighted assets	17,041	16,882	16,556	16,644	16,505
Fully-loaded Common Equity Tier 1 (CET1) [1]	*13.1%*	*12.8%*	*11.2%*	*12.3%*	*11.5%*
Fully-loaded total capital [1]	*14.8%*	*14.6%*	*13.0%*	*14.0%*	*13.3%*
CET1 [1]	*13.1%*	*12.8%*	*11.2%*	*13.2%*	*12.5%*

(1) The first quarter of 2018 does not include the net profit published by BPI (€210 million).

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

		CAIXABANK														
		3Q18			2Q18			1Q18			4Q17			3Q17		
€ million		Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions		21,691	42	0.77	20,342	40	0.80	16,548	42	1.02	23,685	45	0.76	13,977	48	1.36
Loans and advances	(a)	188,222	1,089	2.30	188,518	1,084	2.31	187,589	1,075	2.32	189,587	1,061	2.22	190,558	1,069	2.22
Fixed income securities portfolio		30,178	85	1.12	29,533	90	1.23	28,511	79	1.12	27,283	78	1.13	26,580	93	1.39
Other assets with returns		54,667	393	2.85	55,369	431	3.12	52,152	400	3.11	50,777	494	3.86	50,444	427	3.35
Other assets		65,443	6		63,645	4		65,947	4		64,451	4		63,018	5	
Total average assets	**(b)**	**360,201**	**1,615**	**1.78**	**357,407**	**1,649**	**1.85**	**350,747**	**1,600**	**1.85**	**355,783**	**1,682**	**1.88**	**344,577**	**1,642**	**1.89**
Financial Institutions		38,690	(50)	0.51	39,194	(48)	0.49	40,746	(43)	0.43	55,628	(49)	0.35	37,873	(53)	0.55
Retail customer funds	(c)	183,070	(13)	0.03	177,878	(13)	0.03	170,204	(12)	0.03	166,878	(11)	0.03	175,988	(17)	0.04
Demand deposits		157,517	(9)	0.02	152,429	(9)	0.02	144,243	(9)	0.03	139,538	(10)	0.03	146,918	(13)	0.04
Maturity deposits		25,553	(4)	0.06	25,449	(4)	0.06	25,960	(3)	0.04	27,340	(1)	0.01	29,071	(4)	0.05
Time deposits		22,492	(4)	0.07	23,368	(4)	0.07	24,463	(3)	0.04	26,080	(1)	0.01	27,238	(4)	0.05
Retail repurchase agreements and marketable debt securities		3,061			2,081			1,498			1,260			1,832		
Wholesale marketable debt securities & other		25,666	(63)	0.97	26,926	(64)	0.95	27,785	(68)	0.99	26,375	(70)	1.05	25,784	(73)	1.12
Subordinated liabilities		6,150	(24)	1.55	7,404	(33)	1.77	6,113	(32)	2.14	5,946	(34)	2.28	6,245	(38)	2.39
Other funds with cost		63,557	(320)	2.00	63,780	(356)	2.24	63,023	(328)	2.11	57,122	(422)	2.93	55,859	(357)	2.54
Other funds		43,068	(6)		42,225	(4)		42,876	(9)		43,834	(8)		42,828	(5)	
Total average funds	**(d)**	**360,201**	**(476)**	**0.53**	**357,407**	**(518)**	**0.58**	**350,747**	**(492)**	**0.57**	**355,783**	**(594)**	**0.67**	**344,577**	**(543)**	**0.62**
Net interest income			**1,139**			**1,131**			**1,108**			**1,088**			**1,099**	
Customer spread (%)	**(a-c)**		**2.27**			**2.28**			**2.29**			**2.19**			**2.18**	
Balance sheet spread (%)	**(b-d)**		**1.25**			**1.27**			**1.28**			**1.21**			**1.27**	

