

CaixaBank posts profit of €1,047 million in 2016 (+28.6%), while increasing customer funds by 2.5% and reducing the NPL ratio to 6.9%

- **Pre-tax profit climbs to €1,538 (vs €638 million reported in 2015).** Net profit attributable to the banking and insurance segment, which excludes the non-core real estate activity and investments, stands at €1,979 million.
- **The Bank has consolidated its leadership in retail banking** over the past twelve months to reach a market share of 29.5% (+120bp), with 25.7% of customers choosing CaixaBank as their main bank (+170bp), according to consultancy firm FRS Inmark.
- **In the past 12 months, the non-performing loan (NPL) ratio has shed 103 basis points to reach 6.9%**, illustrating continued improvement in loan quality. Over the same period, non-performing loans were down by €2,346 million.
- **In the fourth quarter of 2016, CaixaBank outperformed all other Ibex 35 companies,** gaining 39.62% versus the 6.52% gain for the Spanish blue-chip index.

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- **Improvements in both cost-to-income and profitability** on the back of strong income generation capacity (gross income of €7,827), the drive to pare back and **streamline recurring expenses** (-1.7%) and the **drop in loan loss provisions for insolvency risk** (-80.3%).

The year also included **€121 million in extraordinary expenses in connection with the labour agreement** signed on 29 July 2016. This is a significant reduction compared with **extraordinary expenses in 2015 which totalled €543 million** following the integration of Barclays Bank, SAU and the signing of the labour agreement.

- In a climate of rock-bottom interest rates, **net interest income totalled €4,157 million (-4.5% year on year) having removed floors in H2 of 2015 and in line with company guidance.** Net interest income has been climbing steadily since the second quarter of 2016, showing an increase of 3.5% in the fourth quarter.
- **Customer funds** totalled €303,895 million (+2.5% in 2016 and +1.4% in the quarter). **Loans and advances to customers** amounted to €204,857 million, **down 0.8%** in 2016 and down 0.1% in the quarter, although **the performing loan portfolio gained 0.4% in the year** and 0.1% in the final quarter.
- The Bank maintains its capital strength, with a **fully-loaded Common Equity Tier 1 ratio of 12.4%**, regulatory CET1 of 13.2% and total capital of 16.1%.
- **Impairment losses on financial assets and other provisions were down 57.5% on the back of improving asset quality indicators and the release of loan loss provisions for insolvency risk** following implementation of internal models compliant with Circular 4/2016, along with **prudent coverage of other risks.**

Barcelona, 2 February 2017.- CaixaBank, the number one retail bank in Spain with Jordi Gual as Chairman and Gonzalo Gortázar as CEO, reported net attributable profit of €1,047 million in 2016, up 28.6% year on year, bringing CaixaBank over the €1,000 million profit mark for the first time since 2011.

Pre-tax profit amounted to €1,538 million, up 141% year on year, while profit from the banking and insurance business totalling €1,979 million, yielding a return (ROTE) of 10.8%.

Profit was fuelled by changes in recurring income and expenses - allowing gross income to remain stable at €7,827 million while bringing pre-impairment income to €3,711 million (+15.3%) - and by the lesser impact of extraordinary expenses in comparison with 2015 (-77.7%) and by the reduction in impairment losses on financial assets and other provisions (-57.5%).

Highlights for the 2016 income statement include:

