Business activity and results

January-June

2018

Contents

Note: The financial information contained in this document is unaudited and, accordingly, is subject to change. The income statement and the consolidated balance sheet and the corresponding breakdowns of those statements provided in this report, are presented under management criteria, but have still been prepared in accordance with International Financial Reporting Standards (IFRS-EU) as adopted by the European Union under the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as subsequently modified. In preparing these statements, Circular 4/2017 of the Bank of Spain of 6 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.
This report has been prepared from the accounting records of CaixaBank, S.A. and the other Group companies, and includes certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank. For this reason, and in relation to BPI specifically, the information set out in this report is not entirely consistent with the Group's published financial statements *(see Reconciliation with the financial information released by BPI following the presentation format of the CaixaBank Group under Appendices - Glossary below).* Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.
Figures are presented in millions of euros unless the use of another monetary unit is stated explicitly, and may be expressed as either million euros or € million.

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

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

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

Commercial positioning

CaixaBank Group

15.7
million customers

30.0%
market penetration among individual customers in Spain

26.7%
market penetration as main bank among individual customers in Spain

396,117
in total assets (€ million)

366,163
in customer funds (€ million)

225,744
in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

79,892
in total liquid assets (€ million)

199%
liquidity coverage ratio (LCR), average 12 months

CAPITAL MANAGEMENT

11.4%
fully-loaded CET1

15.7%
fully-loaded total capital

RISK MANAGEMENT

5.3%
NPL ratio

56%
NPL coverage ratio

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

Profitability and cost-to-income

1,121
Banking and insurance

+415
Equity Investments

1,298
profit attributable to the Group (€ million) (+54.6% vs 2017)

+76
BPI

-314
Non-core RE activity

53.0%
cost-to-income ratio, stripping out extraordinary expenses

10.4%
ROTE

12.0%
recurring ROTE for banking and insurance business

Key Group figures[1]

€ million / %	January - June 2018	January - June 2017	Year-on-year	2Q18	Quarter-on-quarter
INCOME STATEMENT					
Net interest income	2,432	2,349	3.5%	1,229	2.3%
Net fee and commission income	1,293	1,252	3.3%	668	6.7%
Gross income	4,654	4,280	8.7%	2,392	5.7%
Recurring administrative expenses, depreciation and amortisation	(2,304)	(2,216)	4.0%	(1,155)	0.5%
Pre-impairment income stripping out extraordinary expenses	2,350	2,064	13.8%	1,237	11.1%
Pre-impairment income	2,342	1,958	19.6%	1,232	11.0%
Profit/(loss) attributable to the Group	1,298	839	54.6%	594	(15.7%)
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	53.1%	55.1%	(2.0)	53.1%	(0.8)
Cost-to-income ratio stripping out extraordinary expenses	53.0%	52.2%	0.8	53.0%	0.3
ROE	8.6%	5.4%	3.2	8.6%	0.5
ROTE	10.4%	6.5%	3.9	10.4%	0.6
ROA	0.6%	0.4%	0.2	0.6%	0.1
RORWA	1.4%	0.9%	0.5	1.4%	0.1

OTHER INDICATORS	June 2018	March 2018	December 2017	Quarter-on-quarter	Year-to-date
BALANCE SHEET					
Total assets	396,117	384,419	383,186	3.0%	3.4%
Equity	24,099	24,649	24,683	(2.2%)	(2.4%)
Customer funds	366,163	351,420	349,458	4.2%	4.8%
Loans and advances to customers, gross	225,744	223,249	223,951	1.1%	0.8%
RISK MANAGEMENT					
Non-performing loans (NPL)	12,714	13,695	14,305	(981)	(1,591)
Non-performing loan ratio	5.3%	5.8%	6.0%	(0.5)	(0.7)
Cost of risk (last 12 months)	0.24%	0.29%	0.34%	(0.05)	(0.10)
Provisions for insolvency risk	7,172	7,597	7,135	(425)	37
NPL coverage ratio	56%	55%	50%	1	6
Net foreclosed available for sale real estate assets[2]	5,553	5,810	5,878	(257)	(325)
Foreclosed available for sale real estate assets coverage ratio	59%	58%	58%	1	1
LIQUIDITY					
Total Liquid Assets	79,892	73,216	72,775	6,676	7,117
Loan to deposits	102%	107%	108%	(5)	(6)
Liquidity Coverage Ratio (last 12 months)	199%	194%	185%	5	14
CAPITAL ADEQUACY					
Fully-loaded Common Equity Tier 1 (CET1)	11.4%	11.6%	11.7%	(0.2)	(0.3)
Fully-loaded Tier 1	12.9%	13.1%	12.3%	(0.2)	0.6
Fully-loaded total capital	15.7%	16.1%	15.7%	(0.4)	
Fully-loaded Risk-Weighted Assets (RWAs)	147,754	148,328	148,626	(574)	(872)
Fully-loaded leverage ratio	5.4%	5.7%	5.3%	(0.3)	0.1
SHARE INFORMATION					
Share price (€/share)	3.706	3.872	3.889	(0.166)	(0.183)
Market capitalization	22,157	23,150	23,248	(993)	(1,091)
Book value per share (€/share)	4.00	4.05	4.06	(0.05)	(0.06)
Tangible book value per share (€/share)	3.29	3.34	3.35	(0.05)	(0.06)
Net income attributable per share (€/share) (12 months)	0.35	0.33	0.28	0.02	0.07
PER (Price/Profit)	10.64	11.89	14.02	(1.25)	(3.38)
Tangible PBV (Market value/ book value of tangible assets)	1.13	1.16	1.16	(0.03)	(0.03)
OTHER DATA (units)					
Employees	37,286	37,107	36,972	179	314
Branches[3]	5,239	5,318	5,379	(79)	(140)

(1) See indicator definitions in Appendices - Glossary.
(2) Exposure in Spain.
(3) Does not include branches outside Spain and Portugal or representative offices.

Key Group information

Our Bank

CaixaBank

Commercial strength

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

Loans	Deposits	Payroll deposits	Investment funds	Saving insurances	Pension plans	Card turnover	Consumer lending
15.8%	14.9%	26.6%	16.8%	27.0%	23.9%	23.4%	16.7%

Specialised products and services

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

Digitalisation

- Euromoney named CaixaBank **Best digital bank in Western Europe** on account of its digital transformation and innovation, while Financial Times named it **Best private bank in Europe** when it comes to applying technology.
- Among CaixaBank customers, **55% are now digital**[3].
- **Launch of the *Smart Money* app**, which offers digital advisory services and picks investment portfolios based on the customer's risk profile and objectives.

Corporate responsibility

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

BPI

- BPI boasts solid market shares[4] in Portugal, with a total of 1.9 million customers: 9.6% in lending activity and 11.4% in customer funds.
- Named by Euromoney as **Best bank in Portugal** in 2018 thanks to its strategy, innovation and social commitment.

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

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

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

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

Highlights for the quarter

Sale of the real estate business[1]

CaixaBank reached an agreement in the second quarter of 2018 to acquire 51% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. and therefore regain control of its real estate servicer. The deal was awaiting clearance from the competition authorities at 30 June 2018 and was subsequently completed on 13 July 2018.

The income statement for the first half of 2018 includes a negative result of €-204 million stemming from the deal.

Meanwhile, CaixaBank has agreed to sell its real estate business (including mainly the portfolio of available-for-sale real estate assets at 31 October 2017, along with 100% of the share capital of Servihabitat Servicios Inmobiliarios, S.L.) to a newco, 80% of which is owned by the funds Lone Star Fund X and Lone Star Real Estate Fund V and the remaining 20% by CaixaBank. Completion of the deal will mark the deconsolidation of the real estate business, which is estimated to have a neutral impact on the income statement.

BPI

On 6 May 2018, CaixaBank announced an agreement to acquire shares representing 8.425% of BPI from the Allianz Group in a deal worth €178 million (€1.45/share).

Following the deal, BPI's shareholders approved the bank’s delisting at the annual general meeting held on 29 June 2018.

At 30 June 2018, CaixaBank’s stake in BPI stood at 94.20%.

Results and business activity

- **Attributable profit for the first half of 2018 grew to €1,298 million** (+54.6% year on year), on the back of:
  - Income growth (**gross income up 8.7%**), driven mainly by core income[2], which climbed to €4,091 million (+4.5%), and also **higher earnings on financial assets and liabilities** and income from **investees**, among others.
  - **Reduction in allowances for insolvency risk** (-47.5%) and **Other charges to provisions** (-62.9%), while a number of one-off events impacted the income statement in both annual periods.
- **Total funds** grew to €366,163 million (**+4.8% in 2018**).
- Total loans and advances to customers came to €225,744 million (+0.8% in the year), while the **performing portfolio was up 1.6%**.

(1) See section on ‘Significant events in the first half of 2018’.

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

Balance sheet strength

Risk management

- NPLs are down €1,591 million in the year (€-981 million in the quarter), bringing the **NPL ratio** down to **5.3%** (6.0% at December 2017).
- The **coverage ratio** climbed to **56%** (+6pp in the year due to various impacts, including the adoption of IFRS 9, which has required the Bank to post €791 million in credit loss provisions).

Capital adequacy

- The **fully-loaded Common Equity Tier 1 (CET1) stood at 11.4%** at 30 June 2018. Excluding the impact of -15 basis points due to the first-time adoption of IFRS 9 and the extraordinary impact of -23 basis points due to the repurchase of minority interests in BPI and the 51% stake in Servihabitat, the ratio gained 38 basis points in the first six months of the year due to capital generation but shed 26 basis points due to prevailing market conditions and other factors.

- The **fully-loaded Tier 1 ratio** came to **12.9%** following the issuance of €1,250 million in Additional Tier 1 instruments in the first half of the year.

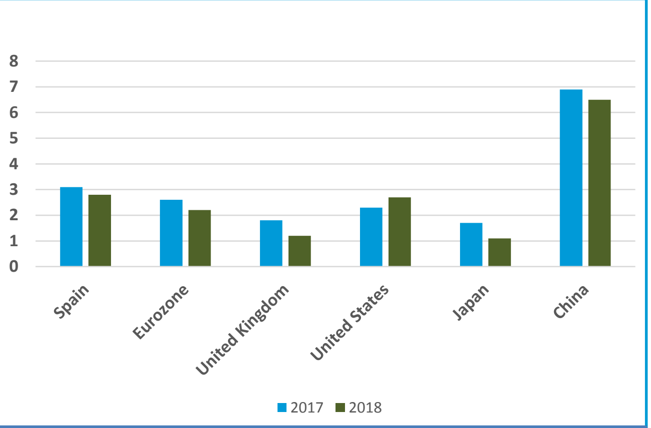
- Meanwhile, fully-loaded **total capital** was **15.7%**, clear of the target envisaged in the Strategic Plan, following the issuance of €1,000 million in subordinated debt and the redemption of an issuance of Tier 2 instruments worth €2,072 million (of which €1,574 million are eligible).

- The fully-loaded leverage ratio was 5.4%.

Macroeconomic trends and state of the financial markets

Global economic outlook

The **global economy** continued to post solid growth over the first half of 2018, on par with the levels seen at year-end 2017. Indicators suggest that global economic activity has continued to **advance** at around the same **3.8%** reported for the whole of 2017. Among emerging economies, China and India are both reporting heavy growth (with GDP gains of 6.8% and 7.7%, respectively, in the first quarter of 2018), while the Russian economy now seems to be back on track. However, growth continued to disappoint across key Latin American economies, notably Mexico and Brazil, both of which have been hit hard by high levels of political uncertainty, while more fragile emerging nations such as Argentina and Turkey are being snubbed by international investors due to their growing macroeconomic imbalances. Meanwhile, among the main advanced economies, the United States showed solid growth despite the fact that it is clearly at a mature stage of the cycle, with unemployment at an all-time low and increased inflationary pressures. As we look ahead to the rest of the year, CaixaBank Research expects the global economy to continue growing at around the 3.8% mark due to the momentum amassed in recent quarters and thanks also to a disciplined slowdown in China and a US economy which —now buoyed by the expansionary fiscal policy of the Trump administration— will continue to move through the mature phase of the cycle without losing steam. Nevertheless, these tailwinds come at the cost of a more volatile financial landscape. Financial conditions will steadily become less accommodative following the interest rate hikes made by the Fed and a whole set of international geopolitical conflicts will have to be juggled with the election season in the United States. In all likelihood, the situation is likely to spark new episodes of risk aversion.



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

(1) Forecasts for 2018 made by CaixaBank Research.

Economic scenario - Europe, Spain and Portugal

In the first half of 2018, economic growth across the **euro area** relaxed somewhat to reach rates closer to the region's potential growth. However, this is partly due to a combination of temporary factors (strikes, abnormally poor meteorological conditions and flu epidemics), plus a weaker showing from the external sector. Conversely, internal demand remained strong. Aided by the accommodative policy pursued by the ECB (not only with its net asset purchasing, which will continue through to the end of the year, but also by reinvesting principal on bond maturity and promising not to raise interest rates before September 2019), the euro area will continue to post solid growth, probably at around 2.0% in the latter half of the year.

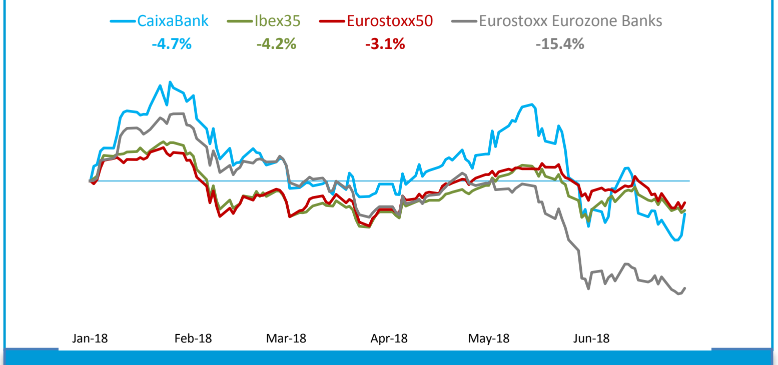
In **Spain**, economic activity has continued to grow at some 3.0% in the year to date and this healthy performance has prompted the main rating agencies to upgrade their sovereign credit ratings. In the second half of the year, the Spanish economy will continue to report solid levels of growth, albeit slightly down on the levels seen in 2017 (due to the disappearance of temporary support factors such as low oil prices). This, however, is expected to be partially offset by an increased contribution from the external sector, which has become increasingly competitive in recent years. Meanwhile, the change of government will likewise prompt a slightly more expansionary fiscal policy in 2018, although in view of the high levels of parliamentary fragmentation, we are unlikely to see any major shift in economic policy.

In **Portugal**, the growth slowdown across the euro area was somewhat more apparent, although on the domestic front consumption and investment remained solid and even picked up. Looking forward to the second half of 2018, economic activity will become more dynamic as the country casts off the shackles that were holding it back in the first six months of the year. CaixaBank Research expects the country to end the year at 2.3% growth.

State of the financial markets

While 2017 was characterised by a highly accommodative and relatively placid financial climate, financial turbulence was back in the first half of 2018 due to the tighter monetary policy and a flare-up in geopolitical and trade tensions. Paradoxically, this change in the economic landscape is actually the result of a positive macroeconomic scenario, as the Federal Reserve in the United States and the European Central Bank gradually withdraw their monetary stimulus measures, albeit at different paces. In the year to date, the Fed has already hiked its reference interest rates on two occasions, each by 25 basis points (one in March followed by another in June to bring rates to the 1.75%-2.00% interval). Meanwhile, the ECB has revealed that its net asset purchase programme will draw to a close in 2018 (continuing at a rate of 30 billion euros a month through to September, before falling to 15 billion euros from October and then ending all together in December). The financial markets, however, having spent years accustomed to low interest rates, reacted strongly with volatility episodes, stock market corrections and a strengthening of the US dollar (which is beginning to undermine asset prices in certain emerging economies). Lastly, the financial markets were also dragged back by an increase in geopolitical and trade tensions.

The share prices of European banks have felt the effects of rising global trade tensions, coupled with political uncertainty in Spain and Italy and the ECB's announcement that it does not intend to raise interest rates before the second half of 2019.



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

Results

The Group's income statement

Year-on-year performance

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

€ million	1H18	1H17	Change	%
Net interest income	**2,432**	**2,349**	**83**	**3.5**
Dividend income	121	121		
Share of profit/(loss) of entities accounted for using the equity method	503	268	235	87.7
Net fee and commission income	1,293	1,252	41	3.3
Gains/(losses) on financial assets and liabilities and others	293	177	116	64.8
Income and expense under insurance or reinsurance contracts	282	233	49	21.0
Other operating income and expense	(270)	(120)	(150)	
Gross income	**4,654**	**4,280**	**374**	**8.7**
Recurring administrative expenses, depreciation and amortisation	(2,304)	(2,216)	(88)	4.0
Extraordinary expenses	(8)	(106)	98	(92.9)
Pre-impairment income	**2,342**	**1,958**	**384**	**19.6**
Pre-impairment income stripping out extraordinary expenses	**2,350**	**2,064**	**286**	**13.8**
Allowances for insolvency risk	(248)	(472)	224	(47.5)
Other charges to provisions	(283)	(763)	480	(62.9)
Gains/(losses) on disposal of assets and others	(70)	282	(352)	
Profit/(loss) before tax	**1,741**	**1,005**	**736**	**73.1**
Income tax expense	(401)	(149)	(252)	
Profit/(loss) after tax	**1,340**	**856**	**484**	**56.5**
Profit/(loss) attributable to minority interest and others	42	17	25	
Profit/(loss) attributable to the Group	**1,298**	**839**	**459**	**54.6**

Attributable profit for the first half of 2018 grew to €1,298 million (+54.6% year on year).

