Business activity and results

January-September

2019

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 specifically in the case of BPI, the information contained in this document does not coincide with certain aspects presented in BPI's publication of financial information. Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.

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

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

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

Commercial positioning

CaixaBank Group

15.6
million customers

29.3%
market penetration among individual customers in Spain

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

413,165
in total assets (€ million)

381,136
in customer funds (€ million)

227,876
in loans and advances to customers (€ million)

Balance sheet indicators

RISK MANAGEMENT

4.1%
NPL ratio

54%
NPL coverage ratio

CAPITAL ADEQUACY

11.7%
Common Equity Tier 1 (CET1)

15.3%
Total capital

21.4%
MREL

LIQUIDITY

89,442
in total liquid assets (€ million)

190%
liquidity coverage ratio (LCR), trailing 12 months

124%
NSFR

Profitability and cost-to-income

787
Banking and insurance

1,266
profit attributable to the Group (€ million)

307
Equity Investments

172
BPI

56.2%
cost-to-income ratio, stripping out extraordinary expenses (12 months)

6.8%
12-month ROTE

10.1%
stripping out extraordinary expenses

9.4%
12-month recurring ROTE for the banking and insurance business

Key Group figures

€ million / %	January - September 2019	January - September 2018	Year-on-year	3Q19	Quarter-on-quarter
INCOME STATEMENT					
Net interest income	3,720	3,671	1.3%	1,242	0.1%
Net fee and commission income	1,904	1,938	(1.7%)	656	3.2%
Gross income	6,610	6,901	(4.2%)	2,165	(7.3%)
Recurring administrative expenses, depreciation and amortisation	(3,597)	(3,466)	3.8%	(1,189)	(1.3%)
Pre-impairment income	2,035	3,424	(40.6%)	976	-
Pre-impairment income stripping out extraordinary expenses	3,013	3,435	(12.3%)	976	(13.7%)
Profit/(loss) attributable to the Group	1,266	1,768	(28.4%)	644	-
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	67.9%	53.3%	14.6	67.9%	0.9
Cost-to-income ratio stripping out extraordinary expenses	56.2%	53.2%	3.0	56.2%	0.8
ROE [1]	5.6%	7.9%	(2.3)	5.6%	0.7
ROTE[1]	6.8%	9.5%	(2.7)	6.8%	0.8
ROA	0.3%	0.5%	(0.2)	0.3%	-
RORWA	0.9%	1.3%	(0.4)	0.9%	0.1

	September 2019	December 2018	Year-to-date	June 2019	Quarter-on-quarter
BALANCE SHEET					
Total assets	413,165	386,622	6.9%	406,007	1.8%
Equity	24,699	24,058	2.7%	23,984	3.0%
Customer funds	381,136	358,482	6.3%	380,864	0.1%
Loans and advances to customers, gross	227,876	224,693	1.4%	230,867	(1.3%)
RISK MANAGEMENT					
Non-performing loans (NPL)	9,953	11,195	(1,242)	10,402	(449)
Non-performing loan ratio	4.1%	4.7%	(0.6)	4.2%	(0.1)
Cost of risk (last 12 months)	0.14%	0.04%	0.10	0.02%	0.12
Provisions for insolvency risk	5,330	6,014	(684)	5,608	(278)
NPL coverage ratio	54%	54%	-	54%	-
Net foreclosed available for sale real estate assets[2]	914	740	174	863	51
Foreclosed available for sale real estate assets coverage ratio	39%	39%	-	39%	-
LIQUIDITY					
Total Liquid Assets	89,442	79,530	9,912	87,574	1,868
Liquidity Coverage Ratio (last 12 months)	190%	196%	(6)	195%	(5)
Net Stable Funding Ratio (NSFR)	124%	117%	7	124%	-
Loan to deposits	100%	105%	(5)	100%	-
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	11.7%	11.5%	0.2	11.6%	0.1
Tier 1	13.2%	13.0%	0.2	13.1%	0.1
Total capital	15.3%	15.3%	-	15.3%	-
MREL	21.4%	18.9%	2.5	21.1%	0.3
Risk-Weighted Assets (RWAs)	149,245	145,942	3,303	147,331	1,914
Leverage ratio	5.6%	5.5%	0.1	5.5%	0.1
SHARE INFORMATION					
Share price (€/share)	2.410	3.164	(0.754)	2.518	(0.108)
Market capitalization	14,408	18,916	(4,508)	15,053	(645)
Book value per share (€/share)	4.13	4.02	0.11	4.01	0.12
Tangible book value (€/share)	3.42	3.30	0.12	3.30	0.12
Net income attributable per share (€/share) *(12 months)*	0.23	0.32	(0.09)	0.20	0.03
PER (Price/Profit)	10. 60	9.95	0.65	12.60	(2.00)
Tangible PBV (Market value/ book value of tangible assets)	0.70	0.96	(0.26)	0.76	(0.06)
OTHER DATA (units)					
Employees	35,669	37,440	(1,771)	37,510	(1,841)
Branches[3]	4,733	5,103	(370)	4,916	(183)

(1) ROTE without extraordinary expenses at 30 September 2019 is 10.1%. As of 2019, ROTE and ROE calculation includes valuation adjustments in the denominator, re-expressed 2018. See 'Appendices - Glossary'.

(2) Exposure in Spain

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

Key information

Our Bank

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

Customer experience

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

  With a basis of **13.7 million customers in Spain**, CaixaBank is 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.

  Our service vocation helps us establish solid market shares[2] in the main products and services:

Loans	Deposits	Payroll deposits	Investment funds	Life insurances	Pension plans	Card turnover	Consumer lending
15.7%	15.5%	27.4%	16.9%	27.5%	25.1%	23.4%	16.0%

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

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

- BPI boasts a customer base of over **1.9 million customers in Portugal**, with a market share[3] of 10.2% in lending activity and 11.1% in customer funds.

Digital transformation

- CaixaBank continues to strengthen its **leadership of the digital banking** market, where it has 6.3 million **digital customers**[4], 60.5% of the bank's customers.
- Global Finance recognised CaixaBank as **Most innovative bank in Western Europe,** Financial Times as **Best private bank in the world** for its innovation in digital client communication and Euromoney as **Best bank transformation in Europe**.
- The world's first financial institution to offer its customers the ability to use **facial recognition** to withdraw cash at ATMs, without having to enter their PIN. Based on biometric technology, it offers an enhanced user experience and provides further security in transactions.

People centric culture

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

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

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

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

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

Responsible management and social commitment

- For the eighth consecutive year, the Dow Jones Sustainability Index (DJSI) **has included CaixaBank among the world's best listed banks in terms of sustainability**.
- CaixaBank is the first Spanish bank to issue a Social Bond[1] to support the Sustainable Development Goals (SDGs) of the United Nations
- Similarly, the United Nations have conferred the highest rating of sustainable investment (A+) on CaixaBank, through VidaCaixa and CaixaBank Asset Management, valuing the degree of implementation of the Principles for Responsible Investment as well as its management in strategy and good governance.

Attractive return and solid financials

Results and business activity

- **Attributable profit in the first nine months of 2019 stood at 1,266 million euros** (-28.4% with respect to the same period of 2018).

  Its **performance** was mainly impacted by the **labour agreement** reached in the second quarter, which entailed an expense of 978 million euros (685 million euros, net). **Excluding this impact, profit increased 10.4% when compared to the same period of last year.**
- **Total customer funds** reached to €381,136 million **(+6.3% in 2019)**.
- **Loans and advances to customers, gross** came to €227,876 million (+1.4% in the year) **and the performing portfolio gained 2.1%**.

Risk management

- Non-performing balances were down €1,242 million in the first nine months of the year, bringing the **NPL ratio** down to **4.1%** (-61 basis points in 2019).
- The **coverage ratio** remained at **54%**.

Capital management

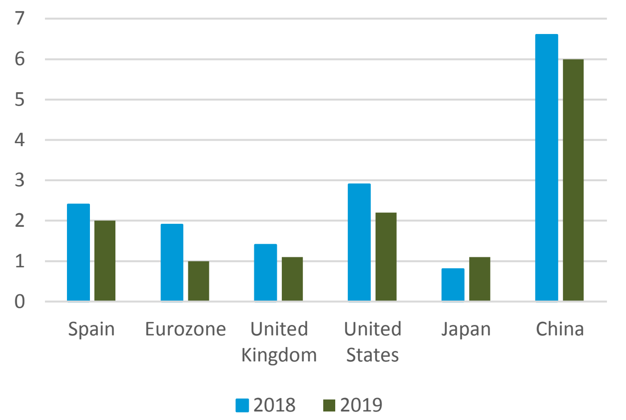
- The **Common Equity Tier 1 (CET1)** ratio **reached 11.7%** at 30 September 2019. Excluding the extraordinary impacts of the first quarter (-11 basis points due to the first-time application of the IFRS 16 regulation and -5 basis points due to the adjustment to credit risk requirements for the financing of property according to the applicable regulation), the growth in the first nine months of 2019 registered +18 basis points due to organic generation of capital (+5 basis points in the quarter) and +13 basis points caused by the positive performance of the markets and other impacts (+6 basis points in the quarter).
- The **Tier 1** ratio reached **13.2%**. Since last year, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the capital regulations.
- The **Total Capital ratio** remained at **15.3%.**
- The leverage ratio reached 5.6%.
- With regard to the MREL requirement (22.5% of the RWAs at a consolidated level as of 1 January 2021), at 30 September CaixaBank had an RWA ratio of 21.4% taking into account all liabilities currently eligible by the Single Resolution Board. In this quarter the aforementioned social bond was issued in the form of senior non-preferred debt.

(1) CaixaBank has issued €1 billion, with a 5 year maturity, in the form of non-preferred senior debt, with an objective to facilitate activities that contribute towards economic and social development.

Macroeconomic trends and state of the financial markets

Global economic outlook

The macroeconomic indicators suggest that in the third quarter of 2019 the **global activity** has continued to slow down (estimated 2.9% GDP, compared to 3.0% of the second quarter of 2019), burdened by a more volatile financial environment, recession undergone by the manufacturing sector on a global scale and the uncertainty surrounding the trade conflict between China and the United States. Nonetheless, in this less favourable environment, there has been a limited downturn of the global macroeconomic scenario. With regard to the emerging economies, the information on China's activity suggest that the different monetary and fiscal stimulus measures implemented by the authorities have mitigated the negative effects of the trade tensions, especially on the export and industrial sectors. On the other hand, the strong US economy continues to stand out amongst the advanced economies, an economy with full employment and contained inflationary pressures.



GDP , main economies
Annual change (%)

For the rest of the year, CaixaBank Research forecasts that the world's economy will continue its slowdown and grow at a rhythm slightly under 3%. However, risk factors have notably intensified in previous quarters, especially those of geopolitical nature, such as Brexit and the aforementioned trade conflict. Thus, the coming quarters are looking likely to be marked by globally reaching dynamics, which will bring about an increased slowdown. These dynamics may be heightened by the new tariff measures taken by the United States and China in the summer. Furthermore, in Europe, and especially in the United Kingdom, political uncertainty does not appear to be dissipating, which will continue to dent the confidence of consumers and companies.

Economic scenario - Europe, Spain and Portugal

The **eurozone** continues to grow at a modest pace (around 1.0%), stalled by greater vulnerability of its economies to the global cycle, uncertain domestic and global politics and the production disruptions in the automotive sector. The persistence of such a burden – among which it is also necessary to highlight the drawn-out uncertainty surrounding Brexit – suggests that the weakness of the eurozone will continue along the lines of this year (we foresee growth for the year of 1.0%, 9 tenths down on 2018). In this context, the ECB relaunched monetary stimuli in September. Specifically, the new measures consisted of reducing the depositary facility's interest rate by 10 basis points, down to -0.50% (supplemented by a tiering system) and the resumption of the net asset purchases (which ended last December) starting from November at a monthly rate of €20,000 million. Furthermore, in order to reduce potential adverse effects of the extension of the environment of low rates on the financial system, the ECB improved the appeal of liquidity injections, extending the term and reducing the cost. It is worth highlighting that the ECB did not state an indicative date for the end of the programme (as it had done on previous occasions).

(1) CaixaBank Research forecasts for 2019.

The **Spanish** and **Portuguese economies** have weathered the global economic downturn better than their partners, although their pace of growth is starting to slow. Specifically, in **Spain** the GDP climbed by 2.0% in the second quarter of 2019 (2.5% in the first quarter of 2019), and indicators suggest that the economy has slowed down in the third quarter. Similarly, Portugal's GDP grew by 1.9% in the second quarter of 2019 (2.1% in the first quarter) and the information available suggests that its third-quarter growth rate will continue along the lines of the first quarter. However, in both cases these positive figures are the result of a contrast between the solid performance of the domestic demand, and a deterioration of the foreign demand's contribution to the growth so far this year.

As regards the remainder of the year, the **Spanish economy** is expected to grow slightly below 2.0% (clearly higher than the European average), although lower than figures observed in previous years mainly due to the economy entering a more mature phase of the cycle. Consumer spending will remain to be a driver of growth, although with more moderate growth rates. After growing at very high rates between 2015 and 2017, the growth of consumer spending is tempering in accordance with the lower employment growth rate. This macroeconomic scenario of deceleration will also affect the real estate sector, as suggested by recent available sector indicators, which already showed a certain deceleration. In **Portugal**, forecasts indicate that the activity will continue to show growth rates similar to those in the first half of the year (close to, but slightly lower than, 2.0%), although growth is expected to gradually slow down both because the economy is in a more mature phase, and due to the downturn in the global economy. Economic growth will be supported by the buoyant domestic demand, while the external sector is expected to continue showing a negative trend.

State of the financial markets

Following a first quarter of double-digit growth in the **stock markets**, the trend dropped sharply in the second quarter of 2019 with the breakdown of the trade negotiations between the United States and China and the threat and imposition of new tariffs and other trade barriers. Similarly, increasing concern over global economic forecasts (and in particular, the rise of the perception of a hypothetical recession in the US), also hindered investor sentiment, especially from the summer months. As a result, the second quarter of the year, and a large part of the third quarter, suffered a notable rise in volatility and an aversion to risk.

However, the end of the third quarter was characterised by recovered enthusiasm in the **financial markets**. The main catalysts of this improvement were the formal announcement of the relaunch of the trade negotiations between the United States and China, and the accommodative measures of the main central banks (with Fed rate cuts in July and September and a new ECB stimulus package). This supported the recovery of stock market prices at the end of the quarter, which helped the main indices close this quarter in positive territory in the advanced economies (S&P 500 +1.2%, Eurostoxx 50 +2.8%), but with losses in the emerging economies (MSCI for the emerging countries stands at -5.1%).

In the bond markets, in September the sovereign interest rates quashed part of the fall experienced during the summer (due to an improvement in investor sentiment and less aggressive monetary policies than initially expected), with increases of up to 17 basis points in the United States and 13 basis points in Germany. Nonetheless, rates have remained at lows of recent years, whereas risk premiums of the periphery of the eurozone were subject to widespread compression. Improved credit ratings by the rating agency Standard & Poor’s for Spain (increasing its rating from A- to A), and Portugal (BBB rating confirmed but an improved outlook to positive) also contributed along these lines, as well as investor's favourable acceptance of Italy's new Government coalition.

Finally, it is worth mentioning that the oil price was affected in the quarter not only by key factors (mainly lower expected demand, which has tended to contain prices) but also due to the temporary disruption caused by the drone attack on Saudi Arabia’s main refinery. However, after prompt recovery, the price returned to similar levels to those before the attack, and since then an attitude of increased investor uncertainty has been established as to the vulnerability of the oil supply by these types of events.