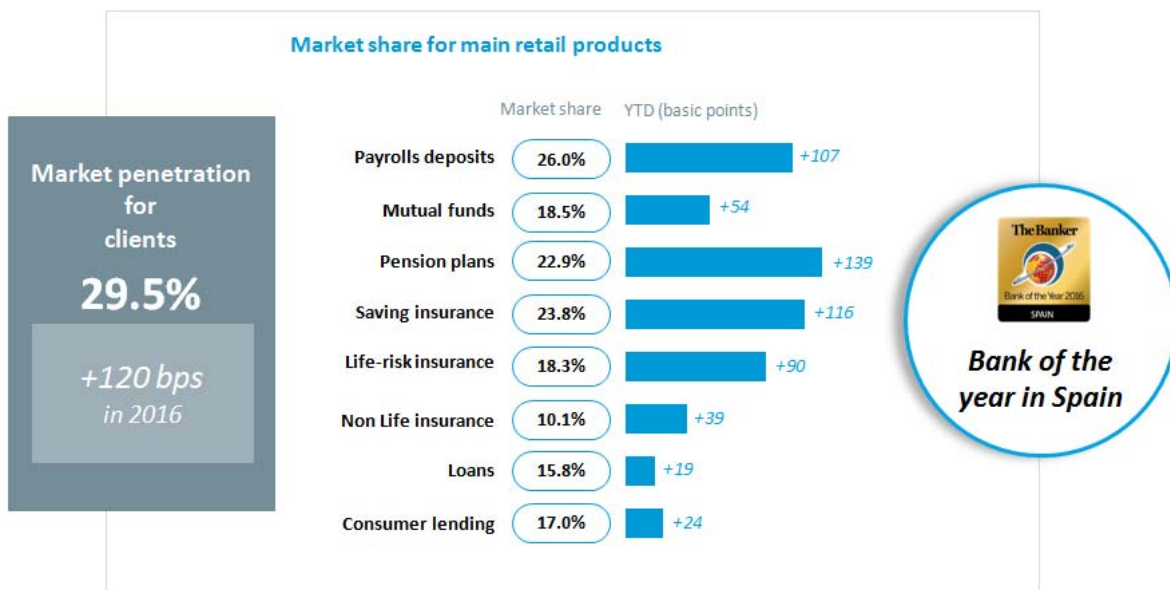
- Net interest income totalled €4,157 million (-4.5%) while fee and commission income amounted to €2,090 (-1.2%). In quarter-on-quarter terms, both headings confirmed the improvement first seen in the second quarter of 2016: net interest income was up 3.5% qoq partly in response to the falling cost of retail deposits, while fee and commission income gained 1.6% in the quarter thanks largely to the increase in sales of investment funds and non-life insurance products.
- Expenses were down 1.7% in response to the ongoing drive to streamline and contain costs, the release of synergies following the integration of Barclays Bank, SAU and the savings obtained as a result of the early retirement and labour agreements aimed at streamlining the workforce.
- The year included €121 million in extraordinary expenses in connection with the labour agreement signed on 29 July. In 2015, extraordinary expenses totalled €543 million following the integration of Barclays Bank, SAU and the signing of the labour agreement.
- The changes seen in income and costs have triggered a year-to-date improvement of 6.3 percentage points in the cost-to-income ratio, which currently stands at 52.6% (51.0% excluding extraordinary expenses).
- Gains/(losses) on financial assets and liabilities and others stood at €848 million (-1.7%), and include the gross capital gain of €165 million resulting from the Visa Europe Ltd transaction.
- Income from the investment portfolio was €828 million (+43.3%), partly as a result of the increased contribution from Repsol and the reduced contribution from The Bank of East Asia and Inbursa following the swap agreement signed with CriteriaCaixa.
- Income tax expense included, in the fourth quarter of 2016, a total of €149 million following the changes introduced by the tax reform enacted by Royal Decree-Law 3/2016.

Commercial strength and leadership in online banking

CaixaBank has 13.8 million customers, 5,027 branches and 9,479 ATMs. In the past twelve months, the Bank has successfully consolidated its leadership in the retail banking sector by attaining a market share of 29.5% (+120bp), with 25.7% of customers choosing CaixaBank as their main bank (+170bp), according to consultancy firm FRS Inmark.

The Bank remains the leader when it comes to online banking in Spain, with 5.3 million customers and a market share of 32.4%. It also leads the way in mobile banking, with 3.7 million customers, and in payment methods, with 15.2 million cards in circulation and with a market share of 22.9% in turnover.

As in previous years, the Bank continues to focus its commercial efforts on attracting and retaining customers, which has pushed up its share of the payroll deposit market to 26% (+107bp in 2016), having successfully secured a further 857,324 payrolls in the year to date, bringing the total to 3.5 million payroll deposits.



Loans and advances to customers, gross, totalled €204,857 million, down 0.8% in 2016 and down 0.1% in the quarter, although the performing loan portfolio gained 0.4% in the year and 0.1% in the last quarter.

Growth here was driven by the solid improvement in new loans in comparison with the fourth quarter of 2015: mortgage (+35%), consumer (+41%) and business and corporate (+11%).

