



CaixaBank Group

Condensed interim consolidated financial
statements and interim consolidated
management report for the six months ended 30
June 2017

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of CaixaBank, S.A.,
at the request of the Board of Directors:

Report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements (hereinafter "the interim financial statements") of CaixaBank, S.A. (hereinafter "CaixaBank") and Subsidiaries (hereinafter "the Group"), which comprise the balance sheet at 30 June 2017 and the statement of profit and loss, the statement of other comprehensive income, the statement of changes in total equity, the statement of cash flows and the explanatory notes thereto, all of them condensed and consolidated for the six-month period then ended. The directors of CaixaBank are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would have become aware of all significant matters that might have been identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to conclude that the accompanying interim financial statements for the six-month period ended 30 June 2017 were not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of matter paragraph

We draw attention to the accompanying Note 1, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. This matter does not qualify our conclusion.

Report on other legal and regulatory requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the directors of CaixaBank consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of CaixaBank, S.A. and subsidiaries.

Paragraph on other matters

This report was prepared at the request of the Board of Directors of CaixaBank in relation to the publication of the half-yearly financial report required by the article 119 of the consolidated Text of the Spanish Securities Market Law, approved by the Royal Legislative Decree 4/2015, of 23 October, and implemented by the Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

A handwritten signature in black ink, appearing to read 'Francisco Ignacio Ambrós', is written over a horizontal line. The signature is stylized with a large loop at the end.

Francisco Ignacio Ambrós

28 July 2017

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE CAIXABANK GROUP
At 30 June 2017

- Condensed interim consolidated balance sheet at 30 June 2017 and 31 December 2016
- Condensed interim consolidated statement of profit or loss for the six months ended 30 June 2017 and 2016
- Condensed interim consolidated statement of other comprehensive income for the six months ended 30 June 2017 and 2016
- Condensed interim consolidated statement of total changes in equity for the six months ended 30 June 2017 and 2016
- Condensed interim consolidated statement of cash flows for the six months ended 30 June 2017 and 2016
- Explanatory notes to the condensed interim consolidated financial statements of the CaixaBank Group for the six months ended 30 June 2017



Condensed interim consolidated financial statements of the CaixaBank

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

at 30 June 2017 and 31 December 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Assets

	30.06.2017	31.12.2016 (*)
Cash and cash balances at central banks	14,768,439	13,259,957
Financial assets held for trading (Note 8)	11,975,873	11,667,687
<i>Memorandum items: Loaned or advanced as collateral with the right of sale or pledge</i>	<i>584,405</i>	<i>1,796,932</i>
Financial assets designated at fair value through profit or loss (Note 8)	5,757,585	3,139,646
Available-for-sale financial assets (Note 8)	69,208,206	65,076,973
<i>Memorandum items: Loaned or advanced as collateral with the right of sale or pledge</i>	<i>3,686,261</i>	<i>9,377,156</i>
Loans and receivables (Note 8)	229,787,629	207,640,937
<i>Memorandum items: Loaned or advanced as collateral with the right of sale or pledge</i>	<i>88,669,677</i>	<i>80,981,698</i>
Held-to-maturity investments (Note 8)	7,789,210	8,305,902
<i>Memorandum items: Loaned or advanced as collateral with the right of sale or pledge</i>	<i>2,472,303</i>	<i>2,875,627</i>
Derivatives – Hedge accounting (Note 9)	2,799,707	3,090,475
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(7,355)	134,586
Investments in joint ventures and associates (Note 10)	6,211,022	6,420,710
Joint ventures	1,300,536	1,193,962
Associates	4,910,486	5,226,748
Assets under insurance and reinsurance contracts	308,180	344,144
Tangible assets (Note 11)	6,547,184	6,436,908
Property, plant and equipment	3,080,707	3,004,662
For own use	3,080,707	3,004,662
Investment property	3,466,477	3,432,246
<i>Memorandum items: Acquired under a finance lease</i>	<i>0</i>	<i>0</i>
Intangible assets (Note 12)	3,843,147	3,687,352
Goodwill	3,050,845	3,050,845
Other intangible assets	792,302	636,507
Tax assets (Note 19)	10,619,867	10,521,402
Current tax assets	599,667	878,739
Deferred tax assets	10,020,200	9,642,663
Other assets (Note 13)	2,689,063	1,795,723
Inventories	1,010,316	1,012,896
Other assets	1,678,747	782,827
Non-current assets and disposal groups classified as held for sale (Note 14)	6,386,267	6,404,860
Total assets	378,684,024	347,927,262
Memorandum items:		
Guarantees given (Note 23)	4,623,077	3,486,709
Contingent commitments given (Note 23)	80,000,318	75,651,105

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated balance sheet at 30 June 2017.



CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

at 30 June 2017 and 31 December 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Liabilities

	30.06.2017	31.12.2016 (*)
Financial liabilities held for trading (Note 15)	9,504,524	10,292,298
Financial liabilities designated at fair value through profit or loss (Note 15)	7,208,229	3,763,976
Financial liabilities measured at amortised cost (Note 15)	276,862,228	254,093,295
<i>Memorandum items: Subordinated liabilities</i>	5,192,127	4,118,792
Derivatives - Hedge accounting (Note 9)	891,863	625,544
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,582,377	1,984,854
Liabilities under insurance contracts (Note 16)	49,286,034	45,803,579
Provisions (Note 17)	5,346,299	4,730,271
Pensions and other post-employment defined benefit obligations	2,154,132	2,028,612
Other long-term employee benefits	1,320,146	972,767
Pending legal issues and tax litigation	768,446	633,224
Commitments and guarantees given	348,919	228,553
Other provisions	754,656	867,115
Tax liabilities (Note 19)	1,214,402	1,186,209
Current tax liabilities	6,915	218
Deferred tax liabilities	1,207,487	1,185,991
Capital repayable on demand	0	0
Other liabilities (Note 13)	2,328,212	1,805,635
Liabilities included in disposal groups classified as held for sale	84,624	86,039
Total liabilities	354,308,792	324,371,700

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated balance sheet at 30 June 2017.



CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

at 30 June 2017 and 31 December 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Equity

	30.06.2017	31.12.2016 (*)
SHAREHOLDERS' EQUITY (Note 18)	23,830,359	23,399,819
Capital	5,981,438	5,981,438
Paid up capital	5,981,438	5,981,438
Share premium	12,032,802	12,032,802
Other equity	9,079	7,499
Retained earnings	5,524,303	5,239,487
Other reserves	(543,802)	(716,893)
Less: Treasury shares	(12,951)	(14,339)
Profit/(loss) attributable to owners of the Parent	839,490	1,047,004
LESS: Interim dividends (Note 5)	0	(177,179)
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 18)	154,517	126,621
Items that will not be reclassified to profit or loss	0	0
Items that may be reclassified to profit or loss	154,517	126,621
Foreign currency translation	2,764	2,332
Hedging derivatives. Cash flow hedges (effective portion)	30,627	25,316
Available-for-sale financial assets	34,654	(26,494)
Debt instruments	368,266	366,815
Equity instruments	(333,612)	(393,309)
Share of other recognised income and expense of investments in joint ventures and associates	86,472	125,467
MINORITY INTERESTS (non-controlling interests)	390,356	29,122
Accumulated other comprehensive income	1,655	50
Other items	388,701	29,072
Total equity	24,375,232	23,555,562
Total equity and total liabilities	378,684,024	347,927,262

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated balance sheet at 30 June 2017.



CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 and 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2017	2016 (*)
Interest income	3,431,615	3,348,007
Interest expenses	(1,082,527)	(1,307,370)
NET INTEREST INCOME	2,349,088	2,040,637
Dividend income	120,751	107,967
Share of profit/(loss) of entities accounted for using the equity method (Note 10)	267,723	291,635
Fee and commission income	1,367,385	1,083,268
Fee and commission expenses	(115,454)	(73,067)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	63,921	639,563
Gains/(losses) on financial assets and liabilities held for trading, net	43,501	(177,234)
Gains/(losses) from hedge accounting, net	18,876	14,951
Exchange differences (gain/(loss)), net	51,585	117,191
Other operating income	379,599	299,582
Other operating expenses	(499,361)	(434,925)
Income from assets under insurance and reinsurance contracts	519,309	494,364
Expenses from liabilities under insurance and reinsurance contracts	(286,438)	(354,677)
GROSS INCOME	4,280,485	4,049,255
Administrative expenses	(2,103,006)	(1,820,878)
Staff expenses	(1,532,190)	(1,326,387)
Other administrative expenses	(570,816)	(494,491)
Depreciation and amortisation (Notes 11 and 12)	(219,964)	(181,489)
Provisions or reversal of provisions (Note 17)	(628,203)	(262,580)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(606,116)	(648,979)
Available-for-sale financial assets	(137,634)	(230,226)
Loans and receivables	(468,482)	(537,709)
Held-to-maturity investments	0	118,956
NET OPERATING INCOME/(LOSS)	723,196	1,135,329
Impairment or reversal of impairment on investments in joint ventures and associates	(10)	(1,100)
Impairment or reversal of impairment on non-financial assets	(9,308)	(20,771)
Tangible assets	(2,890)	(20,905)
Intangible assets	(6,418)	151
Other	0	(17)
Gains/(losses) on derecognition of non-financial assets and investments, net (Note 6)	(172,750)	(158,642)
Negative goodwill recognised in profit or loss (Note 6)	441,555	66,925
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	22,749	(133,713)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	1,005,432	888,028
Tax expense or income related to profit or loss from continuing operations	(149,199)	(242,635)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	856,233	645,393
Profit/(loss) before tax from discontinued operations	(126)	(1,364)
PROFIT/(LOSS) FOR THE PERIOD	856,107	644,029
Attributable to minority interests (non-controlling interests)	16,617	5,973
Attributable to owners of the Parent	839,490	638,056
Earnings per share		
Basic earnings per share (euros) (Note 5)	0.14	0.11
Diluted earnings per share (euros) (Note 5)	0.14	0.11

(*) Presented for comparison purposes only (see Note 1 "Comparison of information").