		BPI														
		3Q18			2Q18			1Q18			4Q17			3Q17		
€ million		Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions		2,304	3	0.46	2,053	2	0.42	1,041	2	0.69	1,471	3	0.75	1,252	2	0.61
Loans and advances	(a)	20,584	101	1.94	20,340	98	1.93	20,005	95	1.92	19,865	97	1.93	19,881	94	1.87
Fixed income securities portfolio		5,382	13	0.97	5,132	14	1.09	4,950	12	0.96	5,634	8	0.58	4,847	8	0.69
Other assets with returns																
Other assets		3,303	2		3,423	2		3,408	2		6,338	6		6,711	7	
Total average assets	**(b)**	**31,573**	**119**	**1.50**	**30,948**	**116**	**1.51**	**29,404**	**111**	**1.53**	**33,308**	**114**	**1.36**	**32,691**	**111**	**1.35**
Financial Institutions		5,217	(1)	0.06	4,894	(1)	0.05	4,285	(2)	0.15	3,877	(2)	0.22	3,870	(2)	0.17
Retail customer funds	(c)	21,510	(5)	0.10	21,404	(5)	0.09	20,494	(5)	0.09	20,304	(5)	0.09	19,995	(5)	0.10
Demand deposits		12,867			12,825			11,943			11,755			11,247		
Maturity deposits		8,644	(5)	0.25	8,579	(5)	0.23	8,551	(5)	0.22	8,549	(5)	0.22	8,748	(5)	0.22
Time deposits		8,644	(5)	0.25	8,579	(5)	0.23	8,551	(5)	0.22	8,549	(5)	0.22	8,748	(5)	0.22
Retail repurchase agreements and marketable debt securities		(1)														
Wholesale marketable debt securities & other		275	(4)	6.15	275	(4)	6.52	462	(2)	2.01	694	(3)	1.93	730	(2)	1.21
Subordinated liabilities		300	(4)	5.55	300	(4)	5.54	301	(4)	5.53	359	(4)	4.88	361	(4)	4.89
Other funds with cost											4,130	11	(1.06)	4,092	8	(0.78)
Other funds		4,271	(5)		4,075	(4)		3,862	(3)		3,944	(3)		3,643	(4)	
Total average funds	**(d)**	**31,573**	**(19)**	**0.25**	**30,948**	**(18)**	**0.24**	**29,404**	**(16)**	**0.22**	**33,308**	**(6)**	**0.08**	**32,691**	**(9)**	**0.11**
Net interest income			**100**			**98**			**95**			**108**			**102**	
Customer spread (%)	**(a-c)**		**1.84**			**1.84**			**1.83**			**1.84**			**1.77**	
Balance sheet spread (%)	**(b-d)**		**1.25**			**1.27**			**1.31**			**1.28**			**1.24**	

c) Quarterly change in fees and commissions:

	CAIXABANK				
€ million	**3Q18**	**2Q18**	**1Q18**	**4Q17**	**3Q17**
Banking services, securities and other fees	333	346	310	315	322
Mutual funds, managed accounts and SICAVs	131	133	116	119	113
Pension plans	54	50	57	60	51
Sale of insurance products	63	70	67	56	52
Net fee and commission income	**581**	**599**	**550**	**550**	**538**

	BPI				
€ million	**3Q18**	**2Q18**	**1Q18**	**4Q17**	**3Q17**
Banking services, securities and other fees	38	43	43	48	47
Mutual funds, managed accounts and SICAVs	10	9	16	15	13
Pension plans				2	2
Sale of insurance products	16	17	16	17	15
Net fee and commission income	**64**	**69**	**75**	**82**	**77**

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

	CAIXABANK				
€ million	**3Q18**	**2Q18**	**1Q18**	**4Q17**	**3Q17**
Gross income	**2,004**	**2,166**	**1,910**	**1,609**	**1,953**
Personnel expenses	(679)	(674)	(668)	(663)	(653)
General expenses	(279)	(280)	(270)	(260)	(254)
Depreciation and amortisation	(91)	(89)	(93)	(87)	(101)
Recurring administrative expenses, depreciation and amortisation	**(1,049)**	**(1,043)**	**(1,031)**	**(1,010)**	**(1,008)**
Extraordinary expenses				(1)	(3)

	BPI				
€ million	**3Q18**	**2Q18**	**1Q18**	**4Q17**	**3Q17**
Gross income	**243**	**226**	**352**	**122**	**258**
Personnel expenses	(62)	(58)	(63)	(66)	(67)
General expenses	(41)	(44)	(47)	(38)	(42)
Depreciation and amortisation	(10)	(10)	(8)	(10)	(10)
Recurring administrative expenses, depreciation and amortisation	**(113)**	**(112)**	**(118)**	**(114)**	**(119)**
Extraordinary expenses	(3)	(5)	(3)		

e) Changes in the NPL ratio:

	CAIXABANK			BPI		
	Sep 30, 2018	**Jun 30, 2018**	**Dec 31, 2017**	**Sep 30, 2018**	**Jun 30, 2018**	**Dec 31, 2017**
Loans to individuals	**5.0%**	5.1%	5.3%	**4.0%**	4.2%	4.7%
Home purchases	3.9%	4.1%	4.2%	3.9%	4.1%	4.6%
Other	7.6%	7.5%	8.0%	4.7%	4.8%	5.6%
Loans to business	**6.4%**	6.9%	8.5%	**5.3%**	5.3%	6.4%
Corporates and SMEs	5.5%	5.9%	7.2%	4.8%	4.6%	5.9%
Real estate developers	17.1%	17.5%	21.6%	12.1%	16.1%	23.8%
Public sector	**0.7%**	0.7%	1.6%	**0.1%**		
NPL Ratio (loans and contingent liabilities)	**5.2%**	**5.4%**	**6.1%**	**4.3%**	**4.4%**	**5.1%**

Activity indicators by region

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

Spain

€ million	Sep 30, 2018	Jun 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**114,816**	**117,027**	**(1.9)**	**115,973**	**(1.0)**
Home purchases	81,223	81,970	(0.9)	83,089	(2.2)
Other	33,593	35,057	(4.2)	32,884	2.2
Loans to business	**74,310**	**73,708**	**0.8**	**74,442**	**(0.2)**
Corporates and SMEs	68,047	67,070	1.5	67,593	0.7
Real estate developers	6,263	6,638	(5.6)	6,849	(8.6)
Public sector	**10,314**	**11,285**	**(8.6)**	**10,541**	**(2.2)**
Loans and advances to customers, gross	**199,440**	**202,020**	**(1.3)**	**200,956**	**(0.8)**
CUSTOMERS FUNDS					
Customer funds	182,400	187,439	(2.7)	176,468	3.4
Demand deposits	159,450	163,322	(2.4)	147,109	8.4
Term deposits	22,950	24,117	(4.8)	27,314	(16.0)
Subordinated retail liabilities				2,045	
Insurance contract liabilities	47,870	47,304	1.2	45,841	4.4
Reverse repurchase agreements and other	3,248	2,425	33.9	955	
On-balance sheet funds	**233,518**	**237,168**	**(1.5)**	**223,264**	**4.6**
Mutual funds, managed accounts and SICAVs	63,235	62,442	1.3	61,077	3.5
Pension plans	27,606	27,199	1.5	26,941	2.5
Assets under management	**90,841**	**89,641**	**1.3**	**88,018**	**3.2**
Other accounts	**3,506**	**3,376**	**3.9**	**3,213**	**9.1**
Total customer funds	**327,865**	**330,185**	**(0.7)**	**314,495**	**4.3**

Portugal

€ million	Sep 30, 2018	Jun 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**12,785**	**12,731**	**0.4**	**12,517**	**2.1**
Home purchases	11,233	11,204	0.3	11,098	1.2
Other	1,552	1,527	1.6	1,419	9.4
Loans to business	**9,562**	**9,314**	**2.7**	**9,021**	**6.0**
Corporates and SMEs	8,916	8,806	1.2	8,769	1.7
Real estate developers	646	508	27.2	252	
Public sector	**1,678**	**1,679**	**(0.1)**	**1,457**	**15.2**
Loans and advances to customers, gross	**24,025**	**23,724**	**1.3**	**22,995**	**4.5**
CUSTOMERS FUNDS					
Customer funds	21,073	21,215	(0.7)	20,143	4.6
Demand deposits	12,552	12,638	(0.7)	11,663	7.6
Term deposits	8,521	8,577	(0.7)	8,479	0.5
Subordinated retail liabilities				1	
Insurance contract liabilities	4,162	4,179	(0.4)	4,124	0.9
Reverse repurchase agreements and other	15	15		13	15.4
On-balance sheet funds	**25,250**	**25,409**	**(0.6)**	**24,280**	**4.0**
Mutual funds, managed accounts and SICAVs	5,677	5,830	(2.6)	5,805	(2.2)
Pension plans	2,820	2,845	(0.9)	2,728	3.4
Assets under management	**8,497**	**8,675**	**(2.1)**	**8,533**	**(0.4)**
Other accounts	**2,009**	**1,894**	**6.1**	**2,150**	**(6.6)**
Total customer funds	**35,756**	**35,978**	**(0.6)**	**34,963**	**2.3**

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