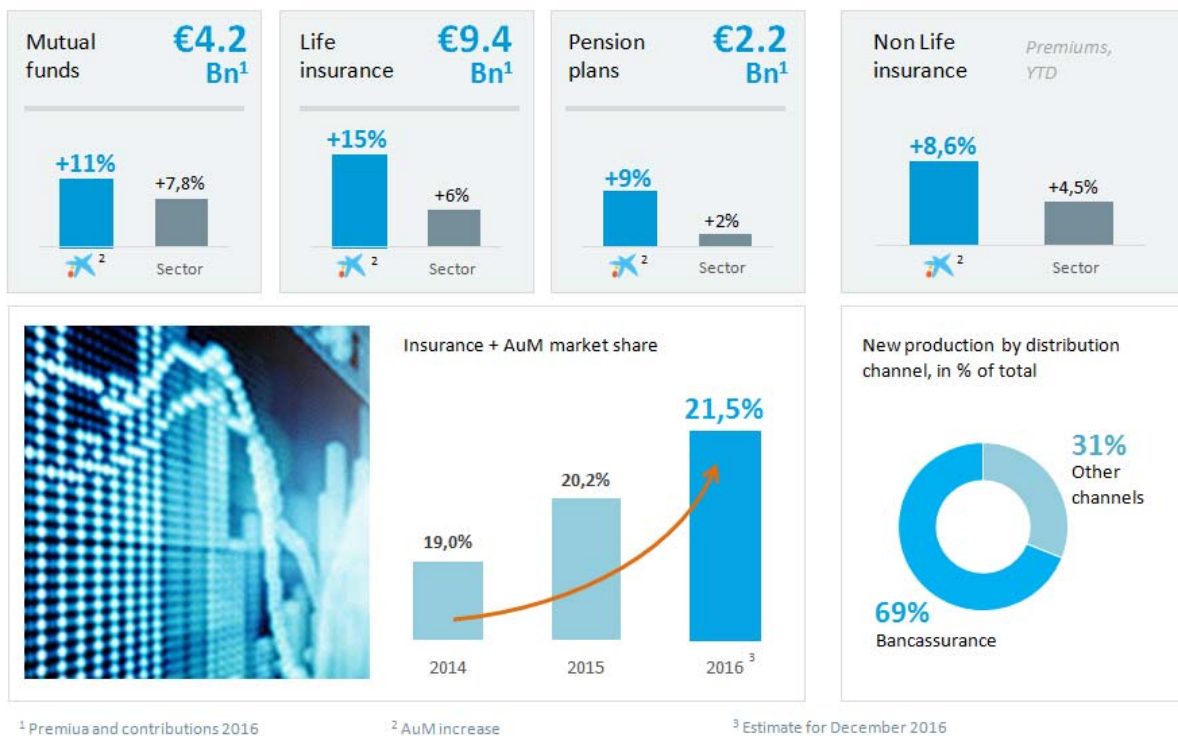
Customer funds totalled €303,895 million, showing growth of 2.5% in 2016 (+1.4% in the quarter). On-balance sheet funds amounted to €217,123 million, with demand deposits showing an impressive 13.6% growth and savings deposits down 35% in response to renewals of maturities and careful management of transaction margins.

Assets under management gain 9.9% in the year

CaixaBank has a model that combines ownership of product-manufacturing businesses (insurance, fund management, cards, etc.) with an excellent distribution platform to ensure proximity with customers, plus its undisputed technological prowess.

Assets under management totalled €81,890 million, up 9.9% in 2016 thanks to the successful roll-out of marketing campaigns, the wide range of products on offer for each customer segment and the steady market recovery from the second quarter of the year onward.

CaixaBank, through VidaCaixa, further cemented its leadership in the sector by successfully increasing its market share during the year for both savings insurance (+116bp to 23.8%) and pension plans (+140bp to 22.9%). During the year, the Bank maintained a healthy pace in sales of insurance products and pension plans, with growth in liabilities under insurance contracts (+17.1% in the year and +5.2% in the third quarter).