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated statement of profit or loss for the six months ended 30 June 2017.



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART A) CONDENSED INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 and 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2017	2016 (*)
PROFIT/(LOSS) FOR THE PERIOD	856,107	644,029
OTHER COMPREHENSIVE INCOME	29,501	(1,297,290)
Items that will not be reclassified to profit or loss	0	0
Items that may be reclassified to profit or loss	29,501	(1,297,290)
Foreign currency translation	948	(377,725)
<i>Translation gains/(losses) taken to equity</i>	948	(132,824)
<i>Transferred to profit or loss</i>		(244,901)
<i>Other reclassifications</i>		
Cash flow hedges (effective portion)	2,927	(70,895)
<i>Valuation gains/(losses) taken to equity</i>	(3,794)	(60,204)
<i>Transferred to profit or loss</i>	6,721	(10,691)
<i>Transferred to initial carrying amount of hedged items</i>		
<i>Other reclassifications</i>		
Available-for-sale financial assets	40,062	(697,728)
<i>Valuation gains/(losses) taken to equity</i>	(10,723)	(398,129)
<i>Transferred to profit or loss</i>	50,785	(299,599)
<i>Other reclassifications</i>		
Share of other recognised income and expense of investments in joint ventures and associates	(38,995)	(139,989)
Income tax relating to items that may be reclassified to profit or loss	24,559	(10,953)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	885,608	(653,261)
Attributable to minority interests (non-controlling interests)	18,222	5,504
Attributable to owners of the Parent	867,386	(658,765)

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated statement of other comprehensive income for the six months ended 30 June 2017.



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY

for the six months ended 30 June 2017 and 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	Equity attributable to the Parent									Minority interests		Total
	Shareholders' equity									Accumulated other comprehensive income	Other items	
	Capital	Share premium	Other equity	Retained earnings	Other reserves	Less: Treasury shares	Profit/(loss) attributable to owners of the Parent	Less: Interim dividends	Accumulated other comprehensive income			
CURRENT PERIOD	Capital	Share premium	Other equity	Retained earnings	Other reserves	Less: Treasury shares	Profit/(loss) attributable to owners of the Parent	Less: Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
Opening balance (before restatement)	5,981,438	12,032,802	7,499	5,239,487	(716,893)	(14,339)	1,047,004	(177,179)	126,621	50	29,072	23,555,562
Effects of corrections of errors												0
Effects of changes in accounting policies												0
Opening balance at 31.12.2016	5,981,438	12,032,802	7,499	5,239,487	(716,893)	(14,339)	1,047,004	(177,179)	126,621	50	29,072	23,555,562
Total comprehensive income for the period							839,490		27,896	1,605	16,617	885,608
Other changes in equity	0	0	1,580	284,816	173,091	1,388	(1,047,004)	177,179	0	0	343,012	(65,938)
Issuance of ordinary shares												0
Dividends (or remuneration to shareholders)				(358,675)								(358,675)
Purchase of treasury shares						(1,405)						(1,405)
Sale or cancellation of treasury shares						2,793						2,793
Transfers among components of equity				684,626	185,199		(1,047,004)	177,179				0
Other increase/(decrease) in equity			1,580	(41,135)	(12,108)						343,012	291,349
Closing balance at 30.06.2017	5,981,438	12,032,802	9,079	5,524,303	(543,802)	(12,951)	839,490	0	154,517	1,655	388,701	24,375,232

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated statement of total changes in equity for the six months ended 30 June 2017.



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY

for the six months ended 30 June 2017 and 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

PREVIOUS PERIOD	Equity attributable to the Parent									Minority interests		
	Shareholders' equity											
	Capital	Share premium	Other equity	Retained earnings	Other reserves	Less: Treasury shares	Profit/(loss) attributable to owners of the Parent	Less: Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
Opening balance (before restatement)	5,823,990	12,032,802	5,120	4,850,813	413,916	(19,713)	814,460	(232,754)	1,480,290	530	35,096	25,204,550
Effects of corrections of errors												0
Effects of changes in accounting policies												0
Opening balance at 31.12.2015	5,823,990	12,032,802	5,120	4,850,813	413,916	(19,713)	814,460	(232,754)	1,480,290	530	35,096	25,204,550
Total comprehensive income for the period							638,056		(1,296,821)	(469)	5,973	(653,261)
Other changes in equity	86,253	0	1,403	414,829	(304,502)	(2,004,727)	(814,460)	232,754	0	0	(1,574)	(2,390,024)
Issuance of ordinary shares	86,253			(86,253)								0
Dividends (or remuneration to shareholders)				(251,837)							(2,383)	(254,220)
Purchase of treasury shares						(2,004,727)						(2,004,727)
Transfers among components of equity				863,394	(281,688)		(814,460)	232,754				0
Share-based payments			1,403									1,403
Other increase/(decrease) in equity				(110,475)	(22,814)						809	(132,480)
Closing balance at 30.06.2016	5,910,243	12,032,802	6,523	5,265,642	109,414	(2,024,440)	638,056	0	183,469	61	39,495	22,161,265

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated statement of total changes in equity for the six months ended 30 June 2017.



CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

for the six months ended 30 June 2017 and 2016, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2017	2016 (*)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	349,874	3,257,001
Profit/(loss) for the period	856,107	644,029
Adjustments to obtain cash flows from operating activities	2,621,859	3,665,539
Depreciation	219,964	181,489
Other adjustments	2,401,895	3,484,050
Net increase/(decrease) in operating assets	(1,049,712)	(13,818,167)
Financial assets held for trading	1,910,926	(2,445,086)
Financial assets designated at fair value through profit or loss	(1,349,213)	(622,643)
Available-for-sale financial assets	(342,485)	(4,042,168)
Loans and receivables	(2,467,603)	(8,602,038)
Other operating assets	1,198,663	1,893,768
Net increase/(decrease) in operating liabilities	(2,440,053)	12,413,021
Financial liabilities held for trading	(984,052)	422,539
Financial liabilities designated at fair value through profit or loss	1,229,262	775,494
Financial liabilities at amortised cost	(2,018,765)	10,578,085
Other operating liabilities	(666,498)	636,903
Income tax (paid)/received	361,673	352,579
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	1,547,303	977,476
Payments:	(959,654)	(491,498)
Tangible assets	(198,512)	(179,727)
Intangible assets	(98,881)	(62,598)
Investments in joint ventures and associates	(3,926)	(97,031)
Subsidiaries and other business units	(644,523)	0
Non-current assets and liabilities classified as held for sale	(13,812)	(20,695)
Held-to-maturity investments	0	(131,447)
Proceeds:	2,506,957	1,468,974
Tangible assets	45,841	6,823
Investments in joint ventures and associates	3,233	681,891
Non-current assets and liabilities classified as held for sale	574,931	780,260
Held-to-maturity investments	532,992	
Other proceeds related to investing activities	1,349,960	
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(387,287)	(4,967,397)
Payments:	(4,890,080)	(6,471,573)
Dividends	(358,675)	(251,837)
Purchase of own equity instruments	(1,405)	(347)
Other payments related to financing activities	(4,530,000)	(6,219,389)
Proceeds:	4,502,793	1,504,176
Disposal of own equity instruments	2,793	4,176
Other proceeds related to financing activities	4,500,000	1,500,000
D) EFFECT OF EXCHANGE RATES CHANGES	(1,408)	(1,317)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	1,508,482	(734,237)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,259,957	6,615,172
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	14,768,439	5,880,935
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash on hand	1,875,408	1,493,163
Cash equivalents at central banks	11,788,782	3,676,436
Other financial assets	1,104,249	711,336
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,768,439	5,880,935

(*) Presented for comparison purposes only.

Note 1: Interest received and paid at 30 June 2017 amounted to EUR 3,788 million and EUR 1,459 million, respectively (EUR 3,579 million and EUR 1,851 million, respectively, at 30 June 2016).

Note 2: Dividends received at 30 June 2017 amounted to EUR 185,098 thousand (EUR 282,542 thousand at 30 June 2016).

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated statement of cash flows for the six months ended 30 June 2017.



Notes to the condensed interim consolidated financial statements
of the CaixaBank Group at 30 June 2017

INDEX OF EXPLANATORY NOTES

PAGE

1. Corporate information, basis of presentation and other information	10
2. Accounting policies and measurement bases	19
3. Risk management	20
4. Capital adequacy management	47
5. Shareholder remuneration and earnings per share	49
6. Business combinations and investments in subsidiaries	51
7. Remuneration of key management personnel	55
8. Financial assets	58
9. Derivatives – Hedge accounting (assets and liabilities)	67
10. Investments in joint ventures and associates	68
11. Tangible assets	70
12. Intangible assets	71
13. Other assets and liabilities	72
14. Non-current assets and disposal groups classified as held for sale	74
15. Financial liabilities	75
16. Liabilities under insurance contracts	77
17. Provisions	78
18. Equity	82
19. Tax position	83
20. Related party transactions	85
21. Segment information	89
22. Workforce and number of branches	94
23. Guarantees and contingent commitments given	95
24. Disclosures required under the Mortgage Market Law	96



Explanatory notes to the condensed interim consolidated financial statements for the six months ended 30 June 2017

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

As required by current legislation governing the content of condensed interim consolidated financial statements, these explanatory notes include the condensed interim consolidated balance sheet, statement of profit or loss, statement of other comprehensive income, statement of total changes in equity and statement of cash flows and comparative information with the annual consolidated financial statements, along with explanations of events and disclosures for an adequate understanding of the most significant changes in the first half of the year.

1. Corporate information, basis of presentation and other information

CaixaBank, SA ("CaixaBank" or the "Entity") and companies composing the CaixaBank Group (the "CaixaBank Group" or the "Group"). CaixaBank, with tax identification number (NIF) A08663619 and registered address at Avenida Diagonal 621, Barcelona, was created through the transformation of Criteria CaixaCorp, SA which culminated on 30 June 2011 with the entry of CaixaBank in the Bank of Spain's Registry of Credit Institutions ("Registro de Entidades de Crédito") and its listing on the Spanish stock markets – as a credit institution – on 1 July 2011.