Gross income came to €4,654 million (+8.7% year on year), driven by growth in core income to €4,091 million in 2018 (+4.5%) and higher earnings on financial assets and liabilities and income from investees. Moreover, a total of €115 million in income was reported in 2017 in connection with the agreement reached with Cecabank.

Recurring administrative expenses, depreciation and amortisation was also up (+4.0%), but less so than core income.

Allowances for insolvency risk was down 47.5% and Other charges to provisions fell by 62.9%. This latter heading saw a number of one-off negative impacts in 2017 in connection with early retirements and write-downs on the exposure to Sareb. The cost of risk came to 0.24% (-20bp year on year).

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

The positive results of the business combination with BPI were recognised in 2017 under Gains/(losses) on disposal of assets and others (€256 million).

Quarterly performance

€ million	2Q18	1Q18	Change	%	2Q17	Change %
Net interest income	**1,229**	**1,203**	**26**	**2.3**	**1,196**	**2.8**
Dividend income	116	5	111		113	2.8
Share of profit/(loss) of entities accounted for using the equity method	237	266	(29)	(10.7)	183	29.6
Net fee and commission income	668	625	43	6.7	664	0.4
Gains/(losses) on financial assets and liabilities and others	157	136	21	14.7	134	16.7
Income and expense under insurance or reinsurance contracts	144	138	6	4.3	123	17.6
Other operating income and expense	(159)	(111)	(48)	44.0	(26)	
Gross income	**2,392**	**2,262**	**130**	**5.7**	**2,387**	**0.2**
Recurring administrative expenses, depreciation and amortisation	(1,155)	(1,149)	(6)	0.5	(1,125)	2.6
Extraordinary expenses	(5)	(3)	(2)	80.6	(96)	(94.9)
Pre-impairment income	**1,232**	**1,110**	**122**	**11.0**	**1,166**	**5.7**
Pre-impairment income stripping out extraordinary expenses	**1,237**	**1,113**	**124**	**11.1**	**1,262**	**(2.0)**
Allowances for insolvency risk	(109)	(139)	30	(21.7)	(223)	(51.0)
Other charges to provisions	(233)	(50)	(183)		(393)	(41.0)
Gains/(losses) on disposal of assets and others	(68)	(2)	(66)		4	
Profit/(loss) before tax	**822**	**919**	**(97)**	**(10.7)**	**554**	**48.0**
Income tax expense	(219)	(182)	(37)	20.2	(113)	93.4
Profit/(loss) after tax	**603**	**737**	**(134)**	**(18.3)**	**441**	**36.4**
Profit/(loss) attributable to minority interest and others	9	33	(24)	(73.2)	5	62.6
Profit/(loss) attributable to the Group	**594**	**704**	**(110)**	**(15.7)**	**436**	**36.1**

- The quarter on quarter **change in attributable profit in the second quarter of 2018 (€594 million)** was largely down to the recognition of various one-off impacts under Dividend income and under Other operating income and expense (€-48 million in estimated property tax in the first quarter and €-97 million from the contribution paid to the EU Single Resolution Fund (SRF) in the second quarter of 2018).

  Growth in Net interest income (+2.3%) and Fee and commission income (+6.7%) in response to the increase in investment banking activity and in Insurance income (+4.3%).

  The second quarter also reflected the loss reported on the repurchase of 51% of Servihabitat (€-204 million).

- Compared with the **same quarter of 2017**, profit was up 36.1%. Improvement in pre-impairment income (+5.7%), driven by core income (+2.6%) and increased income from stakes and gains on financial assets and liabilities and others. Extraordinary expenses totalling €96 million were reported in 2017 in connection with BPI.

  Reduction in Allowances for insolvency risk (-51.0%) and Other charges to provisions fell (-41.0%), which reported a number of one-off negative impacts in 2017 in connection with early retirements.

Return on average total assets[1]

In %	2Q18	1Q18	4Q17	3Q17	2Q17
Interest income	1.83	1.83	1.83	1.84	1.87
Interest expense	(0.55)	(0.54)	(0.61)	(0.57)	(0.57)
Net interest income	**1.28**	**1.29**	**1.22**	**1.27**	**1.30**
Dividend income	0.12	0.01	0.00	0.01	0.12
Share of profit/(loss) of entities accounted for using the equity method	0.25	0.29	0.04	0.23	0.20
Net fee and commission income	0.70	0.67	0.65	0.65	0.72
Gains/(losses) on financial assets and liabilities and others	0.16	0.15	(0.01)	0.12	0.15
Income and expense under insurance or reinsurance contracts	0.15	0.15	0.12	0.13	0.13
Other operating income and expense	(0.17)	(0.13)	(0.25)	(0.08)	(0.02)
Gross income	**2.49**	**2.43**	**1.77**	**2.33**	**2.60**
Recurring administrative expenses, depreciation and amortisation	(1.20)	(1.24)	(1.15)	(1.19)	(1.23)
Extraordinary expenses	(0.01)	(0.00)	(0.00)	0.00	(0.10)
Pre-impairment income	**1.28**	**1.19**	**0.62**	**1.14**	**1.27**
Pre-impairment income stripping out extraordinary expenses	**1.29**	**1.19**	**0.62**	**1.14**	**1.37**
Allowances for insolvency risk	(0.11)	(0.15)	(0.14)	(0.20)	(0.24)
Other charges to provisions	(0.24)	(0.05)	(0.12)	(0.04)	(0.43)
Gains/(losses) on disposal of assets and others	(0.07)	(0.00)	(0.12)	0.00	0.00
Profit/(loss) before tax	**0.86**	**0.99**	**0.24**	**0.90**	**0.60**
Income tax expense	(0.23)	(0.20)	(0.04)	(0.19)	(0.12)
Profit/(loss) after tax	**0.63**	**0.79**	**0.20**	**0.71**	**0.48**
Profit/(loss) attributable to minority interest and others	0.01	0.03	(0.00)	0.03	0.01
Profit/(loss) attributable to the Group	**0.62**	**0.76**	**0.20**	**0.68**	**0.47**
Average total net assets (€ million)	385,155	377,143	387,300	376,073	368,639

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

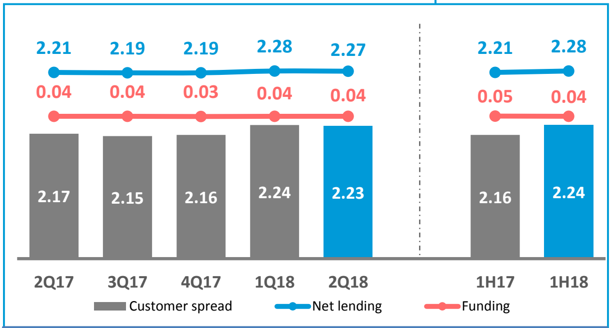
Gross income

Net interest income

- Net interest income at the Group came to €2,432 million in the first half of the year (+3.5% year on year), due to the integration of BPI in February 2017, which accounts for 0.9% of this growth.

  The year-on-year growth in net interest income at the Group in the first half of 2018, despite the climate of rock-bottom interest rates, was down to:

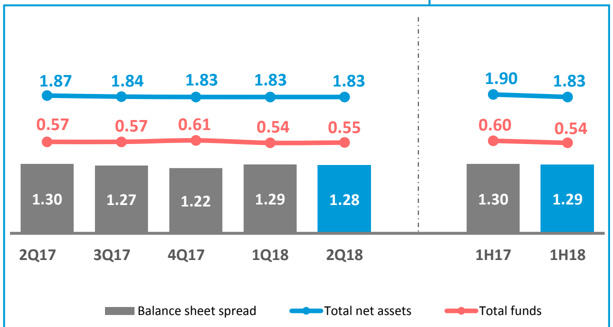
  - Increase of 7 basis points on the return on lending activity, due to the fact that new loans have been arranged at higher rates than the existing portfolio, as well as the shift in the product mix towards more profitable segments, all of which has helped offset the still negative repricings on the mortgage portfolio. The adoption of IFRS 9 also helped push up rates on loans.
  - Forceful management of retail financing, which has seen a reduction of -3 basis points in the cost of maturity deposits and of -1 basis point in demand deposits.
  - The cost savings obtained on institutional financing, which has been arranged at lower prices, together with the increased volume of the fixed income portfolio, were able to counter the lower yield on fixed income securities and the cost increase of excess liquidity remunerated at negative rates.



Customer spread, Group
(%)

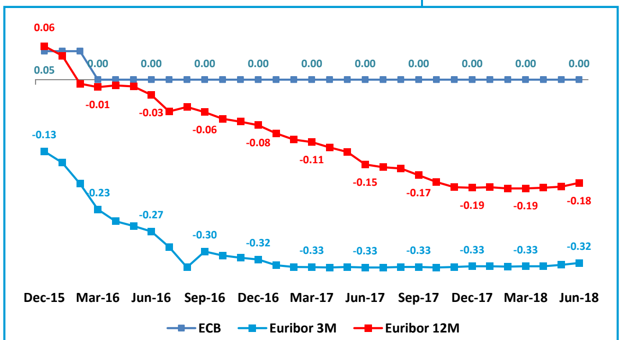
- Net interest income was up 2.3% quarter on quarter thanks to:

  - Increased income on the loan portfolio due to the larger contribution made by the credit subsidiaries operating in the consumer financing segment, as well as new loans arranged at notably higher rates than the existing loan portfolio. Also supporting the growth in net interest income was the fact that this quarter had one more day than the previous quarter.
  - Improved return on wholesale activity due to the increased contribution made by the fixed income portfolio (both volume and rates), which more than offset the cost increase on liquidity arranged at negative rates.
  - The cost of retail deposits was relatively flat in the period thanks to a stable interest rate on demand deposits despite the notable increase in the balance.



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

The Group's **customer spread** fell by 1 basis point to **2.23%** following a reduction in the return on lending activity. Meanwhile, the balance sheet spread was 1 basis point down on the previous quarter due to the increase in liquidity remunerated at negative rates.



Interest rates
(%)

Quarterly cost and income

€ million		2Q18 Average balance	2Q18 Income or expense	2Q18 Rate %	1Q18 Average balance	1Q18 Income or expense	1Q18 Rate %	4Q17 Average balance	4Q17 Income or expense	4Q17 Rate %
Financial Institutions		22,360	43	0.76	17,577	43	1.00	25,142	48	0.75
Loans	(a)	208,857	1,182	2.27	207,592	1,169	2.28	209,451	1,158	2.19
Fixed income securities portfolio		34,365	98	1.14	33,160	85	1.04	32,617	81	0.98
Other assets with returns		55,369	431	3.12	52,152	400	3.11	50,777	494	3.86
Other assets		64,204	5		66,662	8		69,313	10	
Total average assets	**(b)**	**385,155**	**1,759**	**1.83**	**377,143**	**1,705**	**1.83**	**387,300**	**1,791**	**1.83**
Financial Institutions		44,052	(48)	0.44	45,019	(45)	0.40	59,416	(51)	0.34
Retail customer funds	(c)	198,910	(18)	0.04	190,216	(17)	0.04	187,178	(16)	0.03
Demand deposits		164,979	(9)	0.02	155,860	(9)	0.02	151,289	(10)	0.03
Maturity deposits		33,931	(9)	0.11	34,357	(8)	0.09	35,889	(6)	0.06
Time deposits		31,849	(9)	0.11	32,859	(7)	0.09	34,629	(6)	0.06
Retail repurchase agreements and marketable debt securities		2,082			1,497	(1)		1,260		
Wholesale marketable debt securities & other		27,200	(66)	0.97	28,246	(69)	0.99	27,069	(72)	1.06
Subordinated liabilities		7,404	(33)	1.77	6,114	(32)	2.14	6,005	(34)	2.27
Other funds with cost		63,780	(356)	2.24	63,023	(328)	2.11	61,252	(411)	2.66
Other funds		43,809	(9)		44,525	(11)		46,380	(11)	
Total average funds	**(d)**	**385,155**	**(530)**	**0.55**	**377,143**	**(502)**	**0.54**	**387,300**	**(595)**	**0.61**
Net interest income			**1,229**			**1,203**			**1,196**	
Customer spread (%)	**(a-c)**		**2.23**			**2.24**			**2.16**	
Balance sheet spread (%)	**(b-d)**		**1.28**			**1.29**			**1.22**	

€ million		3Q17 Average balance	3Q17 Income or expense	3Q17 Rate %	2Q17 Average balance	2Q17 Income or expense	2Q17 Rate %	1Q17 Average balance	1Q17 Income or expense	1Q17 Rate %
Financial Institutions		15,210	50	1.30	11,394	41	1.44	11,714	45	1.54
Loans	(a)	210,440	1,163	2.19	211,249	1,163	2.21	205,544	1,129	2.23
Fixed income securities portfolio		31,577	97	1.22	27,550	93	1.35	26,973	97	1.45
Other assets with returns		50,444	427	3.35	50,018	417	3.34	48,669	436	3.64
Other assets		68,402	11		68,428	7		66,364	4	
Total average assets	**(b)**	**376,073**	**1,748**	**1.84**	**368,639**	**1,721**	**1.87**	**359,264**	**1,711**	**1.93**
Financial Institutions		41,725	(55)	0.52	42,823	(43)	0.40	45,901	(41)	0.36
Retail customer funds	(c)	195,983	(22)	0.04	188,969	(20)	0.04	179,976	(28)	0.06
Demand deposits		158,164	(13)	0.03	150,036	(10)	0.03	139,029	(12)	0.04
Maturity deposits		37,818	(9)	0.09	38,933	(10)	0.10	40,947	(16)	0.15
Time deposits		35,986	(9)	0.09	37,837	(10)	0.11	40,231	(15)	0.15
Retail repurchase agreements and marketable debt securities		1,833			1,096			716	(1)	0.01
Wholesale marketable debt securities & other		26,514	(75)	1.12	26,544	(74)	1.12	28,119	(80)	1.16
Subordinated liabilities		6,305	(38)	2.38	5,357	(39)	2.92	4,610	(34)	3.03
Other funds with cost		60,093	(349)	2.31	59,400	(341)	2.30	55,816	(366)	2.66
Other funds		45,453	(8)		45,546	(8)		44,842	(9)	
Total average funds	**(d)**	**376,073**	**(547)**	**0.57**	**368,639**	**(525)**	**0.57**	**359,264**	**(558)**	**0.63**
Net interest income			**1,201**			**1,196**			**1,153**	
Customer spread (%)	**(a-c)**		**2.15**			**2.17**			**2.17**	
Balance sheet spread (%)	**(b-d)**		**1.27**			**1.30**			**1.30**	

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.
- Since BPI was integrated on 1 February 2017, the results and average balances for the first quarter of the year (which includes just two months) cannot be reliably compared with the following quarters.

Fees and commissions

- **Fee and commission income grew to €1,293 million,** up 3.3% year on year following the integration of BPI, which contributed 2.1% of this growth.
  - **Banking services, securities and other fees** amounted to €742 million and includes income on securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking.

    The change versus the first half of 2017 (-5.9%) was partly down to the drop in fees and commissions from investment banking activity and the increase in fees and commissions paid under distribution agreements associated with consumer financing, which also impacted the performance on the same quarter of 2017 (-6.8%).

    Compared with the first quarter (+10.0%), the main growth driver was the increase in fees and commissions from investment banking activities.
  - **Commissions from mutual funds, managed accounts and SICAVs** came to €274 million (+18.4%) following the steady increase in assets under management and changes in the product mix. The heading was up 7.8% on the first quarter of 2018 and up 17.0% on the same quarter of 2017.
  - **Growth of 9.4% in pension plan management fees** to reach €107 million, following the increase in assets under management through the wide range of products on offer. Fees were roughly on par with the same quarter of 2017, but were down on the first quarter of 2018, which included one-off impacts.
  - **Fees on insurance sales increased** to €170 million (+26.7%), up 3.2% quarter on quarter and up 14.4% on the same quarter of 2017.

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Banking services, securities and other fees	742	789	(5.9)	389	353	363	369	416
Mutual funds, managed accounts and SICAVs	274	231	18.4	142	132	134	126	121
Pension plans	107	98	9.4	50	57	62	53	51
Sale of insurance products	170	134	26.7	87	83	73	67	76
Net fee and commission income	**1,293**	**1,252**	**3.3**	**668**	**625**	**632**	**615**	**664**

Income from equity investments

- **Income from equity investments totalled €624 million**. This heading shows earnings at entities accounted for using the equity method, as well as dividend income.
- Share of profit/(loss) of entities accounted for using the equity method was down to the individual performances of the businesses concerned, plus the following one-off impacts:
  - Recognition in January 2017 of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.
  - Earnings of €156 million from BFA recognised under the equity method in the first half of 2018 (of which €108 million relate to the one-off impacts on profit and loss of the devaluation of Angola's currency, among other factors). Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.
- Dividend income included €104 million from Telefónica in the second quarter of 2018 and 2017.

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Dividend income	121	121		116	5	1	5	113
Share of profit/(loss) of entities accounted for using the equity method	503	268	87.7	237	266	38	220	183
Income from equity investments	**624**	**389**	**60.5**	**353**	**271**	**39**	**225**	**296**

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

- **Gains/(losses) on financial assets and liabilities and others** climbed to €293 million (+64.8%) following the materialisation of unrealised capital gains on financial assets available for sale, among other factors. The first quarter of 2018 also included the recognition of the repricing of BPI's stake in Viacer following its sale, while the second quarter included the impact of hedging contracts on subordinated bonds that were redeemed ahead of maturity.