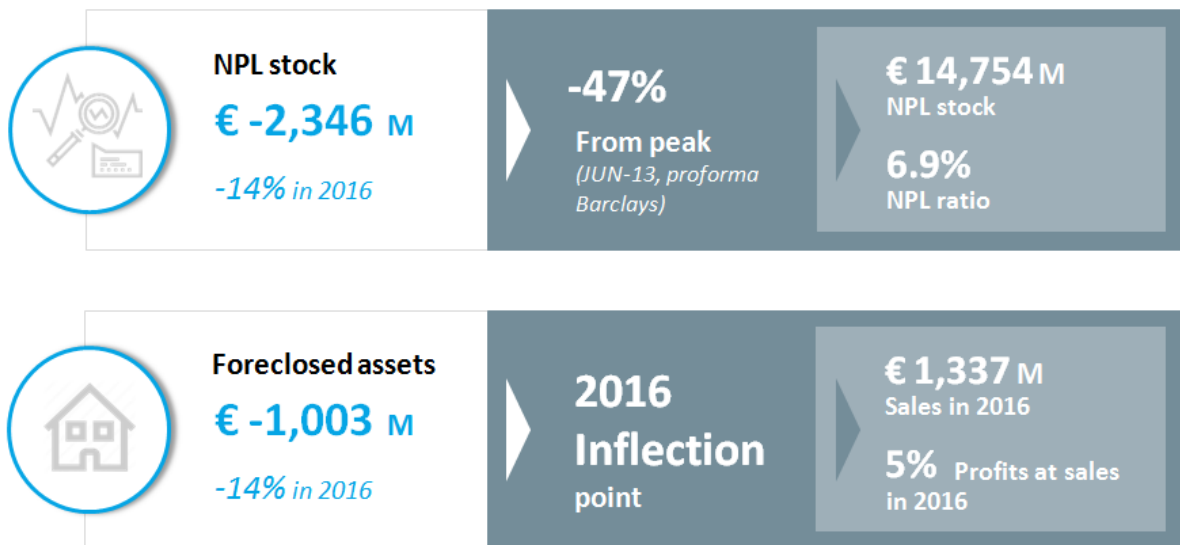
CaixaBank also remains the market leader in assets under management through its extensive range of investment and pension products, having earned top spot in 2015. Turning to investment funds, CaixaBank Asset Management is currently the leading fund manager with a market share of 18.5% (+54bp), and it also ranks first in assets under management (€56,674 million including portfolios and SICAVs), which were up 10.4%. CaixaBank Asset Management obtained 31% of the total net contributions in the year, with 4,245 million subscriptions.

Sharp drop in loan loss provisions and the NPL ratio

Impairment losses on financial assets and other provisions were down 57.5% to €1,069 million in response to improving asset quality indicators and the release of loan loss provisions for insolvency risk following implementation of internal models compliant with Circular 4/2016, along with prudent coverage of other risks. The cost of risk (adjusted for the extraordinary release) stood at 0.46%, down 27bp in 2016,.

According to the internal models just mentioned, estimated coverage for insolvency risk is such that mandatory provisioning for the loan portfolio is now down by approximately €676 million. Following implementation of the internal models in compliance with Circular 4/2016, loan loss provisions of €656 million have been charged to provide further coverage of available for sale foreclosed real estate assets.

CaixaBank recognised an additional provision of €110 million in the fourth quarter of 2016 after re-estimating the current value of the payouts expected to derive from the floor clause case, in addition to the €515 million already reported in 2015.



In the past year, the non-performing loan (NPL) ratio shed 103 percentage points to stand at 6.9%. This improvement comes on the back of the ongoing drop in non-performing loans, which are down €2,346 million in the last twelve months and €445 million in the fourth quarter.

The portfolio of net foreclosed real estate assets available for sale stood at €6,256 million, down €1,003 million in 2016. Intensive activity at BuildingCenter, CaixaBank's real estate subsidiary, generated €1,809 million in sales and rentals of real estate assets in 2016. Profits on the sale price of 5% were reported in 2016.

Strengthening capital adequacy within the context of the tender offer to acquire BPI

CaixaBank has a fully-loaded Common Equity Tier 1 (CET1) ratio of 12.4% (+80bp during 2016), after increasing 98 basis points in the third quarter following the private placement of treasury shares among qualified investors with the aim of strengthening the Bank's capital adequacy within the context of the takeover bid to acquire BPI.

The fully-loaded CET1 ratio of 12.4% at 31 December 2016 is 20 basis points down on the same ratio at the end of the previous quarter. Positive organic capital generation in the quarter accounted for +5bp. The impact of -25 basis points is partly due to the implementation of internal credit risk models which, for the purposes of regulatory capital, effectively increased CET1 deductions following the release of loan loss provisions. These deductions will offset the future impact on regulatory capital ratios of IFRS 9, which will become effective from 1 January 2018.