At 30 June 2017, Criteria Caixa, SAU ("Criteria" or "CriteriaCaixa") was a CaixaBank's shareholder with a stake of 40% (45.32% at 31 December 2016), and an equal stake conferring voting rights (44.68% at 31 December 2016). Criteria is 100% owned by Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (hereinafter, the "la Caixa" Banking Foundation").

On 6 February 2017 CriteriaCaixa published a Significant Event notice announcing the placement on the market of a package of 318,305,355 CaixaBank shares owned by Criteria and accounting for approximately 5.3% of CaixaBank's share capital through an ABO. The transaction amounted to EUR 1,069 million and put Criteria's stake in CaixaBank at 40%. It forms part of the agreement signed in May 2016 by the Board of Trustees of the "la Caixa" Banking Foundation and Criteria's Board of Directors to place on record their intent to comply, before the end of 2017, with the conditions established by the European Central Bank, such that the prudential deconsolidation of Criteria with respect to the CaixaBank Group may proceed.

The corporate object of CaixaBank mainly entails:

- all manner of activities, operations, acts, contracts and services related to the banking sector in general, including the provision of investment services and ancillary services and performance of the activities of an insurance agency;
- receiving public funds in the form of irregular deposits or in other similar formats, for the purposes of application on its own account to active credit and microcredit operations, and other investments, providing customers with services including dispatch, transfer, custody, mediation and others; and



- acquisition, holding, enjoyment and disposal of all manner of securities and drawing up takeover bids and sales of securities, and of all manner of ownership interests in any entity or company.

As a listed bank, it is subject to oversight by the European Central Bank, the Bank of Spain and the Spanish national securities market regulator (*Comisión Nacional del Mercado de Valores, CNMV*).

Basis of presentation

On 23 February 2017, CaixaBank's Board of Directors authorised for issue the CaixaBank Group's 2016 consolidated financial statements in accordance with financial reporting regulatory framework applicable to the Group, namely the International Financial Reporting Standards ("IFRS") as adopted by the European Union through EU regulations, in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and subsequent amendments. Both the consolidated financial statements and the proposed distribution of profit for 2016 were approved at the Ordinary Annual General Meeting held on 6 April 2017.

In the preparation of the 2016 consolidated financial statements, the consolidation principles, accounting policies and measurement bases described in Note 2 therein were applied to give a true and fair view of the equity and financial position of the CaixaBank Group at 31 December 2016 and of the results of its operations, the changes in consolidated equity and the cash flows in the year then ended.

The accompanying condensed interim consolidated financial statements of the CaixaBank Group for the first half of 2017 were prepared using the same principles, accounting policies and criteria as applied in the consolidated financial statements for 2016, in accordance with IFRS, particularly IAS 34 *Interim Financial Reporting*. They were also drawn up taking into consideration Bank of Spain Circular 4/2004 and subsequent amendments currently in force. These condensed interim consolidated financial statements were authorised for issue by the Board of Directors of CaixaBank at its meeting of 27 July 2017.

In accordance with IAS 34 and Circular 5/2015 of the CNMV, the interim notes include primarily an explanation of the events and changes that are significant to an understanding of the changes in financial position and performance of the Entity since the end of the last annual reporting period. Accordingly, the notes focus on new activities, events, and circumstances in the first quarter and does not duplicate information previously reported. Therefore, for an appropriate understanding of the information contained in the accompanying condensed interim consolidated financial statements, they should be read in conjunction with the CaixaBank Group's 2016 consolidated financial statements.

The accompanying balance sheet, statement of profit or loss, statement of other comprehensive income, statement of total changes in equity and statement of cash flows are presented according to the formats provided for credit institutions in CNMV Circular 5/2015.

Figures are presented in thousands of euros unless the use of another monetary unit is stated explicitly. Certain financial information in these explanatory notes was rounded off and, consequently, the figures shown herein as totals may differ slightly from the arithmetic sum of the individual figures given before them.

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in the first half of 2017

At the date of authorisation for issue of these condensed interim consolidated financial statements, no new standards have entered into force with mandatory application as from 1 January 2017.



Standards and interpretations issued by the IASB but not yet effective

At the date of authorisation for issue of these condensed interim consolidated financial statements, the main standards issued by the IASB but not yet effective, either because their effective date is subsequent to the date of the condensed interim consolidated financial statements or because they had not yet been endorsed by the European Union, are the same as those detailed in Note 1 to the 2016 consolidated financial statements.

The Group has elected not to early adopt these standards, where possible. In addition, the Group is currently analysing all the future impacts of the adoption of these standards, as follows:

- *IFRS 9 Financial Instruments:*

IFRS 9 provides a comprehensive set of accounting requirements for the recognition and measurement of financial assets and financial liabilities (except the part on macro hedging). The date of initial application is 1 January 2018, when it replaces the current International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*. Significant differences exist with the current standard in respect of aspects such as the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Regarding the classification and measurement of financial assets, the approach in IFRS 9 considers both the business model within which the assets are held and their contractual cash flows, effectively reducing the number of portfolios and impairment models currently envisaged in IAS 39. Financial assets that give rise to cash flows that are solely payments of principal and interest are measured at amortised cost if they belong to a business model whose objective is to collect the contractual cash flows, but at fair value through other comprehensive income if the objective is to both collect the cash flows and sell the instrument. All other financial assets, including embedded derivatives, must be fully measured at fair value through profit or loss.

For all assets not measured at fair value through profit or loss, the entities must recognise expected credit losses, differentiating between assets whose creditworthiness has not deteriorated significantly since initial recognition and those whose creditworthiness has.

It is precisely in respect of impairment of financial instruments, based on expected loss, where IFRS 9 reflects the most substantial changes compared to the currently model under IAS 39, which is based on the accounting of losses incurred for credit risk. In particular, IFRS 9 requires an entity to use an impairment model as a basis for measuring its loan loss allowance. The model differentiates between three stages. Measurement of expected loss depends on whether there has been a significant increase in the credit since initial recognition, whereby: (i) 12-month expected credit loss (Stage 1) applies to all assets (from initial recognition) as long as there is no significant deterioration in credit quality, (ii) life-time expected loss (Stages 2 and 3) applies when a significant increase in credit risk has occurred on an individual or collective basis. For impaired financial assets in Stage 3, interest revenue is calculated on net carrying amount.

The assessment of whether there has been a significant increase in credit risk should consider reasonable and supportable information that is available without undue cost or effort that is an indicator of increases in credit risk from initial recognition and reflects historical, current and forward-looking information.

Noteworthy differences between the new expected loss model in IFRS 9 and the current incurred loss model of IAS 39 include:

- Upon initial recognition, IFRS 9 requires expected loss to be recognised rather than incurred loss.



- The degree of judgement required to incorporate forward-looking information and assumptions regarding the behaviour affecting the life of the instruments that should be considered and how the assumptions are incorporated in the measurement of expected losses, increases in the expected-loss model.
- The requirement to calculate full lifetime losses for exposures that have experienced significant impairment since initial recognition.

Regarding financial liabilities, the categories set out in IFRS 9 are similar to those currently in IAS 39, and their measurement does not change, only the requirement to recognise changes in fair value related to own credit risk as a component of equity for financial liabilities designated under the fair value option.

For hedge accounting, the granularity in current IAS 39 requirements is replaced with a new model that better reflects internal risk management activities in the financial statements. There are changes with respect to IAS 39 in a number of other areas, such as hedged items, hedging instruments, the accounting of the time value of options and the assessment of effectiveness, which will enable Group entities that carry out financial activities to expand the transactions to which hedge accounting is applied and facilitate the application of hedge accounting, whereas the rest of the entities will benefit mainly from the possibility of hedging non-financial risks.

In 2015, the Group began preparatory work for application of this standard. Spearheaded by a CaixaBank Internal Project committee, this entails mainly taking the necessary steps to implement IFRS 9 in all areas of the Group that are affected so as to ensure compliance at the date of first application.

The committee, led by the CaixaBank Executive Global Risk Management Division, in conjunction with the CaixaBank Executive Financial Accounting, Control and Capital Division, liaises with the CaixaBank Group's Management Committee and is in charge of operational management and strategic decision making (e.g. resources, deadlines, definition of models).

A number of teams (systems, models, impairment, financial accounting, accounting policies, monitoring) oversee day-to-day management. In addition, a monitoring committee has been set up, composed of the heads of each of these areas.

The most relevant tasks carried out in the CaixaBank Group, and that are closest to completion at the date of preparation of these condensed interim consolidated financial statements, relate to the following:

- Modification of the department-level organisational model and redefinition of the governance model
- Determination of the business model under which financial assets will be managed
- Analysis of the characteristics of cash flows deriving from these financial instruments
- Identification of the triggers or indicators for classifying financial instruments in Stages 1, 2 or 3.
- Necessary modifications in the tools currently available in the Group for measuring the risk parameters needed to calculate expected loss and for the individual and collective analysis of the different instruments
- Review of internal processes and controls in the onboarding and approval of transactions, accounting policies, reporting to governing bodies, etc.

As a result of the work carried out in the past two years, a series of quantitative and qualitative impacts was identified, as described below.

Classification and measurement of financial assets and liabilities



- Certain financial assets will be reclassified from "Loans and receivables" to "Financial assets at fair value through profit or loss", having concluded that either these assets are not managed within a business model comprising the collection of contractual cash flows and/or the sale of these financial assets, or that the characteristics of these contractual cash flows were insufficient to conclude that they correspond only to payment of principal and interest on the principal amount outstanding.
- Those equity instruments classified to date under "Financial assets available for sale" will henceforth be classified as "Financial assets at fair value with changes in other comprehensive income", considering that the Group intends to use the option to irrevocably designate equity instruments in this category at the transition date. Gains or losses on equity instruments classified in this category and recognised in equity at the time of sale, and any impairment losses thereon, will not be recognised in the statement of profit or loss.
- No significant changes were identified in respect of financial liabilities.

The Group is estimating the impact the above-mentioned reclassifications will have on net assets. To date, the Group has not identified a significant volume of financial instruments that are currently classified as loans and receivables and valued at amortised cost and that generate cash flows other than payment of principal and interests.