Results

The Group's income statement

Year-on-year performance

€ million	9M19	9M18	Change	% Chg.
Net interest income	**3,720**	**3,671**	**49**	**1.3**
Dividend income	161	122	39	32.6
Share of profit/(loss) of entities accounted for using the equity method	344	725	(381)	(52.6)
Net fee and commission income	1,904	1,938	(34)	(1.7)
Trading income	285	323	(38)	(11.9)
Income and expense under insurance or reinsurance contracts	407	419	(12)	(2.8)
Other operating income and expense	(211)	(297)	86	(28.9)
Gross income	**6,610**	**6,901**	**(291)**	**(4.2)**
Recurring administrative expenses, depreciation and amortisation	(3,597)	(3,466)	(131)	3.8
Extraordinary expenses	(978)	(11)	(967)	
Pre-impairment income	**2,035**	**3,424**	**(1,389)**	**(40.6)**
Pre-impairment income stripping out extraordinary expenses	**3,013**	**3,435**	**(422)**	**(12.3)**
Allowances for insolvency risk	(288)	(50)	(238)	
Other charges to provisions	(151)	(327)	176	(53.8)
Gains/(losses) on disposal of assets and others	(82)	(477)	395	(82.8)
Profit/(loss) before tax	**1,514**	**2,570**	**(1,056)**	**(41.1)**
Income tax expense	(246)	(720)	474	(65.9)
Profit/(loss) after tax	**1,268**	**1,850**	**(582)**	**(31.5)**
Profit/(loss) attributable to minority interest and others	2	82	(80)	(97.3)
Profit/(loss) attributable to the Group	**1,266**	**1,768**	**(502)**	**(28.4)**

- **Attributable profit for the first nine months of 2019 reached €1,266 million**, down 28.4% year-on-year, mainly due to the recognition of the **labour agreement in 2019 (up 10.4% excluding this effect)**.

Gross income stood at €6,610 million, with a slight increase in core income[1], which stands at €6,201 million in 2019 (+0.3%).

The change in Gross income (-4.2%) is mainly due to the reduction in the **Share of profits/(loss) of entities accounted for using the equity method** (-52.6%), a consequence of not accounting for Repsol's and BFA's profits. Gross income, without taking into account the contribution by Repsol and BFA in both years, has grown 1.2%.

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

Allowances for insolvency risk was mainly impacted by the extraordinary release of provisions following an improvement in recoverability of the debt of a major borrower of some €275 million in the third quarter of the previous year.

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

Similarly, the year-on-year changes to **Gains/(losses) on disposal of assets and others,** were affected by the recording of €-453 million in the third quarter of 2018, deriving from the agreement to sell Repsol.

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

Quarterly performance

€ million	3Q19	2Q19	% Chg.	3Q18	% Chg.
Net interest income	**1,242**	**1,241**	**0.1**	**1,239**	**0.3**
Dividend income		151	(99.9)	1	(86.5)
Share of profit/(loss) of entities accounted for using the equity method	135	102	32.1	222	(39.6)
Net fee and commission income	656	636	3.2	645	1.7
Trading income	24	213	(88.5)	30	(21.5)
Income and expense under insurance or reinsurance contracts	143	134	6.8	137	4.6
Other operating income and expense	(35)	(141)	(75.0)	(27)	29.5
Gross income	**2,165**	**2,336**	**(7.3)**	**2,247**	**(3.7)**
Recurring administrative expenses, depreciation and amortisation	(1,189)	(1,204)	(1.3)	(1,162)	2.3
Extraordinary expenses		(978)	(100.0)	(3)	(100.0)
Pre-impairment income	**976**	**154**		**1,082**	**(9.8)**
Pre-impairment income stripping out extraordinary expenses	**976**	**1,132**	**(13.7)**	**1,085**	**(10.1)**
Allowances for insolvency risk	(84)	(81)	4.2	198	
Other charges to provisions	(60)	(43)	38.1	(44)	32.7
Gains/(losses) on disposal of assets and others	(44)	(22)		(407)	(89.1)
Profit/(loss) before tax	**788**	**8**		**829**	**(5.0)**
Income tax expense	(142)	81		(319)	(55.5)
Profit/(loss) after tax	**646**	**89**		**510**	**26.5**
Profit/(loss) attributable to minority interest and others	2			40	(96.0)
Profit/(loss) attributable to the Group	**644**	**89**		**470**	**37.0**

- **The quarter-on-quarter change in attributable profit in the third quarter of 2019 (€644 million) was largely a result of the following:**
  - Strong core income, which was up 2.9%.
  - Gross income is down 7.3%, mainly because of the drop in income from dividends – the Telefónica dividend was reported in the second quarter – and also because of the decline in Trading income. Similarly, the second quarter also showed the contribution of €-103 million paid to the Single Resolution Fund (SRF).
  - Reduction of recurring administration and amortisation expenses following the labour agreement reached in the previous quarter, whereby the majority of the departures agreed had been implemented on 1 August.
- When compared to the **same quarter of 2018,** the **attributable profit grew 37.0%.**
  - Increase of core income to €2,117 million, up 1.2%.
  - The drop in **Gross income** (-3.7%) was mainly due to the lower **Share of profit/(loss) of entities accounted for using the equity method** (-39.6%) following the aforementioned changes in scope.
  - **Recurring administrative expenses, depreciation and amortisation** grew 2.3%.
  - **Allowances for insolvency risk** (€+198 million) in the third quarter, of 2018 come in response to the aforementioned extraordinary release of provisions.
  - Furthermore, the third quarter of 2018 included the negative impact deriving from the agreement to sell the stake in Repsol under **Gains/(losses) on disposal of assets and others**.

Returns on average total assets[1]

In %	3Q19	2Q19	1Q19	4Q18	3Q18
Interest income	1.71	1.79	1.76	1.81	1.77
Interest expense	(0.50)	(0.57)	(0.49)	(0.53)	(0.50)
Net interest income	**1.21**	**1.22**	**1.27**	**1.28**	**1.27**
Dividend income	0.00	0.15	0.01	0.02	0.00
Share of profit/(loss) of entities accounted for using the equity method	0.13	0.10	0.11	0.10	0.23
Net fee and commission income	0.64	0.63	0.63	0.67	0.66
Trading income	0.02	0.21	0.05	(0.05)	0.03
Income and expense under insurance or reinsurance contracts	0.14	0.13	0.13	0.14	0.14
Other operating income and expense	(0.03)	(0.14)	(0.03)	(0.23)	(0.03)
Gross income	**2.11**	**2.30**	**2.17**	**1.93**	**2.30**
Recurring administrative expenses, depreciation and amortisation	(1.16)	(1.19)	(1.24)	(1.21)	(1.19)
Extraordinary expenses	0.00	(0.96)	0.00	(0.01)	0.00
Pre-impairment income	**0.95**	**0.15**	**0.93**	**0.71**	**1.11**
Pre-impairment income stripping out extraordinary expenses	**0.95**	**1.11**	**0.93**	**0.72**	**1.11**
Allowances for insolvency risk	(0.08)	(0.08)	(0.13)	(0.05)	0.20
Other charges to provisions	(0.06)	(0.04)	(0.05)	(0.15)	(0.04)
Gains/(losses) on disposal of assets and others	(0.04)	(0.02)	(0.01)	(0.27)	(0.42)
Profit/(loss) before tax	**0.77**	**0.01**	**0.74**	**0.24**	**0.85**
Income tax expense	(0.14)	0.08	(0.19)	0.01	(0.33)
Profit/(loss) after tax	**0.63**	**0.09**	**0.55**	**0.25**	**0.52**
Profit/(loss) attributable to minority interest and others	0.00	0.00	0.00	0.03	0.04
Profit/(loss) attributable to the Group	**0.63**	**0.09**	**0.55**	**0.22**	**0.48**
Average total net assets (€ million)	407,283	406,725	393,767	384,500	388,276

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

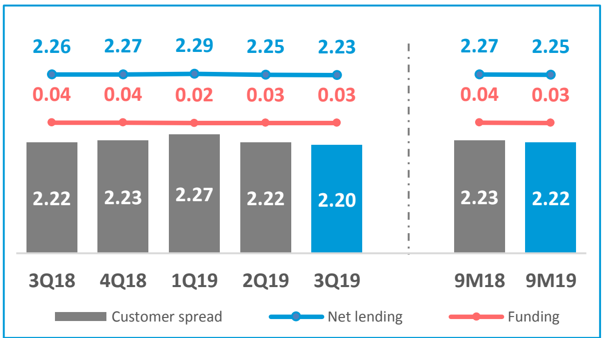
Gross income

Net interest income

- Accumulated **Net interest income** at September totalled €3,720 million (+1.3% on the same period in 2018) mainly boosted by the increased income from loans and lower retail and institutional funding expenses.

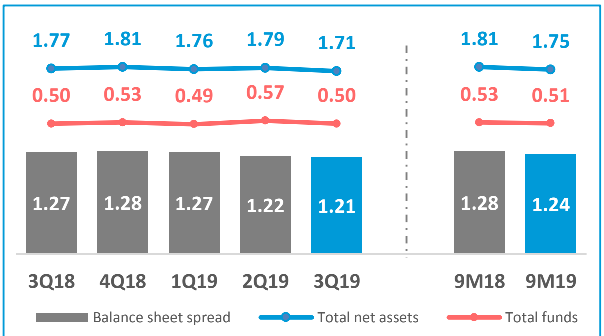
This growth was due to:

- Higher income from loans mainly due to a rise in volume.
- Sound management of retail financing, which involved a reduction in cost after cancelling the retail subordinated debt in June 2018 and reduction of 4 basis points in the cost of maturity deposits.
- Savings in the costs of institutional financing due to a lower price. Higher volume of the fixed income portfolio.
- Greater contribution of the insurance business (savings products).



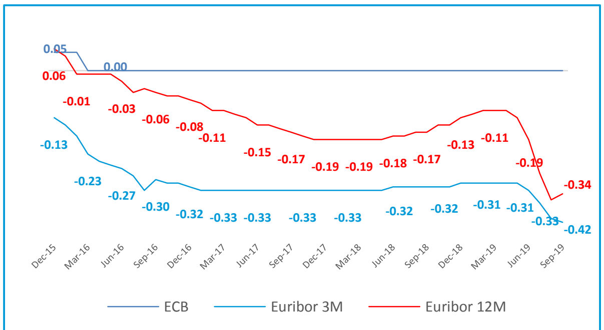
Customer spread, Group
(%)

- Net interest income at the Group was up 0.1% **quarter-on-quarter** on the back of:
  - Increased income due to a larger loan portfolio. Also supporting the growth in net interest income was the fact that this quarter had one more day than the previous quarter.
  - A slight reduction of the cost of demand deposits due to the stability of the rates in spite of the significant balance increase.
  - The aforementioned impacts were partially reduced due to significant bond maturities at higher rates than those of the portfolio.



Balance sheet on average total assets, Group
(%)

The **customer spread** fell by 2 basis points in the third quarter to 2.20%, mainly due to a reduction in the return on lending activity. Meanwhile, the **balance sheet spread** was 1 basis point down on the previous quarter. At the end of June, an early repayment of €13,410 million, corresponding to the TLTRO II, was made with a significant impact on the quarter's average balance of Financial institutions assets and liabilities, but with no impact on the future net interest income.



Interest rates
(%)

Quarterly cost and income

€ million		3Q19 Average balance	3Q19 Income or expense	3Q19 Rate %	2Q19 Average balance	2Q19 Income or expense	2Q19 Rate %	1Q19 Average balance	1Q19 Income or expense	1Q19 Rate %
Financial Institutions		21,353	35	0.65	31,860	46	0.58	23,555	44	0.76
Loans and advances	(a)	215,173	1,207	2.23	212,858	1,196	2.25	210,726	1,188	2.29
Fixed income securities portfolio		35,137	81	0.91	36,524	93	1.02	39,323	90	0.93
Other assets with returns		64,955	429	2.62	60,071	472	3.15	56,592	383	2.75
Other assets		70,665	5	-	65,412	7	-	63,571	6	-
Total average assets	**(b)**	**407,283**	**1,757**	**1.71**	**406,725**	**1,814**	**1.79**	**393,767**	**1,711**	**1.76**
Financial Institutions		29,129	(58)	0.78	42,221	(70)	0.67	42,505	(62)	0.60
Retail customer funds	(c)	219,137	(15)	0.03	214,305	(16)	0.03	205,680	(13)	0.02
Demand deposits		186,901	(9)	0.02	181,765	(11)	0.02	173,969	(9)	0.02
Maturity deposits		32,237	(5)	0.07	32,540	(5)	0.07	31,711	(4)	0.05
Time deposits		28,893	(5)	0.08	29,274	(5)	0.07	29,004	(4)	0.06
Retail repurchase agreements and marketable debt securities		3,344	-	-	3,265	-	-	2,706	-	-
Wholesale marketable debt securities & other		28,553	(64)	0.89	28,694	(63)	0.88	26,734	(61)	0.92
Subordinated liabilities		5,400	(19)	1.36	5,400	(19)	1.40	5,400	(18)	1.36
Other funds with cost		73,771	(347)	1.87	68,421	(390)	2.29	65,286	(307)	1.91
Other funds		51,293	(12)	-	47,684	(15)	-	48,162	(13)	-
Total average funds	**(d)**	**407,283**	**(515)**	**0.50**	**406,725**	**(573)**	**0.57**	**393,767**	**(474)**	**0.49**
Net interest income			**1,242**			**1,241**			**1,237**	
Customer spread (%)	**(a-c)**		**2.20**			**2.22**			**2.27**	
Balance sheet spread (%)	**(b-d)**		**1.21**			**1.22**			**1.27**	

€ million		4Q18 Average balance	4Q18 Income or expense	4Q18 Rate %	3Q18 Average balance	3Q18 Income or expense	3Q18 Rate %
Financial Institutions		20,980	45	0.85	23,981	45	0.74
Loans and advances	(a)	208,608	1,195	2.27	208,805	1,190	2.26
Fixed income securities portfolio		36,067	90	1.00	35,261	92	1.03
Other assets with returns		54,478	416	3.03	54,667	393	2.85
Other assets		64,367	8	-	65,562	8	-
Total average assets	**(b)**	**384,500**	**1,754**	**1.81**	**388,276**	**1,728**	**1.77**
Financial Institutions		41,475	(51)	0.49	43,893	(51)	0.46
Retail customer funds	(c)	203,366	(20)	0.04	204,189	(18)	0.04
Demand deposits		171,236	(11)	0.03	170,106	(9)	0.02
Maturity deposits		32,130	(9)	0.12	34,083	(9)	0.11
Time deposits		29,343	(9)	0.13	31,022	(9)	0.12
Retail repurchase agreements and marketable debt securities		2,787	-	-	3,061	-	-
Wholesale marketable debt securities & other		25,935	(62)	0.95	25,941	(65)	1.00
Subordinated liabilities		5,723	(21)	1.44	6,150	(24)	1.55
Other funds with cost		63,100	(352)	2.21	63,557	(320)	2.00
Other funds		44,901	(12)	-	44,546	(11)	-
Total average funds	**(d)**	**384,500**	**(518)**	**0.53**	**388,276**	**(489)**	**0.50**
Net interest income			**1,236**			**1,239**	
Customer spread (%)	**(a-c)**		**2.23**			**2.22**	
Balance sheet spread (%)	**(b-d)**		**1.28**			**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.
- The balances of all headings except "Other assets" and "Other funds" correspond to balances with returns/cost. "Other assets" and "Other funds" incorporate balance items that do not have an impact on the net interest income and on returns and costs that are not assigned to any other item.
- Until the fourth quarter of 2018, BPI's interest rate hedges were accounted for at net value in the "Other funds" heading. As of the first quarter of 2019, the presentation criteria has been unified with the rest of the Group's, and the impacts are recognised in the headings that include the hedged elements. The reclassification had a positive impact on "Maturity deposits" and "Other funds" and a negative impact on Fixed income securities portfolio and Loans and advances.

Fees and commissions

- **Fee and commission income reached €1,904 million**, **down 1.7%** on the same period of 2018. **Positive performance compared to the second quarter (+3.2%)** and to the same quarter of the previous year (+1.7%).
  - **Banking services, securities and other fees** includes income on securities transactions, transactions, risk activities, deposit management, payment methods and investment banking. The year-on-year change (-1.1%) is entirely down to reduced non-recurring fees, especially in investment banking, stripping out this impact, banking services fees remain stable (+0.3%).
    A strong quarter when it comes to banking services fees, both compared to the second quarter (+3.4%) and to the same quarter of the previous year (+2.5%), with a positive change in different lines, of which growth in online banking stands out.
  - The **fees and commissions from insurance sales** dropped when compared to 2018 (-7.9%), impacted by different timings of new product roll-outs. Reduction with respect to the second quarter (-6.1%) due to seasonal impacts, although similar to the same quarter of 2018.
  - **Commissions from mutual funds, managed accounts and SICAVs** came to €395 million (-4.7%). This change was impacted by, among other factors, the reduction of the average net assets managed during 2019 as a result of the markets' negative performance at the end of 2018.
    The change with respect to the previous quarter (+6.3%) is due to greater managed assets, backed by the gradual recovery of markets throughout the year.
  - **Commissions from managing pension plans** stood at €160 million (-1.0%). The year-on-year performance was impacted by, among other factors, the entry into force of the limitation in pension plan management fees as of the second quarter of 2018.
    Growth in the quarter (+2.6%) driven, among other aspects, by the increase in average assets.
  - Growth in **Unit Link fees and commissions** in the year (+19.6%) and in the quarter (+4.8%).