According to the criteria in force in 2016 for the phased-in implementation, regulatory capital and leverage were: 13.2% CET1 and 16.1% total capital, with a leverage ratio of 5.7%.

Best performance of the IBEX 35 companies in the fourth quarter

CaixaBank dominated the Spanish stock exchange in the fourth quarter of 2016, outperforming all other IBEX 35 companies by gaining 39.62% versus the 6.52% gain for the Spanish blue-chip index, 27.16% for the Euro Stoxx Eurozone Banks and the 22.91% average for all Spanish financial institutions. The CaixaBank share fell 2.30% in the year to close the year at €3.140/share. This decline was lower than the average for Spanish financial institutions, which was -3.59% in the same period, and also less than the 7.98% fall in the Euro Stoxx Eurozone Banks index.

CaixaBank has paid shareholders a total of €0.15 per share in the last twelve months, split into quarterly payments; two of which were paid under the Scrip Dividend Programme, while the other two were paid in cash. On 10 March 2016, the Board of Directors proposed that dividends for 2016 under its shareholder remuneration policy be paid via three cash payments and one payment under the Scrip Dividend Programme, with shareholder remuneration to remain a quarterly event. In line with the 2015-2018 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit.

CaixaBank's dividend policy meets the requirements prescribed by the ECB in its recommendation of 13 December 2016, on the dividend distribution policies of credit institutions, therefore implying that it does not limit or confine the Bank in any way.

Welfare Projects: over 10.5 million beneficiaries

The "la Caixa" Banking Foundation, which directly oversees Welfare Projects and uses Criteria-Caixa to pool all the stakes of the "la Caixa" Group, including CaixaBank, closed the year with significant results in what was the **first year of its 2016-2019 Strategic Plan**, underlined by the motto of **"Building the present. Changing the future"**. The plan has Isidro Fainé, chairman of "la Caixa" Banking Foundation, at the helm and envisions a total investment of over 2,000 million euros in social welfare action over the plan horizon, making the foundation the largest in Spain and one of the largest in Europe and indeed worldwide.

Already in 2016 the entity has rolled out the main lines of action envisaged in the master plan with an overriding objective in mind: **helping to forge a better and fairer society** by providing opportunities to those most in need.

According to these principles and objectives, the Foundation enters 2017 with the same desire to consolidate and step up its work in Welfare Projects. As a reflection of this commitment, the budget for 2017 is to be 510 million euros, an improvement on the 500 million-euro budget of the past nine years.

Globally, the "la Caixa" Banking Foundation carried out over 50,000 initiatives in 2016, benefiting upwards of 10.5 million people.

In 2016, **the CaixaProinfancia child poverty programme provided valuable care and assistance to over 62,000 children** and their family members across the main cities in Spain, focusing on neighbourhoods and districts showing the highest rates of social exclusion.

Over 28,000 job opportunities

With regard to job creation, **Incorpora celebrated its tenth anniversary in 2016 by offering more than 28,000 jobs to vulnerable individuals**. This job integration scheme had over 9,500 collaborating companies in 2016 from all over Spain.

The "la Caixa" Volunteering programme already has 15,000 participants tasked with organising local actions across all the autonomous regions of Spain. Since the start of the scheme, over 1.2 million people have benefited from its numerous activities and events.

Providing easier access to housing is another strategic priority under the Strategic Plan, given its overriding importance for many citizens. **The "la Caixa" Group is now able to provide over 33,000 flats** through a range of different initiatives (affordable housing through charity-assisted renting, social renting and the Social Housing Fund). These homes, with monthly rents starting from €85, are available all over Spain for people on very low incomes.

Moving to health care, **Welfare Projects** has extended its **palliative care programme to a total of 109 hospitals and home care support units**. More than 19,800 patients received psychological and social support in 2016 as part of a programme that also provides support for family members and grief counselling.

The eduCaixa programme has reached out to over 2.3 million pupils from a total of 9,000 Spanish schools. The initiative offers innovative, practical and easy-access educational resources, with programmes designed to hone entrepreneurial skills, boost careers in science and disseminate art and culture.