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Gains/(losses) on financial assets and liabilities and others	**293**	**177**	**64.8**	**157**	**136**	**(5)**	**110**	**134**

Income and expense under insurance and reinsurance contracts

- Sustained growth in income under life-risk insurance contracts to reach €282 million (+4.3% quarter on quarter and +17.6% on the same quarter of 2017).

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Income and expense under insurance or reinsurance contracts	**282**	**233**	**21.0**	**144**	**138**	**118**	**121**	**123**

Other operating income and expense

- **Other operating income and expense** (€-270 million) includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred from managing foreclosed real estate assets and contributions, as well as charges and taxes, the timing of which generates a seasonal impact on the quarterly performance under this heading:
  - The second quarter of 2018 includes the contribution of €97 million to the Single Resolution Fund (SRF)[1].
  - Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (estimated at €48 million for 2018).
  - Contribution to the Deposit Guarantee Fund (DGF) of €214 million reported in the fourth quarter of 2017.

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

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

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
SRF / DGF	(97)	(90)	7.8	(97)		(214)		(90)
Other real estate operating income and expense (including Spanish property tax)	(121)	(121)	0.4	(34)	(87)	(46)	(33)	(36)
Other	(52)	91		(28)	(24)	11	(28)	100
Other operating income and expense	**(270)**	**(120)**		**(159)**	**(111)**	**(249)**	**(61)**	**(26)**

Administrative expenses, depreciation and amortisation

- Recurring administrative expenses, depreciation and amortisation was up 4.0% to €2,304 million (+2.8% year on year if we strip out the integration of BPI's costs base).

  Quarter on quarter, the Group's expenses were up 0.5%, although personnel costs and depreciation and amortisation remained stable. The Group continued to control its costs, which grew at a slower pace than gross income (+5.7%) and core income (+3.7%).

- The extraordinary expenses are associated with the integration of BPI (€8 million in 2018 and €110 million in 2017).

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Gross income	4,654	4,280	8.7	2,392	2,262	1,731	2,211	2,387
Personnel expenses	(1,463)	(1,426)	2.6	(732)	(731)	(729)	(720)	(724)
General expenses	(641)	(571)	12.3	(324)	(317)	(298)	(296)	(292)
Depreciation and amortisation	(200)	(219)	(8.7)	(99)	(101)	(97)	(111)	(109)
Recurring administrative expenses, depreciation and amortisation	**(2,304)**	**(2,216)**	**4.0**	**(1,155)**	**(1,149)**	**(1,124)**	**(1,127)**	**(1,125)**
Extraordinary expenses	(8)	(106)	(92.9)	(5)	(3)	(1)	(3)	(96)

Cost-to-income ratio Group	2Q18	1Q18	4Q17	3Q17	2Q17
Cost-to-income stripping out extraordinary expenses (%) [2]	53.0	52.7	54.3	51.8	52.2
Cost-to-income ratio (%) [2]	53.1	53.9	55.7	53.1	55.1

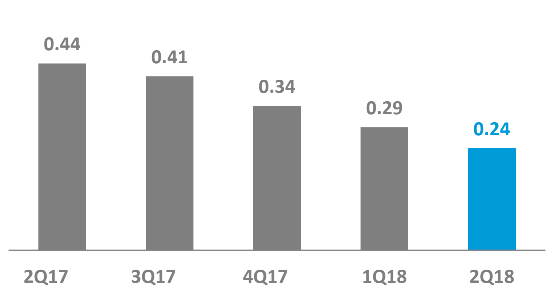
(2) Last 12 months.

Allowances for insolvency risk and other charges to provisions

Allowances for insolvency risk

- **Allowances for insolvency risk** fell to €248 million, down 47.5% year on year (-21.7% quarter on quarter).

  Meanwhile, the **cost of risk** was 0.24%.



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

(1) The ratio for the third and previous quarters of 2017 excludes the release of €676 million in provisions carried out in the fourth quarter of 2016.

Other charges to provisions

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

  In the second quarter of 2018, this heading now includes a provision of €152 million to cover the difference between the purchase price of the 51% stake in the real estate servicer the Group is looking to buy back from TPG (pending completion at 30 June) and the estimated fair value of that stake.

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

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Allowances for insolvency risk	(248)	(472)	(47.5)	(109)	(139)	(141)	(186)	(223)
Other charges to provisions	(283)	(763)	(62.9)	(233)	(50)	(112)	(37)	(393)
Allowances for insolvency risk and other charges to provisions	**(531)**	**(1,235)**	**(57.0)**	**(342)**	**(189)**	**(253)**	**(223)**	**(616)**

Gains/(losses) on disposal of assets and others

- **Gains/(losses) on disposal of assets and others** essentially comprises the results of completed one-off transactions and proceeds on asset sales and write-downs mainly relating to the real estate portfolio. The change here was a result of:
  - Proceeds of €151 million from sales of real estate assets (+91.1%), revealing a margin to net book value of 17% (15% in the first half of 2017).
  - Other profit/(loss) from the real estate business (€-202 million) includes, among other items, the allowances associated with asset valuations. In the fourth quarter of 2017, updates were made to the parameters of the Group's internal models.

    It also includes €-52 million in impairment on the 49% stake held in Servihabitat to bring its book value to its new fair value.
  - Result of the business combination with BPI in the first quarter of 2017 (€256 million) and write-downs of obsolete assets in the fourth quarter of the same year.

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	4Q17	3Q17	2Q17
Results on sale of property	151	79	91.1	111	40	108	61	44
Other real estate results	(202)	(38)		(164)	(38)	(149)	(55)	(28)
Others	(19)	241		(15)	(4)	(76)	(7)	(12)
Gains/(losses) on disposal of assets and others	**(70)**	**282**		**(68)**	**(2)**	**(117)**	**(1)**	**4**
Results on sales of property, net (on net carrying amount)	17%	15%		17%	16%	27%	21%	15%

Business activity

Balance sheet

The **Group's total assets amounted to €396,117 million** at 30 June 2018, up 3.0% in the quarter (+3.5% on the opening balance sheet following the adoption of IFRS 9 on 1 January 2018):

€ million	Jun 30, 2018	Mar 31, 2018	Change %	Jan 1, 2018	Change %
- Cash and cash balances at central banks and other demand deposits	22,670	15,031	50.8	20,155	12.5
- Financial assets held for trading	10,077	10,044	0.3	9,641	4.5
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss	744	891	(16.5)	822	(9.5)
Equity instruments	*235*	*356*	(34.0)	284	(17.3)
Debt securities	*145*	*143*	1.4	148	(2.0)
Loans and advances	*364*	*392*	(7.1)	390	(6.7)
- Financial assets designated at fair value through other global profit or loss	20,027	20,963	(4.5)	19,857	0.9
- Financial assets measured at amortised cost	243,492	237,285	2.6	234,978	3.6
Credit institutions	*8,945*	*6,682*	33.9	*7,091*	26.1
Customers	*217,623*	*214,454*	1.5	*215,090*	1.2
Debt securities	*16,924*	*16,149*	4.8	*12,797*	32.2
- Derivatives - Hedge accounting	2,053	2,287	(10.2)	2,597	(20.9)
- Investments in joint ventures and associates	6,215	6,204	0.2	6,224	(0.1)
- Assets under the insurance business[1]	60,905	61,852	(1.5)	58,194	4.7
- Tangible assets	6,338	6,537	(3.0)	6,480	(2.2)
- Intangible assets	3,819	3,795	0.6	3,805	0.4
- Non-current assets and disposal groups classified as held for sale	5,646	5,910	(4.5)	6,069	(7.0)
- Other assets	14,131	13,620	3.8	13,816	2.3
Total assets[2]	**396,117**	**384,419**	**3.0**	**382,638**	**3.5**
Liabilities	**372,018**	**359,770**	**3.4**	**358,511**	**3.8**
- Financial liabilities held for trading	9,328	8,431	10.6	8,605	8.4
- Financial liabilities designated at amortised cost	291,402	279,222	4.4	280,897	3.7
Deposits from central banks and credit institutions	*42,145*	*40,869*	*3.1*	*43,196*	*(2.4)*
Customer deposits	*215,632*	*203,882*	*5.8*	*203,608*	*5.9*
Debt securities issued	*29,294*	*31,094*	*(5.8)*	*29,919*	*(2.1)*
Other financial liabilities	*4,331*	*3,377*	*28.2*	*4,174*	*3.8*
- Liabilities under the insurance business[1]	60,438	61,419	(1.6)	57,991	4.2
- Provisions	4,889	4,882	0.1	5,009	(2.4)
- Other liabilities	5,961	5,816	2.5	6,009	(0.8)
Equity[2]	**24,099**	**24,649**	**(2.2)**	**24,127**	**(0.1)**
- Own funds	24,658	24,374	1.2	23,665	4.2
- Minority interest	200	459	(56.4)	439	(54.4)
- Accumulated other comprehensive income	(759)	(184)		23	
Total liabilities and equity	**396,117**	**384,419**	**3.0**	**382,638**	**3.5**

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

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

Loans and advances to customers

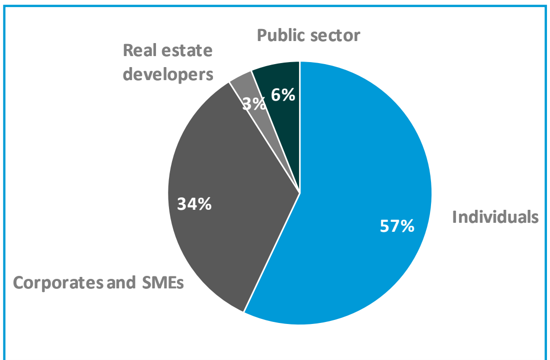
Loans and advances to customers, gross stood at **€225,744 million** (+0.8%), while the **performing portfolio** has gained 1.6% in the year to date. If we strip out the seasonal impact of the pension prepayments made in June (€+1,601 million), the **performing portfolio has gained 0.9% in the year**.

€ million	Jun 30, 2018	Mar 31, 2018	Change %	Dec 31, 2017	Change %
Loans to individuals	**129,758**	**127,993**	**1.4**	**128,490**	**1.0**
Home purchases	93,174	93,563	(0.4)	94,187	(1.1)
Other	36,584	34,430	6.3	34,303	6.6
Of which: Consumer lending in Spain	*10,978*	*10,454*	*5.0*	*9,929*	*10.6*
Loans to business	**83,022**	**82,296**	**0.9**	**83,463**	**(0.5)**
Corporates and SMEs	75,876	75,316	0.7	76,362	(0.6)
Real estate developers	7,146	6,980	2.4	7,101	0.6
Public sector	**12,964**	**12,960**	**0.0**	**11,998**	**8.1**
Loans and advances to customers, gross[1]	**225,744**	**223,249**	**1.1**	**223,951**	**0.8**
Of which:					
Performing loans	*213,520*	*210,055*	1.6	*210,154*	1.6
Provisions for insolvency risk	(6,878)	(7,299)	(5.8)	(6,832)	0.7
Loans and advances to customers, net	**218,866**	**215,950**	**1.4**	**217,119**	**0.8**
Contingent Liabilities	13,436	12,969	3.6	13,983	(3.9)

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

Highlight changes by segment include:

- **Loans for home purchases** continued to be affected by the ongoing household deleveraging process.
- **Loans to individuals - other** was up 6.3% in the quarter on the back of consumer loans in Spain (+5.0% in the quarter and +10.6% in the year) and because of the seasonal nature of the pension prepayments made in the second quarter.
- Financing to the **productive sector ex-real estate developers** was up 0.7% in the quarter (-0.6% in the year).
- **Financing to real estate developers** accounted for 3.2% of the total loan portfolio at 30 June 2018, following the Bank's active management of distressed assets.
- Exposure to the **public sector** remained stable in the quarter, but has grown in the year due to a number of one-off transactions reported in the first quarter.



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

Customer funds

Customer funds grew to €366,163 million (+4.8% in the year), with on balance sheet funds up 6.1% and assets under management up 1.8%. Demand deposits were impacted by various seasonal factors in the second quarter.

€ million	Jun 30, 2018	Mar 31, 2018	Change %	Dec 31, 2017	Change %
Customer funds	208,654	197,296	5.8	196,611	6.1
Demand deposits	175,960	162,020	8.6	158,772	10.8
Term deposits[1]	32,694	33,230	(1.6)	35,793	(8.7)
Subordinated retail liabilities		2,046		2,046	
Insurance contract liabilities	51,483	50,633	1.7	49,965	3.0
Reverse repurchase agreements and other	2,440	2,071	17.8	968	
On-balance sheet funds	**262,577**	**250,000**	**5.0**	**247,544**	**6.1**
Mutual funds, managed accounts and SICAVs	68,272	67,582	1.0	66,882	2.1
Pension plans	30,044	29,589	1.5	29,669	1.3
Assets under management	**98,316**	**97,171**	**1.2**	**96,551**	**1.8**
Other accounts	**5,270**	**4,249**	**24.0**	**5,363**	**(1.7)**
Total customer funds[2]	**366,163**	**351,420**	**4.2**	**349,458**	**4.8**

(1) Includes retail debt securities amounting to €522 million at 30 June 2018.

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

- Quarterly highlights for **on-balance sheet funds (5.0%)** by type were as follows:
  - **Demand deposits** were up 8.6% to €175,960 million, partly as a result of the seasonal impact of the double payments and the redemption of subordinated retail liabilities at the end of the quarter.
  - **Term deposits** continued to fall (-1.6%) to €32,694 million, against a backdrop of rock-bottom interest rates on renewal of maturities.
  - Full prepayment of the issuance of series I/2012[3] subordinated bonds in the quarter.
  - **Liabilities under insurance contracts**[4] were up 1.7% in response to the Bank's intensive commercial efforts.

  CaixaBank has cemented its leadership of the savings insurance market, with a share[5] of 27.0%.

- **Assets under management** climbed to €98,316 million (+1.2% in the quarter), despite high levels of market volatility:
  - **Assets under management in mutual funds, managed accounts and SICAVs** increased to €68,272 million (+1.0% in the quarter), with the increase largely the result of new subscriptions.
  - **Pension plans** stood at €30,044 million (+1.5% in the quarter).

  CaixaBank has a market share[5] of 16.8% in investment funds, and a share of 23.9% in pension plans.

- Other accounts includes, among other items, transitional funds associated with transfers and collections. The change here was down to the seasonal impacts reported in the previous quarter.

(3) See section on 'Significant events in the first half of 2018'.

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

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

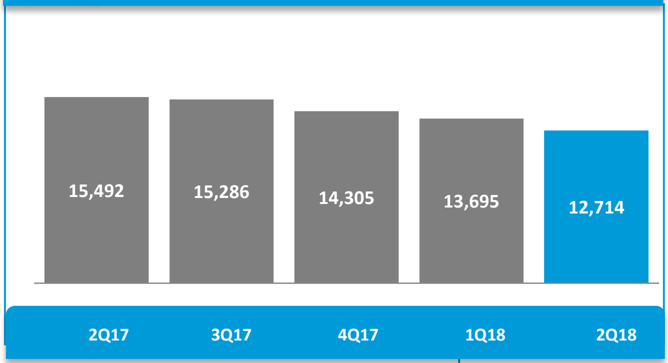
Risk management

Credit risk quality

Non-performing loans

- The **NPL ratio fell to 5.3%** (6.0% at December 2017 and 6.5% at June 2017).

- Non-performing loans fell to €12,714 million (€-981 million in the quarter and €-1,591 million in the year) in response to the Bank's active management of its NPL ratio, which included the sale of loan portfolios.



(1) Calculations include loans and contingent liabilities.

NPL ratio by segment

	2Q17	3Q17	4Q17	1Q18	2Q18
Loans to individuals	**5.1%**	**5.2%**	**5.2%**	**5.3%**	**5.0%**
Home purchases	4.2%	4.3%	4.2%	4.2%	4.1%
Other	7.5%	8.0%	7.9%	8.0%	7.4%
of which: Consumer lending in Spain	3.5%	3.8%	4.2%	4.4%	4.1%
Loans to business	**9.6%**	**9.4%**	**8.3%**	**7.7%**	**6.8%**
Corporates and SMEs	8.1%	7.9%	7.1%	6.5%	5.8%
Real estate developers	23.9%	23.4%	21.7%	21.1%	17.4%
Public sector	**1.6%**	**1.6%**	**1.4%**	**0.8%**	**0.6%**
NPL Ratio (loans and contingent liabilities)	**6.5%**	**6.4%**	**6.0%**	**5.8%**	**5.3%**

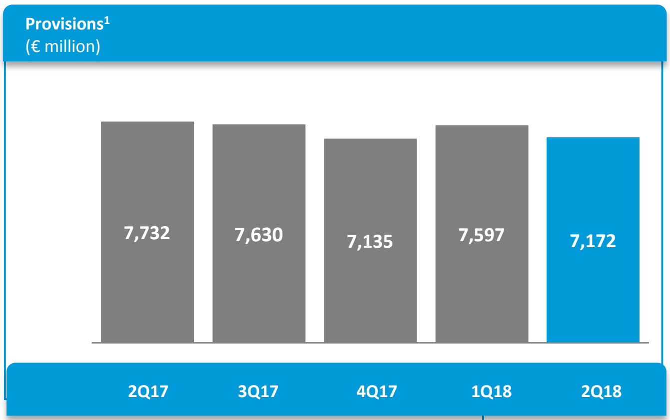
The change in the NPL ratio for "other purposes" at the end of the second quarter is mainly down to the pension prepayments, which pushes up and then decreases the volume of lending activity in the second and third quarters, respectively. Stripping out this effect, the NPL ratio for "Other" in 2Q18 would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

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

€ million	2Q17	3Q17	4Q17	1Q18	2Q18
Opening balance	**16,135**	**15,492**	**15,286**	**14,305**	**13,695**
Exposures recognized as non-performing (NPL-inflows)	1,173	1,056	1,235	834	806
Derecognitions from non-performing exposures	(1,816)	(1,262)	(2,216)	(1,444)	(1,787)
of which written off	(124)	(203)	(222)	(266)	(201)
Closing balance	**15,492**	**15,286**	**14,305**	**13,695**	**12,714**

Provisions for insolvency risk

- The Group's provisions for insolvency risk at 30 June amounted to €7,172 million.
- Provisions for insolvency risk reflects the entry into force of IFRS 9 on 1 January 2018, which has had the effect of pushing up provisions for credit risks by a total of €791 million.