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Banking services, securities and other fees	1,099	1,113	(1.1)	380	367	352	375	371
Sale of insurance products	161	175	(7.9)	51	55	55	52	52
Mutual funds, managed accounts and SICAVs	395	415	(4.7)	138	130	127	137	141
Pension plans	160	161	(1.0)	55	54	51	56	54
Unit Link and other[1]	89	74	19.6	32	30	27	25	27
Net fee and commission income	**1,904**	**1,938**	**(1.7)**	**656**	**636**	**612**	**645**	**645**

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

Income from equity investments

- The **Dividend income** in the second quarter of both financial years includes Telefónica's dividend for €104 million. In addition, the second quarter of 2019 included the recognition of €46 million corresponding to BFA. The fourth quarter of 2018 included a dividend of €23 million for the remaining investment in Repsol at that time.
- The **Share of profits of entities accounted for using the equity method** dropped €381 million (-52.6%) on the same period of the previous year, mainly due to not accounting for Repsol's and BFA's profits in 2019 (€412 million accounted for in 2018). Stripping out this impact, the performance of this heading is positive (+9.9%).

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Dividend income	161	122	32.6		151	10	24	1
Share of profit/(loss) of entities accounted for using the equity method	344	725	(52.6)	135	102	107	101	222
Income from equity investments	**505**	**847**	**(40.4)**	**135**	**253**	**117**	**125**	**223**

Trading income

- **Trading income** reached €285 million (-11.9%), which includes the realisation of gains from fixed-income assets, mainly in the second quarter of 2019.

  In 2018 it included the repricing of BPI's stake in Viacer as part of its divestment process, the result of the hedging transactions in connection with the subordinated bonds redeemed ahead of maturity, and the realisation of gains on fixed-income assets.

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Trading income	**285**	**323**	**(11.9)**	**24**	**213**	**48**	**(45)**	**30**

Income and expense under insurance or reinsurance contracts

- The income from life-risk insurance business stood at €407 million, down 2.8% in the year, impacted, among other effects, by the different timing in product roll-outs, with 6.8% growth on the previous quarter and 4.6% on the same quarter in 2018.

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Income and expense under insurance or reinsurance contracts	**407**	**419**	**(2.8)**	**143**	**134**	**130**	**132**	**137**

Other operating income and expense

- The year-on-year change of **Other operating income and expense**, -28.9%, is essentially impacted by lower property expenses (Property Tax and maintenance and management costs from the portfolio of foreclosed assets), as a result of the sale of the real estate business in the fourth quarter of 2018.

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

- The second quarter included the contribution to the Single Resolution Fund of €103 million[1] (€97 million in 2018). Contribution to the Deposit Guarantee Fund (DGF) of €228 million reported in the fourth quarter.
- Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (estimated at €16 million for 2019 on the €48 million in 2018).

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

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
SRF / DGF	(103)	(97)	6.2		(103)		(228)	
Other real estate operating income and expense (including Spanish property tax)	(11)	(118)	(90.7)	1		(12)	(29)	3
Other	(97)	(82)	18.3	(36)	(38)	(23)	30	(30)
Other operating income and expense	**(211)**	**(297)**	**(28.9)**	**(35)**	**(141)**	**(35)**	**(227)**	**(27)**

Administration expenses, depreciation and amortisation

- **Recurring administrative expenses, depreciation and amortisation** came to €3,597 million, up 3.8%, although they show an improvement of -1.3% compared to the previous quarter.
- The year-on-year performance was impacted by:
  - Personnel expenditure increased by 2.3% due to their organic rise.
  - General expenses dropped 2.4%, among other factors, due to the coming into force of IFRS 16. Excluding this effect (€113 million), greater expenditure following the transformation of the distribution model (Store branches, InTouch remote customer service), greater expenditure on technology, and new regulatory requirements have an impact on its growth.
  - Depreciations and amortisations rose 34.1% as a result, among other factors, of the coming into force of the IFRS 16, which involves the recognition and subsequent amortisation of leased property usage rights and is offset mainly by a reduction of general expenses. Stripping out this impact, the depreciation and amortisation expenses increased approximately 1% with respect to the same period of 2018.
- In the second quarter of the year, **Extraordinary expenses** included the agreement reached with the employees' union representatives regarding a plan of compensated terminations, as well as other measures that would provide further labour flexibility.

  The impact on the second quarter's income statement was **€-978 million, gross**. The majority of the agreed departures were implemented on 1 August, with the consequent reflection on cost savings (a **3.8% reduction of personnel expenses** in the third quarter).

€ million	**9M19**	**9M18**	**% Chg.**	**3Q19**	**2Q19**	**1Q19**	**4Q18**	**3Q18**
Gross income	6,610	6,901	(4.2)	2,165	2,336	2,109	1,866	2,247
Personnel expenses	(2,255)	(2,204)	2.3	(731)	(760)	(764)	(733)	(741)
General expenses	(938)	(961)	(2.4)	(314)	(312)	(312)	(331)	(320)
Depreciation and amortisation	(404)	(301)	34.1	(144)	(132)	(128)	(104)	(101)
Recurring administrative expenses, depreciation and amortisation	**(3,597)**	**(3,466)**	**3.8**	**(1,189)**	**(1,204)**	**(1,204)**	**(1,168)**	**(1,162)**
Extraordinary expenses	(978)	(11)			(978)		(13)	(3)

Cost-to-income ratio[1]	**3Q19**	**2Q19**	**1Q19**	**4Q18**	**3Q18**
Cost-to-income ratio (%)	67.9	67.0	54.7	53.1	53.3
Cost-to-income ratio stripping out extraordinary expenses (%)	56.2	55.4	54.4	52.9	53.2
Core cost-to-income ratio[2] (%)	57.9	57.7	56.9	56.4	56.3

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

Allowances for insolvency risk and other charges to provisions

- **Allowances for insolvency risk** stood at €-288 million (€-50 million in 2018, after the reversal of approximately €275 million in provisions in the third quarter to update the recoverable value of the Group's exposure to a major borrower).

  The **cost of risk** (12 months) came to **0.14%**.

  In the fourth quarter of 2018, recognition of a positive one-off impact of €78 million after reviewing the expected credit losses associated with the risk adjustments made at the time BPI was acquired (€+22 million in the first quarter, and €+19 million in the second and third quarter of 2019, respectively).

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

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

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Allowances for insolvency risk	(288)	(50)		(84)	(81)	(123)	(47)	198
Other charges to provisions	(151)	(327)	(53.8)	(60)	(43)	(48)	(143)	(44)
Allowances for insolvency risk and other charges to provisions	**(439)**	**(377)**	**16.3**	**(144)**	**(124)**	**(171)**	**(190)**	**154**

Gains/(losses) on disposal of assets and others

- **Gains/(losses) on disposal of assets and others** includes, essentially, the results of completed one of transactions and proceeds on asset sales and write-downs.

  The year-on-year change (-82.8%) essentially reflects extraordinary events in the first nine months of 2018:

  - In the second quarter, the real estate results reflected the write-down of the 49% stake previously held in Servihabitat so as to bring its book value in line with its new fair value (€-52 million).
  - In the third quarter, recognition of the negative result derived from the agreement to sell the equity holding in Repsol (€-453 million) and the profit from the sale of the acquiring business (Point of Sale terminal) of BPI to Comercia Global Payments (€+58 million).

  Furthermore, in the fourth quarter of 2018 this heading included the sale of the real estate business (including expenses, taxes and other costs) for €-60 million, as well as €-154 million resulting from the change in the accounting classification of the stake held in BFA.

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Real estate results	(23)	(53)	(56.6)	(8)	(5)	(10)	(64)	(2)
Other	(59)	(424)	(86.1)	(36)	(17)	(6)	(194)	(405)
Gains/(losses) on disposal of assets and others	**(82)**	**(477)**	**(82.8)**	**(44)**	**(22)**	**(16)**	**(258)**	**(407)**

Business activity

Balance sheet

Assets of €413,165 million at 30 September 2019, +1.8% in the quarter (+6.9% in the year):

€ million	Sep. 30, 2019	Jun. 30, 2019	% Chg.	Dec. 31, 2018	% Chg.
- Cash and cash balances at central banks and other demand deposits	19,965	17,067	17.0	19,158	4.2
- Financial assets held for trading	14,392	12,806	12.4	9,810	46.7
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss	548	573	(4.4)	704	(22.2)
Equity instruments	201	212	(5.2)	232	(13.4)
Debt securities	93	92	1.1	145	(35.9)
Loans and advances	254	269	(5.6)	327	(22.3)
- Financial assets at fair value with changes in other comprehensive income	20,276	20,359	(0.4)	21,888	(7.4)
- Financial assets at amortised cost	249,829	251,348	(0.6)	242,582	3.0
Credit institutions	6,583	6,648	(1.0)	7,555	(12.9)
Customers	226,019	227,700	(0.7)	217,967	3.7
Debt securities	17,227	17,000	1.3	17,060	1.0
- Derivatives - Hedge accounting	2,546	2,034	25.2	2,056	23.8
- Investments in joint ventures and associates	4,053	3,962	2.3	3,879	4.5
- Assets under the insurance business[1]	73,978	70,774	4.5	61,688	19.9
- Tangible assets[2]	7,367	7,478	(1.5)	6,022	22.3
- Intangible assets	3,781	3,820	(1.0)	3,848	(1.7)
- Non-current assets and disposal groups classified as held for sale	1,332	1,285	3.7	1,239	7.5
- Other assets	15,098	14,501	4.1	13,748	9.8
Total assets	**413,165**	**406,007**	**1.8**	**386,622**	**6.9**
Liabilities	**388,466**	**382,023**	**1.7**	**362,564**	**7.1**
- Financial liabilities held for trading	14,179	11,514	23.1	9,015	57.3
- Financial liabilities at amortised cost	291,097	289,773	0.5	282,460	3.1
Deposits from central banks and credit institutions	27,412	26,965	1.7	37,440	(26.8)
Customer deposits	221,887	223,903	(0.9)	210,200	5.6
Debt securities issued	33,755	32,751	3.1	29,244	15.4
Other financial liabilities	8,043	6,154	30.7	5,576	44.2
- Liabilities under the insurance business[1]	70,458	68,298	3.2	60,452	16.6
- Provisions	5,514	5,484	0.5	4,610	19.6
- Other liabilities	7,218	6,954	3.8	6,027	19.8
Equity	**24,699**	**23,984**	**3.0**	**24,058**	**2.7**
- Shareholders' equity[3]	25,831	25,218	2.4	25,384	1.8
- Minority interest	28	28	0.0	29	(3.4)
- Accumulated other comprehensive income[3]	(1,160)	(1,262)	(8.1)	(1,355)	(14.4)
Total liabilities and equity	**413,165**	**406,007**	**1.8**	**386,622**	**6.9**

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

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

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

Loans and advances to customers using management criteria

Loans and advances to customers, gross stood at **€227,876 million** (+1.4%), while the **performing portfolio** gained 2.1% in 2019. Changes in the performing portfolio in the quarter (-1.1%) marked by the negative seasonal impact of pre-payments made to pensioners in June and one-off operations with the public sector.

Highlight changes by segment include:

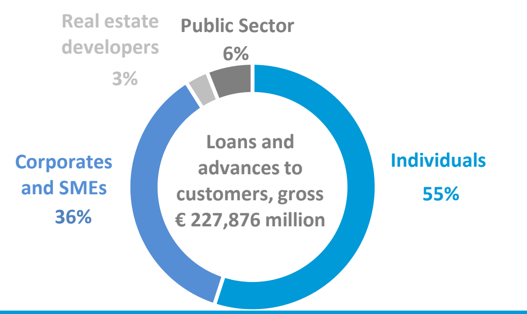
Loans for home purchases (-2.4% in the year and -1.1% in the quarter) continues to be marked by the deleveraging of families.

Loans to individuals - other was up 1.0% in 2019, on the back of **consumer loans** (+11.6%). The quarterly change was down to the aforementioned seasonal effect. Excluding the seasonal impact, loans to individuals - other remained stable in the quarter.

Loans to **corporates and SMEs** were up 5.1% in 2019 (+0.8% in the quarter). The market share[1] for loans to businesses came to 15.0%.

Loans to **real estate developers** fell -2.5% in the year.

Changes to the **public sector** were affected by one-off transactions, explaining the positive change in the year (+9.1%) and the decrease in the third quarter (-6.8%).



Composition of the lending portfolio
(% of gross lending)

€ million	Sep 30, 2019	Jun 30, 2019	% Chg.	Dec 31, 2018	% Chg.
Loans to individuals	**125,216**	**127,944**	**(2.1)**	**127,046**	**(1.4)**
Home purchases	89,445	90,482	(1.1)	91,642	(2.4)
Other	35,771	37,462	(4.5)	35,404	1.0
of which: Consumer lending	14,453	14,003	3.2	12,946	11.6
Loans to business	**89,749**	**89,074**	**0.8**	**85,817**	**4.6**
Corporates and SMEs	83,606	82,951	0.8	79,515	5.1
Real estate developers[2]	6,143	6,123	0.3	6,302	(2.5)
Public sector	**12,911**	**13,849**	**(6.8)**	**11,830**	**9.1**
Loans and advances to customers, gross[3]	**227,876**	**230,867**	**(1.3)**	**224,693**	**1.4**
Of which:					
Performing loans	218,417	220,925	(1.1)	213,962	2.1
Provisions for insolvency risk	(5,071)	(5,369)	(5.6)	(5,728)	(11.5)
Loans and advances to customers, net	**222,805**	**225,498**	**(1.2)**	**218,965**	**1.8**
Contingent Liabilities	16,443	15,688	4.8	14,588	12.7

(2) After a homogenisation of BPI's segmentation criteria with the Group's criteria, €527 million of developer loans were resegmented at 2018 year-end, mainly to financing for Corporates and SMEs.
(3) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

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

Customer funds using management criteria

Customer funds came to €381,136 million, up 6.3% in 2019, impacted among other factors by the strength of the franchise and the recovery of the markets. Change in the quarter (+0.1%) was due to the usual seasonal nature of the previous quarter, with double salary payments among others.

- On-balance sheet funds stood at €275,062 million (+6.0%).
  - Growth of +8.1% in **demand deposits,** reaching €188,322 million. Quarterly changes (-0.9%) were down to, among others, the aforementioned seasonal effect.
  - **Term deposits** totalled €30,395 million. Their yearly performance was impacted by the issue of a retail note in the first quarter for €950 million with a 5-year maturity, which partially offset the reduction of deposits in a backdrop of rock-bottom interest rates on renewal of maturities.
  - Increase of **liabilities under insurance contracts**[1] (+4.8% and +0.7% in the year and in the quarter, respectively) thanks to the changes in the product portfolio and adaptation to the customers' needs. The positive trend of the Unit Link products, growing 22.7% in the year and 5.2% in the quarter, is noteworthy.

  CaixaBank has cemented its leadership of the life insurance market, with a share[2] of 27.5%.

- **Assets under management** rose to €99,677 million. The increase in this heading (+6.1%) was largely down to market recovery following the slump seen at the end of the fourth quarter of 2018.
  - The assets managed in **mutual funds, managed accounts and SICAVs** stood at €67,133 million (+4.0% in the year and +0.9% in the quarter).
  - **Pension plans** came to €32,544 million (+10.7% in the year and +2.7% in the quarter).

  CaixaBank has a market share[2] of 16.9% in investment funds, and a share of 25.1% in pension plans.

- Other accounts mainly includes temporary funds associated with transfers and collections.