Impairment losses

Under IFRS 9, impairment losses are recognised earlier than under IAS 39. Upon initial recognition of financial assets, valuation adjustments must be made for the expected losses resulting from default events that could occur in the coming 12 months. If credit risk increases significantly, full lifetime expected credit losses will be recognised.

In accordance with the methodology applied in the internal implementation project described above, the portfolio of financial instruments subject to impairment (financial assets at amortised cost and financial assets at fair value with changes in other comprehensive income, lease agreements and certain commitments and guarantee contracts) has been provisionally separated out in the three stages described above. In addition, the Group has made great strides in the process of defining and calibrating the parameters needed to measure expected losses using both historical information and the best assumptions on forward-looking information.

Based on the above and taking into account data at 31 December 2016, the best estimate at the date of preparation of these condensed interim consolidated financial statements is that these modifications could entail a potential increase in impairment allowances of less than 10%.

Hedges

The Group intends to apply IFRS 9 to accounting hedges, as it considers that this option is best aligned with the CaixaBank Group's risk management strategy. Nevertheless, other than the attendant greater disclosure requirements, no significant quantitative impacts are expected.

At the date of preparation of these condensed interim consolidated financial statements, there is uncertainty regarding the tax effect of the above-mentioned adjustments, as well as the prudential impacts of the integration of these adjustments in the CET1 ratio. Nevertheless, the impact on this ratio is not expected to exceed 15 basis points.

The above-listed impacts refer to 31 December 2016, all in gross terms, and exclude the subsidiary BPI, over which effective control was assumed in February 2017 (BPI's identifiable assets have



already been integrated at fair value). At the date of preparation of these condensed interim consolidated financial statements, these impacts are the best estimate of the effects that could be most significant for the subject scope, but are not a complete and exact listing of all impacts that could ultimately derive from application of this standard upon definitive application as of 1 January 2018. In addition, to the extent that the internal implementation project for the new standard has not yet concluded and given that the above valuations must be updated at the effective date of first application, the results described above could be altered.

At the date of first application, in accordance with IFRS 9 and IAS 8, the final amounts resulting from the accounting change will be recognised in the CaixaBank Group's reserve accounts.

- IFRS 15 *Revenue from Contracts with Customers*

Although this may entail certain changes in the timing of revenue recognition, the Group does not expect that implementation of the standard at 1 January 2018 will give rise to a material impact.

- IFRS 16 *Leases*

This standard, which will be applied from 1 January 2019, has yet to be endorsed by the European Union. It introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The main change derives from the lessee's obligation to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation in terms of the present value of future lease payments. The asset is depreciated over the life of the contract, while the liability will generate a finance cost.

In late 2016, the CaixaBank Group undertook a specific project for implementing this standard, focusing on analysing the impacts as a result of its business model. The main type of contracts identified for which a right-of-use asset and a lease liability must be estimated are property leases (office buildings) in connection with the operating activity.

In addition, as from the date of the most recent consolidated annual financial statements, the IASB has issued the following standards and interpretations, which have yet to be endorsed by the European Union:

- IFRS 17 *Insurance Contracts*

The standard sets out the requirements an entity must apply when accounting for insurance contracts issued and reinsurance contracts entered into. The effective date of this standard is 1 January 2021, at which time it will replace IFRS 4 *Insurance Contracts*, a temporary standard allowing for the continued use of local accounting practices, whereby insurance contracts are accounted for differently in different jurisdictions.

Implementation of IFRS 17 will standardise the accounting treatment for all insurance contracts, based on a measurement model using calculation assumptions updated at each reporting date (such as the discount rate, mortality and survival tables, and other financial variables).

The effects of changes in these assumptions could be recognised in either the statement of profit or loss or in equity, based on the related nature and on whether the changes are associated with the provision of a service already rendered, or else entail a reclassification between insurance liability components recognised. With respect to insurance finance income or expenses, entities may choose to recognise them fully in the statement of profit or loss or else to recognise part of that income or expense in equity.



For all non-onerous contracts, entities will recognise a contractual service margin over the period in which the entity provides insurance cover under a contract.

Following the recent publication of this standard, the Group began preparatory activities to create a specific work group to address implementation. As the project progresses, information on the relevant qualitative and/or quantitative impacts of the standard will be disclosed.

- IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses those situations in which an entity disagrees with the tax authorities or when a particular tax inspection is underway, and where these disputes may affect recognition of the entity's current and/or deferred tax assets and tax liabilities.

IFRIC 23 is applicable for annual reporting periods beginning on or after 1 January 2019. At the date of these condensed interim consolidated financial statements, the Group has not identified any relevant impacts on recognised tax assets and tax liabilities that would arise from future adoption of the interpretation.

Responsibility for the information and for the estimates made

The preparation of the condensed interim consolidated financial statements required the Group's Directors to make certain judgements, estimates and assumptions in order to quantify certain of the assets, liabilities, revenues, expenses and obligations shown in them. These estimates relate primarily to:

- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations (Note 6)
- Impairment losses on certain financial assets and the fair value of the related guarantees (Note 8)
- The measurement of investments in joint ventures and associates (Note 10)
- Determination of the share of profit/(loss) in associates and joint ventures (Note 10)
- The useful life of and impairment losses on tangible assets and other intangible assets (Notes 11 and 12)
- The measurement of goodwill and intangible assets (Note 12)
- Impairment losses on non-current assets and disposal groups held for sale (Note 14)
- The fair value of certain financial assets and liabilities (Notes 8 and 15)
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 16)
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 17)
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 17)
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 19).

These estimates were made on the basis of the best information available at the date of preparation of these condensed interim consolidated financial statements. However, events may occur that make it necessary for them to be changed in future periods.

Comparison of information

The figures at 31 December 2016 and for the six months ended 30 June 2016 contained in the accompanying condensed interim consolidated financial statements are presented solely for purposes of comparison.



On 7 February 2017, the CaixaBank Group took control of Banco BPI, S.A. (Banco BPI, or BPI). Since February 2017, the Group's total interest in BPI (84.5%) has been fully consolidated. In future periods, the financial information set out in this document will be presented by integrating it in proportion to the Group's ownership percentage held at that time, using the equity method of accounting (see Notes 6 and 10).

Seasonality and materiality of operations

The cyclical or seasonal nature of the operations of the companies composing the CaixaBank Group is not significant. Therefore, these explanatory notes to the condensed interim consolidated financial statements for the first six months of 2017 do not include specific disclosures in that regard.

Nevertheless, pursuant to the interpretation of IFRIC 21, certain taxes and levies are expensed when the payment obligation arises, as per prevailing regulations. The Group recognises property tax on 1 January each year. The expense in the statement of profit and loss for the six months ended 30 June 2017 was EUR 55 million (EUR 59 million in the previous year).

Further, in the first half of 2017, it also recognised the contribution to the guarantee and resolution funds for 2017 of EUR 105 million (EUR 87 million in 2016), of which EUR 90 million (EUR 74 million in 2016) were recognised in the statement of profit and loss and EUR 15 million (EUR 13 million in 2016) under "Loans and receivables – Credit institutions" as CaixaBank elected to materialise 15% of the contribution using irrevocable payment commitments, for which it provided cash collateral.

Lastly, in deciding what information to disclose in these condensed interim consolidated financial statements, materiality was assessed in relation to the interim period financial data.

Acquisition of control of Banco BPI

On 16 January 2017, the Portuguese securities commission (*Comisión del Mercado de Valores Mobiliarios*) registered the prospectus for CaixaBank's takeover bid for BPI at a price per share of EUR 1.134, and the acceptance period of the bid was opened. This period closed on 7 February 2017. Having secured the required approvals and following completion of the acceptance period for the takeover bid, CaixaBank obtained a stake of 84.51% in BPI. The payment for the 39.01% of share capital acquired in the bid stood at EUR 645 million.

The acquisition of control of Banco BPI entailed a change in the nature of this investment, from an investment in an associate to an investment in a Group company. From an accounting perspective, the change in the nature of the investment entailed the revaluation of the previous investment of 45.5% of BPI prior to the acquisition, leading to a gross loss of EUR 186 million under "Gains/(losses) on derecognition of non-financial assets and investments (net)" in the Group's consolidated statement of profit or loss for the first half of 2017, and a simultaneous recognition of 100% of the assets and liabilities comprising the stake in Banco BPI as part of the purchase price allocation (PPA) required under IFRS 3. Note 6 details the provisional accounting of the purchase price allocation transactions, which resulted in negative goodwill of EUR 442 million, recognised under "Negative goodwill recognised in profit or loss" on the accompanying statement of profit or loss.

In view of the foregoing, at the date of acquisition of control, the total impact on the statement of profit or loss of the business combination was EUR 256 million.



Agreement with Cecabank regarding the depository service

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

As a result of the foregoing, CaixaBank, in its role as mediator, received EUR 115 million, recognised as income in the second half of 2017. During the coming ten years, based on the performance of Cecabank's depository business, CaixaBank could receive variable payments for a total additional amount of up to EUR 85 million.

Subsequent events

On 1 July 2017, a private placement of a subordinated debt issuance (*Tier 2*) took place for the amount of EUR 150 million, with a maturity of 25 years, redeemable from 2037 and with an annual interest rate of 4%. The issuance was carried out under the Base Prospectus of Non-Participating Securities of CaixaBank registered in CNMV and was admitted to listing in AIAF Fixed Income Market.

On 5 July 2017, an 11-year subordinated bonds issuance (*Tier 2*) was made in the amount of EUR 1,000 million under the "EURO 10,000,000,000 Euro Medium Term Note Programme" debt issuance programme, registered on the Irish Stock Exchange. The issuance was admitted to trading on the regulated market of the Irish Stock Exchange.



2. Accounting policies and measurement bases

The accompanying condensed interim consolidated financial statements of the CaixaBank Group were prepared using the same accounting principles, policies and criteria as those used in the 2016 consolidated financial statements (see Note 2 to the 2016 consolidated financial statements).