(1) Includes loans and contingent liabilities.

Changes in provisions for insolvency risk

€ million	2Q17	3Q17	4Q17	1Q18	2Q18
Opening balance	**7,985**	**7,732**	**7,630**	**7,135**	**7,597**
Charges to provisions	223	186	141	139	109
Amounts used	(414)	(227)	(576)	(399)	(489)
Transfers and other changes	(62)	(61)	(60)	(69)	(45)
Application of IFRS9				791	
Closing balance	**7,732**	**7,630**	**7,135**	**7,597**	**7,172**

Classification by stages of gross lending and provisions

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

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

January 1, 2018	Loan book exposure				Provisions			
€ million	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
Loans and advances	194,491	15,663	13,797	223,951	(978)	(589)	(6,048)	(7,615)
Contingent Liabilities	12,953	522	508	13,983	(85)	(9)	(217)	(311)
Total loans and advances and contingent liabilities	**207,444**	**16,185**	**14,305**	**237,934**	**(1,063)**	**(598)**	**(6,265)**	**(7,926)**

Refinancing

	Jun 30, 2018		Mar 31, 2018	
€ million	Total	of which: NPL	Total	of which: NPL
Individuals	5,857	3,853	5,980	3,943
Corporates and SMEs	3,873	2,374	4,557	2,700
Real estate developers	1,173	751	1,233	884
Public sector	237	24	260	25
Total	**11,140**	**7,002**	**12,030**	**7,552**
Provisions	2,657	2,452	3,054	2,843

Foreclosed real estate assets in Spain

- The portfolio of **net foreclosed real estate assets available for sale** came to €5,553 million (€-705 million and €-257 million in the last 12 months and in the quarter, respectively). **The coverage ratio[1] was 59%,** while the coverage ratio with accounting provisions[1] was 50%. Real estate assets in the process of foreclosure (€311 million and €473 million, net, at 30 June 2018 and 31 December 2017, respectively) are not included in foreclosed real estate assets available for sale.
- The portfolio of **rental property** amounted to €2,806 million, down €224 million in the quarter, which included the sale of a portfolio of rental property.
- **Total sales[2] of real estate assets came to €1,143 million in 2018** (+70.9% year on year). The period included an arrangement to sell rental assets valued at €226 million (+37.1% stripping out this impact). **The margin of sales to book value is 17% in the year to date.**

(1) See definition in Appendices - Glossary.

(2) At sale price.

Foreclosed real estate assets and associated coverage

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

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

Net foreclosed real estate assets at BPI amounted to €41 million at 30 June 2018 (€53 million at 31 December 2017).

Sale of the real estate business[1]

- On 28 June 2018, CaixaBank agreed to sell 80% of its real estate business (mainly the portfolio of real estate assets available for sale at 31 October 2017 plus 100% of the share capital of Servihabitat Servicios Inmobiliarios, S.L.).

  Once the deal to buy back the 51% stake in Servihabitat has been completed, the Group intends to convey its real estate business to a newco, 80% of which it will then sell to Lone Star, while retaining the remaining 20% stake through BuildingCenter.

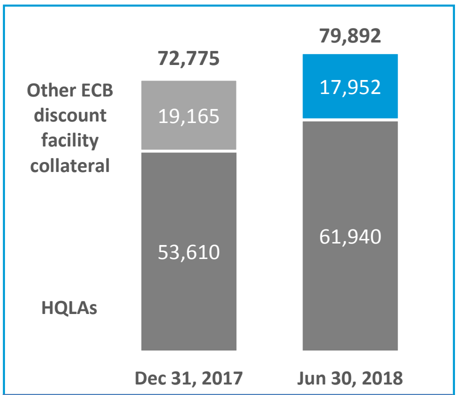
  Under the deal, Servihabitat will continue to service the Group's real estate assets for a five-year term under a new agreement that will allow CaixaBank to become more flexible and efficient.

  Completion of the deal will mark the deconsolidation of the real estate business, which is estimated to have a neutral impact on the income statement.

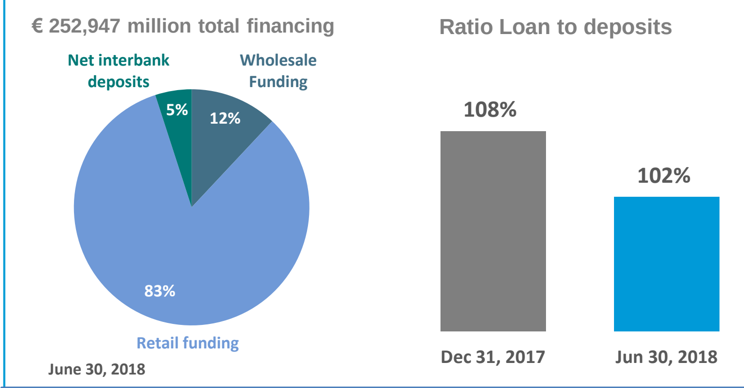
  The net book value of the portfolio of real estate assets available for sale at 30 June 2018, excluding the real estate assets to be sold under the deal described above, is estimated at €522 million.

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

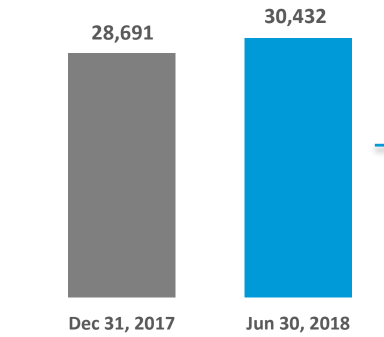
Liquidity
and financing structure



Total liquid assets
(€ million)



Financing structure



Issues by maturity

Year	Amount
2018	1,825
2019	2,133
2020	1,382
2021	2,641
>2021	22,451
Total	30,432

Wholesale funding
(€ million)

- **Total liquid assets amounted to €79,892 million** at 30 June 2018, up €7,117 million in the first half of the year.
- The Group's average **liquidity coverage ratio** (LCR)[1] at 30 June 2018 was **199%**, well clear of the period-end minimum requirement of 100% applicable from 1 January 2018 onward.
- Robust retail lending structure, with a **loan-to-deposits (LTD) ratio** of **102%**.
- The **balance drawn** under the ECB facility at 30 June 2018 remained at **€28,820 million**, of which €637 million related to TLTRO I financing and €28,183 million to TLTRO II.
- **Institutional financing[2]** totalled €30,432 million, **with CaixaBank making successful use** of the markets in 2018 to place various debt issuances.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €4,887 million at 30 June 2018.

(1) Average for the last 12 months.
(2) See Reconciliation of activity indicators using management criteria in the Appendices - Glossary.

Information on the Group’s issuances in the first half of 2018

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

(1) Meaning the yield on the issuance.

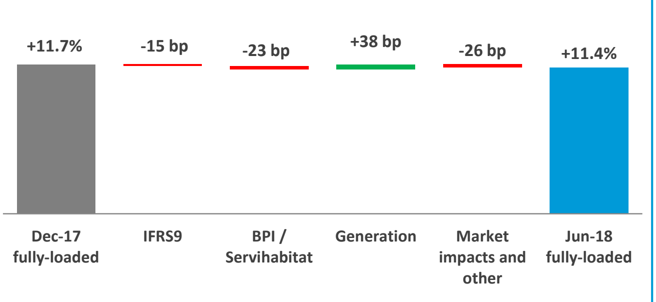
Collateralisation of mortgage covered bonds of CaixaBank, S.A.

€ million		Jun. 30, 2018
Mortgage covered bonds issued	a	51,153
Loans and credits (collateral for mortgage covered bonds)	b	92,022
Collateralization	**b/a**	**180%**
Overcollateralization	**b/a -1**	**80%**
Mortgage covered bond issuance capacity[2]		**3,062**

(2) CaixaBank S.A. is also able to issue €1,825 million in regional public-sector covered bonds.

Capital management

- The **Group's fully-loaded Common Equity Tier 1 (CET1) ratio was 11.4**% at 30 June 2018, within the 11-12% band envisaged in the Strategic Plan. Stripping out the impact of -15 basis points from the first-time adoption of IFRS 9 in the first quarter and the extraordinary impact of -23 basis points from the repurchase of BPI's minority interests and the 51% stake in Servihabitat, the change in the first half of the year was a positive 38 basis points from capital generation and a negative 26 basis points due to prevailing market conditions and other factors, notably OCI changes[1]. Fully-loaded risk weighted assets (RWA) amounted to €147,754 million at the end of June 2018.
- The **fully-loaded Tier 1** ratio was **12.9%**. The Group has managed to maintain, since the first quarter of 2018, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- **Fully-loaded total capital** was **15.7%**, clearing the 14.5% target envisaged in the Strategic Plan. The ratio reflects the issuance of €1,000 million in Tier 2 instruments in April 2018 and the redemption of an issuance of Tier 2 instruments worth €2,072 million in May (of which €1,574 million are eligible).
- Meanwhile, the fully-loaded leverage ratio was 5.4%.
- As regards the subordinated instruments needed to comply with future MREL requirements, the ratio of these subordinated instruments to RWA, including mainly total capital and senior non-preferred, was 16.6% fully loaded.
- According to the criteria in force in 2018 for phased-in implementation, regulatory capital and leverage were: **11.6% CET1, 13.1% Tier 1, 15.9% total capital and 5.5% leverage ratio.**
- **CaixaBank is also subject to minimum capital requirements** on a non-consolidated basis. The regulatory CET1 ratio under this perimeter is 12.8%, with risk-weighted assets (RWAs) totalling €136,794 million.
- Banco BPI is also compliant with its minimum capital requirements. The regulatory and fully-loaded CET1 ratios have converged in 2018, standing at 12.8% at the end of June 2018.
- The European Central Bank (ECB) and the national supervisor require the Group to maintain regulatory CET1, Tier 1 and total capital ratios of 8.063%, 9.563% and 11.563%, respectively, at 30 June 2018 (including the phased-in implementation of the capital conservation and systemic risk buffers), which climb to 8.75%, 10.25% and 12.25% in a fully-loaded perspective.
- The Group's current ratios show that the requirements imposed on the Group will not trigger any of the automatic restrictions envisaged in applicable capital adequacy regulations relating to payouts of dividends, variable remuneration and interest to holders of Additional Tier 1 capital instruments (there is a margin of 357 basis points, equivalent to €5,276 million, before triggering the Group's regulatory MDA[1]).
- CaixaBank's dividend policy satisfies the requirements prescribed by the ECB in its recommendation of 28 December 2017, meaning that it does not limit or confine the Bank in any way.



Change in fully-loaded CET1

(1) See definition in Appendices - Glossary.

Performance and key capital adequacy indicators

	BIS III (Regulatory)					
€ million	**Jun 30, 2017**	**Sep 30, 2017**	**Dec 31, 2017**	**Mar 31, 2018**	**Jun 30, 2018**	**Quarter-on-quarter**
CET1 Instruments	23,582	23,885	23,921	23,495	23,302	(193)
Shareholders' equity	23,830	24,496	24,204	24,374	24,658	284
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	839	1,488	1,684	704	1,298	594
Reserves and other	17,010	17,027	16,539	17,689	17,379	(310)
Other CET1 Instruments[1]	(248)	(611)	(283)	(879)	(1,356)	(477)
Deductions from CET	(4,695)	(4,871)	(4,960)	(5,975)	(6,101)	(126)
CET1	**18,887**	**19,014**	**18,961**	**17,520**	**17,201**	**(319)**
AT1 Instruments	999	999	999	2,231	2,232	1
AT1 Deductions	(878)	(883)	(891)			
TIER 1	**19,008**	**19,130**	**19,069**	**19,751**	**19,433**	**(318)**
T2 Instruments	4,097	5,136	5,023	4,472	4,153	(319)
T2 Deductions	(34)	(40)	(50)			
TIER 2	4,063	5,096	4,973	4,472	4,153	(319)
TOTAL CAPITAL	**23,071**	**24,226**	**24,042**	**24,223**	**23,586**	**(637)**
Risk-weighted assets	151,504	149,690	148,872	148,472	147,898	(574)
CET1 Ratio	12.5%	12.7%	12.7%	11.8%	11.6%	(0.2%)
Tier 1 Ratio	12.5%	12.8%	12.8%	13.3%	13.1%	(0.2%)
Total Capital Ratio	15.2%	16.2%	16.1%	16.3%	15.9%	(0.4%)
MDA Buffer[2]	5,562	5,845	5,857	5,549	5,276	(273)
Total Capital Ratio + Senior Non-Preferred		17.2%	17.2%	17.5%	16.8%	(0.7%)
Leverage Ratio	5.6%	5.6%	5.5%	5.8%	5.5%	(0.3%)
CET1 Ratio - CABK (non consolidated basis)	12.8%	12.9%	13.6%	13.2%	12.8%	(0.4%)
Tier 1 Ratio CABK (non consolidated basis)	13.2%	13.4%	14.1%	14.8%	14.4%	(0.4%)
Total Capital Ratio - CABK (non consolidated basis)	16.5%	16.8%	17.4%	18.1%	17.5%	(0.6%)
Risk-weighted assets (non consolidated basis)	138,950	136,154	138,781	135,660	136,794	1,134
Profit/loss (non consolidated basis)	720	914	1,428	118	510	392
ADIs[3]	2,001	2,183	2,235	1,852	1,715	(137)
MDA Buffer[2] *- CABK (non consolidated basis)*	8,128	8,158	9,373	6,909	6,497	(412)
Leverage Ratio - CABK (non consolidated basis)	5.9%	5.8%	6.1%	6.4%	6.1%	(0.3%)

	BIS III (Fully-loaded)					
€ million	**Jun 30, 2017**	**Sep 30, 2017**	**Dec 31, 2017**	**Mar 31, 2018**	**Jun 30, 2018**	**Quarter-on-quarter**
CET1 Instruments	23,637	23,945	23,967	23,517	23,312	(205)
Shareholders' equity	23,830	24,496	24,204	24,374	24,658	284
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	839	1,488	1,684	704	1,298	594
Reserves and other	17,010	17,027	16,539	17,689	17,379	(310)
Other CET1 Instruments[1]	(193)	(551)	(237)	(857)	(1,346)	(489)
Deductions from CET	(6,251)	(6,533)	(6,649)	(6,356)	(6,490)	(134)
CET1	**17,386**	**17,412**	**17,318**	**17,161**	**16,822**	**(340)**
AT1 Instruments	999	999	999	2,231	2,232	1
AT1 Deductions						
TIER 1	**18,385**	**18,411**	**18,317**	**19,392**	**19,055**	**(337)**
T2 Instruments	4,097	5,136	5,023	4,472	4,153	(319)
T2 Deductions						
TIER 2	4,097	5,136	5,023	4,472	4,153	(319)
TOTAL CAPITAL	**22,482**	**23,547**	**23,340**	**23,864**	**23,208**	**(656)**
Risk-weighted assets	151,223	149,448	148,626	148,328	147,754	(574)
CET1 Ratio	11.5%	11.7%	11.7%	11.6%	11.4%	(0.2%)
Tier 1 Ratio	12.2%	12.3%	12.3%	13.1%	12.9%	(0.2%)
Total Capital Ratio	14.9%	15.8%	15.7%	16.1%	15.7%	(0.4%)
Total Capital Ratio + Senior Non-Preferred		16.8%	16.8%	17.2%	16.6%	(0.6%)
Leverage Ratio	5.5%	5.4%	5.3%	5.7%	5.4%	(0.3%)

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

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

(3) Does not include the share premium.

Segment reporting

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

- **Banking and insurance:** includes all revenues from banking, insurance and asset management, liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre. From 1 January, it also shows the results of BPI Vida e Pensoes, while from April it shows the results of BPI Gestao de Activos and BPI Global Investment Fund.
- **Non-core real estate:** shows the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:
  - Loans to real estate developers classified as non-core.
  - All foreclosed real estate assets (available for sale and rental), most of which are owned by real estate subsidiary BuildingCenter.
  - Other real estate assets and interests.
- **Equity investments:** essentially shows income from dividends and/or profit accounted for using the equity method, net of financing costs, from the Group's interests, as well as gains/(losses) on the financial assets and liabilities held at Erste Group Bank, Repsol, Telefónica, BFA, BCI and Viacer. It also includes the significant impacts on income of other relevant stakes recently acquired by the Group in Spain as part of its drive to diversify across sectors, as well as the stakes consolidated through BPI.