Along similar lines, the emblematic **"la Caixa" grants programme allowed over 200 students to broaden their training in 2016** at the finest universities in Spain and abroad and at state-of-the-art research centres. Highlights here include the start-up of INPhINIT, a new grants scheme co-funded by the European Commission. This new venture aims to attract the best international talent and have them pursue doctorate courses at the best research centres Spain has to offer.

Similarly, the **"la Caixa" Banking Foundation and the Telefónica Foundation have recently unveiled their strategic alliance in creating the ProFuturo project**. The initiative, inspired by Pope Francis, seeks to improve the education and training of children, teenagers and adults from the most underprivileged regions of Africa, Latin America and South East Asia in a bid to improve equal opportunities through digital training.

Commitment to cutting-edge research and cultural outreach

The foundation has also stepped up its ongoing support for scientific progress and advances by rolling out projects to improve research into Alzheimer's, AIDS, neurodegenerative illnesses and cardiovascular conditions. In tandem with this, **CaixaImpulse, the first one-stop programme for transforming scientific knowledge** into companies that generate value for society, has presented the 20 selected projects under this latest second call for invitations.

Supporting cultural and scientific programmes and events

A total of **5,194,941 people** attended the different **cultural, scientific and educational programmes and events** organised across all of Spain by "la Caixa" Welfare Projects in 2016, up 3.6% year on year.

At CaixaForum, Barcelona, the exhibition *Impressionist and modern. Masterpieces of the Phillips Collection* was the most visited event of the year, followed by *Philippe Halsman. Astonish me!* and *A Thyssen never before seen*. At CaixaForum Madrid, highlight events included the *"The Pillars of Europe"* exhibition, which was jointly organised with the British Museum.

In appreciation of this hard work, "la Caixa" Banking Foundation ended the year with a marketing campaign to thank all collaborators, volunteers, social welfare organisations and NGOs that are helping it achieve the objective of building a better society: "the Essentials".

Key figures

€ million	January - December 2016	2015	Annual Change	4Q16	Quarterly Change
INCOME STATEMENT HEADINGS					
Net interest income	4,157	4,353	(4.5%)	1,077	3.5%
Fees and commissions	2,090	2,115	(1.2%)	544	1.6%
Gross income	7,827	7,824	0.0%	1,888	(0.1%)
Recurring expenses	(3,995)	(4,063)	(1.7%)	(998)	0.2%
Pre-impairment income stripping out extraordinary expenses	3,832	3,761	1.9%	890	(0.4%)
Pre-impairment income	3,711	3,218	15.3%	890	15.1%
Profit/(loss) before tax	1,538	638	141.0%	224	(47.3%)
Profit/(loss) attributable to the Group	1,047	814	28.6%	77	(76.9%)
BALANCE SHEET					
Total assets	347,927	342,863	344,255	1.5%	1.1%
Equity	23,556	23,555	25,205	0.0%	(6.5%)
Customer funds	303,895	299,673	296,599	1.4%	2.5%
Loans and advances to customers, gross	204,857	205,100	206,437	(0.1%)	(0.8%)
EFFICIENCY AND PROFITABILITY (last 12 months)					
Cost-to-income ratio	52.6%	54.9%	58.9%	(2.3)	(6.3)
Cost-to-income ratio stripping out extraordinary expenses	51.0%	53.3%	51.9%	(2.3)	(0.9)
ROE	4.5%	3.7%	3.4%	0.8	1.1
ROTE	5.6%	4.6%	4.3%	1.0	1.3
ROA	0.3%	0.3%	0.2%	0.0	0.1
RORWA	0.8%	0.6%	0.6%	0.2	0.2
RISK MANAGEMENT					
Non-performing loans (NPL)	14,754	15,199	17,100	(445)	(2,346)
Non-performing loan ratio	6.9%	7.1%	7.9%	(0.2)	(1.0)
Non-performing loan ratio stripping out real estate developers	5.9%	6.0%	6.2%	(0.1)	(0.3)
Cost ok risk ⁽¹⁾	0.46%	0.42%	0.73%	0.04	(0.27)
Provisions for non-performing loans	6,880	7,934	9,512	(1,054)	(2,632)
NPL coverage ratio	47%	52%	56%	(5)	(9)
Net foreclosed available for sale real estate assets	6,256	7,071	7,259	(815)	(1,003)
Foreclosed available for sale real estate assets coverage ratio	60%	55%	55%	5	5
LIQUIDITY					
High Quality Liquid assets	50,408	52,553	62,707	(2,145)	(12,299)
Loan to deposits	110.9%	109.3%	106.1%	1.6	4.8
Liquidity Coverage Ratio	160%	174%	172%	(14.0)	(12.0)
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	13.2%	13.4%	12.9%	(0.2)	0.3
Total Capital	16.1%	16.6%	15.9%	(0.5)	0.2
Risk-weighted assets (RWAs)	134,953	135,922	143,312	(969)	(8,359)
Leverage ratio	5.7%	6.0%	5.7%	(0.3)	0.0
Fully loaded Common Equity Tier 1 (CET1)	12.4%	12.6%	11.6%	(0.2)	0.8
SHARE INFORMATION					
Share price (€/share)	3.140	2.249	3.214	0.891	(0.074)
Market capitalization	18,768	13,283	18,702	5,485	66
Book value per share (€/share)	3.94	3.98	4.33	(0.04)	(0.39)
Tangible book value per share (€/share)	3.26	3.30	3.47	(0.04)	(0.21)
Number of outstanding shares excluding treasury stock (millions)	5,977	5,906	5,819	71	158
Net income attributable per share (€/share) (12 months)	0.18	0.14	0.14	0.04	0.04
Average number of shares excluding treasury stock (millions) (12 months)	5,842	5,771	5,820	71	22
PER (Price/Profit)	17.52	16.46	22.97	1.06	(5.45)
Tangible PBV (Market value/ book value of tangible assets)	0.96	0.68	0.93	0.28	0.03
BANKING BUSINESS AND RESOURCES (Units)					
Customers (millions)	13.8	13.8	13.8	0.0	0.0
CaixaBank Group Employees	32,403	32,315	32,242	88	161
Branches in Spain	5,027	5,089	5,211	(62)	(184)
Of which: retail branches	4,851	4,914	5,034	(63)	(183)
ATMs	9,479	9,476	9,631	3	(152)