All accounting principles and measurement bases that could have a significant effect were applied in the preparation of the condensed interim consolidated financial statements.



3. Risk management

The most salient points during the first half of 2017 were as follows:

- The CaixaBank Group is working on assessing and implementing various developments in bank regulation and supervision, as well as cooperating in industry forums that analyse the content of consultative documents. The developments include:
 - As part of the objective of reducing variability in the calculation of risk-weighted assets and of improving comparisons among banking institutions, in line with the European Banking Authority's (EBA) publication in late 2016 on estimating risk parameters and internal modelling techniques, on 1 March 2017, EBA opened another public consultation "*Draft Regulatory Technical Standards on the specification of the nature, severity and duration of an economic downturn in accordance with Articles 181(3)(a) and 182(4)(a) of Regulation (EU) No 575/2013*", on the estimation of parameters in an economic downturn.
 - In addition, on 20 March 2017, the European Central Bank (ECB) published the final version of its document "*Guidance to Banks on non-performing loans*", in order to clarify the related definitions and management (exposures in arrears and refinancings, with payment problems).
 - In April 2017, the EBA published its "*Draft on ITS Supervisory Reporting EBA/ITS/2017/01*", detailing the new information reporting requirements for sovereign exposures and operational risk. These requirements are expected to be applied from March 2018.
 - On 16 May 2017, the European Central Bank published its "*Guidance on leveraged transactions*". The guidance summarises the ECB's key supervisory expectations, mainly in relation to: (i) defining leveraged transactions, (ii) risk appetite and governance, (iii) monitoring of syndicated loans, (iv) policies and procedures for approving and monitoring new positions, (v) reporting requirements. It is applicable to all major credit institutions under the ECB's supervision, although its implementation must be consistent with the size and risk profile of the leveraged transactions. The CaixaBank Group is currently implementing the requirements contained in this guidance, which will come into force on 16 November 2017.
 - Additionally, on 25 May 2017, the EBA published a consultation document entitled "*Guidelines on Connected Clients under Article (4) (39) of Regulation (EU) No 575/2013*" on the application of the draft "Guidelines on Connected Clients" in the CRR. The consultation took place in July 2016.
 - On 30 June, the Bank of Spain opened a public consultation on its draft *Circular on Public and Confidential Financial Reporting Rules and Formats for Credit Institutions*, which will amend Circular 4/2004. The consultation was concluded on 24 July. Its objective is to adapt the accounting systems of Spanish credit institutions to the changes in European accounting regulations deriving from the adoption of the new international reporting standards, IFRS 15 and IFRS 9, which will amend the accounting criteria for ordinary income and financial instruments from 1 January 2018. This Circular will be applied from 1 January 2018.

This ongoing transformation of the rationale and requirements applicable to the banking business stemming from the changing regulatory environment in Europe has had a very significant influence on day-to-day risk management, and still requires assigning considerable resources and involvement of the governing bodies and executive team.

- As indicated in Note 1, the CaixaBank Group has been working since mid-2015 on a transversal project at Group level for implementation of International **Financial Reporting Standard (IFRS) 9 "Financial Instruments"**, which will apply to the whole banking sector. IFRS 9 provides a comprehensive set of accounting requirements for the recognition and measurement of financial



assets and financial liabilities (except the part on macro hedging). The date of initial application is 1 January 2018, when it replaces the current International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*.

The development of the project and its main impacts are described in Note 1- Standards and interpretations issued by the IASB but not yet effective.

- Additionally, since control of Banco BPI was obtained in February 2017 (see Note 1 - Acquisition of Banco BPI), both groups are working intensely to align their risk appetite, consolidate information and to apply the best risk management, control and governance practices at corporate level.

Credit risk

Non-performing loans amounted to EUR 15,492 million and EUR 14,754 million at 30 June 2017 and 31 December 2016, respectively, including non-performing guarantees and other contingent commitments given. The non-performing loans ratio (non-performing loans and contingent liabilities as a percentage of total risk) stood at 6.5% at 30 June 2017 (6.9% at 31 December 2016).

Provisions for loans and contingent liabilities at 30 June 2017 amounted to EUR 7,732 million (EUR 6,880 million at 31 December 2016), with a coverage ratio of 50% (47% at 31 December 2016).

The business combination with BPI entailed the incorporation of non-performing loans totalling EUR 1,508 million and provisions of EUR 1,189 million.

Relevant disclosures on credit risk are as follows:

Information regarding financing for property development, home purchasing, and foreclosed assets

The Group's policy regarding problematic real estate assets and the assets acquired in payment of debts are described in Note 3.3 "Credit risk" to the 2016 consolidated financial statements.



Financing for real estate development

The tables below show financing for real estate developers and developments (business in Spain), including development carried out by non-developers, at 30 June 2017 and 31 December 2016.

30.06.2017

(Thousands of euros)

	Gross amount	Allowances for impairment losses	Carrying amount	Excess over the maximum recoverable value of collateral
Financing for real estate construction and development (including land)	7,577,302	(798,946)	6,778,356	1,966,383
Of which: Non-performing	1,808,447	(700,830)	1,107,617	749,371
<i>Memorandum items:</i>				
Asset write-offs	4,079,190			

Memorandum items:

	Amount
Loans and advances to customers excluding public sector (carrying amount)	187,607,160
Total assets (total businesses)	378,684,024
Impairment and provisions for performing exposures	(1,747,002)

31.12.2016

(Thousands of euros)

	Gross amount	Allowances for impairment losses	Carrying amount	Excess over the maximum recoverable value of collateral
Financing for real estate construction and development (including land)	8,023,602	(1,061,631)	6,961,971	2,063,420
Of which: Non-performing	2,434,777	(953,625)	1,481,152	988,580
<i>Memorandum items:</i>				
Asset write-offs	4,410,756			

Memorandum items:

	Amount
Loans and advances to customers excluding public sector (carrying amount)	187,984,625
Total assets (total businesses)	347,927,262
Impairment and provisions for performing exposures	(1,471,859)

The reduction in the balance of financing for development was mainly due to the sale of a portfolio of non-performing and written-off assets for the gross amount of EUR 686 million.

The amounts shown in the preceding tables do not include the loans extended by the CaixaBank Group to the CriteriaCaixa Group's real estate companies, which amounted to EUR 187 million (EUR 588 million at 31 December 2016).



Financial guarantees extended for real estate construction and development in Spain are shown below, including the maximum level of exposure to credit risk at 30 June 2017 and 31 December 2016.

Financial guarantees

(Thousands of euros)

	Carrying amount	
	30.06.2017	31.12.2016
Financial guarantees given related to real estate construction and development	175,619	171,223
<i>Amount recognised under liabilities</i>	<i>57,329</i>	<i>54,992</i>

The table below provides information on guarantees received from real estate development loans in Spain at 30 June 2017 and 31 December 2016 by classification of customer insolvency risk:

Guarantees received for real estate development transactions

(Thousands of euros)

	30.06.2017	31.12.2016
Value of collateral	15,423,783	16,710,954
Of which: Guarantees non-performing risks	3,122,954	4,616,097
Value of other guarantees	144,106	162,334
Of which: Guarantees non-performing risks	12,092	13,240
Total	15,567,889	16,873,288

The tables below show the breakdown of financing for real estate developers and developments (business in Spain), including developments carried out by non-developers, by collateral:

Financing for real estate developers and developments by collateral

(Thousands of euros)

	Carrying amount	
	30.06.2017	31.12.2016
Not real estate mortgage secured	1,252,386	1,188,212
Real estate mortgage secured	6,324,916	6,835,390
Buildings and other completed constructions	4,614,380	5,187,722
<i>Homes</i>	<i>2,989,012</i>	<i>3,390,538</i>
<i>Other</i>	<i>1,625,368</i>	<i>1,797,184</i>
Buildings and other constructions under construction	881,807	668,262
<i>Homes</i>	<i>801,994</i>	<i>598,002</i>
<i>Other</i>	<i>79,813</i>	<i>70,260</i>
Land	828,729	979,406
<i>Consolidated urban land</i>	<i>490,697</i>	<i>696,961</i>
<i>Other land</i>	<i>338,032</i>	<i>282,445</i>
Total	7,577,302	8,023,602



Financing for home purchases

The breakdown of home purchase loans (business in Spain) at 30 June 2017 and 31 December 2016 is as follows:

Home purchase loans (*)

(Thousands of euros)

	Gross amount	
	30.06.2017 (**)	31.12.2016
Not real estate mortgage secured	1,186,000	745,922
<i>Of which: Non-performing</i>	13,679	5,771
Real estate mortgage secured	89,018,680	85,853,616
<i>Of which: Non-performing</i>	3,894,337	3,554,446
Total home loans	90,204,680	86,599,538

(*) Includes financing for home purchases granted by investee Unión de Créditos para la Financiación Inmobiliaria, EFC, SAU (Credifimo).

(**) Includes home refurbishment in the amount of EUR 4,643 million at 30 June 2017, which until that date was not included in the heading and which amounted to EUR 4,749 million at 31 December 2016.

Home purchase loans with mortgage at these dates by the loan-to-value (LTV) ratio, based on the latest available appraisal, are as follows:

Home purchase loans by LTV

(Thousands of euros)

LTV ranges (*)	30.06.2017 (**)		31.12.2016	
	Gross amount	<i>Of which: Non-performing</i>	Gross amount	<i>Of which: Non-performing</i>
LTV ≤ 40%	22,776,962	280,823	20,627,716	255,488
40% < LTV ≤ 60%	32,867,602	624,038	32,189,704	499,354
60% < LTV ≤ 80%	24,473,549	1,112,184	25,569,575	1,014,221
80% < LTV ≤ 100%	5,836,537	823,154	5,242,340	822,053
LTV > 100%	3,064,030	1,054,138	2,224,281	963,330
Total home loans	89,018,680	3,894,337	85,853,616	3,554,446

(*) LTV calculated based on available appraisals, in accordance with the criteria set out in Circular 4/2016.

(**) Includes home refurbishment in the amount of EUR 4,643 million at 30 June 2017, which until that date was not included in the heading and which amounted to EUR 4,749 million at 31 December 2016.