  The results contributed by BPI to the consolidated income statement under the equity method are included through to the effective takeover in February 2017, whereupon a new business segment was created.
- **BPI:** this business shows the results following the takeover of BPI in February 2017, from which time the Portuguese bank's assets and liabilities have been reported using the full consolidation method (considering the adjustments made to the business combination). The income statement shows the reversal of the fair value adjustments of the assets and liabilities resulting from the business combination and excludes the results and balance sheet figures associated with the assets of BPI assigned to the equity investments business (essentially BFA, BCI and Viacer), as discussed previously.

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

Capital is assigned to the non-core real estate and equity investments businesses to pursue the corporate target of maintaining a fully-loaded regulatory Common Equity Tier 1 (CET1) ratio of between 11% and 12%. The capital assigned to these businesses takes into account both the consumption of capital for risk-weighted assets at 11% and all applicable deductions.

Capital is assigned to BPI on a sub-consolidated basis, meaning in view of the subsidiary's own funds. The capital consumed at BPI by the investees assigned to the equity investments business is allocated consistently to this business.

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

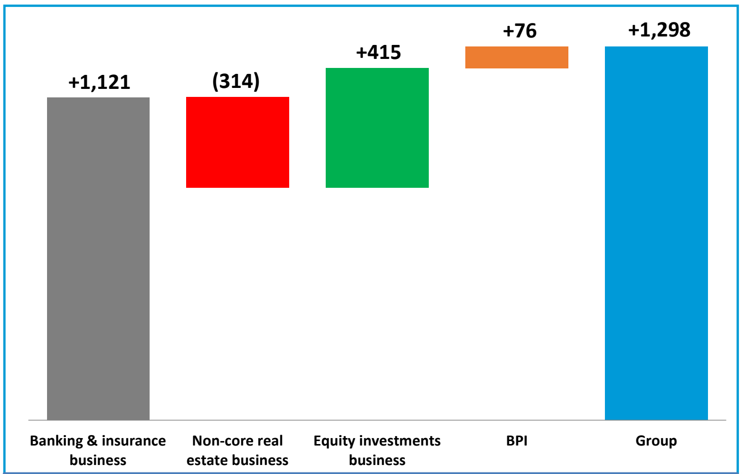
While the Group has kept the same structure of business segments in 2018, it has made certain changes to its presentation criteria, with 2017 restated for comparison purposes as follows:

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

In April, CaixaBank Asset Management SGIIC, SAU completed the acquisition of the asset management businesses of BPI (BPI Gestao de Activos, SGFI, SA and BPI Global Investment Fund Management Company SA). The deal had no impact on the Group's consolidated balance sheet or income statement. Meanwhile, the capital gain generated at BPI as a result of the sale is not reflected on the income statement of this business, since it has been removed from CaixaBank's consolidated income statement. The investment funds that BPI continues to market and sell are still reported as assets under management within the BPI business segment.

(1) Gross analytical income charged to the non-core real estate business in the first half of 2017 amounted to €55 million (€132 million for the whole year 2017).

Results for the first half of 2018 arranged by business unit are as follows:



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

€ million	Banking & insurance business	Non-core real estate business	Equity investments	BPI	Group
Net interest income	**2,322**	**(7)**	**(80)**	**197**	**2,432**
Dividends and share of profit/(loss) of entities accounted for using the equity method	107	10	500	7	624
Net fee and commission income	1,152	(3)		144	1,293
Gains/(losses) on financial assets and liabilities and others	245		17	31	293
Income and expense under insurance or reinsurance contracts	282				282
Other operating income and expense	(128)	(121)		(21)	(270)
Gross income	**3,980**	**(121)**	**437**	**358**	**4,654**
Recurring administrative expenses, depreciation and amortisation	(2,013)	(59)	(2)	(230)	(2,304)
Extraordinary expenses				(8)	(8)
Pre-impairment income	**1,967**	**(180)**	**435**	**120**	**2,342**
Pre-impairment income stripping out extraordinary expenses	**1,967**	**(180)**	**435**	**128**	**2,350**
Allowances for insolvency risk	(302)	51		3	(248)
Other charges to provisions	(97)	(186)			(283)
Gains/(losses) on disposal of assets and others	(19)	(51)			(70)
Profit/(loss) before tax	**1,549**	**(366)**	**435**	**123**	**1,741**
Income tax expense	(427)	52	8	(34)	(401)
Profit/(loss) after tax	**1,122**	**(314)**	**443**	**89**	**1,340**
Profit/(loss) attributable to minority interest and others	1		28	13	42
Profit/(loss) attributable to the Group	**1,121**	**(314)**	**415**	**76**	**1,298**

Banking and insurance business

Profit of €1,121 million, up 26.6% on the first half of 2017. Higher gross income (+0.6%) and lower allowances for insolvency risk (-37.2%). In 2017, this included a number of one-off negative impacts totalling €455 million in connection with early retirements (Other charges to provisions -83.6%) and a total of €256 million in relation to the business combination with BPI.

ROTE for the business, stripping out one-off impacts, was 12.0%.

€ million	1H18	1H17	Change %	2Q18	1Q18	4Q17	3Q17	2Q17
INCOME STATEMENT								
Net interest income	**2,322**	**2,300**	**0.9**	**1,175**	**1,147**	**1,148**	**1,155**	**1,158**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	107	94	14.8	55	52	35	62	50
Net fee and commission income	1,152	1,134	1.6	601	551	549	539	590
Gains/(losses) on financial assets and liabilities and others	245	182	34.3	186	59	18	103	144
Income and expense under insurance or reinsurance contracts	282	233	21.0	144	138	118	121	123
Other operating income and expense	(128)	17		(107)	(21)	(202)	(27)	27
Gross income	**3,980**	**3,960**	**0.6**	**2,054**	**1,926**	**1,666**	**1,953**	**2,092**
Recurring administrative expenses, depreciation and amortisation	(2,013)	(1,963)	2.5	(1,012)	(1,001)	(981)	(982)	(979)
Extraordinary expenses						(1)	(3)	
Pre-impairment income	**1,967**	**1,997**	**(1.5)**	**1,042**	**925**	**684**	**968**	**1,113**
Pre-impairment income stripping out extraordinary expenses	**1,967**	**1,997**	**(1.5)**	**1,042**	**925**	**685**	**971**	**1,113**
Allowances for insolvency risk	(302)	(482)	(37.2)	(142)	(160)	(185)	(198)	(210)
Other charges to provisions	(97)	(592)	(83.6)	(52)	(45)	(117)	(32)	(373)
Gains/(losses) on disposal of assets and others	(19)	241		(15)	(4)	(80)	(7)	(12)
Profit/(loss) before tax	**1,549**	**1,164**	**33.1**	**833**	**716**	**302**	**731**	**518**
Income tax expense	(427)	(273)	56.7	(231)	(196)	(74)	(189)	(167)
Profit/(loss) after tax	**1,122**	**891**	**26.2**	**602**	**520**	**228**	**542**	**351**
Profit/(loss) attributable to minority interest and others	1	3	(83.7)	1		1	2	1
Profit/(loss) attributable to the Group	**1,121**	**888**	**26.6**	**601**	**520**	**227**	**540**	**350**
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)[1]	2.28	2.19	0.09	2.28	2.29	2.19	2.18	2.19
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	659	715	(7.8)	348	311	314	323	372
Mutual funds, managed accounts and SICAVs	249	214	15.9	133	116	119	113	110
Pension plans	107	95	13.0	50	57	60	51	49
Sale of insurance products	137	110	24.5	70	67	56	52	59
Net fee and commission income	**1,152**	**1,134**	**1.6**	**601**	**551**	**549**	**539**	**590**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(1,325)	(1,296)	2.2	(665)	(660)	(656)	(646)	(646)
General expenses	(541)	(493)	9.7	(274)	(267)	(258)	(249)	(245)
Depreciation and amortisation	(147)	(174)	(15.3)	(73)	(74)	(67)	(87)	(88)
Recurring administrative expenses, depreciation and amortisation	**(2,013)**	**(1,963)**	**2.5**	**(1,012)**	**(1,001)**	**(981)**	**(982)**	**(979)**
Extraordinary expenses						**(1)**	**(3)**	
OTHER INDICATORS								
ROTE[2]	12.0%	9.8%	2.2	12.0%	12.0%	10.6%	10.0%	9.8%
Cost-to-income ratio stripping out extraordinary expenses	52.3%	51.4%	0.9	52.3%	51.6%	51.8%	51.1%	51.4%
Cost of risk	0.32%	0.45%	(0.1)	0.32%	0.36%	0.41%	0.46%	0.45%
Customers[1]	13.8	13.8		13.8	13.8	13.8	13.8	13.8
Employees[1]	32,443	31,930	1.6	32,443	32,210	32,041	32,126	31,930
Branches[1/3]	4,742	4,940	(4.0)	4,742	4,815	4,874	4,889	4,940
of which retail	4,543	4,749	(4.3)	4,543	4,618	4,681	4,697	4,749
ATMs	9,411	9,433	(0.2)	9,411	9,394	9,427	9,403	9,433

(1) The figures relate to CaixaBank, including the non-core real estate business.

(2) Last 12 months excluding one-off aspects net of tax: the ratio for 1H18 excludes extraordinary expenses. Meanwhile, the ratio for 1H17 excludes the provisions released in the fourth quarter of 2016 (€+433 million), the result of the business combination with BPI in the first quarter of 2017 (€+256 million), the extraordinary expenses incurred in the third quarter of 2016 (€-85 million) and the early retirements completed in the second quarter of 2017 (€-212 million). The coupon for the part of the AT1 issue assigned to this business has also been deducted.

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

The following highlights shaped the year-on-year performance of the banking business:

- **Gross income came to €3,980 million (+0.6%)**, driven by the increase in core income (+2.5%) and in gains on financial assets and liabilities, which offset the income reported in the first half of 2017 due to the agreement reached with Cecabank.

  - **Net interest income gained 0.9% to reach €2,322 million**, supported by an improving return on loans, a lower cost of retail deposits and a reduction in income from funding other businesses. The customer spread improved by 9 basis points to 2.28%.
  - **Fee and commission income** totalled €1,152 million, up 1.6% year on year thanks to the healthy performance of commissions from mutual funds, managed accounts and SICAVs (+15.9%), pension plans (+13.0%) and insurance sales (+24.5%), in a context of lower banking fees (-7.8%) largely due to the drop in income from investment banking activity and higher commissions paid under distribution agreements relating to consumer financing.
  - **Gains/(losses) on financial assets and liabilities and others** were up 34.3%.
  - **Income and expense under insurance or reinsurance contracts** gained 21.0% to reach €282 million in response to intensive sales activity.
  - **Other operating income and expense** for the first half of 2017 included the income arising from the agreement reached with Cecabank (€115 million).

- **Recurring administrative expenses, depreciation and amortisation** came to €2,013 million, up 2.5% on the first half of 2017.
- **The cost-to-income ratio without extraordinary expenses** was 52.3%, versus the 51.4% reported in the first half of 2017.
- **Allowances for insolvency risk** fell to €-302 million (-37.2%), down on the €-482 million reported in the first half of 2017 as a result of various one-off charges to provisions.
- **Other charges to provisions** amounted to €-97 million. In the first half of 2017, this heading included €-455 million in connection with early retirements.
- **Gains/(losses) on disposals of assets and others** included, in the first half of 2017, the result of the business combination with BPI (€256 million) since it derived from a corporate transaction.

The following aspects were largely behind the quarterly change:

- **Net interest income** grew to €1,175 million (+2.4% versus the first quarter of 2018) largely in response to the increase in income from the loan portfolio due in turn to the larger contribution made by subsidiaries engaged in consumer lending activity. Further support factors include the fact that new loans have been arranged at notably higher rates than existing loans and the Group has also seen an improvement in the return on its wholesale activity.
- **Fee and commission income** amounted to €601 million (+9.1%), driven by commissions on banking services, securities and other fees following the increase in investment banking activity in the quarter.
- The healthy performance of **Income and expense under insurance or reinsurance contracts** (+4.3%), as well as net interest income and fees and commissions, led to a **4.4% improvement in core income** for the segment in the quarter.
- Meanwhile, **Gains/(losses) on financial assets and liabilities** climbed to €186 million. This heading includes the impact in the second quarter of hedge contracts on the subordinated bonds that were redeemed ahead of maturity.
- **Other operating income and expense** includes, among other items, the contribution of €80 million paid to the Single Resolution Fund (SRF).
- **Allowances for insolvency risk were down 11.2% in the quarter**.

The following table shows figures at 30 June 2018 for business activity, balance sheet and asset quality in a quarter that saw seasonal impacts on lending activity and demand deposits.

- **Loans and advances to customers, gross, amounted to €201,325 million** (**+0.7%** in the year), while the performing portfolio has gained 1.3% in the year to date (+0.4% stripping out the seasonal impact of the pension prepayments).
- **Customer funds were up 5.1% in the year** to reach €336,936 million.
- The **NPL ratio** fell to 4.9% (-60bp). The **coverage ratio increased to 54%** following the adoption of IFRS 9.

€ million	Jun 30, 2018	Mar 31, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets	347,298	337,574	2.9	335,945	3.4
Liabilities	328,348	318,115	3.2	316,427	3.8
Assigned capital	19,662	19,637	0.1	19,540	0.6
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**117,027**	**115,390**	**1.4**	**115,973**	**0.9**
Home purchases	81,970	82,436	(0.6)	83,089	(1.3)
Other	35,057	32,954	6.4	32,884	6.6
Loans to business[1]	**73,013**	**72,067**	**1.3**	**73,476**	**(0.6)**
Corporates and SMEs	67,750	66,930	1.2	68,377	(0.9)
Real estate developers	5,263	5,137	2.5	5,099	3.2
Public sector	**11,285**	**11,530**	**(2.1)**	**10,541**	**7.1**
Loans and advances to customers, gross	**201,325**	**198,987**	**1.2**	**199,990**	**0.7**
Of which performing loans	191,083	188,110	1.6	188,691	1.3
Of which non-performing loans	10,242	10,877	(5.8)	11,299	(9.4)
Provisions for insolvency risk	(5,493)	(5,738)	(4.3)	(5,274)	4.2
Loans and advances to customers, net	**195,832**	**193,249**	**1.3**	**194,716**	**0.6**
Contingent Liabilities	11,598	11,171	3.8	12,162	(4.6)
CUSTOMERS FUNDS					
Customer funds	186,979	176,598	5.9	175,850	6.3
Demand deposits	162,996	149,890	8.7	146,652	11.1
Term deposits	23,983	24,662	(2.8)	27,153	(11.7)
Subordinated retail liabilities	-	2,046		2,045	
Insurance contract liabilities	51,483	50,633	1.7	49,965	3.0
Reverse repurchase agreements and other	2,425	2,058	17.8	955	
On-balance sheet funds	**240,887**	**229,289**	**5.1**	**226,770**	**6.2**
Mutual funds, managed accounts and SICAVs[1]	62,630	61,619	1.6	60,850	2.9
Pension plans	30,043	29,588	1.5	29,668	1.3
Assets under management	**92,673**	**91,207**	**1.6**	**90,518**	**2.4**
Other accounts	**3,376**	**2,223**	**51.9**	**3,213**	**5.1**
Total customer funds	**336,936**	**322,719**	**4.4**	**320,501**	**5.1**
ASSET QUALITY					
Non-performing loan ratio (%)	4.9%	5.3%	(0.4)	5.5%	(0.6)
Non-performing loan coverage ratio (%)	54%	53%	1.0	47%	7.0

(1) *The balance of investment funds in the second quarter of 2018 includes the institutional investment funds, net of eliminations, marketed by BPI Gestao de Activos and BPI Global Investment Fund (€192 million).*

Insurance activity

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

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

€ million	1H18	1H17	Year-on-year %	2Q18	1Q18	Quarter-on-quarter %
Net interest income	**149**	**143**	**4.5**	**77**	**72**	**6.9**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	79	72	9.1	38	41	(7.3)
Net fee and commission income	(79)	(60)	31.2	(39)	(40)	(2.5)
Gains/(losses) on financial assets and liabilities and others	1	63			1	
Income and expense under insurance or reinsurance contracts	282	233	20.8	144	138	4.3
Other operating income and expense	2	5			2	
Gross income	**434**	**456**	**(5.0)**	**220**	**214**	**2.8**
Recurring administrative expenses, depreciation and amortisation	(55)	(55)	0.2	(28)	(27)	3.7
Pre-impairment income	**379**	**401**	**(5.5)**	**192**	**187**	**2.7**
Allowances for insolvency risk						
Other charges to provisions						
Gains/(losses) on disposal of assets and others						
Profit/(loss) before tax	**379**	**401**	**(5.5)**	**192**	**187**	**2.7**
Income tax expense	(89)	(97)	(8.3)	(46)	(43)	7.0
Profit/(loss) after tax	**290**	**304**	**(4.6)**	**146**	**144**	**1.4**
Profit/(loss) attributable to minority interest and others						
Profit/(loss) attributable to the Group	**290**	**304**	**(4.6)**	**146**	**144**	**1.4**

- **Net interest income** includes the margin on life insurance products, which were up 4.5% year on year (+6.9% in the quarter).
- **Share of profit/(loss) of entities accounted for using the equity method** shows the contribution made by SegurCaixa Adeslas, 49.9% of which is owned by VidaCaixa.
- **Fees and commissions**[(1)] is the net result of:
  - The fees and commissions received by VidaCaixa from managing Unit Linked products and pension plans.
  - The fees and commissions the Group's insurance firms pay the Group's banks for marketing their products.