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

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

€ million	Sep 30, 2019	Jun 30, 2019	% Chg.	Dec 31, 2018	% Chg.
Customer funds	218,717	220,764	(0.9)	204,980	6.7
Demand deposits	188,322	189,951	(0.9)	174,256	8.1
Term deposits[3]	30,395	30,813	(1.4)	30,724	(1.1)
Insurance contract liabilities	54,888	54,497	0.7	52,383	4.8
of which: Unit Link and other[4]	11,112	10,559	5.2	9,053	22.7
Reverse repurchase agreements and others	1,457	1,615	(9.8)	2,060	(29.3)
On-balance sheet funds	**275,062**	**276,876**	**(0.7)**	**259,423**	**6.0**
Mutual funds, managed accounts and SICAVs	67,133	66,513	0.9	64,542	4.0
Pension plans	32,544	31,686	2.7	29,409	10.7
Assets under management	**99,677**	**98,199**	**1.5**	**93,951**	**6.1**
Other accounts	**6,397**	**5,789**	**10.5**	**5,108**	**25.2**
Total customer funds[5]	**381,136**	**380,864**	**0.1**	**358,482**	**6.3**

(3) *Includes retail debt securities amounting to €1,719 million at 30 September 2019, €950 million of which correspond to the retail note issued in the first quarter of 2019.*

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

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

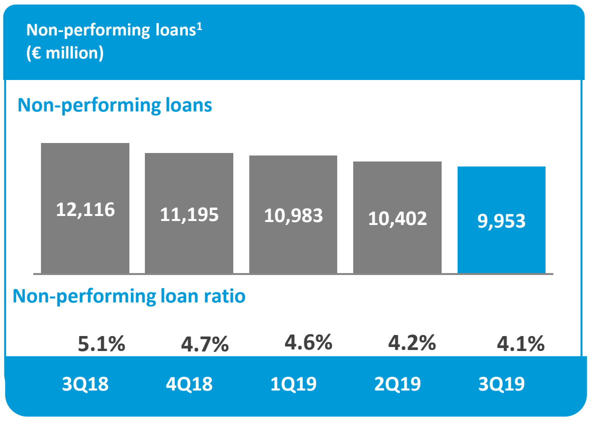
Risk management

Credit risk quality

Non-performing loans

- The **NPL ratio dropped to 4.1%** (-61 basis points in 2019).

- **Non-performing loans have fallen by €1,242 million** in 2019 (€-449 million in the quarter), standing at €9,953 million. In addition to the active management of the non-performing portfolio and the normalisation of the asset's quality indicators, portfolio sales have been formalised in 2019.



(1) Calculations include account loans and contingent liabilities.

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

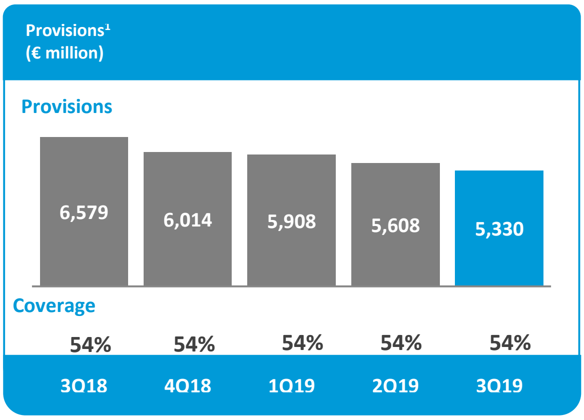
€ million	3Q18	4Q18	1Q19	2Q19	3Q19
Opening balance	**12,714**	**12,116**	**11,195**	**10,983**	**10,402**
Exposures recognized as non-performing (NPL-inflows)	886	996	799	668	680
Derecognitions from non-performing exposures	(1,484)	(1,917)	(1,011)	(1,249)	(1,129)
of which written off	(100)	(354)	(117)	(186)	(58)
Closing balance	**12,116**	**11,195**	**10,983**	**10,402**	**9,953**

Provisions for insolvency risk

- **Provisions for insolvency risk** amounted to €5,330 million at 30 September 2019.

  The change in provisions in the period is largely down to the adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs.

- The **coverage ratio remained at 54%**.



Changes in provisions for insolvency risk

€ million	3Q18	4Q18	1Q19	2Q19	3Q19
Opening balance	**7,172**	**6,579**	**6,014**	**5,908**	**5,608**
Charges to provisions	(198)	47	123	81	84
Amounts used	(367)	(584)	(209)	(363)	(353)
Transfers and other changes	(28)	(28)	(20)	(18)	(9)
Closing balance	**6,579**	**6,014**	**5,908**	**5,608**	**5,330**

NPL ratio by segment

	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018
Loans to individuals	**4.5%**	**4.6%**	**4.7%**
Home purchases	3.5%	3.7%	3.8%
Other	6.9%	6.8%	7.2%
of which: Consumer lending	4.5%	4.2%	4.0%
Loans to business	**4.2%**	**4.5%**	**5.4%**
Corporates and SMEs	4.0%	4.1%	4.7%
Real estate developers	8.0%	10.1%	14.3%
Public sector	**0.3%**	**0.3%**	**0.4%**
NPL Ratio (loans and contingent liabilities)	**4.1%**	**4.2%**	**4.7%**

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

Classification by stages of gross lending and provisions

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

Sep. 30, 2019	**Loan book exposure**				**Provisions**			
€ million	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Loans and advances	203,507	14,910	9,459	227,876	(655)	(706)	(3,710)	(5,071)
Contingent Liabilities	15,279	670	494	16,443	(31)	(17)	(211)	(259)
Total loans and advances and contingent liabilities	**218,786**	**15,580**	**9,953**	**244,319**	**(686)**	**(723)**	**(3,921)**	**(5,330)**

Jun. 30, 2019	**Loan book exposure**				**Provisions**			
€ million	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**	**Stage 1**	**Stage 2**	**Stage 3**	**TOTAL**
Loans and advances	205,662	15,263	9,942	230,867	(669)	(732)	(3.968)	(5,369)
Contingent Liabilities	14,571	657	460	15,688	(31)	(17)	(191)	(239)
Total loans and advances and contingent liabilities	**220,233**	**15,920**	**10,402**	**246,555**	**(700)**	**(749)**	**(4,159)**	**(5,608)**

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

Refinancing

	Sep. 30, 2019		**Jun. 30, 2019**		**Dec. 31, 2018**	
€ million	**Total**	**of which: NPL**	**Total**	**of which: NPL**	**Total**	**of which: NPL**
Individuals	5,155	3,261	5,356	3,367	5,557	3,444
Corporates and SMEs	3,190	1,839	3,163	1,880	3,371	2,085
Real estate developers	688	340	768	441	1,017	649
Public sector	248	19	252	19	218	21
Total	**9,281**	**5,459**	**9,539**	**5,707**	**10,163**	**6,199**
Provisions	2,216	1,997	2,371	2,151	2,501	2,321

Foreclosed real estate assets

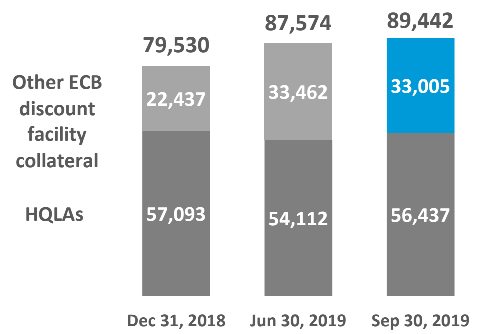
- The portfolio of **net foreclosed real estate assets available for sale[1]** in Spain amounted to €914 million (€+174 million in the year and €+51 million in the quarter). **The coverage ratio[2] was 39%**, while the coverage ratio with accounting provisions[2] was 30%.
- Net foreclosed assets held for **rent** in Spain stood at €2,235 million (€-244 million in the year and €-94 million in the quarter).
- **Total properties sold[3] in 2019** amounted to €354 million.
- Meanwhile, **net foreclosed real estate assets at BPI** amounted to €17 million at 30 September 2019 (€-10 million in the year and €-4 million in the quarter).

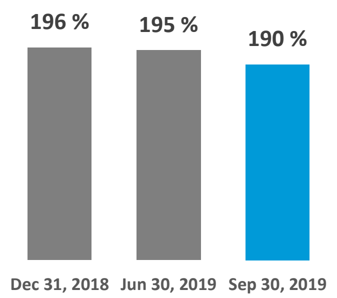
(1) Does not include real estate assets in the process of foreclosure (€156 million, net, at 30 September 2019)

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

(3) At sale price.

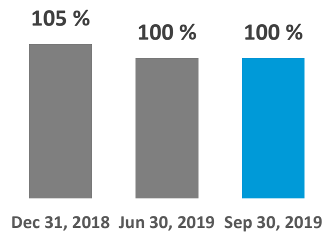
Liquidity
and financing structure



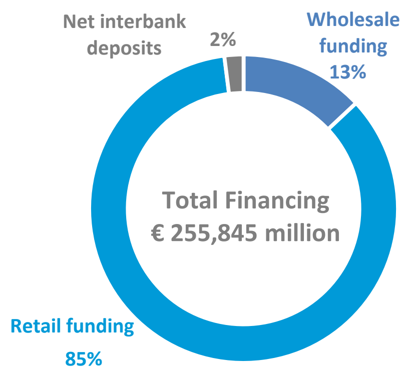


Total liquid assets
(€ million)

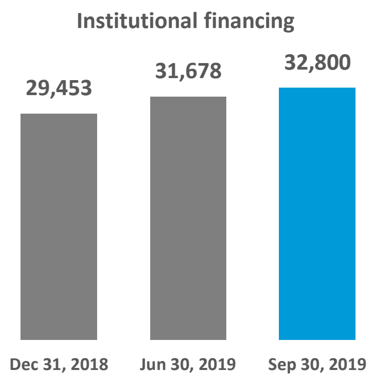
Liquidity Coverage Ratio[1]



Loan to Deposits



Institutional financing



Issues by maturity

Year	Amount
2019	54
2020	1,380
2021	2,641
>2022	28,725
Total	32,800

Financing structure
(€ million)

- **Total liquid assets amounted to €89,442 million** at 30 September 2019, up €9,912 million in the year due to the shift in the loan-deposit gap and the fact that new issues exceeded maturities.
- The Group's average **Liquidity Coverage Ratio** (LCR)[1] at 30 September 2019 was **190%**, well clear of the minimum requirement of 100% applicable from 1 January 2018 onward.
- The **Net Stable Funding Ratio** (NSFR)[2] stood at 124% at 30 September 2019.
- Solid retail financing structure with a **loan to deposit ratio of 100%**.
- The **balance drawn** under the ECB facility at 30 September 2019 remained at €14,773 million (€-13,410 million in the year due to the anticipated partial return of the TLTRO II).
- **Institutional financing[3]** amounting to €32,800 million through various debt instrument issues during 2019. Noteworthy in the quarter was the **first issuance made by a Spanish bank of a Social Bond** with a value of €1,000 million, in senior non-preferred debt.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €4,537 million at the close of September 2019.

(1) Trailing 12 months.

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

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

Information on the Group's issuances in 2019

€ million Issue	Total amount	Amount	Maturity	Cost[1]	Demand[2]	Issuer
Senior debt	1,000	1,000	7 years	1.195% (midswap +0.90%)	2,250	CaixaBank
Senior non-preferred debt	3,382	1,000	5 years	2.47% (midswap +2.25%)	2,400	CaixaBank
		50	10 years	2.00% (midswap +1.56%)	Private	CaixaBank
		1,250	7 years	1.464% (midswap +1.45%)	4,000	CaixaBank
		82	15 years	1.231%	Private	CaixaBank
		1,000	5 years	0.765% (midswap +1.13%)	2,250	CaixaBank[3]
Mortgage covered bonds	500	500	15 years	1.40% (midswap +0.442%)	Private	CaixaBank[4]
Obrigações hipotecárias	500	500	5 years	0.343% (midswap +0.25%)	3,100	BPI

(1) Meaning the yield on the issuance.
(2) For the issuance of €1,250 million in Senior non-preferred debt and the Social Bond of 1,000 million euros of senior non-preferred debt, the maximum demand is indicated.
(3) In September 2019 CaixaBank completed issuance of its first Social Bond, for an amount of 1,000 million euros of senior non-preferred debt.
(4) The Mortgage Covered Bonds correspond to 6 private placements with an average weighted cost of 1.40%.

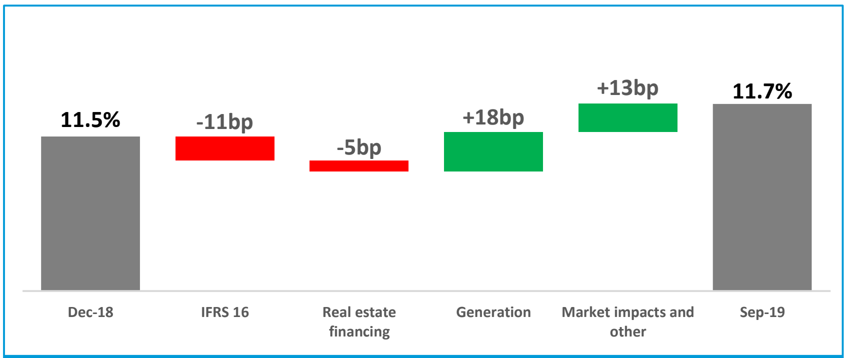
Information on collateralization of CaixaBank, S.A mortgage-covered bonds

€ million		Sep. 30, 2019
Mortgage covered bonds issued	a	49,940
Loans and credits (collateral for mortgage covered bonds)	b	88,188
Collateralisation	**b/a**	**177%**
Overcollateralisation	**b/a -1**	**77%**
Mortgage covered bond issuance capacity[5]		**2,846**

(5) CaixaBank S.A. is also able to issue €1,691 million in regional public-sector covered bonds.

[Capital management]

- The **Common Equity Tier 1 (CET1)** ratio **reached 11.7%**[1] at 30 September 2019. Excluding the extraordinary impact of the first quarter (-11 basis points due to the first-time application of the IFRS 16 regulation and -5 basis points due to the adjustment to credit risk requirements for the financing of property according to the applicable regulation), the growth in the first nine months registered +18 basis points due to organic generation of capital (+5 basis points in the quarter) and +13 basis points mostly caused by the positive performance of the markets and other impacts (+6 basis points in the quarter).
- These levels of CET1 lay the foundations for achieving the new capital objective set in the 2019-2021 Strategic Plan, which stands at approximately 12%, with an additional 1 percentage point prudential buffer being established until the end of 2021 to cover any future regulatory changes, including the end of the Basel 3 framework.
- The **Tier 1** ratio was **13.2%**. Since last year, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the capital regulations.
- The **Total Capital ratio** remained at **15.3%.**
- The leverage ratio reached 5.6%.
- With regard to the MREL requirement (22.5% of the RWAs at a consolidated level as of 1 January 2021), at 30 September CaixaBank had an RWA ratio of 21.4% taking into account all the liabilities currently eligible[3] by the Single Resolution Board. A social bond issue of €1,000 million of Senior non-preferred debt was made this quarter. At a subordinated level, including only Senior non-preferred debt, the MREL ratio reached 19.1%.
- Similarly, **CaixaBank is subject to minimum capital requirements** on a non-consolidated basis. The regulatory CET1 ratio under this perimeter remained at 13.3%, with RWAs totalling €135,029 million.
- Likewise, **BPI** also complies with its minimum capital requirements. The bank's CET1 ratio at a sub-consolidated level stood at 12.7% at 30 September 2019.
- The decisions of the European Central Bank (ECB) and the national supervisor required the Group to maintain, during 2019, CET1[4], Tier 1 and Total Capital ratios of 8.77%, 10.27% and 12.27%, respectively.
- The Group's current level of capital adequacy confirm that the applicable requirements would not lead to any automatic restrictions of the provision of the capital adequacy regulations regarding the distribution of dividends, variable remuneration, and the interests of holders of Additional Tier 1 capital securities (there is a margin of 289 basis points, equating to €4,317 million euros, until the Group's MDA[5] trigger). CaixaBank's dividends policy complies with the conditions outlined in the ECB recommendation published on 10 January 2019. Therefore, it does not present any limitations for the Company.



Change in CET1

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

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

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

(4) Includes the countercyclical buffer of 0.02% due to exposure in other countries (mainly the United Kingdom and Norway).