Foreclosed assets or assets received as payment for debts

The table below shows foreclosed assets by type of asset, source and type of property at 30 June 2017 and 31 December 2016.

30.06.2017

Foreclosed real estate assets (*)

(Thousands of euros)

	Gross carrying amount	Allowances for impairment of assets (**)	Of which: Allowances for impairment of assets from foreclosure	Net carrying amount
Property acquired from loans to real estate constructors and developers	8,625,100	(4,592,319)	(2,614,992)	4,032,781
Buildings and other completed constructions	3,583,797	(1,526,540)	(740,729)	2,057,257
Homes	2,678,397	(1,132,562)	(516,188)	1,545,835
Other	905,400	(393,978)	(224,541)	511,422
Buildings and other constructions under construction	863,670	(486,230)	(172,434)	377,440
Homes	803,783	(454,241)	(155,438)	349,542
Other	59,887	(31,989)	(16,996)	27,898
Land	4,177,633	(2,579,549)	(1,701,829)	1,598,084
Consolidated urban land	1,947,944	(1,120,489)	(624,881)	827,455
Other land	2,229,689	(1,459,060)	(1,076,948)	770,629
Property acquired from mortgage loans to homebuyers	2,829,074	(1,001,269)	(433,223)	1,827,805
Other foreclosed real estate assets or received in lieu of payment of debt	1,507,167	(595,880)	(225,060)	911,287
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	62,987			62,987
Total	13,024,328	(6,189,468)	(3,273,275)	6,834,860

(*) Does not include foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 3,086 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 514 million, net.

Also excludes foreclosed assets of Banco BPI, with a net amount of EUR 70 million, as this is not included in business in Spain.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 15,950 million and total write-downs of this portfolio amounted to EUR 9,178 million, EUR 6,189 million of which are impairment allowances recognised in the balance sheet.



31.12.2016

Foreclosed real estate assets (*)

(Thousands of euros)

	Gross carrying amount	Allowances for impairment of assets (**)	Of which: Allowances for impairment of assets from foreclosure	Net carrying amount
Property acquired from loans to real estate constructors and developers	9,103,128	(4,819,323)	(2,701,044)	4,283,805
Buildings and other completed constructions	3,887,167	(1,634,838)	(752,300)	2,252,329
Homes	2,794,739	(1,188,241)	(516,283)	1,606,498
Other	1,092,428	(446,597)	(236,017)	645,831
Buildings and other constructions under construction	840,434	(478,528)	(168,736)	361,906
Homes	797,160	(453,611)	(154,805)	343,549
Other	43,274	(24,917)	(13,931)	18,357
Land	4,375,527	(2,705,957)	(1,780,008)	1,669,570
Consolidated urban land	2,069,470	(1,198,973)	(668,240)	870,497
Other land	2,306,057	(1,506,984)	(1,111,768)	799,073
Property acquired from mortgage loans to homebuyers	2,791,270	(1,019,676)	(462,651)	1,771,594
Other foreclosed real estate assets or received in lieu of payment of debt	1,337,773	(580,817)	(232,669)	756,956
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	63,963			63,963
Total	13,296,134	(6,419,816)	(3,396,364)	6,876,318

(*) Does not include foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 3,078 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 556 million, net.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 16,504 million and total write-downs of this portfolio amounted to EUR 9,691 million, EUR 6,420 million of which are impairment allowances recognised in the balance sheet.

Refinancing

The detail of refinancing by economic sector at 30 June 2017 and 31 December 2016 is as follows:



30.06.2017

(Thousands of euros)

	Total						
	Secured loans						Accumulated impairment in fair value due to credit risk (*)
	Unsecured loans		Number of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount			Real estate mortgage secured	Rest of secured loans	
Credit institutions	0	0	0	0	0	0	0
Public administrations	59	183,518	460	88,739	58,905	13,205	(10,832)
Other financial corporations and individual entrepreneurs (financial business)	57	27,552	15	1,302	1,114	7	(25,324)
Non-financial corporations and individual entrepreneurs (non-financial business)	7,928	2,417,677	13,842	4,144,456	2,456,943	300,896	(1,844,277)
<i>Of which: Financing for real estate construction and development (including land)</i>	<i>819</i>	<i>68,761</i>	<i>3,545</i>	<i>1,395,425</i>	<i>878,009</i>	<i>49,418</i>	<i>(490,167)</i>
Other households	33,246	317,418	94,134	5,443,195	4,588,818	12,070	(826,265)
Total	41,290	2,946,165	108,451	9,677,692	7,105,780	326,178	(2,706,698)
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale	0	0	0	0	0	0	0

(*) At 30 June 2017 allowances identified collectively totalled EUR 1,419,973 thousand and those determined individually totalled EUR 1,286,725 thousand.

	Of which: Non-performing loans						
	Secured loans						Accumulated impairment in fair value due to credit risk
	Unsecured loans		Number of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount			Real estate mortgage secured	Rest of secured loans	
Credit institutions	0	0	0	0	0	0	0
Public administrations	14	65,473	154	30,015	15,561	1,145	(10,824)
Other financial corporations and individual entrepreneurs (financial business)	43	25,608	12	1,012	842	7	(25,276)
Non-financial corporations and individual entrepreneurs (non-financial business)	6,210	1,357,520	9,812	2,892,528	1,644,785	149,028	(1,747,965)
<i>Of which: Financing for real estate construction and development (including land)</i>	725	59,711	2,287	1,045,025	578,130	47,230	(452,673)
Other households	19,064	219,570	56,987	3,356,630	2,701,046	8,569	(753,982)
Total	25,331	1,668,171	66,965	6,280,185	4,362,234	158,749	(2,538,047)
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale	0	0	0	0	0	0	0



31.12.2016

(Thousands of euros)

(Thousands of euros)

	Total						
	Secured loans						
	Unsecured loans		Maximum amount of the collateral that can be considered				Accumulated impairment or losses in fair value due to credit risk (*)
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	1	5,018	0	0	0	0	0
Public administrations	20	108,665	424	62,115	54,630	0	(832)
Other financial corporations and individual entrepreneurs (financial business)	30	26,797	7	661	510	0	(24,906)
Non-financial corporations and individual entrepreneurs (non-financial business)	2,001	2,028,662	10,790	3,790,487	2,594,801	9,995	(1,708,964)
Of which: Financing for real estate construction and development (including land)	60	65,915	3,119	1,630,791	1,055,839	3,088	(566,891)
Other households	23,283	229,713	82,298	5,480,696	4,566,811	5,382	(834,341)
Total	25,335	2,398,855	93,519	9,333,959	7,216,752	15,377	(2,569,043)

Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale

0 0 0 0 0 0 0

(*) At 31 December 2016, allowances identified collectively amounted to EUR 1,572,254 thousand, while allowances identified individually stood at EUR 996,789 thousand.

	Of which: Non-performing loans						Accumulated impairment or losses in fair value due to credit risk
	Secured loans				Maximum amount of the collateral that can be considered		
	Unsecured loans		Number of transactions	Gross carrying amount			
	Number of transactions	Gross carrying amount					
Credit institutions	0	0	0	0	0	0	0
Public administrations	12	40,555	130	15,913	13,247	0	(827)
Other financial corporations and individual entrepreneurs (financial business)	19	24,609	6	569	425	0	(24,674)
Non-financial corporations and individual entrepreneurs (non-financial business)	1,000	1,168,836	6,626	2,839,235	1,771,879	4,197	(1,601,245)
Of which: Financing for real estate construction and development (including land)	30	55,408	1,789	1,251,943	738,438	2,579	(521,221)
Other households	10,412	147,308	43,748	3,077,070	2,441,070	1,719	(715,131)
Total	11,443	1,381,308	50,510	5,932,787	4,226,621	5,916	(2,341,877)

Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale

0 0 0 0 0 0 0



The table below provides information on guarantees received for refinanced operations at 30 June 2017 and 31 December 2016 by classification of customer insolvency risk:

Guarantees received for refinanced transactions (*)

(Thousands of euros)

	30.06.2017	31.12.2016
Value of collateral	17,213,087	16,818,386
Of which: Guarantees non-performing risks	10,637,364	10,020,152
Value of other guarantees	186,579	4,898
Of which: Guarantees non-performing risks	35,739	1,054
Total	17,399,666	16,823,284

(*) The value of the guarantee is the maximum amount of the collateral, except for non-performing loans, in which it is fair value.

Changes in refinanced operations in the first half of 2017 are:

Changes in refinanced transactions (*)

(Thousands of euros)

	30.06.2017	30.06.2016
Opening balance	9,163,771	16,629,652
Additions for business combination with Banco BPI	1,089,608	
Refinancings and restructurings in the period	826,730	2,273,672
<i>Memorandum items: Impact recognised in the statement of profit or loss for the period</i>	<i>(111,533)</i>	<i>(171,572)</i>
Debt repayments	(1,085,923)	(1,345,184)
Foreclosures	(155,401)	(160,432)
Derecognitions (reclassification to written-off assets)	(148,442)	(77,203)
Other changes	226,816	(178,068)
Closing balance	9,917,159	17,142,437

(*) In the second half of 2016 there was a reclassification of transactions on fulfillment of exit criteria from the refinancing category.