  Meanwhile, the year-on-year change in this heading was largely down to the higher fees paid to the branch network following the increase in commercial activity.
- **Gains/(losses) on financial assets and liabilities and others** included in the first half of 2017 the capital gains obtained from the sale of fixed-income instruments by VidaCaixa.
- **Income and expense under insurance contracts**, includes the margin obtained from the difference between premia and claims on life-risk products, which has seen growth of 20.8% (+4.3% in the quarter) mainly on the back of an increase in volume of life-risk portfolios under management.

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

Non-core real estate business

The non-core real estate business generated losses of **€-314 million** in the first half of 2018 (€-218 million in 2017) due to the impact of recognising the repurchase of the real estate servicer.

€ million	1H18	1H17	Change %	2Q18	1Q18	4Q17	3Q17	2Q17
Net interest income	(7)	(34)	(78.8)	(6)	(1)	(20)	(17)	(19)
Dividend income and share of profit/(loss) of entities accounted for using the equity method	10	16	(32.9)	7	3	10	6	5
Net fee and commission income	(3)	1		(2)	(1)	1	(1)	
Gains/(losses) on financial assets and liabilities and others								
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(121)	(121)	0.4	(34)	(87)	(46)	(33)	(36)
Gross income	(121)	(138)	(12.3)	(35)	(86)	(55)	(45)	(50)
Recurring administrative expenses, depreciation and amortisation	(59)	(52)	13.5	(30)	(29)	(28)	(25)	(24)
Extraordinary expenses								
Pre-impairment income	(180)	(190)	(5.3)	(65)	(115)	(83)	(70)	(74)
Pre-impairment income stripping out extraordinary expenses	(180)	(190)	(5.3)	(65)	(115)	(83)	(70)	(74)
Allowances for insolvency risk	51	(1)		30	21	37	(2)	(18)
Other charges to provisions	(186)	(169)	10.0	(181)	(5)	2	(5)	(19)
Gains/(losses) on disposal of assets and others	(51)	41		(53)	2	(41)	6	16
Profit/(loss) before tax	(366)	(319)	14.7	(269)	(97)	(85)	(71)	(95)
Income tax expense	52	101	(48.3)	22	30	33	21	30
Profit/(loss) after tax	(314)	(218)	44.0	(247)	(67)	(52)	(50)	(65)
Profit/(loss) attributable to minority interest and others								
Profit/(loss) attributable to the Group	(314)	(218)	44.0	(247)	(67)	(52)	(50)	(65)

- **Net interest income** shows the financial income obtained from loans to non-core real estate developers, net of the cost of financing real estate assets. The improvement in net interest income in the first half of 2018 was largely down to the lower cost of financing the real estate business, most of which is carried out through BuildingCenter.
- **Allowances for insolvency risk** shows the impact of recoveries, among other impacts.
- **Other charges to provisions** includes, in the first half of 2018, €-152 million resulting from the acquisition of the real estate servicer, versus €-154 million in write-downs on Sareb exposure in the first half of 2017.
- **Gains/(losses) on disposal of assets and others** (-€51 million) includes the impact of:
  - **Positive proceeds from sales of real estate assets**, which totalled €151 million (€79 million in the first half of 2017).
  - **Other results on real estate activity** came to €-202 million and includes mainly asset provisions and €-52 million in the second quarter following the repurchase of Servihabitat.

The non-core real estate business is down 9.4% in the year to date:

- **Loans and advances to customers, net** has fallen 21.1% in the year to date due to the ongoing active management of distressed assets.
- **The net portfolio of foreclosed real estate assets available for sale fell to** €5,553 million (€-325 million in 2018).
- **Net foreclosed real estate assets held for rent** came to €2,806 million (€-224 million in 2018), with an occupancy ratio of 87%.

€ million	Jun 30, 2018	Mar 31, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets	**10,447**	**11,122**	**(6.1)**	**11,530**	**(9.4)**
Loans and advances to customers, net	910	996	(8.6)	1,154	(21.1)
Other assets	9,537	10,126	(5.8)	10,376	(8.1)
Foreclosed available for sale real estate assets	5,553	5,810	(4.4)	5,878	(5.5)
Real estate assets held for rent	2,806	3,030	(7.4)	3,030	(7.4)
Other assets	1,178	1,286	(8.4)	1,468	(19.8)
Liabilities	**9,296**	**9,863**	**(5.7)**	**10,199**	**(8.9)**
Customers deposits	71	107	(33.6)	87	(18.4)
Other liabilities	542	431	25.8	404	34.2
Intra-group financing	8,683	9,325	(6.9)	9,708	(10.6)
Assigned capital	**1,151**	**1,259**	**(8.6)**	**1,331**	**(13.5)**
ACTIVITY					
Loans and advances to customers, gross	**1,375**	**1,592**	**(13.6)**	**1,750**	**(21.4)**
Customers funds	**76**	**112**	**(32.1)**	**94**	**(19.1)**
On-balance sheet funds	71	107	(33.6)	87	(18.4)
Assets under management	5	5		7	(28.6)
ASSET QUALITY					
Non-performing loan ratio (%)	70.1%	76.7%	(6.6)	76.2%	(6.1)
Non-performing loan coverage ratio (%)	46%	46%	0.0	42%	4.0

Equity investments business

The business contributed total profit of €415 million to the Group in the first half of 2018.

- Dividend income includes €104 million from Telefónica in the second quarter of 2018 and 2017.
- The change in **Share of profit/(loss) of entities accounted for using the equity method** was down to the individual performance of the businesses concerned, plus the following one-off impacts:
  - Recognition in January 2017 of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.
  - Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.
  - Recognition in the first half of 2018 of €156 million in attributable profit from BFA under the equity method (of which €108 million relates to the extraordinary impacts on profit and loss of the devaluation of Angola's currency, among other factors).
  - Net attributable profit from BFA was €118 million in the first half of 2018.
- **Gains/(losses) on financial assets and liabilities and others** amounted to €17 million, largely down to the repricing of Viacer[1] reported in the first quarter of 2018 (the sale of which took place in the second quarter of 2018) and the dividend pass-through committed under hedge contracts on associate investees.

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

€ million	1H18	1H17	Change %	2Q18	1Q18	4Q17	3Q17	2Q17
Net interest income	(80)	(86)	(7.5)	(40)	(40)	(41)	(41)	(43)
Dividend income	104	106	(2.2)	104				106
Share of profit/(loss) of entities accounted for using the equity method	396	162		182	214	(4)	152	127
Net fee and commission income								
Gains/(losses) on financial assets and liabilities and others	17	(18)		(43)	60	(24)	(2)	(18)
Income and expense under insurance or reinsurance contracts								
Other operating income and expense								
Gross income	437	164		203	234	(69)	109	172
Recurring administrative expenses, depreciation and amortisation	(2)	(2)		(1)	(1)	(1)	(1)	(1)
Extraordinary expenses								
Pre-impairment income	435	162		202	233	(70)	108	171
Pre-impairment income stripping out extraordinary expenses	435	162		202	233	(70)	108	171
Allowances for insolvency risk								
Other charges to provisions						4		
Gains/(losses) on disposal of assets and others						5		
Profit/(loss) before tax	435	162		202	233	(61)	108	171
Income tax expense	8	17	(52.2)	6	2	27	5	7
Profit/(loss) after tax	443	179		208	235	(34)	113	178
Profit/(loss) attributable to minority interest and others	28	13		4	24	(10)	10	8
Profit/(loss) attributable to the Group	415	166		204	211	(24)	103	170
ROTE[2]	33.7%	28.9%	4.8	33.7%	30.2%	15.7%	31.0%	28.9%

(2) ROTE for the last 12 months excludes the impact of the tax reform ushered in by Royal Decree-Law 3/2016.

€ million	Jun 30, 2018	Mar 31, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets					
Investments (available for sale and associated)	6,612	6,907	(4.3)	6,894	(4.1)
Liabilities					
Intra-group financing and other liabilities	5,253	5,406	(2.8)	5,306	(1.0)
Assigned capital[1]	**1,326**	**1,423**	**(6.8)**	**1,499**	**(11.5)**

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

Further information on BFA

€ million	1H18	1H17	Change %	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Share of profit/(loss) of entities accounted for using the equity method	**156**	**1**		**56**	**100**	**(68)**	**64**	**58**	**(57)**
Stripping out extraordinary impacts[2]	48	98	(51)	27	21	51	64	58	40
Extraordinary impacts[2]	108	(97)		29	79	(119)			(97)
Others	**(6)**				**(6)**				
Contribution by BFA before tax and minority interest	**150**	**1**		**56**	**94**	**(68)**	**64**	**58**	**(57)**
Attributable net contribution after tax and minority interest	**118**	**(21)**		**46**	**72**	**(52)**	**49**	**44**	**(65)**
Other impacts after tax on the equity of the Group[3]	**(166)**	**83**		**(34)**	**(132)**	**80**			**83**

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

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

BPI

BPI's banking business contributed a total of €76 million to total profit (€3 million in the first half of 2017 due to the recognition of certain extraordinary expenses).

ROTE for the business, stripping out one-off impacts, was 9.0%.

€ million	1H18	1H17	Change %	2Q18	1Q18	4Q17	3Q17	2Q17
INCOME STATEMENT								
Net interest income	**197**	**169**	**16.9**	**100**	**97**	**109**	**104**	**100**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	7	11	(36.4)	5	2	(2)	5	8
Net fee and commission income	144	117	22.8	69	75	82	77	74
Gains/(losses) on financial assets and liabilities and others	31	13		14	17	1	9	8
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(21)	(16)		(18)	(3)	(1)	(1)	(17)
Gross income	**358**	**294**	**20.9**	**170**	**188**	**189**	**194**	**173**
Recurring administrative expenses, depreciation and amortisation	(230)	(199)	15.7	(112)	(118)	(114)	(119)	(121)
Extraordinary expenses	(8)	(106)		(5)	(3)			(96)
Pre-impairment income	**120**	**(11)**		**53**	**67**	**75**	**75**	**(44)**
Pre-impairment income stripping out extraordinary expenses	**128**	**95**	**32.0**	**58**	**70**	**75**	**75**	**52**
Allowances for insolvency risk	3	11	(67.2)	3		7	14	5
Other charges to provisions		(2)				(1)		(1)
Gains/(losses) on disposal of assets and others						(1)		
Profit/(loss) before tax	**123**	**(2)**		**56**	**67**	**80**	**89**	**(40)**
Income tax expense	(34)	6		(16)	(18)	(28)	(24)	17
Profit/(loss) after tax	**89**	**4**		**40**	**49**	**52**	**65**	**(23)**
Profit/(loss) attributable to minority interest and others	13	1		4	9	7	9	(4)
Profit/(loss) attributable to the Group	**76**	**3**		**36**	**40**	**45**	**56**	**(19)**
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)[1]	1.84	1.85	(0.01)	1.84	1.83	1.84	1.77	1.85
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	86	73	17.2	43	43	48	47	44
Mutual funds, managed accounts and SICAVs	25	17	49.6	9	16	15	13	11
Pension plans		3				2	2	2
Sale of insurance products	33	24	37.1	17	16	17	15	17
Net fee and commission income	**144**	**117**	**22.8**	**69**	**75**	**82**	**77**	**74**
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(121)	(111)	8.7	(58)	(63)	(66)	(67)	(69)
General expenses	(91)	(71)	28.9	(44)	(47)	(38)	(42)	(44)
Depreciation and amortisation	(18)	(17)	6.8	(10)	(8)	(10)	(10)	(8)
Recurring administrative expenses, depreciation and amortisation	**(230)**	**(199)**	**15.7**	**(112)**	**(118)**	**(114)**	**(119)**	**(121)**
Extraordinary expenses	**(8)**	**(106)**		**(5)**	**(3)**			**(96)**
OTHER INDICATORS								
ROTE[1]	9.0%	9.1%	(0.1)	9.0%	9.5%	9.8%	10.3%	9.1%
Cost-to-income ratio stripping out extraordinary expenses	62.5%	67.7%	(5.2)	62.5%	63.4%	63.8%	65.2%	67.7%
Employees	4,843	5,406	(10.4)	4,843	4,897	4,931	5,178	5,406
Branches	497	528	(5.9)	497	503	505	508	528

(1) RoTE 12 months stripping out one-off impacts: excludes extraordinary expenses and net earnings of businesses that have now been sold to CaixaBank.

For a more meaningful picture of year-on-year earnings performance, please note that the figures reported in the first half of 2017 cannot be reliably compared with subsequent results because of the Bank's full integration in February 2017. BPI's earnings for January 2017 were reported at the CaixaBank Group using the equity method under segment reporting for the Equity investments business.

- **Net attributable profit** in the second quarter came to €36 million, down 10% on the previous quarter.
- **Gross income** was down €18 million in the second quarter (-9.6%) following an increase in net interest income (€+3 million), a reduction in fees and commissions largely due to the perimeter change[2] (€-6 million) and also recognition of the amounts paid to the SRF and the Portuguese Fondo de Resoluçao (€-17 million).
- **Recurring administrative expenses, depreciation and amortisation** were down 5.1% in the quarter.
- Profit/(loss) attributable to minority interests was down following the increase in CaixaBank's stake in BPI in the quarter.

(2) Commissions from mutual funds, managed accounts and SICAVs in the second quarter of 2018 was down on the previous quarter mainly as a result of recognising the management fees of BPI Gestao de Activos and BPI Global Investment Fund in the banking and insurance business, following their acquisition by CaixaBank Asset Management SGIIC, SAU (€5 million).

- **Loans and advances to customers, gross amounted to €23,044 million**, up 1.6% in the quarter.
- Meanwhile, **customer funds amounted to €29,151 million**, up 2.0% on the previous quarter.
- BPI's **NPL ratio** fell to 4.4% in the quarter using the CaixaBank Group's NPL classification criteria.
- The NPL coverage ratio climbed to 93% and includes provisions from CaixaBank stemming from the business combination process. The adoption of IFRS 9 at BPI has had no impact at the CaixaBank Group, because the assets of the Portuguese bank were integrated at fair value during the business combination.

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

€ million	Jun 30, 18	Mar 31, 18	Quarter-on-quarter %	Dec 31, 17	Year-to-date %
BALANCE SHEET					
Assets	31,760	28,816	10.2	28,817	10.2
Liabilities	29,121	26,386	10.4	26,571	9.6
Assigned capital	2,519	2,055	22.6	1,834	37.4
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**12,731**	**12,603**	**1.0**	**12,517**	**1.7**
Home purchases	11,204	11,127	0.7	11,098	1.0
Other	1,527	1,476	3.5	1,419	7.6
Loans to business	**8,634**	**8,637**	**(0.0)**	**8,237**	**4.8**
Corporates and SMEs	8,126	8,386	(3.1)	7,985	1.8
Real estate developers	508	251		252	
Public sector	**1,679**	**1,430**	**17.4**	**1,457**	**15.2**
Loans and advances to customers, gross	**23,044**	**22,670**	**1.6**	**22,211**	**3.8**
Of which performing loans	22,052	21,620	2.0	21,095	4.5
Of which non-performing loans	992	1,050	(5.5)	1,116	(11.1)
Provisions for insolvency risk	(920)	(965)	(4.7)	(962)	(4.4)
Loans and advances to customers, net	**22,124**	**21,705**	**1.9**	**21,249**	**4.1**
Contingent Liabilities	1,596	1,553	2.8	1,573	1.5
CUSTOMERS FUNDS					
Customer funds	21,604	20,591	4.9	20,674	4.5
Demand deposits	12,913	12,043	7.2	12,054	7.1
Term deposits	8,691	8,548	1.7	8,619	0.8
Subordinated retail liabilities				1	
Insurance contract liabilities					
Reverse repurchase agreements and other	15	13	15.4	13	15.4
On-balance sheet funds	**21,619**	**20,604**	**4.9**	**20,687**	**4.5**
Mutual funds, managed accounts and SICAVs [1]	5,638	5,959	(5.4)	6,026	(6.4)
Pension plans					
Assets under management	**5,638**	**5,959**	**(5.4)**	**6,026**	**(6.4)**
Other accounts	**1,894**	**2,026**	**(6.5)**	**2,150**	**(11.9)**
Total customer funds	**29,151**	**28,589**	**2.0**	**28,863**	**1.0**
Memorandum items					
Insurance contracts sold [2]	4,179	4,144	0.8	4,124	1.3
ASSET QUALITY					
Non-performing loan ratio (%)	4.4%	4.7%	(0.3)	5.1%	(0.7)
Non-performing loan coverage ratio (%)	93%	92%	1.0	87%	6.0

(1) This heading includes the balance of investment funds managed by BPI Gestao de Activos and BPI Global Investment Fund, which are now owned by CaixaBank Asset Management, although the funds continue to be marketed by BPI. The reduction in this heading was down to the transfer of €380 million in assets to CaixaBank Asset Management, which are no longer managed by BPI (and are therefore included, net of eliminations, under the banking and insurance business).

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

The CaixaBank share and market

- The **CaixaBank share** closed trading on 30 June 2018 at **€3.706**, emerging from another highly volatile quarter by outperforming the European banking index (Euro Stoxx Banks) and the average for Spanish financial institutions[1], which were down 12.1% and 9.0% respectively in the period versus -4.3% in the case of CaixaBank.
- Trading volume[2] in euros was 14% up on the previous quarter, but 18% down on the volume of shares traded in the second quarter of 2017. Meanwhile, the number of shares traded was up 20% quarter on quarter but down 14% year on year.

(1) IBEX 35 Banks index.

(2) Trading volume excluding one-off transactions.