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

Performance and key capital adequacy indicators

€ million	Sep. 30, 2018	Dec. 31, 2018	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Quarter-on-quarter
CET1 Instruments	23,250	23,257	23,651	23,434	23,701	267
Shareholders' equity	25,581	25,384	25,832	25,218	25,831	613
Capital	5,981	5,981	5,981	5,981	5,981	
Profit/(loss) attributable to the Group	1,768	1,985	533	622	1,266	644
Reserves and other	17,832	17,418	19,318	18,615	18,584	(31)
Other CET1 instruments[1]	(2,331)	(2,127)	(2,181)	(1,784)	(2,131)	(347)
Deductions from CET 1	(6,313)	(6,457)	(6,396)	(6,415)	(6,291)	124
Common Equity Tier 1 (CET1)	**16,937**	**16,800**	**17,255**	**17,019**	**17,409**	**390**
AT1 Instruments	2,233	2,233	2,234	2,235	2,235	
AT1 Deductions						
TIER 1	**19,169**	**19,033**	**19,489**	**19,253**	**19,645**	**392**
T2 Instruments	3,312	3,295	3,288	3,278	3,170	(108)
T2 Deductions						
TIER 2	3,312	3,295	3,288	3,278	3,170	(108)
TOTAL CAPITAL	**22,482**	**22,328**	**22,777**	**22,531**	**22,815**	**284**
Other computable subordinated instruments MREL[2]		2,303	3,301	4,682	5,684	1,002
MREL, subordinated		**24,631**	**26,079**	**27,213**	**28,499**	**1,286**
Other computable instruments. MREL		2,943	4,000	3,907	3,393	(514)
MREL		**27,574**	**30,079**	**31,120**	**31,892**	**772**
Risk-weighted assets	148,996	145,942	148,892	147,331	149,245	1,914
CET1 Ratio	11.4%	11.5%	11.6%	11.6%	11.7%	0.1%
Tier 1 Ratio	12.9%	13.0%	13.1%	13.1%	13.2%	0.1%
Total Capital Ratio	15.1%	15.3%	15.3%	15.3%	15.3%	
MREL Ratio, subordinated	15.9%	16.9%	17.5%	18.5%	19.1%	0.6%
MREL Ratio		18.9%	20.2%	21.1%	21.4%	0.3%
Leverage ratio	5.6%	5.5%	5.5%	5.5%	5.6%	0.1%
CET1 Ratio - CABK (non-consolidated basis)	12.5%	13.1%	13.1%	13.3%	13.3%	
Tier 1 Ratio CABK (non-consolidated basis)	14.1%	14.8%	14.8%	14.9%	14.9%	
Total Capital Ratio - CABK (non-consolidated basis)	16.5%	17.3%	17.2%	17.4%	17.3%	(0.1%)
Risk-weighted assets (non-consolidated basis)	136,778	132,684	134,692	133,386	135,029	1,643
Profit/loss (non-consolidated basis)	780	1,163	370	551	1,328	777
ADIs[3]	1,972	1,909	2,215	1,689	2,458	769
MDA Buffer- CABK (non-consolidated basis)	7,147	7,793	7,921	8,317	8,410	93
Leverage Ratio - CABK (non-consolidated basis)	6.0%	6.2%	6.1%	6.2%	6.2%	

From 1 January 2019, the regulatory and fully-loaded data are the same.

The actuarial losses and gains previously recognised under the heading Shareholders' equity are shown under the heading Accumulated Other Comprehensive Income. As a result of the change of accounting criterion, the equity figures corresponding to 2018 have been restated for comparison purposes.

The data from previous quarters have been updated with the official COREP version.

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

(2) A social bond issue of €1,000 million of Senior non-preferred debt was made in the third quarter of 2019.

(3) Does not include the share premium.

Segment reporting

This section shows financial information on the different businesses of the CaixaBank Group. After the sale of 80% of the real estate business in December 2018, starting from 2019 the non-core real estate business will no longer be reported separately and the remaining property assets are integrated – except for the stake in Coral Homes – in the Banking and Insurance business, which is integrated in the equity investment business. For comparative purposes, the 2018 information is presented aggregating both segments (Banking and Insurance plus Non-core real estate).

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

- **Banking and insurance business:** shows earnings from the Group's banking, insurance and asset management activity mainly in Spain, as well as liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre. In addition, it includes the businesses acquired by CaixaBank from BPI during 2018 (i.e. insurance, asset management and cards).

- **Equity investments:** this line of business essentially shows earnings on dividends and/or equity-accounted profits from the stakes, as well as trading income held in Erste Group Bank, Repsol, Telefónica, BFA and BCI, net of the related finance costs. From 1 January 2019, the 20% stake in Coral Homes is added to this segment, after the sale of the real estate business at the end of December 2018. Similarly, it includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain as well as consolidated through BPI.

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

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

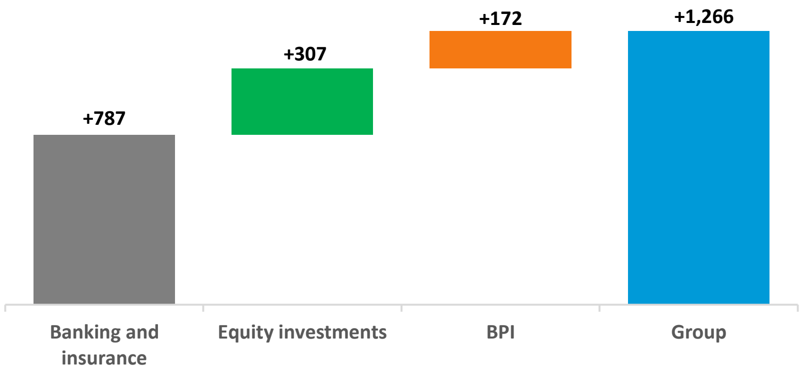
The operating expenses of these business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

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

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

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

Results for the first nine months of 2019 arranged by business are as follows:



Contribution to the result in the first nine months of 2019 (€ million)

€ million	Banking and insurance	Equity Investments	BPI	Group
Net interest income	**3,510**	**(98)**	**308**	**3,720**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	188	302	15	505
Net fee and commission income	1,711		193	1,904
Trading income	225	46	14	285
Income and expense under insurance or reinsurance contracts	407			407
Other operating income and expense	(193)		(18)	(211)
Gross income	**5,848**	**250**	**512**	**6,610**
Recurring administrative expenses, depreciation and amortisation	(3,246)	(3)	(348)	(3,597)
Extraordinary expenses	(978)			(978)
Pre-impairment income	**1,624**	**247**	**164**	**2,035**
Pre-impairment income stripping out extraordinary expenses	**2,602**	**247**	**164**	**3,013**
Allowances for insolvency risk	(352)		64	(288)
Other charges to provisions	(151)			(151)
Gains/(losses) on disposal of assets and others	(85)		3	(82)
Profit/(loss) before tax	**1,036**	**247**	**231**	**1,514**
Income tax expense	(247)	60	(59)	(246)
Profit/(loss) after tax	**789**	**307**	**172**	**1,268**
Profit/(loss) attributable to minority interest and others	2			2
Profit/(loss) attributable to the Group	**787**	**307**	**172**	**1,266**

Banking and insurance business

Profit in the first nine months of 2019 stood at €787 million (-48.6% with respect to the same period of 2018), mainly affected by the recognition in the second quarter of the extraordinary expense associated with the labour agreement.

ROTE[1] for the business, stripping out one-off impacts, was 9.4%.

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
INCOME STATEMENT								
Net interest income	**3,510**	**3,490**	**0.6**	**1,160**	**1,174**	**1,176**	**1,169**	**1,175**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	188	183	2.8	81	48	59	37	66
Net fee and commission income	1,711	1,730	(1.1)	590	569	552	573	581
Trading income	225	271	(17.1)	20	212	(7)	(52)	26
Income and expense under insurance or reinsurance contracts	407	419	(2.8)	143	134	130	132	137
Other operating income and expense	(193)	(271)	(28.6)	(35)	(123)	(35)	(227)	(22)
Gross income	**5,848**	**5,822**	**0.4**	**1,959**	**2,014**	**1,875**	**1,632**	**1,963**
Recurring administrative expenses, depreciation and amortisation	(3,246)	(3,120)	4.0	(1,072)	(1,086)	(1,088)	(1,061)	(1,048)
Extraordinary expenses	(978)				(978)			
Pre-impairment income	**1,624**	**2,702**	**(39.9)**	**887**	**(50)**	**787**	**571**	**915**
Pre-impairment income stripping out extraordinary expenses	**2,602**	**2,702**	**(3.7)**	**887**	**928**	**787**	**571**	**915**
Allowances for insolvency risk	(352)	(64)		(109)	(97)	(146)	(135)	187
Other charges to provisions	(151)	(328)	(53.9)	(60)	(43)	(48)	(146)	(45)
Gains/(losses) on disposal of assets and others	(85)	(81)	6.1	(45)	(22)	(18)	(98)	(11)
Profit/(loss) before tax	**1,036**	**2,229**	**(53.5)**	**673**	**(212)**	**575**	**192**	**1,046**
Income tax expense	(247)	(665)	(62.9)	(179)	92	(160)	(30)	(290)
Profit/(loss) after tax	**789**	**1,564**	**(49.6)**	**494**	**(120)**	**415**	**162**	**756**
Profit/(loss) attributable to minority interest and others	2	33		2			24	32
Profit/(loss) attributable to the Group	**787**	**1,531**	**(48.6)**	**492**	**(120)**	**415**	**138**	**724**
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)	2.26	2.28	(0.02)	2.23	2.26	2.30	2.28	2.27
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	986	989	(0.3)	342	327	317	332	333
Sale of insurance products	120	137	(11.5)	36	42	42	38	40
Mutual funds, managed accounts and SICAVs	368	380	(3.1)	129	121	118	126	131
Pension plans	159	161	(1.4)	54	54	51	55	54
Unit Link and other	78	63	22.1	29	25	24	22	23
Net fee and commission income	**1,711**	**1,730**	**(1.1)**	**590**	**569**	**552**	**573**	**581**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(2,068)	(2,018)	2.5	(669)	(697)	(702)	(672)	(678)
General expenses	(824)	(829)	(0.6)	(276)	(273)	(275)	(294)	(279)
Depreciation and amortisation	(354)	(273)	29.5	(127)	(116)	(111)	(95)	(91)
Recurring administrative expenses, depreciation and amortisation	**(3,246)**	**(3,120)**	**4.0**	**(1,072)**	**(1,086)**	**(1,088)**	**(1,061)**	**(1,048)**
Extraordinary expenses	**(978)**				**(978)**			
OTHER INDICATORS								
Core income	5,782	5,781	0.0	1,964	1,917	1,901	1,901	1,959
ROTE[1]	9.4%	10.1%	(0.7)	9.4%	9.8%	9.9%	10.1%	10.1%
Cost-to-income ratio stripping out extraordinary expenses	57.6%	55.5%	2.1	57.6%	57.2%	56.6%	56.1%	55.5%
Cost of risk[2]	0.22%	0.10%	0.1	0.22%	0.09%	0.10%	0.09%	0.10%
Customers	13.7	13.7		13.7	13.7	13.7	13.7	13.7
Employees	30,800	32,613	(5.6)	30,800	32,680	32,682	32,552	32,613
Branches	4,254	4,681	(9.1)	4,254	4,430	4,537	4,608	4,681
of which retail	4,045	4,482	(9.8)	4,045	4,219	4,326	4,409	4,482
ATMs	9,151	9,422	(2.9)	9,151	9,229	9,335	9,425	9,422

(1) *The ratio for 9M19 excludes: the impact from the labour agreement in 2Q19 (€-685 million, net), and the result of the sale of the real estate business in 4Q18 (arrangement expenses, taxes and other costs to the amount of €-48 million, net). The ratio for 9M18 excludes: the impact of the repurchase of Servihabitat (€-204 million, net), the extraordinary release of provisions in 3Q18 (€193 million, net) and extraordinary expenses. The coupon for the part of the AT1 issue assigned to this business has also been deducted.*
(2) *Cost of risk - 12 months: In the first and second quarter of 2019 and the third and fourth quarter of 2018, the ratio is affected by the extraordinary release of approximately €275 million in provisions.*

The following noteworthy aspects shaped the year-on-year performance of the banking and insurance business (-48.6%):

- **Gross income stood at €5,848 million (-0.4%)**. Core income remained stable, while lower costs associated with the real estate activity offset the lower trading income (-17.1%).
  - **Net interest income, €3,510 million, grew 0.6%** (down 1.3% on the third quarter of 2018) due to, among other factors, an increase of income from loans as a result of a higher volume and lower retail and institutional funding expenses, offsetting the lower income from financing the equity investment business segment. The customer spread is 2.26% (2.28% over the same period of time of the previous year).
  - **Fee and commission income** reached **€1,711 million** (-1.1% with respect to the same period in the previous year, marked by one-off commissions, and +1.7% with respect to the third quarter of 2018).
  - **Trading income** stood at €225 million euros (-17.1% compared to the same period of 2018 and -23.1% compared to the third quarter of 2018).
  - **Income and expense under insurance or reinsurance contracts** reached €407 million, -2.8% in the year (+4.6% compared to the third quarter of 2018) due to, among others, different timings of new product rollouts.
  - **Other operating income and expenses** amounted to €-193 million in the first nine months of 2019 (€-271 million in the same period of the previous year) mainly as a result of the lower expenses incurred following the sale of the real estate business.
- **Recurring administrative expenses, depreciation and amortisation** stood at €3,246 million (+4.0%).
- **Extraordinary expenses** includes, in the first nine months of 2019, the labour agreement.
- **Allowances for insolvency risk** rose to €-352 million. In 2018 it included the extraordinary release of provisions following an improvement in a major borrower's debt recoverability of some €275 million.
- **Other charges to provisions** stood at €-151 million (-53.9% compared to the same period of 2018). The first nine months of 2018 includes the recognition of €-152 million associated with the repurchase of Servihabitat.
- **Profit/(loss) attributable to minority interest and others** amounted to €-31 million in 2018 relating to Servihabitat's contribution to consolidated earnings from its acquisition in July 2018 up to the formalisation of its sale in December 2018.

The following aspects were largely behind the quarterly change:

- **Gross income** was down 2.7% in the quarter due to lower trading income, partially offset by the contribution to the Single Resolution Fund in the second quarter of 2019. Core income increased (+2.5%).
  - **Net interest income** dropped slightly (-1.2%) with respect to the second quarter of 2019, among other factors, due to lower income from financing the equity investment business.
  - **Fees and commissions** were up 3.8% in the quarter, mainly aided by the increase in banking fees and the better performance of investment fund fees.
  - **Trading income** stood at €20 million, after a second quarter marked by the realisation of gains on fixed-income assets.
  - **Other operating income and expense** includes, in the second quarter of 2019, the contribution of €85 million paid to the Single Resolution Fund (SRF).
- A -1.3% reduction of recurring administration and amortisation expenses (-4.0% personnel expenses) after the labour agreement reached in the previous quarter, whereby the majority of the departures agreed were implemented on 1 August.

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

- **Loans and advances to customers, gross stood at €203,954 million** (+1.3% in the year), while the performing portfolio gained 2.0% in 2019 (-1.4% in the quarter due the settlement of pre-payments made to pensioners and one-off operations with the public sector).
- **Total customer funds were up 6.8% in the year,** reaching **€351,684 million.**
- The **NPL ratio** fell to 4.1% (-60 basis points in the year), with a **50% coverage ratio**.

€ million	**Sep. 30, 2019**	**Jun. 30, 2019**	**% Chg.**	**Dec. 31, 2018**	**% Chg.**
BALANCE SHEET					
Assets	376,866	369,906	1.9	350,859	7.4
Liabilities	356,352	349,761	1.9	330,554	7.8
Assigned capital	20,486	20,117	1.8	20,276	1.0
LOANS AND ADVANCES					
Loans to individuals	**112,428**	**115,283**	**(2.5)**	**114,403**	**(1.7)**
Home purchases	78,266	79,371	(1.4)	80,471	(2.7)
Other	34,162	35,912	(4.9)	33,932	0.7
of which: Consumer lending	13,188	12,801	3.0	11,836	11.4
Loans to business	**80,398**	**79,894**	**0.6**	**76,812**	**4.7**
Corporates and SMEs	74,446	73,952	0.7	70,687	5.3
Real estate developers	5,952	5,942	0.2	6,125	(2.8)
Public sector	**11,128**	**12,078**	**(7.9)**	**10,202**	**9.1**
Loans and advances to customers, gross	**203,954**	**207,255**	**(1.6)**	**201,417**	**1.3**
Of which performing loans	195,393	198,226	(1.4)	191,636	2.0
Of which non-performing loans	8,561	9,029	(5.2)	9,781	(12.5)
Provisions for insolvency risk	(4,333)	(4,603)	(5.9)	(4,914)	(11.8)
Loans and advances to customers, net	**199,621**	**202,652**	**(1.5)**	**196,503**	**1.6**
Contingent Liabilities	14,812	14,026	5.6	12,952	14.4
FUNDS					
Customer funds	196,049	197,862	(0.9)	182,944	7.2
Demand deposits	174,042	175,588	(0.9)	160,922	8.2
Time deposits	22,007	22,274	(1.2)	22,022	(0.1)
Insurance contract liabilities	54,888	54,497	0.7	52,383	4.8
of which: Unit Link and other	11,112	10,559	5.2	9,053	22.7
Reverse repurchase agreements and others	1,440	1,598	(9.9)	2,044	(29.5)
On-balance sheet funds	**252,377**	**253,957**	**(0.6)**	**237,371**	**6.3**
Mutual funds, managed accounts and SICAVs	62,037	61,445	1.0	59,459	4.3
Pension plans	32,544	31,686	2.7	29,409	10.7
Assets under management	**94,581**	**93,131**	**1.6**	**88,868**	**6.4**
Other accounts	**4,726**	**4,017**	**17.6**	**3,156**	**49.7**
Total customer funds	**351,684**	**351,105**	**0.2**	**329,395**	**6.8**
ASSET QUALITY					
Non-performing loan ratio (%)	4.1%	4.2%	(0.1)	4.7%	(0.6)
Non-performing loan coverage ratio (%)	50%	51%	(1.0)	50%	

Insurance activity

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

The following table shows the income statement of the Group's **insurance firms**[1], **which came to €546 million**, **up 17.0%** on the first nine months of 2018.