Concentration risk

Concentration by geographic location

Risk by geographic area at 30 June 2017 and 31 December 2016:

30.06.2017

(Thousands of euros)

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	33,041,763	17,315,905	13,356,436	820,954	1,548,468
Public administrations	85,266,803	74,705,399	10,217,963	22,445	320,996
Central government	70,429,974	60,786,300	9,300,289	22,389	320,996
Other public administrations	14,836,829	13,919,099	917,674	56	0
Other financial corporations and individual	13,009,471	5,083,382	7,485,932	295,233	144,924
Non-financial corporations and individual	93,818,703	72,154,106	17,064,192	3,192,249	1,408,156
Real estate construction and development	7,146,564	6,706,282	439,281	22	979
Civil engineering	4,690,086	3,847,391	414,511	408,316	19,868
Other	81,982,053	61,600,433	16,210,400	2,783,911	1,387,309
Large corporations	47,169,082	33,707,782	10,590,837	2,218,716	651,747
SMEs and individual entrepreneurs	34,812,971	27,892,651	5,619,563	565,195	735,562
Other households	125,908,601	112,778,037	12,598,602	160,073	371,889
Residential	99,076,751	87,772,436	10,852,005	131,696	320,614
Consumer	13,022,224	12,349,502	640,974	9,820	21,928
Other	13,809,626	12,656,099	1,105,623	18,557	29,347
SUBTOTAL	351,045,341	282,036,829	60,723,125	4,490,954	3,794,433
TOTAL	351,045,341				

31.12.2016

(Thousands of euros)

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	33,200,965	16,656,172	14,838,596	535,129	1,171,068
Public administrations	79,169,508	75,298,967	3,755,248	12,351	102,942
Central government	64,991,648	61,123,692	3,753,775	11,752	102,429
Other public administrations	14,177,860	14,175,275	1,473	599	513
Other financial corporations and individual	14,032,716	7,607,100	6,041,849	263,501	120,266
Non-financial corporations and individual	80,194,607	70,444,125	5,089,754	3,211,986	1,448,742
Real estate construction and development	6,739,498	6,718,439	19,521	610	928
Civil engineering	4,489,447	3,809,723	218,022	439,892	21,810
Other	68,965,662	59,915,963	4,852,211	2,771,484	1,426,004
Large corporations	40,586,093	33,857,729	3,766,683	2,137,797	823,884
SMEs and individual entrepreneurs	28,379,569	26,058,234	1,085,528	633,687	602,120
Other households	113,906,793	111,963,222	1,403,690	163,083	376,798
Residential	89,601,552	88,154,473	998,086	127,031	321,962
Consumer	11,701,382	11,664,761	16,237	9,878	10,506
Other	12,603,859	12,143,988	389,367	26,174	44,330
SUBTOTAL	320,504,589	281,969,586	31,129,137	4,186,050	3,219,816
TOTAL	320,504,589				



The detail of risk in Spain by Autonomous Community at 30 June 2017 and 31 December 2016 is as follows:

30.06.2017

1 / 2

(Thousands of euros)

	Total	Andalusia	Balearic Islands	Canary Islands	Castilla-La Mancha	Castilla-León
Central banks and credit institutions	17,315,905	892	30	280	36	2,041
Public administrations	74,705,399	1,744,890	441,911	343,053	155,221	322,870
Central government	60,786,300	0	0	0	0	0
Other public administrations	13,919,099	1,744,890	441,911	343,053	155,221	322,870
Other financial corporations and	5,083,382	2,338	4,089	20,644	3,318	22,572
Non-financial corporations and individual entrepreneurs (non-financial business)	72,154,106	5,832,558	2,021,961	2,508,796	1,189,100	1,505,737
Real estate construction and development (including land)	6,706,282	894,725	214,932	413,236	43,827	188,721
Civil engineering	3,847,391	218,335	65,500	111,055	50,536	49,350
Other	61,600,433	4,719,498	1,741,529	1,984,505	1,094,737	1,267,666
Large corporations	33,707,782	804,221	670,270	699,138	271,510	430,575
SMEs and individual entrepreneurs	27,892,651	3,915,277	1,071,259	1,285,367	823,227	837,091
Other households	112,778,037	18,377,276	4,133,507	6,399,951	2,762,349	3,778,751
Residential	87,772,436	14,150,927	3,384,423	5,524,199	2,267,949	3,198,088
Consumer	12,349,502	2,202,354	458,719	651,882	284,922	307,674
Other	12,656,099	2,023,995	290,365	223,870	209,478	272,989
TOTAL	282,036,829	25,957,954	6,601,498	9,272,724	4,110,024	5,631,971

30.06.2017

2 / 2

(Thousands of euros)

	Catalonia	Madrid	Navarre	Community of Valencia	Basque Country	Rest (*)
Central banks and credit institutions	4,147,961	13,095,823	4,641	3,302	18,391	42,508
Public administrations	4,502,786	3,146,324	578,882	1,057,736	744,139	881,287
Central government						
Other public administrations	4,502,786	3,146,324	578,882	1,057,736	744,139	881,287
Other financial corporations and individual	2,210,353	2,650,991	89,692	32,351	10,587	36,447
Non-financial corporations and individual entrepreneurs (non-financial business)	16,117,979	27,629,236	1,375,950	4,775,699	3,181,285	6,015,805
Real estate construction and	1,562,501	2,360,527	162,100	351,329	176,571	337,813
Civil engineering	1,068,503	1,620,545	80,818	154,933	83,435	344,381
Other	13,486,975	23,648,164	1,133,032	4,269,437	2,921,279	5,333,611
Large corporations	7,819,399	17,008,648	399,781	1,502,691	1,770,113	2,331,436
SMEs and individual entrepreneurs	5,667,576	6,639,516	733,251	2,766,746	1,151,166	3,002,175
Other households	34,787,372	16,626,467	3,429,443	8,585,426	3,440,031	10,457,464
Residential	23,855,413	14,008,528	2,940,166	7,000,572	2,903,524	8,538,647
Consumer	4,252,577	1,491,874	306,858	919,985	330,177	1,142,480
Other	6,679,382	1,126,065	182,419	664,869	206,330	776,337
TOTAL	61,766,451	63,148,841	5,478,608	14,454,514	7,394,433	17,433,511

(*) Includes autonomous communities that combined represent no more than 10% of the total.



31.12.2016

1 / 2

(Thousands of euros)

	Total	Andalusia	Balearic Islands	Canary Islands	Castilla-La Mancha	Castilla-León
Central banks and credit institutions	16,656,172	229	87	275	35	138
Public administrations	75,298,967	1,744,799	312,186	366,065	154,891	349,206
Central government	61,123,692					
Other public administrations	14,175,275	1,744,799	312,186	366,065	154,891	349.206
Other financial corporations and individual entrepreneurs (financial business)	7,607,100	17,182	2,585	20,773	1,724	19,025
Non-financial corporations and individual entrepreneurs (non-financial business)	70,444,125	5,481,633	1,972,267	2,509,702	1,151,825	1,501,923
Real estate construction and development (including land)	6,718,439	999,433	216,339	450,606	35,756	193.778
Civil engineering	3,809,723	209,191	60,706	105,814	46,797	55.454
Other	59,915,963	4,273,009	1,695,222	1,953,282	1,069,272	1.252.691
Large corporations	33,857,729	662,607	688,415	618,118	267.843	442.161
SMEs and individual entrepreneurs	26,058,234	3,610,402	1,006,807	1,335,164	801.429	810.530
Other households	111,963,222	18,671,954	4,174,942	6,486,018	2,789,925	3,813,850
Residential	88,154,473	14,321,384	3,384,370	5,625,543	2,290,065	3.212.396
Consumer	11,664,761	2,017,959	427,732	597,419	260,186	285.188
Other	12,143,988	2,332,611	362,840	263,056	239,674	316.266
TOTAL	281,969,586	25,915,797	6,462,067	9,382,833	4,098,400	5,684,142

31.12.2016

2 / 2

(Thousands of euros)

	Catalonia	Madrid	Navarre	Community of Valencia	Basque Country	Rest (*)
Central banks and credit institutions	3,343,395	13,296,214	136	2,637	140	12,886
Public administrations	4,702,276	3,481,394	503,425	1,111,854	718,273	730,906
Central government						
Other public administrations	4,702,276	3,481,394	503,425	1,111,854	718,273	730.906
Other financial corporations and individual entrepreneurs (financial business)	3,528,405	3,911,027	5,776	51,130	10,846	38,627
Non-financial corporations and individual entrepreneurs (non-financial business)	17,632,136	25,212,063	1,169,121	4,515,684	3,243,599	6,054,172
Real estate construction and development (including land)	1,480,052	2,343,157	145,582	344,451	181,213	328.072
Civil engineering	1,064,650	1,683,435	78,546	131,540	87,140	286.450
Other	15,087,434	21,185,471	944,993	4,039,693	2,975,246	5.439.650
Large corporations	9,875,563	15,004,820	427,137	1,369,295	1.936.090	2.565.680
SMEs and individual entrepreneurs	5,211,871	6,180,651	517,856	2,670,398	1.039.156	2.873.970
Other households	33,131,445	16,855,716	3,468,051	8,583,792	3,440,608	10,546,921
Residential	23,750,281	14,117,164	2,977,129	7,026,424	2,880,899	8.568.818
Consumer	4,162,916	1,417,543	295,604	830,307	310,460	1.059.447
Other	5,218,248	1,321,009	195,318	727,061	249,249	918.656
TOTAL	62,337,657	62,756,414	5,146,509	14,265,097	7,413,466	17,383,512

(*) Includes autonomous communities that combined represent no more than 10% of the total.