Key performance indicators for the CaixaBank share

	Jun. 30, 2018
Market capitalization (€ M)	22,157
Number of outstanding shares[3]	5,978,621
Share price (€/share)	
Share price at the beginning of the period (December 29, 2017)	3.889
Share price at closing of the period (June 29, 2018)	3.706
Maximum price[4]	4.440
Minimum price[4]	3.560
Trading volume in 2018 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	42,099
Minimum daily trading volume	5,975
Average daily trading volume	13,975
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	2,083
Average number of shares (12 months)[3]	5,978,160
Net income attributable per Share (EPS) (€/share)	**0.35**
Net equity excluding minority interest (€ million)	23,899
Number of shares at June 30, 2018[3]	5,978,621
Book value per share (€/share)	**4.00**
Net equity excluding minority interest (tangible) (€ million)	19,650
Number of shares at June 30, 2018[3]	5,978,621
Tangible book value per share (€/share)	**3.29**
PER (Price / Profit)	**10.64**
TangibleP/BV (Market value/ tangible book value)	**1.13**
Dividend Yield[5]	**4.05%**

(3) Number of shares, in thousands, excluding treasury shares.
(4) Share price at close of trading.
(5) Calculated by dividing the yield for the past twelve months (€0.15/share) by the closing price at the end of the period (€3.706/share).

Shareholder returns over the last 12 months

- The total shareholder return in 2017 was €0.15 per share. The total amount, paid entirely in cash, was equivalent to 53% of profit.
- Under CaixaBank's current dividend policy, remuneration for 2018 will comprise two half-yearly dividends payable in cash and the Bank fully intends to pay out at least 50% of consolidated net profit.

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

Significant events in the first half of 2018

Acquisition of shares in Banco BPI

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

Accordingly, CaixaBank asked the Chairman of BPI's general meeting to call a meeting of shareholders to approve BPI's delisting in accordance with article 27.1.b) of the Portuguese Securities Market Code. The general meeting was held on 29 June 2018, at which shareholders approved the delisting of Banco BPI.

Early redemption of subordinated bonds

CaixaBank published a significant corporate event on 4 June 2018, announcing that on 8 June 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of Subordinated Bonds Series I/2012", with a balance amounting to €2,072.3 million.

The redemption price was 100% of the nominal outstanding balance, plus any accrued and unpaid coupon.

Acquisition of 51% of the share capital of Servihabitat

On 8 June 2018, CaixaBank announced that it had reached an agreement with the company SH Findel, SARL (controlled by TPG Sixth Street Partners) to acquire 51% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. at a price of €176.5 million. The transaction required clearance from the competition authorities.

The deal has allowed CaixaBank to regain control over the servicer of its real estate assets, making it more flexible and efficient when managing, marketing and selling those assets and also lowering its costs.

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

The deal was cleared by the authorities and completed on 13 July 2018.

Agreement to sell 80% of the real estate business

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

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

Once CaixaBank completes the buyback of 51% of Servihabitat as announced on 8 June, CaixaBank will convey its real estate business to a newco, 80% of which it will then sell to Lone Star while retaining a 20% stake. Under the arrangement, the entire real estate business has been initially valued at roughly €7,000 million. CaixaBank will complete the transaction through its real estate subsidiary BuildingCenter, S.A.

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

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

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

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

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

Appendices

Investment portfolio

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

CaixaBank	%	Business segment
Telefónica	5.00%	Equity investments
Repsol[1]	9.46%	Equity investments
Erste Group Bank	9.92%	Equity investments
SegurCaixa Adeslas	49.92%	Banking and insurance
Comercia Global Payments	49.00%	Banking and insurance
ServiHabitat Servicios Inmobiliarios	49.00%	Non-core real estate
Sareb	12.24%	Non-core real estate
BPI	94.20%	BPI
BFA[2]	48.10%	Equity investments
Banco Comercial e de Investimentos (BCI)[2]	35.67%	Equity investments

(1) 9.36% stake at 20 July 2018 (l isting date for the shares issued within the scope of the latest scrip dividend).

(2) The percentage of ownership attributed to CaixaBank at 30 June 2018 was 45.31% at BFA and 33.61% at BCI.

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

Financing for home purchases

Change in Financing for home purchases

€ million	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Mar. 31, 2018	Jun. 30, 2018
Without mortgage collateral	766	762	762	760	775
of which: non-performing	9	9	10	7	7
With mortgage collateral	84,188	83,375	82,327	81,676	81,195
of which: non-performing	3,491	3,523	3,465	3,454	3,345
Total	**84,954**	**84,137**	**83,089**	**82,436**	**81,970**

Loan-to-value breakdown[2]

	Jun. 30, 2018					
€ million	LTV ≤ 40%	40% < LTV ≤ 60%	60% < LTV ≤ 80%	80 < LTV ≤ 100%	LTV > 100%	TOTAL
Gross amount	21,291	30,921	21,611	4,307	3,065	81,195
of which: non-performing	220	477	686	647	1,315	3,345

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

Loans to real estate developers

Changes in loans to real estate developers[1]

€ million	Jun. 30, 2018	Weight %	Mar. 31, 2018	Weight %	Dec. 31, 2017	Weight %
Without mortgage collateral	**741**	**11.2**	**759**	**11.3**	**813**	**11.9**
With mortgage collateral	**5,890**	**88.8**	**5,944**	**88.7**	**6,016**	**88.1**
Completed buildings	4,184	63.1	4,164	62.1	4,336	63.5
Homes	2,754	41.5	2,699	40.3	2,811	41.2
Other	1,430	21.6	1,465	21.9	1,525	22.3
Buildings under construction	1,065	16.1	1,092	16.3	931	13.6
Homes	925	13.9	983	14.7	840	12.3
Other	140	2.1	109	1.5	91	1.2
Land	641	9.7	688	10.3	749	11.0
Developed land	378	5.7	385	5.7	422	6.2
Other	263	4.0	303	4.5	326	4.7
Total	**6,631**	**100.0**	**6,703**	**100.0**	**6,830**	**100.0**

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

NPLs and coverage for real estate development risk[2]

	Jun. 30, 2018		Mar. 31, 2018		Dec. 31, 2017	
€ million	Non-performing	Coverage %[3]	Non-performing	Coverage %[3]	Non-performing	Coverage %[3]
Without mortgage collateral	**114**	**84**	**125**	**81**	**137**	**83**
With mortgage collateral	**1,050**	**46**	**1,288**	**47**	**1,344**	**40**
Completed buildings	783	38	934	40	970	31
Homes	419	35	508	40	529	29
Other	364	42	426	40	441	34
Buildings under construction	42	60	64	52	43	45
Homes	12	72	55	55	33	51
Other	30	56	9	35	10	23
Land	225	69	290	66	331	64
Developed land	144	74	165	71	185	70
Other	81	61	125	59	146	55
Total	**1,164**	**50**	**1,413**	**49**	**1,481**	**44**

(2) The surplus value of mortgage collateral to the non-performing real estate developer portfolio at 30 June 2018, 31 March 2018 and 31 December 2017 amounts to €521, €745 and €602 million, respectively.
(3) Total impairment allowances for the real estate developer segment divided by non-performing loans for that segment.

Ratings

- The credit rating agencies reviewed CaixaBank's credit profile in 2018, as follows:
  - S&P Global upgraded the Bank's long-term credit rating from BBB to BBB+, with a stable outlook.
  - DBRS upgraded the Bank's long-term credit rating from A (low) to A, maintaining its stable outlook.
  - Moody's kept the Bank's long-term rating at Baa2 but improved the outlook to positive.
  - Fitch affirmed the Bank's long-term rating at BBB and maintained its positive outlook.

Agency	Long-Term[1]	Short-Term	Outlook	Last review	Rating of covered bonds
S&P Global	BBB+	A-2	Stable	6 April 2018	AA-
Fitch	BBB	F2	Positive	3 July 2018	
Moody's	Baa2	P-2	Positive	17 April 2018	Aa1
DBRS	A	R-1 (low)	Stable	12 April 2018	AAA

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

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

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

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

Alternative Performance Measures used by the Group

1. Profitability and cost-to-income:

a) Customer spread

Explanation: difference between:

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

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	Annualised quarterly income from loans and advances to customers	4,665	4,614	4,594	4,741	4,741
Denominator	Net average balace of loans and advances to customers	211,249	210,440	209,451	207,592	208,857
(a)	**Average yield rate on loans (%)**	**2.21**	**2.19**	**2.19**	**2.28**	**2.27**
Numerator	Annualised quarterly cost of on-balance sheet customers funds	80	87	63	69	72
Denominator	Average balance of on-balance sheet retail customers funds	188,969	195,983	187,178	190,216	198,910
(b)	**Average cost rate of retail deposits (%)**	**0.04**	**0.04**	**0.03**	**0.04**	**0.04**
	Customer spread (%) (a - b)	2.17	2.15	2.16	2.24	2.23

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.

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	Annualised quarterly interest income	6,903	6,935	7,106	6,915	7,055
Denominator	Average total assets for the quarter	368,639	376,073	387,300	377,143	385,155
(a)	**Average return rate on assets (%)**	**1.87**	**1.84**	**1.83**	**1.83**	**1.83**
Numerator	Annualised quarterly interest expenses	2,106	2,170	2,361	2,036	2,126
Denominator	Average total liabilities for the quarter	368,639	376,073	387,300	377,143	385,155
(b)	**Average cost of fund rate (%)**	**0.57**	**0.57**	**0.61**	**0.54**	**0.55**
	Balance sheet spread (%) (a - b)	**1.30**	**1.27**	**1.22**	**1.29**	**1.28**

c) ROE

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

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Adjusted profit attributable to the Group 12M**	1,246	1,551	1,658	1,946	**2,083**
Denominator	**Average equity 12M**	23,212	23,675	23,897	24,058	**24,230**
	ROE (%)	**5.4%**	**6.6%**	**6.9%**	**8.1%**	**8.6%**

d) ROTE

Explanation: Quotient between:

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

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Adjusted profit attributable to the Group12M**	1,246	1,551	1,658	1,946	**2,083**
Denominator	**Average equity excluding intangible assets 12M**	19,098	19,508	19,679	19,805	**19,985**
	ROTE (%)	**6.5%**	**8.0%**	**8.4%**	**9.8%**	**10.4%**

e) ROA

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

Purpose: measures the level of return relative to assets.

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Adjusted net profit 12M**	1,265	1,588	1,693	2,004	**2,144**
Denominator	**Average total assets 12M**	351,935	360,645	372,905	377,313	**381,431**
	ROA (%)	**0.4%**	**0.4%**	**0.5%**	**0.5%**	**0.6%**

f) RORWA

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

Purpose: measures the return based on risk weighted assets.

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Adjusted net profit 12M**	1,265	1,588	1,693	2,004	**2,144**
Denominator	**Regulatory risk-weighted assets 12M**	141,861	145,567	149,060	150,211	**149,189**
	RORWA (%)	**0.9%**	**1.1%**	**1.1%**	**1.3%**	**1.4%**

g) Cost-to-income ratio

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

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

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	Administrative expenses + depreciation and amortisation 12M	4,436	4,450	4,577	4,628	4,566
Denominator	Gross income 12M	8,058	8,379	8,222	8,591	8,595
	Cost-to-income ratio	55.1%	53.1%	55.7%	53.9%	53.1%

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	Administrative expenses + depreciation and amortisation stripping out extraordinary expenses	4,209	4,340	4,467	4,525	4,555
Denominator	Gross income 12M	8,058	8,379	8,222	8,591	8,595
	Cost-to-income ratio stripping out extraordinary expenses	52.2%	51.8%	54.3%	52.7%	53.0%

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.

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	Total allowances for insolvency risk 12M	984	952	799	689	575
Denominator	Average of gross loans + contingent liabilities 12M	225,848	231,247	236,772	237,648	237,292
	Cost of risk (%)	0.44%	0.41%	0.34%	0.29%	0.24%

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

b) Non-performing loan ratio

Explanation: quotient between:

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	Non-perfoming loans and advances to customers + contingent liabilities	15,492	15,286	14,305	13,695	12,714
Denominator	Total gross loans to customers + contingent liabilities	240,165	237,403	237,934	236,218	239,180
	Non-performing loan ratio (%)	6.5%	6.4%	6.0%	5.8%	5.3%

c) Coverage ratio

Explanation: quotient between:

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

Purpose: indicator used to monitor NPL coverage via provisions.

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Provisions on loans to customers + contingent liabilities**	7,732	7,630	7,135	7,597	7,172
Denominator	**Non-perfoming loans and advances to customers + contingent liabilities**	15,492	15,286	14,305	13,695	12,714
	Coverage ratio (%)	**50%**	**50%**	**50%**	**55%**	**56%**

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.

		2Q17	3Q17	4Q17	1Q18	2Q18
(a)	Gross debt cancelled at the foreclosure	15,073	14,596	14,112	13,999	13,480
(b)	Net book value of the foreclosed asset	6,258	6,145	5,878	5,810	5,553
Numerator	**Total coverage of the foreclosed asset (a - b)**	**8,815**	**8,451**	**8,234**	**8,189**	**7,927**
Denominator	**Gross debt cancelled at the foreclosure**	**15,073**	**14,596**	**14,112**	**13,999**	**13,480**
	Real estate available for sale coverage ratio (%)	**58%**	**58%**	**58%**	**58%**	**59%**

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

Explanation: quotient between:

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

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Accounting provisions of the foreclosed assets**	**6,088**	**5,930**	**5,811**	**5,780**	**5,612**
(a)	Net book value of the foreclosed asset	6,258	6,145	5,878	5,810	5,553
(b)	Accounting provisions of the foreclosed assets	6,088	5,930	5,811	5,780	5,612
Denominator	**Gross book value of the foreclosed asset (a + b)**	**12,346**	**12,075**	**11,689**	**11,590**	**11,165**
	Real estate available for sale accounting coverage (%)	**49%**	**49%**	**50%**	**50%**	**50%**

3. Liquidity:

a) Total liquid assets

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

Purpose: shows the Bank's liquidity position.

		2Q17	3Q17	4Q17	1Q18	2Q18
(a)	**High Quality Liquid Assets (HQLAs)**	50,197	53,466	53,610	54,026	61,940
(b)	**Available balance under the ECB facility (non- HQLAs)**	15,397	18,115	19,165	19,190	17,952
	Total liquid assets (a + b)	**65,594**	**71,581**	**72,775**	**73,216**	**79,892**

b) Loan-to-deposits

Explanation: quotient between:

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

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

		2Q17	3Q17	4Q17	1Q18	2Q18
Numerator	**Loans and advances to customers, net (a-b-c)**	**216,643**	**213,625**	**211,769**	**210,789**	**213,782**
(a)	Loans and advances to customers, gross	228,435	225,166	223,951	223,249	225,744
(b)	Provisions for insolvency risk	7,420	7,345	6,832	7,299	6,878
(c)	Brokered loans	4,372	4,196	5,350	5,161	5,084
Denominator	**On-balance sheet customers funds**	**200,838**	**199,563**	**196,611**	**197,296**	**208,654**
	Loan to Deposits (%)	**108%**	**107%**	**108%**	**107%**	**102%**

Other relevant indicators:

EPS (Earnings per share): profit attributable to the Group[1] for the last 12 months divided by the average number of shares outstanding.

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

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

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

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

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

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

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

P/BV: share price divided by book value.

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

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

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

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

OCI: other comprehensive income.

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

Adapting the layout of the public income statement to management format

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

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

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

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

Operating expenses. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

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

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

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

of which: Allowances for insolvency risk.

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

of which: Other charges to provisions.