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Net interest income	**238**	**227**	**5.1**	**82**	**81**	**75**	**78**	**78**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	154	143	7.8	71	40	43	28	64
Net fee and commission income	(61)	(112)	(46.2)	(22)	(20)	(19)	(12)	(33)
Trading income	57	1			57			
Income and expense under insurance or reinsur. contracts	407	419	(2.8)	143	134	130	132	137
Other operating income and expense	2	6	(72.4)			2	45	4
Gross income	**797**	**684**	**16.6**	**274**	**292**	**231**	**271**	**250**
Recurring administrative expenses, depreciation and amortisation	(91)	(81)	12.3	(30)	(30)	(31)	(27)	(26)
Extraordinary expenses								
Pre-impairment income	**706**	**603**	**17.1**	**244**	**262**	**200**	**244**	**224**
Pre-impairment income stripping out extraordinary expenses	**706**	**603**	**17.1**	**244**	**262**	**200**	**244**	**224**
Allowances for insolvency risk							1	
Other charges to provisions								
Gains/(losses) on disposal of assets and others							1	
Profit/(loss) before tax	**706**	**603**	**17.1**	**244**	**262**	**200**	**246**	**224**
Income tax expense	(160)	(136)	17.7	(49)	(65)	(46)	(50)	(47)
Profit/(loss) after tax	**546**	**467**	**17.0**	**195**	**197**	**154**	**196**	**177**
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	**546**	**467**	**17.0**	**195**	**197**	**154**	**196**	**177**

- **Net interest income** includes the margin on life savings insurance products, which were up 5.1% on the first three quarters of 2018 (+5.1% on the third quarter of 2018), mainly due to a higher volume of the managed funds.
- **Share of profit/(loss) of entities accounted for using the equity method** shows the contribution made by SegurCaixa Adeslas, 49.9% of which is owned by VidaCaixa. The heading was up 7.8% in the year. The quarterly growth (+74%) 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**[2] is the net result of:
  - The fees and commissions received by VidaCaixa from managing Unit Linked products and pension plans.
  - The fees and commissions the Group's insurance firms pay the Group's banks for marketing their products.
- The trading income includes the realisation of gains from fixed-income assets in the second quarter of 2019.
- **Income and expense under insurance contracts**, which shows the margin obtained from the difference between premia and the technical provisions, claims and other expenses of life-risk products, dropped 2.8% in the year (+4.6% on the third quarter of 2018) due, among other aspects, to different timing in product roll out.
- **Recurring administrative expenses, depreciation and amortisation** increased, supporting the business' growth and evolution objectives.

(1) At company level prior to consolidation adjustments.

(2) The commercial network in Spain also receives fees from 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.

Equity investments business

The segment contributed total profit of €307 million to the Group in the first nine months of 2019. Its year-on-year trend is mainly impacted by variations in the scope (Repsol and BFA) and due to extraordinary events in 2018, mainly from the loss deriving from the agreement to sell the stake in Repsol.

- The **Net interest income** corresponds to the cost of financing the investee business. The fall is mainly due to the reduction of the asset financed in the framework of Repsol's divestment, partly offset by incorporating Coral Homes into this business from 1 January 2019. Lower funding expenses in the quarter, due to adapting the rate to market conditions.
- The **Dividend income** includes, in the second quarter of both financial years, €104 million corresponding to Telefónica and, in 2019, a €46 million dividend corresponding to BFA.
- The **Share of profit/(loss) of entities accounted for using the equity method** stood at €151 million (€547 million accounted for in the same period of the previous year). Repsol's and BFA's contribution to this heading in the first nine months of 2018 was €412 million. Excluding the above-mentioned change in scope, it grew 11.9%.
- **Trading income** reached €46 million in the first nine months of 2019 and include the gains from hedge contracts on investees.
- **Gains/(losses) on disposal of assets and others** included the recording of a loss (€-453 million) in 2018, deriving from the agreement to sell the stake in Repsol.
- **Income tax** includes, in the third quarter, the reversal of provisions previously set up to address tax liabilities that are not expected to be required.

Noteworthy in the quarterly change is the aforementioned **dividend** income corresponding to Telefónica and BFA.

Gains/(losses) on disposal of assets and others included €-154 million in the fourth quarter of 2018 due to the change of accounting classification of the stake in BFA.

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
Net interest income	**(98)**	**(117)**	**(16.1)**	**(26)**	**(34)**	**(38)**	**(32)**	**(37)**
Dividend income	151	104	45.3		151		23	
Share of profit/(loss) of entities accounted for using the equity method	151	547	(72.5)	50	47	54	72	151
Net fee and commission income								
Trading income	46	10		(4)	1	49	1	(7)
Income and expense under insurance or reinsurance contracts								
Other operating income and expense								
Gross income	**250**	**544**	**(54.0)**	**20**	**165**	**65**	**64**	**107**
Recurring administrative expenses, depreciation and amortisation	(3)	(3)		(1)	(1)	(1)	(1)	(1)
Extraordinary expenses								
Pre-impairment income	**247**	**541**	**(54.3)**	**19**	**164**	**64**	**63**	**106**
Pre-impairment income stripping out extraordinary expenses	**247**	**541**	**(54.3)**	**19**	**164**	**64**	**63**	**106**
Allowances for insolvency risk								
Other charges to provisions								
Gains/(losses) on disposal of assets and others		(453)					(154)	(453)
Profit/(loss) before tax	**247**	**88**		**19**	**164**	**64**	**(91)**	**(347)**
Income tax expense	60	13		59	5	(4)	77	5
Profit/(loss) after tax	**307**	**101**		**78**	**169**	**60**	**(14)**	**(342)**
Profit/(loss) attributable to minority interest and others		32					1	4
Profit/(loss) attributable to the Group	**307**	**69**		**78**	**169**	**60**	**(15)**	**(346)**
ROTE[1]	25.3%	35.7%	(10.4)	25.3%	27.1%	28.8%	40.1%	35.7%

(1) ROTE for 2018 excludes the impact of the agreement to sell Repsol. The coupon for the part of the AT1 issue assigned to this business has also been deducted.

€ million	Sep. 30, 2019	Jun. 30, 2019	% Chg.	Dec. 31, 2018	% Chg.
BALANCE SHEET					
Assets					
Investments (Financial assets at fair value with changes in other comprehensive income and associates) and other[1]	4,842	4,919	(1.6)	4,685	3.4
Liabilities					
Intra-group financing and other liabilities	3,708	3,773	(1.7)	3,653	1.5
Assigned capital[2]	**1,134**	**1,146**	**(1.0)**	**1,032**	**9.9**

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

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

BPI

Profit from the banking business of BPI rises to €172 million (+2.4% with respect to the same period in 2018). **ROTE for the business, stripping out one-off impacts[1], was 6.7%.**

€ million	9M19	9M18	% Chg.	3Q19	2Q19	1Q19	4Q18	3Q18
INCOME STATEMENT								
Net interest income	**308**	**298**	**3.2**	**108**	**101**	**99**	**99**	**101**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	15	13	13.7	4	7	4	(7)	6
Net fee and commission income	193	208	(7.3)	66	67	60	72	64
Trading income	14	42	(66.9)	8		6	6	11
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(18)	(26)	(31.4)		(18)			(5)
Gross income	**512**	**535**	**(4.3)**	**186**	**157**	**169**	**170**	**177**
Recurring administrative expenses, depreciation and amortisation	(348)	(343)	1.6	(116)	(117)	(115)	(106)	(113)
Extraordinary expenses		(11)					(13)	(3)
Pre-impairment income	**164**	**181**	**(9.4)**	**70**	**40**	**54**	**51**	**61**
Pre-impairment income stripping out extraordinary expenses	**164**	**192**	**(14.6)**	**70**	**40**	**54**	**64**	**64**
Allowances for insolvency risk	64	14		25	16	23	88	11
Other charges to provisions		1					3	1
Gains/(losses) on disposal of assets and others	3	57		1		2	(6)	57
Profit/(loss) before tax	**231**	**253**	**(8.7)**	**96**	**56**	**79**	**136**	**130**
Income tax expense	(59)	(68)	(16.3)	(22)	(16)	(21)	(39)	(34)
Profit/(loss) after tax	**172**	**185**	**(7.0)**	**74**	**40**	**58**	**97**	**96**
Profit/(loss) attributable to minority interest and others		17					3	4
Profit/(loss) attributable to the Group	**172**	**168**	**2.4**	**74**	**40**	**58**	**94**	**92**
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)	1.89	1.84	0.05	1.91	1.89	1.87	1.79	1.84
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	113	124	(8.1)	38	40	35	43	38
Sale of insurance products	41	38	4.6	15	13	13	14	12
Mutual funds, managed accounts and SICAVs	27	35	(22.8)	9	9	9	11	10
Pension plans	1			1			1	
Unit Link and other	11	11	4.6	3	5	3	3	4
Net fee and commission income	**193**	**208**	**(7.3)**	**66**	**67**	**60**	**72**	**64**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(184)	(183)	0.7	(61)	(62)	(61)	(60)	(62)
General expenses	(114)	(132)	(13.7)	(38)	(39)	(37)	(37)	(41)
Depreciation and amortisation	(50)	(28)	79.9	(17)	(16)	(17)	(9)	(10)
Recurring administrative expenses, depreciation and amortisation	**(348)**	**(343)**	**1.6**	**(116)**	**(117)**	**(115)**	**(106)**	**(113)**
Extraordinary expenses		**(11)**					**(13)**	**(3)**
OTHER INDICATORS								
Core income	517	519	(0.4)	179	174	164	165	170
ROTE[1]	6.7%	8.2%	(1.5)	6.7%	6.6%	7.5%	8.0%	8.2%
Cost-to-income ratio stripping out extraordinary expenses (12 months)	66.6%	63.1%	3.5	66.6%	67.0%	65.0%	63.7%	63.1%
Customers	1.9	1.9		1.9	1.9	1.9	1.9	1.9
Employees	4,869	4,898	(0.6)	4,869	4,830	4,821	4,888	4,898
Branches	479	495	(3.2)	479	486	496	495	495

(1) The ratio for 9M19 excludes: the review carried out due to the passing of time, in relation to the expected credit losses originally calculated at the time BPI was acquired in February 2017 (€14 million in the third quarter of 2019, €14 million in the second quarter of 2019, €16 million in the first quarter of 2019 and €57 million in the fourth quarter of 2018); and the extraordinary expenses. The ratio for 9M18 excludes extraordinary profit from the sale of BPI's acquiring business to Comercia Global Payments (€40 million) and extraordinary expenses. The coupon for the part of the AT1 issue assigned to this business has also been deducted.

Gross income was down 4.3% year-on-year, mainly because of the changes in scope and the decline in trading income:

- **Net interest income** was up 3.2%.
- **Fee and commission income** climbed to €193 million (-7.3% with respect to the same period in the previous year). In 2018 the heading includes fees from the businesses of asset management, cards and POS sold by BPI to CaixaBank Asset Management, CaixaBank Payments and Comercia, respectively, throughout the year. **Stripping out this impact, fees and commissions would have increased 8.8% with respect to the first nine months of 2018.**
- **Trading income** totalled €14 million (-66.9%).
- **Other operating income and expense** included, in 2019, the contribution of €-18 million paid to the SRF and to the Portuguese Fundo de Resoluçao (€-17 million in 2018).

• **Recurring administrative expenses, depreciation and amortisation** stood at €348 million (+1.6%).

• The year-on-year performance of Profit/(loss) attributable to the Group was impacted by **Allowances for insolvency risk**, (€+64 million, in the first nine months of 2019), which included the review of the expected credit losses associated with the adjustment of credit risk calculated at the time BPI was acquired in February 2017 (€22 million, €19 million, and €19 million in the first, second and third quarter of 2019, respectively).

• Changes to the heading **Gains/(losses) on disposal of assets and others** are notable for the recording in 2018 of the profit from the sale of the acquiring business (point of sale terminals) from BPI to Comercia (€+58 million).

• The change in **Profit/(loss) attributable to minority interest and others** was down to CaixaBank's larger stake in BPI, up to 100% as of December 2018 after the approval was granted for it to be delisted.

The following aspects were largely behind the quarterly change:

• An increase in **Gross income** due to improved core income (+2.9% in the quarter, backed by the **Net interest income,** +6.9%), greater trading income and the recording, in the second quarter of 2019, of the amounts paid to the SRF and to the *Portuguese Fundo de Resoluçao* (€-18 million).

• **Operating expenses** remained stable in the quarter.

• **Allowances for insolvency risk** improved following the increase in recoveries in the quarter.

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

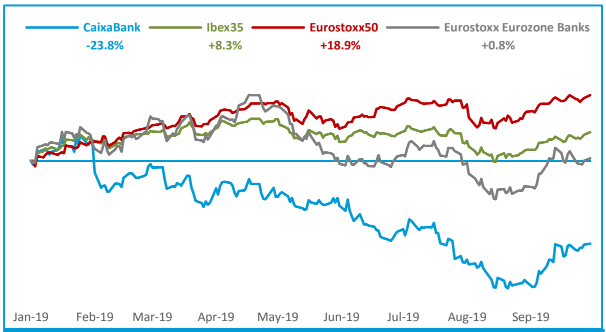
- **Loans and advances to customers, gross** reached €23,922 million (+2.8% in the year) and the performing portfolio gained 3.1% in 2019.
- **Customer funds stood at €29,452 million**, up 1.3% in the year.
- BPI's **NPL ratio** stood at 3.9% (-30 basis points in the year), as per the CaixaBank Group's NPL classification criteria.
- The NPL coverage ratio, including the provisions posted by CaixaBank due to business combination, came to 83%. The year-on-year change (-4 percentage points) came in response to the aforementioned review of provisions in relation to the business combination.

€ million	**Sep. 30, 2019**	**Jun. 30, 2019**	**% Chg.**	**Dec. 31, 2018**	**% Chg.**
BALANCE SHEET					
Assets	31,457	31,182	0.9	31,078	1.2
Liabilities	28,406	28,489	(0.3)	28,357	0.2
Assigned capital	3,051	2,693	13.3	2,721	12.1
LOANS AND ADVANCES					
Loans to individuals	**12,788**	**12,661**	**1.0**	**12,643**	**1.1**
Home purchases	11,179	11,111	0.6	11,171	0.1
Other	1,609	1,550	3.8	1,472	9.3
of which: Consumer lending	1,265	1,202	5.2	1,110	14.0
Loans to business	**9,351**	**9,180**	**1.9**	**9,005**	**3.8**
Corporates and SMEs	9,160	8,999	1.8	8,828	3.8
Real estate developers	191	181	5.5	177	7.9
Public sector	**1,783**	**1,771**	**0.7**	**1,628**	**9.5**
Loans and advances to customers, gross	**23,922**	**23,612**	**1.3**	**23,276**	**2.8**
Of which performing loans	23,024	22,699	1.4	22,326	3.1
Of which non-performing loans	898	913	(1.6)	950	(5.5)
Provisions for insolvency risk	(738)	(766)	(3.7)	(814)	(9.3)
Loans and advances to customers, net	**23,184**	**22,846**	**1.5**	**22,462**	**3.2**
Contingent Liabilities	1,631	1,662	(1.9)	1,636	(0.3)
FUNDS					
Customer funds	22,668	22,902	(1.0)	22,036	2.9
Demand deposits	14,280	14,363	(0.6)	13,334	7.1
Time deposits	8,388	8,539	(1.8)	8,702	(3.6)
Reverse repurchase agreements and other	17	17		16	6.3
On-balance sheet funds	**22,685**	**22,919**	**(1.0)**	**22,052**	**2.9**
Mutual funds, managed accounts and SICAVs	5,096	5,068	0.6	5,083	0.3
Assets under management	**5,096**	**5,068**	**0.6**	**5,083**	**0.3**
Other accounts	**1,671**	**1,772**	**(5.7)**	**1,952**	**(14.4)**
Total customer funds	**29,452**	**29,759**	**(1.0)**	**29,087**	**1.3**
Memorandum items					
Insurance contracts sold[1]	4,480	4,348	3.0	4,120	8.7
ASSET QUALITY					
Non-performing loan ratio (%)	3.9%	4.0%	(0.1)	4.2%	(0.3)
Non-performing loan coverage ratio (%)	83%	84%	(1.0)	87%	(4.0)

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

The CaixaBank share

- The **CaixaBank share** closed trading on 30 September at €2.410 euros per share, down 4.3% in a quarter in which trends in European banking securities were marked by impaired interest-rate expectations in a macroeconomic downturn and prolonged political uncertainty. In mid September, the ECB announcement of a monetary policy measures package brought about a certain recovery in the sector, with the introduction of a restrained reduction of the rate on the deposit facility of -10 bp, down to -0.50%, and a new remuneration system for liquidity deposited with the ECB, in addition to improved conditions of TLTRO III. The Eurostoxx Banks European selective closed with a restrained fall of -0.5% in the quarter, while the Ibex 35 Banks lost -5.8% over the same period of time. The general indices closed trading with increases: Ibex 35 +0.5% and Eurostoxx 50 +2.8% in the quarter.