(1) The ratio for December of 2016 excludes the release of provisions carried out in the fourth quarter of 2016.

Income statement

Year-on-year performance

€ million	January - December		Change %
	2016	2015	
Interest income	6,753	8,372	(19.3)
Interest expense	(2,596)	(4,019)	(35.4)
Net interest income	4,157	4,353	(4.5)
Dividend income	199	203	(2.0)
Share of profit/(loss) of entities accounted for using the equity method	629	375	67.5
Net fee and commission income	2,090	2,115	(1.2)
Gains/(losses) on financial assets and liabilities and others	848	863	(1.7)
Income and expense arising from insurance or reinsurance contracts	311	214	44.8
Other operating income and expense	(407)	(299)	36.1
Gross income	7,827	7,824	0.0
Recurring administrative expenses, depreciation and amortisation	(3,995)	(4,063)	(1.7)
Extraordinary expenses	(121)	(543)	(77.7)
Pre-impairment income	3,711	3,218	15.3
Pre-impairment income stripping out extraordinary expenses	3,832	3,761	1.9
Impairment losses on financial assets and other provisions	(1,069)	(2,516)	(57.5)
Gains/(losses) on disposal of assets and others	(1,104)	(64)	
Profit/(loss) before tax	1,538	638	141.0
Income tax expense	(482)	181	
Profit/(loss) for the period	1,056	819	28.9
Profit/(loss) attributable to minority interest and others	9	5	101.6
Profit/(loss) attributable to the Group	1,047	814	28.6

Note: Regulatory changes: The basis of presentation for the income statement has been established in accordance with Circular 5/2015 of the Spanish securities market regulator (CNMV).

The entry into force of Bank of Spain Circular 5/2014 in the first half of 2016 has resulted in the reclassification of gains and losses on the purchase and sale of foreign currency, which are no longer presented under Gains/(losses) on financial assets and liabilities and others, but instead under Net fee and commission income. Also as a result of the changes introduced by the Circular, gains and losses on sales of strategic holdings are no longer presented under Gains/(losses) on disposal of assets and other, but instead under Gains/(losses) on financial assets and liabilities and other. Following these changes the results presented for the first nine month of 2015 have been restated.