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

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

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

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

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

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

June 2018 € million	
Financial assets measured at amortised cost - Customers (Public Balance Sheet)	**217,623**
Reverse repurchase agreements (public and private sector)	(161)
Clearing Houses	(923)
Other, non-retail, financial assets	(386)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	**364**
Other, non-retail, financial assets	(308)
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	**1,977**
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	**680**
Provisions for insolvency risk	**6,878**
Loans and advances to customers (gross) using management criteria	**225,744**

Liabilities under insurance contracts

June 2018 € million	
Liabilities under insurance contracts (Public Balance Sheet)	**60,438**
Capital gains/(losses) under the insurance business	(8,955)
Liabilities under insurance contracts, using management criteria	**51,483**

Customer funds

June 2018 € million	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	**215,632**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	**(5,060)**
Multi-issuer covered bonds and subordinated deposits	(3,747)
Counterparties and other	(1,313)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	**522**
Retail issues and other	522
Liabilities under insurance contracts, using management criteria	**51,483**
Total on-balance sheet customer funds	**262,577**
Assets under management	**98,316**
Other accounts[1]	**5,270**
Total customer funds	**366,163**

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

Institutional issuances for banking liquidity purposes

June 2018 € million	
Financial liabilities at amortised cost - Debt securities (Public Balance Sheet)	**29,294**
Institutional financing not considered for the purpose of managing bank liquidity	**(2,629)**
Securitized bonds	(2,046)
Value adjustments	(178)
Retail	(522)
Issues acquired by companies within the group and other	117
Customer deposits for the purpose of managing bank liquidity[2]	**3,747**
Deposits from credit institutions (Public Balance Sheet) - Mortgage covered bonds (BEI)	**20**
Institutional financing for the purpose of managing bank liquidity	**30,432**

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

Reconciliation with the financial information released by BPI:

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

June 2018 € million	Published by BPI	Attributable to Group	Business: BPI	Business: Equity Investments
Net interest income	**207**	**193**	**197**	**(4)**
Dividend income	1	1	7	(6)
Share of profit/(loss) of entities accounted for using the equity method	172	170		170
Net fee and commission income	135	144	144	
Gains/(losses) on financial assets and liabilities and others	74	91	31	60
Other operating income and expense	(16)	(21)	(21)	
Gross income	**573**	**578**	**358**	**220**
Recurring administrative expenses, depreciation and amortisation	(214)	(230)	(230)	
Extraordinary expenses	(8)	(8)	(8)	
Pre-impairment income	**351**	**340**	**120**	**220**
Pre-impairment income stripping out extraordinary expenses	**359**	**348**	**128**	**220**
Allowance for insolvency risk	11	3	3	
Other charges to provisions				
Gains/(losses) on disposal of assets and others				
Profit/(loss) before tax	**362**	**343**	**123**	**220**
Income tax expense	(60)	(49)	(34)	(15)
Profit/(loss) from discontinued operations (net)	64			
Profit/(loss) after tax	**366**	**294**	**89**	**205**
Profit/(loss) attributable to minority interest and others		42	13	29
Profit/(loss) attributable to the Group	**366**	**252**	**76**	**176**

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

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

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

June 2018 € million	Published by BPI	Adjustments	BPI segment
Total customer funds	**33,311**	**(4,160)**	**29,151**

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

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

June 2018 € million	Published by BPI	Adjustments	BPI segment
Loans and advances to customers, net	**22,506**	**(382)**	**22,124**

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

Historical income statement figures for the CABK and BPI perimeters

a) Income statement and solvency ratios:

	CABK				
€ million	**2Q18**	**1Q18**	**4Q17**	**3Q17**	**2Q17**
Net interest income	**1,131**	**1,108**	**1,088**	**1,099**	**1,098**
Dividend income	115	5		5	107
Share of profit/(loss) of entities accounted for using the equity method	175	158	107	149	119
Net fee and commission income	599	550	550	538	590
Gains/(losses) on financial assets and liabilities and others	143	59	(6)	101	126
Income and expense under insurance or reinsurance contracts	144	138	118	121	123
Other operating income and expense	(141)	(108)	(248)	(60)	(9)
Gross income	**2,166**	**1,910**	**1,609**	**1,953**	**2,154**
Recurring administrative expenses, depreciation and amortisation	(1,043)	(1,031)	(1,010)	(1,008)	(1,004)
Extraordinary expenses			(1)	(3)	
Pre-impairment income	**1,123**	**879**	**598**	**942**	**1,150**
Pre-impairment income stripping out extraordinary expenses	**1,123**	**879**	**599**	**945**	**1,150**
Allowance for insolvency risk	(112)	(139)	(148)	(200)	(228)
Other charges to provisions	(233)	(50)	(111)	(37)	(392)
Gains/(losses) on disposal of assets and others	(68)	(2)	(116)	(1)	4
Profit/(loss) before tax	**710**	**688**	**223**	**704**	**534**
Income tax expense	(199)	(153)	(22)	(156)	(124)
Profit/(loss) after tax	**511**	**535**	**201**	**548**	**410**
Profit/(loss) attributable to minority interest and others			1	2	1
Profit/(loss) attributable to the Group	**511**	**535**	**200**	**546**	**409**
Risk-weighted assets	130,872	128,126	128,570	129,386	131,351
Fully-loaded Common Equity Tier 1 (CET1)	*11.2%*	*11.6%*	*11.6%*	*11.7%*	*11.6%*
Fully-loaded total capital	*15.9%*	*16.5%*	*15.9%*	*16.1%*	*15.1%*
CET1	*11.5%*	*11.9%*	*12.7%*	*12.7%*	*12.5%*

	BPI				
€ million	**2Q18**	**1Q18**	**4Q17**	**3Q17**	**2Q17**
Net interest income	**98**	**95**	**108**	**102**	**98**
Dividend income	1		1		6
Share of profit/(loss) of entities accounted for using the equity method	62	108	(69)	71	64
Net fee and commission income	69	75	82	77	74
Gains/(losses) on financial assets and liabilities and others	14	77	1	9	8
Income and expense under insurance or reinsurance contracts					
Other operating income and expense	(18)	(3)	(1)	(1)	(17)
Gross income	**226**	**352**	**122**	**258**	**233**
Recurring administrative expenses, depreciation and amortisation	(112)	(118)	(114)	(119)	(121)
Extraordinary expenses	(5)	(3)			(96)
Pre-impairment income	**109**	**231**	**8**	**139**	**16**
Pre-impairment income stripping out extraordinary expenses	**114**	**234**	**8**	**139**	**112**
Allowance for insolvency risk	3		7	14	5
Other charges to provisions			(1)		(1)
Gains/(losses) on disposal of assets and others			(1)		
Profit/(loss) before tax	**112**	**231**	**13**	**153**	**20**
Income tax expense	(20)	(29)	(20)	(31)	11
Profit/(loss) after tax	**92**	**202**	**(7)**	**122**	**31**
Profit/(loss) attributable to minority interest and others	9	33	(3)	19	4
Profit/(loss) attributable to the Group	**83**	**169**	**(4)**	**103**	**27**
Risk-weighted assets	16,882	16,556	16,644	16,505	16,506
Fully-loaded Common Equity Tier 1 (CET1) [1]	*12.8%*	*11.2%*	*12.3%*	*11.5%*	*10.9%*
Fully-loaded total capital [1]	*14.6%*	*13.0%*	*14.0%*	*13.3%*	*12.7%*
CET1 [1]	*12.8%*	*11.2%*	*13.2%*	*12.5%*	*11.9%*

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

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

		CAIXABANK														
		2Q18			1Q18			4Q17			3Q17			2Q17		
€ million		Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions		20,342	40	0.80	16,548	42	1.02	23,685	45	0.76	13,977	48	1.36	9,913	39	1.58
Loans	(a)	188,518	1,084	2.31	187,589	1,075	2.32	189,587	1,061	2.22	190,558	1,069	2.22	191,460	1,066	2.23
Fixed income securities portfolio		29,533	90	1.23	28,511	79	1.12	27,283	78	1.13	26,580	93	1.39	22,933	87	1.52
Other assets with returns		55,369	431	3.12	52,152	400	3.11	50,777	494	3.86	50,444	427	3.35	50,018	417	3.34
Other assets		63,645	4		65,947	4		64,451	4		63,018	5		63,123	4	
Total average assets	**(b)**	**357,407**	**1,649**	**1.85**	**350,747**	**1,600**	**1.85**	**355,783**	**1,682**	**1.88**	**344,577**	**1,642**	**1.89**	**337,447**	**1,613**	**1.92**
Financial Institutions		39,194	(48)	0.49	40,746	(43)	0.43	55,628	(49)	0.35	37,873	(53)	0.55	39,014	(41)	0.42
Retail customer funds	(c)	177,878	(13)	0.03	170,204	(12)	0.03	166,878	(11)	0.03	175,988	(17)	0.04	168,937	(15)	0.04
Demand deposits		152,429	(9)	0.02	144,243	(9)	0.03	139,538	(10)	0.03	146,918	(13)	0.04	139,076	(10)	0.03
Maturity deposits		25,449	(4)	0.06	25,960	(3)	0.04	27,340	(1)	0.01	29,071	(4)	0.05	29,861	(5)	0.07
Time deposits		23,368	(4)	0.07	24,463	(3)	0.04	26,080	(1)	0.01	27,238	(4)	0.05	28,817	(5)	0.07
Retail repurchase agreements and marketable d		2,081			1,498			1,260			1,832			1,044		
Wholesale marketable debt securities & other		26,926	(64)	0.95	27,785	(68)	0.99	26,375	(70)	1.05	25,784	(73)	1.12	25,794	(70)	1.09
Subordinated liabilities		7,404	(33)	1.77	6,113	(32)	2.14	5,946	(34)	2.28	6,245	(38)	2.39	5,297	(39)	2.95
Other funds with cost		63,780	(356)	2.24	63,023	(328)	2.11	57,122	(422)	2.93	55,859	(357)	2.54	55,045	(346)	2.52
Other funds		42,225	(4)		42,876	(9)		43,834	(8)		42,828	(5)		43,360	(4)	
Total average funds	**(d)**	**357,407**	**(518)**	**0.58**	**350,747**	**(492)**	**0.57**	**355,783**	**(594)**	**0.67**	**344,577**	**(543)**	**0.62**	**337,447**	**(515)**	**0.62**
Net interest income			**1,131**			**1,108**			**1,088**			**1,099**			**1,098**	
Customer spread (%)	**(a-c)**		**2.28**			**2.29**			**2.19**			**2.18**			**2.19**	
Balance sheet spread (%)	**(b-d)**		**1.27**			**1.28**			**1.21**			**1.27**			**1.30**	

		BPI														
		2Q18			1Q18			4Q17			3Q17			2Q17		
€ million		Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions		2,053	2	0.42	1,041	2	0.69	1,471	3	0.75	1,252	2	0.61	1,512	2	0.53
Loans	(a)	20,340	98	1.93	20,005	95	1.92	19,865	97	1.93	19,881	94	1.87	19,788	96	1.95
Fixed income securities portfolio		5,132	14	1.09	4,950	12	0.96	5,634	8	0.58	4,847	8	0.69	4,919	9	0.73
Other assets with returns																
Other assets		3,423	2		3,408	2		6,338	6		6,711	7		6,624	4	
Total average assets	**(b)**	**30,948**	**116**	**1.51**	**29,404**	**111**	**1.53**	**33,308**	**114**	**1.36**	**32,691**	**111**	**1.35**	**32,843**	**111**	**1.35**
Financial Institutions		4,894	(1)	0.05	4,285	(2)	0.15	3,877	(2)	0.22	3,870	(2)	0.17	3,776	(2)	0.21
Retail customer funds	(c)	21,404	(5)	0.09	20,494	(5)	0.09	20,304	(5)	0.09	19,995	(5)	0.10	20,035	(5)	0.10
Demand deposits		12,825			11,943			11,755			11,247			10,960		
Maturity deposits		8,579	(5)	0.23	8,551	(5)	0.22	8,549	(5)	0.22	8,748	(5)	0.22	9,075	(5)	0.22
Time deposits		8,579	(5)	0.23	8,551	(5)	0.22	8,549	(5)	0.22	8,748	(5)	0.22	9,022	(5)	0.22
Retail repurchase agreements and marketable d														53		
Wholesale marketable debt securities & other		275	(4)	6.52	462	(2)	2.01	694	(3)	1.93	730	(2)	1.21	753	(3)	1.60
Subordinated liabilities		300	(4)	5.54	301	(4)	5.53	359	(4)	4.88	361	(4)	4.89	360	(4)	4.46
Other funds with cost								4,130	11	(1.06)	4,092	8	(0.78)	4,093	6	(0.59)
Other funds		4,075	(4)		3,862	(3)		3,944	(3)		3,643	(4)		3,826	(5)	
Total average funds	**(d)**	**30,948**	**(18)**	**0.24**	**29,404**	**(16)**	**0.22**	**33,308**	**(6)**	**0.08**	**32,691**	**(9)**	**0.11**	**32,843**	**(13)**	**0.15**
Net interest income			**98**			**95**			**108**			**102**			**98**	
Customer spread (%)	**(a-c)**		**1.84**			**1.83**			**1.84**			**1.77**			**1.85**	
Balance sheet spread (%)	**(b-d)**		**1.27**			**1.31**			**1.28**			**1.24**			**1.20**	

c) Quarterly change in fees and commissions:

	CAIXABANK				
€ million	**2Q18**	**1Q18**	**4Q17**	**3Q17**	**2Q17**
Banking services, securities and other fees	346	310	315	322	372
Mutual funds, managed accounts and SICAVs	133	116	119	113	110
Pension plans	50	57	60	51	49
Sale of insurance products	70	67	56	52	59
Net fee and commission income	**599**	**550**	**550**	**538**	**590**

	BPI				
€ million	**2Q18**	**1Q18**	**4Q17**	**3Q17**	**2Q17**
Banking services, securities and other fees	43	43	48	47	44
Mutual funds, managed accounts and SICAVs	9	16	15	13	11
Pension plans			2	2	2
Sale of insurance products	17	16	17	15	17
Net fee and commission income	**69**	**75**	**82**	**77**	**74**

d) Changes in administrative expenses, depreciation and amortisation:

	CAIXABANK				
€ million	**2Q18**	**1Q18**	**4Q17**	**3Q17**	**2Q17**
Gross income	**2,166**	**1,910**	**1,609**	**1,953**	**2,154**
Personnel expenses	(674)	(668)	(663)	(653)	(655)
General expenses	(280)	(270)	(260)	(254)	(248)
Depreciation and amortisation	(89)	(93)	(87)	(101)	(101)
Recurring administrative expenses, depreciation and amortisation	**(1,043)**	**(1,031)**	**(1,010)**	**(1,008)**	**(1,004)**
Extraordinary expenses			(1)	(3)	

	BPI				
€ million	**2Q18**	**1Q18**	**4Q17**	**3Q17**	**2Q17**
Gross income	**226**	**352**	**122**	**258**	**233**
Personnel expenses	(58)	(63)	(66)	(67)	(69)
General expenses	(44)	(47)	(38)	(42)	(44)
Depreciation and amortisation	(10)	(8)	(10)	(10)	(8)
Recurring administrative expenses, depreciation and amortisation	**(112)**	**(118)**	**(114)**	**(119)**	**(121)**
Extraordinary expenses	(5)	(3)			(96)

e) Changes in the NPL ratio:

	CAIXABANK			BPI		
	Jun 30, 2018	**Mar 31, 2018**	**Dec 31, 2017**	**Jun 30, 2018**	**Mar 31, 2018**	**Dec 31, 2017**
Loans to individuals	**5.1%**	**5.3%**	**5.3%**	**4.2%**	**4.5%**	**4.7%**
Home purchases	4.1%	4.2%	4.2%	4.1%	4.4%	4.6%
Other	7.5%	8.2%	8.0%	4.8%	5.3%	5.6%
Loans to business	**6.9%**	**8.0%**	**8.5%**	**5.3%**	**5.6%**	**6.4%**
Corporates and SMEs	5.9%	6.7%	7.2%	4.6%	5.0%	5.9%
Real estate developers	17.5%	21.0%	21.6%	16.1%	24.3%	23.8%
Public sector	**0.7%**	**0.9%**	**1.6%**			
NPL Ratio (loans and contingent liabilities)	**5.4%**	**5.9%**	**6.1%**	**4.4%**	**4.7%**	**5.1%**

Activity indicators by region

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

Spain

€ million	Jun 30, 2018	Mar 31, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**117,027**	**115,390**	**1.4**	**115,973**	**0.9**
Home purchases	81,970	82,436	(0.6)	83,089	(1.3)
Other	35,057	32,954	6.4	32,884	6.6
Loans to business	**73,708**	**72,977**	**1.0**	**74,442**	**(1.0)**
Corporates and SMEs	67,070	66,248	1.2	67,593	(0.8)
Real estate developers	6,638	6,729	(1.4)	6,849	(3.1)
Public sector	**11,285**	**11,530**	**(2.1)**	**10,541**	**7.1**
Loans and advances to customers, gross	**202,020**	**199,897**	**1.1**	**200,956**	**0.5**
CUSTOMERS FUNDS					
Customer funds	187,439	177,081	5.8	176,468	6.2
Demand deposits	163,322	150,261	8.7	147,109	11.0
Term deposits	24,117	24,774	(2.7)	27,314	(11.7)
Subordinated retail liabilities		2,046		2,045	
Insurance contract liabilities	47,304	46,489	1.8	45,841	3.2
Reverse repurchase agreements and other	2,425	2,058	17.8	955	
On-balance sheet funds	**237,168**	**225,628**	**5.1**	**223,264**	**6.2**
Mutual funds, managed accounts and SICAVs	62,442	61,839	1.0	61,077	2.2
Pension plans	27,199	26,778	1.6	26,941	1.0
Assets under management	**89,641**	**88,617**	**1.2**	**88,018**	**1.8**
Other accounts	**3,376**	**2,223**	**51.9**	**3,213**	**5.1**
Total customer funds	**330,185**	**316,468**	**4.3**	**314,495**	**5.0**

Portugal

€ million	Jun 30, 2018	Mar 31, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	**12,731**	**12,603**	**1.0**	**12,517**	**1.7**
Home purchases	11,204	11,127	0.7	11,098	1.0
Other	1,527	1,476	3.5	1,419	7.6
Loans to business	**9,314**	**9,319**	**(0.1)**	**9,021**	**3.2**
Corporates and SMEs	8,806	9,068	(2.9)	8,769	0.4
Real estate developers	508	251		252	
Public sector	**1,679**	**1,430**	**17.4**	**1,457**	**15.2**
Loans and advances to customers, gross	**23,724**	**23,352**	**1.6**	**22,995**	**3.2**
CUSTOMERS FUNDS					
Customer funds	21,215	20,215	4.9	20,143	5.3
Demand deposits	12,638	11,759	7.5	11,663	8.4
Term deposits	8,577	8,456	1.4	8,479	1.2
Subordinated retail liabilities				1	
Insurance contract liabilities	4,179	4,144	0.8	4,124	1.3
Reverse repurchase agreements and other	15	13	15.4	13	15.4
On-balance sheet funds	**25,409**	**24,372**	**4.3**	**24,280**	**4.6**
Mutual funds, managed accounts and SICAVs	5,830	5,743	1.5	5,805	0.4
Pension plans	2,845	2,811	1.2	2,728	4.3
Assets under management	**8,675**	**8,554**	**1.4**	**8,533**	**1.7**
Other accounts	**1,894**	**2,026**	**(6.5)**	**2,150**	**(11.9)**
Total customer funds	**35,978**	**34,952**	**2.9**	**34,963**	**2.9**

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