Performance of the CaixaBank share compared to the main Spanish and European indices in 2019.

- In the third quarter of 2019 the trading volume[1] of the CaixaBank share in euros was 53.2% down on the same quarter in 2018, and 6.5% down on the previous quarter. Similarly, the number of shares traded fell 20.2% compared to the same period of the previous year, although it rose 12.4% with respect to the second quarter of 2019.

(1) Traded in trading platforms, such as BME, BATS Chi-X, TURQUOISE and BATS Europe, among others while excluding over-the-counter transactions

Key performance indicators for the CaixaBank share

	Sep. 30, 2019
Market capitalization (€ million)	14,408
Number of outstanding shares[2]	5,978,253
Share price (€/share)	
Share price at the beginning of the period (December 31, 2018)	3.164
Share price at closing of the period (September 30, 2019)	2.410
Maximum price[3]	3.400
Minimum price[3]	2.002
Trading volume in 2019 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	84,721
Minimum daily trading volume	6,284
Average daily trading volume	24,494
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	1,359
Average number of shares (12 months)[2]	5,978,259
Net income attributable per Share (EPS) (€/share)	**0.23**
Net equity excluding minority interests (€ million).	24,671
Number of shares at 30 September 2019[2]	5,978,253
Book value (€/share)	**4.13**
Net equity excluding minority interest (tangible) (€ million).	20,470
Number of shares at 30 September 2019[2]	5,978,253
Tangible book value (€/share)	**3.42**
PER (Price/Profit)	**10.60**
Tangible P/BV (Market value / tangible book value)	**0.70**
Dividend yield[4]	**7.05%**

(2) Number of shares, in thousands, excluding treasury shares
(3) Price at close of trading.
(4) Calculated by dividing the remuneration for the financial year 2018 (0.17 euros/share) by the closing price at the end of the period (2,410 euros/share).

Shareholder returns

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

Appendices

Investment portfolio

Main investees at 30 September 2019:

CaixaBank	**%**	**Business segment**
Telefónica	5.00%	Investments
Erste Group Bank	9.92%	Investments
Coral Homes	20.00%	Investments
SegurCaixa Adeslas	49.92%	Banking and insurance
Comercia Global Payments	49.00%	Banking and insurance

BPI	100%	BPI
BFA	48.10%	Investments
Banco Comercial e de Investimentos (BCI)	35.67%	Investments

Information on financing for CaixaBank home purchases

Financing for home purchases

€ million	**Dec. 31, 2018**	**Jun. 30, 2019**	**Sep. 30, 2019**
Without mortgage collateral	750	715	688
of which: non-performing	7	7	7
With mortgage collateral	79,721	78,656	77,578
of which: non-performing	3,045	2,949	2,700
Total	**80,471**	**79,371**	**78,266**

Loan-to-value breakdown[1]

€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
			Sep. 30, 2019			
Gross amount	21,668	28,984	19,489	4,014	3,423	77,578
of which: Non-performing	213	373	528	517	1,069	2,700

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

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

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

Ratings

Agency	Long-Term	Short-Term	Outlook	Last review date	Rating of mortgage covered bonds
S&P Global	BBB+	A-2	Stable	May. 31, 2019	AA
Fitch	BBB+	F2	Stable	Sep. 27, 2019	-
Moody's	Baa1	P-2	Stable	May. 17, 2019	Aa1
DBRS	A	R-1 (low)	Stable	Mar. 29, 2019	AAA

At 27 September 2019, Fitch Ratings confirmed CaixaBank's long-term issuer rating at BBB+, with a stable outlook. Similarly, the agency placed the senior preferred debt at Rating Watch Positive.

Glossary

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

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

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

Alternative Performance Measures used by the Group

1- Profitability and cost-to-income

a) Customer spread:

Explanation: difference between:

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	Annualised quarterly income from loans and advances to customers	4,721	4,741	4,818	4,797	4,789
Denominator	Net average balance of loans and advances to customers	208,805	208,608	210,726	212,858	215,173
(a)	**Average yield rate on loans (%)**	**2.26**	**2.27**	**2.29**	**2.25**	**2.23**
Numerator	Annualised quarterly cost of on-balance sheet customers funds	71	79	53	64	60
Denominator	Average balance of on-balance sheet retail customers funds	204,189	203,366	205,680	214,305	219,137
(b)	**Average cost rate of retail deposits (%)**	**0.04**	**0.04**	**0.02**	**0.03**	**0.03**
	Customer spread (%) (a - b)	**2.22**	**2.23**	**2.27**	**2.22**	**2.20**

b) Balance sheet spread:

Explanation: difference between:

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	Annualised quarterly interest income	6,856	6,959	6,939	7,276	6,971
Denominator	Average total assets for the quarter	388,276	384,500	393,767	406,725	407,283
(a)	**Average return rate on assets (%)**	**1.77**	**1.81**	**1.76**	**1.79**	**1.71**
Numerator	Annualised quarterly interest expenses	1,940	2,055	1,922	2,298	2,043
Denominator	Average total liabilities for the quarter	388,276	384,500	393,767	406,725	407,283
(b)	**Average cost of fund rate (%)**	**0.50**	**0.53**	**0.49**	**0.57**	**0.50**
	Balance sheet spread (%) (a - b)	**1.27**	**1.28**	**1.27**	**1.22**	**1.21**

c) ROE:

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

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Adjusted profit attributable to the Group 12M**	1,893	1,902	1,720	1,195	**1,359**
Denominator	**Average shareholder equity + valuation adjustments 12M**	24,091	24,044	24,136	24,232	**24,268**
	ROE (%)	**7.9%**	**7.9%**	**7.1%**	**4.9%**	**5.6%**

Stripping out the labour agreement the ratio would be 8.4% and 7.7% in the third and second quarter of 2019, respectively

d) ROTE:

Explanation: quotient between:

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

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Adjusted profit attributable to the Group 12M**	1,893	1,902	1,720	1,195	**1,359**
Denominator	**Average shareholder equity + valuation adjustments excluding intangible assets 12M**	19,850	19,800	19,882	19,970	**20,008**
	ROTE (%)	**9.5%**	**9.6%**	**8.7%**	**6.0%**	**6.8%**

Stripping out the labour agreement the ratio would be 10.1% and 9.4% in the third and second quarter of 2019, respectively

e) ROA:

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

Purpose: measures the level of return relative to assets.

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Adjusted net profit 12M**	1,942	1,957	1,743	1,210	**1,365**
Denominator	**Average total assets 12M**	384,507	383,801	387,900	393,278	**398,069**
	ROA (%)	**0.5%**	**0.5%**	**0.4%**	**0.3%**	**0.3%**

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

f) RORWA:

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Adjusted net profit 12M**	1,942	1,957	1,743	1,210	**1,365**
Denominator	**Risk-weighted assets 12M**	148,647	148,191	147,881	147,863	**147,823**
	RORWA (%)	**1.3%**	**1.3%**	**1.2%**	**0.8%**	**0.9%**

Stripping out the labour agreement the ratio would be 1.4% and 1.3% in the third and second quarter of 2019, respectively

g) Cost-to-income ratio:

Explanation: operating expenses (administrative expenses, depreciation and amortisation) divided by gross income (or core income[1] for the core efficiency ratio) for the last 12 months.

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Administrative expenses + depreciation and amortisation 12M**	4,602	4,658	4,710	5,732	**5,756**
Denominator	**Gross income 12M**	8,632	8,767	8,614	8,558	**8,476**
	Cost-to-income ratio	**53.3%**	**53.1%**	**54.7%**	**67.0%**	**67.9%**

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Administrative expenses + depreciation and amortisation stripping out extraordinary expenses 12M**	4,590	4,634	4,689	4,738	**4,765**
Denominator	**Gross income 12M**	8,632	8,767	8,614	8,558	**8,476**
	Cost-to-income ratio stripping out extraordinary expenses	**53.2%**	**52.9%**	**54.4%**	**55.4%**	**56.2%**

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Administrative expenses + depreciation and amortisation stripping out extraordinary expenses 12M**	4,590	4,634	4,689	4,738	**4,765**
Denominator	**Core income[1] 12M**	8,157	8,217	8,236	8,210	**8,235**
	Core cost-to-income ratio	**56.3%**	**56.4%**	**56.9%**	**57.7%**	**57.9%**

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

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.

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Total allowances for insolvency risk 12M**	191	97	81	53	**335**
Denominator	**Average of gross loans + contingent liabilities 12M**	237,202	237,253	238,364	239,771	**241,593**
	Cost of risk (%)	**0.08%**	**0.04%**	**0.03%**	**0.02%**	**0.14%**

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

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.

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**NPLs and advances to customers + contingent liabilities**	12,116	11,195	10,983	10,402	**9,953**
Denominator	**Total gross loans to customers + contingent liabilities**	237,252	239,281	241,234	246,555	**244,319**
	Non-performing loan ratio (%)	**5.1%**	**4.7%**	**4.6%**	**4.2%**	**4.1%**

c) Coverage ratio:

Explanation: quotient between:

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

Purpose: indicator used to monitor NPL coverage via provisions.

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Provisions on loans to customers + contingent liabilities**	6,579	6,014	5,908	5,608	**5,330**
Denominator	**NPLs and advances to customers + contingent liabilities**	12,116	11,195	10,983	10,402	**9,953**
	Coverage ratio (%)	**54%**	**54%**	**54%**	**54%**	**54%**

d) Real estate available for sale coverage ratio:

Explanation: quotient between:

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
(a)	Gross debt cancelled at the foreclosure	13,078	1,209	1,339	1,420	1,499
(b)	Net book value of the foreclosed asset	5,346	740	813	863	914
Numerator	**Total coverage of the foreclosed asset (a - b)**	**7,732**	**469**	**526**	**557**	**585**
Denominator	**Gross debt cancelled at the foreclosure**	**13,078**	**1,209**	**1,339**	**1,420**	**1,499**
	Real estate available for sale coverage ratio (%)	**59%**	**39%**	**39%**	**39%**	**39%**

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

Explanation: quotient between:

- Accounting provision: charges to provisions of foreclosed assets and,
- Book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Accounting provisions of the foreclosed assets**	**5,496**	**285**	**328**	**366**	**389**
(a)	Net book value of the foreclosed asset	5,346	740	813	863	914
(b)	Accounting provisions of the foreclosed assets	5,496	285	328	366	389
Denominator	**Gross book value of the foreclosed asset (a + b)**	**10,842**	**1,025**	**1,141**	**1,229**	**1,303**
	Real estate available for sale accounting coverage (%)	**51%**	**28%**	**29%**	**30%**	**30%**

3- Liquidity

a) Total Liquid Assets

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

Purpose: shows the Bank's liquidity position.

		3Q18	4Q18	1Q19	2Q19	3Q19
(a)	**High Quality Liquid Assets (HQLAs)**	55,946	57,093	64,061	54,112	**56,437**
(b)	**Available balance under the ECB facility (non- HQLAs)**	20,133	22,437	21,957	33,462	**33,005**
	Total liquid assets (a + b)	**76,079**	**79,530**	**86,018**	**87,574**	**89,442**

b) Loan-to-deposits:

Explanation: quotient between:

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

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

		3Q18	4Q18	1Q19	2Q19	3Q19
Numerator	**Loans and advances to customers, net (a-b-c)**	**212,445**	**214,370**	**216,205**	**221,075**	**218,399**
(a)	Loans and advances to customers, gross	223,465	224,693	226,432	230,867	227,876
(b)	Provisions for insolvency risk	6,296	5,728	5,662	5,369	5,071
(c)	Brokered loans	4,724	4,595	4,565	4,423	4,406
Denominator	**On-balance sheet customers funds**	**203,473**	**204,980**	**211,295**	**220,764**	**218,717**
	Loan to Deposits (%)	**104%**	**105%**	**102%**	**100%**	**100%**

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 outstanding shares minus the number of treasury shares held at the end of the period.

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

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

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

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

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

P/BV: share price divided by book value.

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

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

OCI: other comprehensive income.

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

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

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

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

Net fees and commissions. Includes the following line items:

- Fee and commission income.
- Fee and commission expenses

Trading income. Includes the following line items:

- Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss (net).
- Gains/(losses) on financial assets not designated for trading compulsorily measured 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).

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

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

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

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

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change.
- 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 and net gains/(losses) on adjustments.
- 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 or reversal of impairment on investments in joint ventures or associates.
- Impairment or 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 2019 € million	
Financial assets at amortised cost - Customers (Public Balance Sheet)	**226,019**
Reverse repurchase agreements (public and private sector)	(1,086)
Clearing Houses	(4,955)
Other, non-retail, financial assets	(375)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	**254**
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	**2,381**
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	**567**
Provisions for insolvency risk	**5,071**
Loans and advances to customers (gross) using management criteria	**227,876**

Liabilities under insurance contract

September 2019 € million	
Liabilities under the insurance business (Public Balance Sheet)	**70,458**
Capital gains/(losses) under the insurance business (excluding unit linked and other)	(15,570)
Liabilities under the insurance business, using management criteria	**54,888**

Customer funds

September 2019 € million	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	**221,887**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	**(3,432)**
Multi-issuer covered bonds and subordinated deposits	(2,986)
Counterparties and other	(446)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	**1,719**
Retail issues and other	1,719
Liabilities under insurance contracts, using management criteria	**54,888**
Total on-balance sheet customer funds	**275,062**
Assets under management	**99,677**
Other accounts[1]	**6,397**
Total customer funds	**381,136**

(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 2019 € million	
Financial liabilities at amortised cost - Debt securities (Public Balance Sheet)	**33,755**
Institutional financing not considered for the purpose of managing bank liquidity	**(3,941)**
Securitised bonds	(1,458)
Value adjustments	(881)
Retail	(1,719)
Issues acquired by companies within the group and other	117
Customer deposits for the purpose of managing bank liquidity[2]	**2,986**
Institutional financing for the purpose of managing bank liquidity	**32,800**

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

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

September 2019 € million	
Non-current assets and disposal groups classified as held for sale (Public Balance Sheet)	**1,332**
Other non-foreclosed assets	(437)
Inventories under the heading - Other assets (Public Balance Sheet)	**19**
Foreclosed available for sale real estate assets	**914**
Tangible assets (Public Balance Sheet)	**7,367**
Tangible assets for own use	(4,821)
Other assets	(311)
Foreclosed rental real estate assets	**2,235**

Historical income statement figures for the CABK and BPI perimeters

a) Quarterly performance of the income statement and solvency ratios

€ million	CABK 3Q19	2Q19	1Q19	4Q18	3Q18
Net interest income	**1,135**	**1,141**	**1,139**	**1,138**	**1,139**
Dividend income		103	10	24	
Share of profit/(loss) of entities accounted for using the equity method	125	91	99	77	147
Net fee and commission income	590	569	552	573	581
Trading income	20	213	42	(52)	22
Income and expense under insurance or reinsurance contracts	143	134	130	132	137
Other operating income and expense	(35)	(123)	(35)	(227)	(22)
Gross income	**1,978**	**2,128**	**1,937**	**1,665**	**2,004**
Recurring administrative expenses, depreciation and amortisation	(1,073)	(1,087)	(1,089)	(1,062)	(1,049)
Extraordinary expenses		(978)			
Pre-impairment income	**905**	**63**	**848**	**603**	**955**
Pre-impairment income stripping out extraordinary expenses	**905**	**1,041**	**848**	**603**	**955**
Allowances for insolvency risk	(109)	(97)	(146)	(135)	187
Other charges to provisions	(60)	(43)	(48)	(146)	(45)
Gains/(losses) on disposal of assets and others	(45)	(22)	(18)	(98)	(464)
Profit/(loss) before tax	**691**	**(99)**	**636**	**224**	**633**
Income tax expense	(172)	102	(164)	35	(277)
Profit/(loss) after tax	**519**	**3**	**472**	**259**	**356**
Profit/(loss) attributable to minority interest and others	2			23	33
Profit/(loss) attributable to the Group	**517**	**3**	**472**	**236**	**323**
Risk-weighted assets	131,669	129,964	131,644	129,015	131,785
Common Equity Tier 1 (CET1)	*11.5%*	*11.3%*	*11.3%*	*11.3%*	*11.2%*
Total capital	*15.2%*	*15.4%*	*15.3%*	*15.3%*	*15.2%*

€ million	BPI 3Q19	2Q19	1Q19	4Q18	3Q18
Net interest income	**107**	**100**	**98**	**98**	**100**
Dividend income		48			1
Share of profit/(loss) of entities accounted for using the equity method	10	11	8	24	75
Net fee and commission income	66	67	60	72	64
Trading income	4		6	7	8
Income and expense under insurance or reinsurance contracts					
Other operating income and expense		(18)			(5)
Gross income	**187**	**208**	**172**	**201**	**243**
Recurring administrative expenses, depreciation and amortisation	(116)	(117)	(115)	(106)	(113)
Extraordinary expenses				(13)	(3)
Pre-impairment income	**71**	**91**	**57**	**82**	**127**
Pre-impairment income stripping out extraordinary expenses	**71**	**91**	**57**	**95**	**130**
Allowances for insolvency risk	25	16	23	88	11
Other charges to provisions				3	1
Gains/(losses) on disposal of assets and others	1		2	(160)	57
Profit/(loss) before tax	**97**	**107**	**82**	**13**	**196**
Income tax expense	30	(21)	(21)	(27)	(42)
Profit/(loss) after tax	**127**	**86**	**61**	**(14)**	**154**
Profit/(loss) attributable to minority interest and others				5	7
Profit/(loss) attributable to the Group	**127**	**86**	**61**	**(19)**	**147**
Risk-weighted assets	17,577	17,367	17,248	16,928	17,041
Common Equity Tier 1 (CET1)	*12.7%*	*13.1%*	*13.5%*	*13.2%*	*13.1%*
Total capital	*15.9%*	*14.8%*	*15.2%*	*14.9%*	*14.8%*

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

€ million		3Q19 Average balance	3Q19 Income or expense	3Q19 Rate %	2Q19 Average balance	2Q19 Income or expense	2Q19 Rate %	1Q19 Average balance	1Q19 Income or expense	1Q19 Rate %	4Q18 Average balance	4Q18 Income or expense	4Q18 Rate %	3Q18 Average balance	3Q18 Income or expense	3Q18 Rate %
CAIXABANK																
Financial Institutions		19,327	29	0.60	29,465	44	0.60	21,638	41	0.76	19,625	42	0.86	21,691	42	0.77
Loans and advances	(a)	194,270	1,106	2.26	192,144	1,097	2.29	190,052	1,091	2.33	187,960	1,096	2.31	188,222	1,089	2.30
Fixed income securities portfolio		30,106	76	1.00	31,410	88	1.12	34,450	85	1.00	31,421	85	1.08	30,178	85	1.12
Other assets with returns		64,955	429	2.62	60,071	472	3.15	56,592	383	2.75	54,478	416	3.03	54,667	393	2.85
Other assets		70,700	4	-	65,653	4	-	63,787	3	-	63,961	3	-	65,443	6	-
Total average assets	**(b)**	**379,358**	**1,644**	**1.72**	**378,743**	**1,705**	**1.81**	**366,519**	**1,603**	**1.77**	**357,445**	**1,642**	**1.82**	**360,201**	**1,615**	**1.78**
Financial Institutions		26,142	(57)	0.86	38,949	(69)	0.71	38,977	(60)	0.63	37,596	(50)	0.53	38,690	(50)	0.51
Retail customer funds	(c)	196,676	(15)	0.03	192,238	(16)	0.03	184,227	(12)	0.03	182,176	(14)	0.03	183,070	(13)	0.03
Demand deposits		172,872	(9)	0.02	168,138	(11)	0.03	161,054	(9)	0.02	158,563	(11)	0.03	157,517	(9)	0.02
Maturity deposits		23,804	(6)	0.10	24,101	(5)	0.09	23,173	(3)	0.05	23,614	(3)	0.06	25,553	(4)	0.06
Time deposits		20,460	(6)	0.11	20,835	(5)	0.10	20,466	(3)	0.06	20,827	(3)	0.06	22,492	(4)	0.07
Retail repurchase agreements and marketable debt securities		3,344	-	-	3,265	-	-	2,707	-	-	2,786	-	-	3,061	-	-
Wholesale marketable debt securities & other		27,455	(60)	0.87	27,440	(59)	0.86	25,889	(57)	0.89	25,415	(62)	0.97	25,666	(63)	0.97
Subordinated liabilities		5,400	(19)	1.36	5,400	(19)	1.40	5,400	(18)	1.36	5,723	(21)	1.44	6,150	(24)	1.55
Other funds with cost		73,771	(347)	1.87	68,421	(390)	2.29	65,286	(307)	1.91	63,100	(352)	2.21	63,557	(320)	2.00
Other funds		49,914	(11)	-	46,295	(11)	-	46,740	(10)	-	43,435	(5)	-	43,068	(6)	-
Total average funds	**(d)**	**379,358**	**(509)**	**0.53**	**378,743**	**(564)**	**0.60**	**366,519**	**(464)**	**0.51**	**357,445**	**(504)**	**0.56**	**360,201**	**(476)**	**0.53**
Net interest income			1,135			1,141			1,139			1,138			1,139	
Customer spread (%)	(a-c)		2.23			2.26			2.30			2.28			2.27	
Balance sheet spread (%)	(b-d)		1.19			1.21			1.26			1.26			1.25	

€ million		3Q19 Average balance	3Q19 Income or expense	3Q19 Rate %	2Q19 Average balance	2Q19 Income or expense	2Q19 Rate %	1Q19 Average balance	1Q19 Income or expense	1Q19 Rate %	4Q18 Average balance	4Q18 Income or expense	4Q18 Rate %	3Q18 Average balance	3Q18 Income or expense	3Q18 Rate %
BPI																
Financial Institutions		2,072	5	0.98	2,449	3	0.45	2,095	4	0.74	1,942	3	0.63	2,304	3	0.46
Loans and advances	(a)	21,044	101	1.91	20,889	99	1.89	20,854	97	1.89	20,815	100	1.90	20,584	101	1.94
Fixed income securities portfolio		5,376	9	0.66	5,414	9	0.67	5,172	9	0.68	4,946	13	1.08	5,382	13	0.97
Other assets with returns		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets		3,201	3	-	3,279	2	-	3,195	2	-	3,303	4	-	3,303	2	-
Total average assets	**(b)**	**31,693**	**118**	**1.47**	**32,031**	**113**	**1.41**	**31,316**	**112**	**1.45**	**31,006**	**120**	**1.54**	**31,573**	**119**	**1.50**
Financial Institutions		3,030	(1)	0.08	3,462	(1)	0.16	3,726	(2)	0.22	4,065	(2)	0.15	5,217	(1)	0.06
Retail customer funds	(c)	22,752	-	-	22,574	-	-	21,961	(1)	0.02	21,756	(6)	0.11	21,510	(5)	0.10
Demand deposits		14,246	-	-	13,994	-	-	13,258	-	-	13,123	-	-	12,867	-	-
Maturity deposits		8,506	-	(0.01)	8,580	-	-	8,703	(1)	0.05	8,633	(6)	0.28	8,644	(5)	0.25
Time deposits		8,506	-	(0.01)	8,580	-	-	8,703	(1)	0.05	8,633	(6)	0.28	8,644	(5)	0.25
Retail repurchase agreements and marketable debt securities		-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	-
Wholesale marketable debt securities & other		1,098	(4)	1.47	1,254	(4)	1.41	845	(4)	2.04	520	(4)	3.38	275	(4)	6.15
Subordinated liabilities		300	(4)	5.63	300	(4)	5.59	300	(4)	5.55	300	(4)	5.55	300	(4)	5.55
Other funds with cost		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other funds		4,513	(2)	-	4,441	(4)	-	4,484	(3)	-	4,365	(6)	-	4,271	(5)	-
Total average funds	**(d)**	**31,693**	**(11)**	**0.13**	**32,031**	**(13)**	**0.16**	**31,316**	**(14)**	**0.18**	**31,006**	**(22)**	**0.29**	**31,573**	**(19)**	**0.25**
Net interest income			107			100			98			98			100	
Customer spread (%)	(a-c)		1.91			1.89			1.87			1.79			1.84	
Balance sheet spread (%)	(b-d)		1.34			1.25			1.27			1.25			1.25	

c) Quarterly change in fees and commissions

€ million	3Q19	2Q19	1Q19	4Q18	3Q18
CAIXABANK					
Banking services, securities and other fees	342	327	317	332	333
Sale of insurance products	36	42	42	38	40
Mutual funds, managed accounts and SICAVs	129	121	118	126	131
Pension plans	54	54	51	55	54
Unit Link and other	29	25	24	22	23
Net fee and commission income	**590**	**569**	**552**	**573**	**581**

€ million	3Q19	2Q19	1Q19	4Q18	3Q18
BPI					
Banking services, securities and other fees	38	40	35	43	38
Sale of insurance products	15	13	13	14	12
Mutual funds, managed accounts and SICAVs	9	9	9	11	10
Pension plans	1			1	
Unit Link and other	3	5	3	3	4
Net fee and commission income	**66**	**67**	**60**	**72**	**64**

d) Quarterly change in administrative expenses, depreciation and amortisation

	CAIXABANK				
€ million	**3Q19**	**2Q19**	**1Q19**	**4Q18**	**3Q18**
Gross income	**1,978**	**2,128**	**1,937**	**1,665**	**2,004**
Personnel expenses	(670)	(698)	(703)	(673)	(679)
General expenses	(276)	(273)	(275)	(294)	(279)
Depreciation and amortisation	(127)	(116)	(111)	(95)	(91)
Recurring administrative expenses, depreciation and amortisation	**(1,073)**	**(1,087)**	**(1,089)**	**(1,062)**	**(1,049)**
Extraordinary expenses		(978)			

	BPI				
€ million	**3Q19**	**2Q19**	**1Q19**	**4Q18**	**3Q18**
Gross income	**187**	**208**	**172**	**201**	**243**
Personnel expenses	(61)	(62)	(61)	(60)	(62)
General expenses	(38)	(39)	(37)	(37)	(41)
Depreciation and amortisation	(17)	(16)	(17)	(9)	(10)
Recurring administrative expenses, depreciation and amortisation	**(116)**	**(117)**	**(115)**	**(106)**	**(113)**
Extraordinary expenses				(13)	(3)

e) Changes in the NPL ratio

	CAIXABANK			BPI		
	Sep. 30, 2019	**Jun. 30, 2019**	**Dec. 31, 2018**	**Sep. 30, 2019**	**Jun. 30, 2019**	**Dec. 31, 2018**
Loans to individuals	**4.6%**	**4.7%**	**4.8%**	**3.6%**	**3.7%**	**3.9%**
Home purchases	3.5%	3.7%	3.8%	3.5%	3.7%	3.8%
Other	7.1%	6.9%	7.3%	4.3%	4.3%	4.3%
Loans to business	**4.2%**	**4.5%**	**5.5%**	**4.6%**	**4.8%**	**5.1%**
Corporates and SMEs	4.0%	4.0%	4.7%	4.3%	4.4%	4.7%
Real estate developers	7.5%	9.7%	14.1%	21.6%	22.4%	22.9%
Public sector	**0.4%**	**0.4%**	**0.4%**	**0.1%**	**0.1%**	-
NPL Ratio (loans and contingent liabilities)	**4.1%**	**4.2%**	**4.7%**	**3.9%**	**4.0%**	**4.2%**

Activity indicators by region

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

Spain

€ million	Sep. 30, 2019	Jun. 30, 2019	% Chg.	Dec. 31, 2018	% Chg.
LOANS AND ADVANCES					
Loans to individuals	**112,300**	**115,158**	**(2.5)**	**114,275**	**(1.7)**
Home purchases	78,266	79,371	(1.4)	80,471	(2.7)
Other	34,034	35,787	(4.9)	33,804	0.7
of which: Consumer lending	13,135	12,750	3.0	11,786	11.4
Loans to business	**79,804**	**79,284**	**0.7**	**76,140**	**4.8**
Corporates and SMEs	73,852	73,342	0.7	70,015	5.5
Real estate developers	5,952	5,942	0.2	6,125	(2.8)
Public sector	**11,128**	**12,078**	**(7.9)**	**10,202**	**9.1**
Loans and advances to customers, gross	**203,232**	**206,520**	**(1.6)**	**200,617**	**1.3**
FUNDS					
Customer funds	196,261	198,216	(1.0)	183,558	6.9
Demand deposits	174,171	175,867	(1.0)	161,418	7.9
Time deposits	22,090	22,349	(1.2)	22,140	(0.2)
Insurance contract liabilities	50,408	50,149	0.5	48,263	4.4
of which: Unit Link and other	8,574	8,126	5.5	6,739	27.2
Reverse repurchase agreements and others	1,440	1,598	(9.9)	2,044	(29.5)
On-balance sheet funds	**248,109**	**249,963**	**(0.7)**	**233,865**	**6.1**
Mutual funds, managed accounts and SICAVs	61,970	61,379	1.0	59,275	4.5
Pension plans	29,466	28,684	2.7	26,589	10.8
Assets under management	**91,436**	**90,063**	**1.5**	**85,864**	**6.5**
Other accounts	**4,726**	**4,017**	**17.6**	**3,156**	**49.7**
Total customer funds	**344,271**	**344,043**	**0.1**	**322,885**	**6.6**

Portugal

€ million	Sep. 30, 2019	Jun. 30, 2019	% Chg.	Dec. 31, 2018	% Chg.
LOANS AND ADVANCES					
Loans to individuals	**12,916**	**12,786**	**1.0**	**12,771**	**1.1**
Home purchases	11,179	11,111	0.6	11,171	0.1
Other	1,737	1,675	3.7	1,600	8.6
of which: Consumer lending	1,318	1,253	5.2	1,160	13.6
Loans to business	**9,945**	**9,790**	**1.6**	**9,677**	**2.8**
Corporates and SMEs	9,754	9,609	1.5	9,500	2.7
Real estate developers	191	181	5.5	177	7.9
Public sector	**1,783**	**1,771**	**0.7**	**1,628**	**9.5**
Loans and advances to customers, gross	**24,644**	**24,347**	**1.2**	**24,076**	**2.4**
FUNDS					
Customer funds	22,456	22,548	(0.4)	21,422	4.8
Demand deposits	14,151	14,084	0.5	12,838	10.2
Time deposits	8,305	8,464	(1.9)	8,584	(3.3)
Insurance contract liabilities	4,480	4,348	3.0	4,120	8.7
of which: Unit Link and other	2,538	2,433	4.3	2,314	9.7
Reverse repurchase agreements and others	17	17	-	16	6.3
On-balance sheet funds	**26,953**	**26,913**	**0.1**	**25,558**	**5.5**
Mutual funds, managed accounts and SICAVs	5,163	5,134	0.6	5,267	(2.0)
Pension plans	3,078	3,002	2.5	2,820	9.1
Assets under management	**8,241**	**8,136**	**1.3**	**8,087**	**1.9**
Other accounts	**1,671**	**1,772**	**(5.7)**	**1,952**	**(14.4)**
Total customer funds	**36,865**	**36,821**	**0.1**	**35,597**	**3.6**

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