Concentration by economic sector

Loans and advances to customers by activity at 30 June 2017 and 31 December 2016:

30.06.2017

(Thousands of euros)

	TOTAL	Of which: Real estate mortgage secured	Of which: Rest of secured loans	Secured loans - carrying amount based on latest available appraisal (loan to value)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤ 100%	> 100%
Public administrations	13,387,882	650,844	305,857	149,749	241,562	364,197	136,594	64,599
Other financial corporations and individual entrepreneurs (financial business)	3,457,369	333,576	1,044,657	1,077,724	261,709	19,677	8,226	10,897
Non-financial corporations and individual entrepreneurs (non-financial business)	76,680,485	24,724,657	3,499,072	10,706,886	9,148,430	4,396,828	1,591,821	2,379,764
Real estate construction and development (including land)	6,817,770	5,558,068	54,098	1,606,909	2,128,750	1,165,118	409,438	301,951
Civil engineering	4,402,826	704,951	40,194	323,892	262,674	100,133	38,194	20,252
Other	65,459,889	18,461,638	3,404,780	8,776,085	6,757,006	3,131,577	1,144,189	2,057,561
Large corporations	33,151,691	4,269,324	1,957,503	2,236,200	1,818,302	588,632	110,195	1,473,498
SMEs and individual entrepreneurs	32,308,198	14,192,314	1,447,277	6,539,885	4,938,704	2,542,945	1,033,994	584,063
Other households	125,418,822	108,561,223	815,929	29,497,675	39,296,965	30,048,958	7,767,385	2,766,169
Residential	99,033,191	97,785,922	236,370	24,799,446	35,608,582	28,119,496	7,151,311	2,343,457
Consumer	12,937,515	3,922,028	306,451	1,894,757	1,374,953	650,356	206,325	102,088
Other	13,448,116	6,853,273	273,108	2,803,472	2,313,430	1,279,106	409,749	320,624
SUBTOTAL	218,944,558	134,270,300	5,665,515	41,432,034	48,948,666	34,829,660	9,504,026	5,221,429
TOTAL	218,944,558							
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	9,917,163	7,516,831	330,729	1,396,573	2,038,477	2,498,985	940,743	972,782



31.12.2016

(Thousands of euros)

	TOTAL	Of which: Real estate mortgage secured	Of which: Rest of secured loans	Secured loans - carrying amount based on latest available appraisal (loan to value)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤ 100%	>100%
Public administrations	12,531,618	640,599	100,419	125,635	161,165	335,232	76,303	42,683
Other financial corporations and individual entrepreneurs (financial business)	7,583,239	328,432	19,025	38,481	265,048	34,019	5,385	4,524
Non-financial corporations and individual entrepreneurs	68,657,838	22,332,909	2,292,158	10,121,628	8,855,126	3,259,569	1,218,906	1,169,838
Real estate construction and development	6,731,077	5,715,143	29,539	2,279,820	2,479,845	806,500	112,943	65,574
Civil engineering	4,485,508	744,549	33,683	337,186	276,130	127,370	19,159	18,387
Other	57,441,253	15,873,217	2,228,936	7,504,622	6,099,151	2,325,699	1,086,804	1,085,877
Large corporations	38,794,633	3,927,722	978,252	1,890,714	1,512,492	730,901	278,441	493,426
SMEs and individual entrepreneurs	18,646,620	11,945,495	1,250,684	5,613,908	4,586,659	1,594,798	808,363	592,451
Other households and non-profit institutions serving households	114,475,394	101,445,825	752,702	29,117,048	40,633,279	27,600,815	3,939,202	908,183
Residential	90,561,560	89,460,252	221,202	23,690,460	36,060,571	25,870,540	3,511,113	548,770
Consumer	11,701,382	4,029,981	199,024	1,946,847	1,489,935	550,694	151,906	89,623
Other	12,212,452	7,955,592	332,476	3,479,741	3,082,773	1,179,581	276,183	269,790
SUBTOTAL	203,248,089	124,747,765	3,164,304	39,402,792	49,914,618	31,229,635	5,239,796	2,125,228
TOTAL	203,248,089							
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	9,163,771	7,405,688	32,063	2,056,957	3,293,906	1,742,278	223,997	120,615



Information on sovereign risk exposure

The carrying amounts of the main items related to sovereign risk exposure at 30 June 2017 and 31 December 2016 are shown below. The information is presented to distinguish between the positions held by CaixaBank directly and those held by the insurance group.

30.06.2017 (CaixaBank Group, excluding VidaCaixa Group)

(Thousands of euros)

		Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments
Country	Residual maturity					
Spain	Less than 3 months	382,001	0	489,939	2,623,302	0
	Between 3 months and 1 year	1,131,581	(65,464)	283,352	2,432,136	0
	Between 1 and 2 years	63,184	(85,224)	2,571,757	399,692	0
	Between 2 and 3 years	94,666	(62,434)	2,380,093	807,475	1,234,428
	Between 3 and 5 years	120,513	(165,119)	457,023	1,740,135	5,091,219
	Between 5 and 10 years	148,190	(362,535)	4,759,532	2,668,758	0
	Over 10 years	72,628	(90,786)	418,364	1,317,033	0
	Total	2,012,763	(831,562)	11,360,060	11,988,531	6,325,647
Italy	Less than 3 months	4,258	0	110,067	0	0
	Between 3 months and 1 year	279,312	0	390,594	0	0
	Between 1 and 2 years	20,246	(21,147)	191,064	0	0
	Between 2 and 3 years	60,742	(15,249)	0	0	0
	Between 3 and 5 years	16,360	(5,696)	892,892	0	0
	Between 5 and 10 years	12,863	(13,301)	257,271	0	0
	Over 10 years	6,605	(10,846)	0	0	0
	Total	400,386	(66,239)	1,841,888	0	0
Portugal	Less than 3 months	65,110	0	624,127	0	0
	Between 3 months and 1 year	28,010	(4,906)	1,327,592	50,000	0
	Between 1 and 2 years	1,340	0	327,559	0	0
	Between 2 and 3 years	1,658	0	79	0	0
	Between 3 and 5 years	7,107	0	0	55,000	0
	Between 5 and 10 years	2,844	0	0	67,780	0
	Over 10 years	421	0	0	18,562	0
	Total	106,490	(4,906)	2,279,357	191,342	0
Other	Less than 3 months	0	0	715	48,813	0
	Between 3 months and 1 year	25,065	0	0	0	0
	Between 1 and 2 years	0	(1,257)	0	9,313	0
	Between 2 and 3 years	5	0	0	1,703	0
	Between 3 and 5 years	279	0	0	4,439	0
	Between 5 and 10 years	10,329	(4,162)	0	91,130	0
	Over 10 years	366	0	0	2,663	0
	Total	36,044	(5,419)	715	158,061	0
Total countries		2,555,683	(908,126)	15,482,020	12,337,934	6,325,647



30.06.2017 (VidaCaixa Group)

(Thousands of euros)

Country	Residual maturity	Financial		Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
		Financial assets held for trading - debt securities	liabilities held for trading - short positions			
Spain	Less than 3 months			197,101		
	Between 3 months and 1 year			349,374		
	Between 1 and 2 years			724,257		
	Between 2 and 3 years			1,420,610		
	Between 3 and 5 years			4,271,149		
	Between 5 and 10 years			8,602,163		
	Over 10 years			25,892,008		
	Total	0	0	41,456,662	0	0
Belgium	Less than 3 months			139		
	Between 3 months and 1 year			2,923		
	Between 1 and 2 years			654		
	Between 2 and 3 years			0		
	Between 3 and 5 years			10,624		
	Between 5 and 10 years			0		
	Over 10 years			139		
	Total	0	0	14,479	0	0
Ireland	Less than 3 months			0		
	Between 3 months and 1 year			0		
	Between 1 and 2 years			0		
	Between 2 and 3 years			1,715		
	Between 3 and 5 years			0		
	Between 5 and 10 years			0		
	Over 10 years			0		
	Total	0	0	1,715	0	0
Italy	Less than 3 months			5,643		
	Between 3 months and 1 year			2,271		
	Between 1 and 2 years			14,316		
	Between 2 and 3 years			138,787		
	Between 3 and 5 years			548,868		
	Between 5 and 10 years			943,358		
	Over 10 years			2,193,904		
	Total	0	0	3,847,147	0	0
Other	Less than 3 months			0		
	Between 3 months and 1 year			2,292		
	Between 1 and 2 years			2,946		
	Between 2 and 3 years			2,406		
	Between 3 and 5 years			2,682		
	Between 5 and 10 years			4,791		
	Over 10 years			42,069		
	Total	0	0	57,186	0	0
Total countries		0	0	45,377,189	0	0
Total Group (CaixaBank + insurance group)		2,555,683	(908,126)	60,859,209	12,337,934	6,325,647



31.12.2016 (CaixaBank Group, excluding VidaCaixa Group)

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments
Spain	Less than 3 months	178,366		2,885,559	967,533	
	Between 3 months and 1 year	681,289	(37,430)	874,544	4,030,415	514,137
	Between 1 and 2 years	164,461	(41,225)	537,292	350,381	
	Between 2 and 3 years	38,156	(44,864)	4,460,214	1,065,573	
	Between 3 and 5 years	350,651	(303,341)	228,716	1,458,765	6,083,828
	Between 5 and 10 years	88,943	(359,813)	3,464,955	2,889,429	259,036
	Over 10 years	64,044	(73,424)	8,061	1,656,078	
	Total	1,565,910	(860,097)	12,459,341	12,418,174	6,857,001
Italy	Less than 3 months	2,999				
	Between 3 months and 1 year	96,863	(27,750)			
	Between 1 and 2 years	2,561				
	Between 2 and 3 years	6,623				
	Between 3 and 5 years	19,370	(9,892)			
	Between 5 and 10 years	50,048		261,844		
	Total	178,464	(37,642)	261,844	0	0
Other	Less than 3 months			351,136	1,885	
	Between 3 months and 1 year			150,390	28,106	
	Between 1 and 2 years				9,875	
	Between 3 and 5 years				6,333	
	Between 5 and 10 years				67,834	
	Total	0	0	501,526	114,033	0
Total countries		1,744,374	(897,739)	13,222,711	12,532,207	6,857,001



31.12.2016 (VidaCaixa Group)

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Financial liabilities held for trading - short positions	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments
Spain	Less than 3 months			133,649		
	Between 3 months and 1 year			861,061		
	Between 1 and 2 years			871,245		
	Between 2 and 3 years			959,768		
	Between 3 and 5 years			2,188,740		
	Between 5 and 10 years			8,875,922		
	Over 10 years			26,571,415		
	Total	0	0	40,461,800	0	0
Belgium	Between 3 months and 1 year			140		
	Between 1 and 2 years			3,049		
	Between 2 and 3 years			682		
	Between 3 and 5 years			10,556		
	Between 5 and 10 years			168		
	Over 10 years			143		
	Total	0	0	14,738	0	0
Ireland	Between 3 and 5 years			1,795		
	Total	0	0	1,795	0	0
Italy	Less than 3 months			16,810		
	Between 3 months and 1 year			5,798		
	Between 1 and 2 years			8,717		
	Between 2 and 3 years			129,828		
	Between 3 and 5 years			224,297		
	Between 5 and 10 years			773,191		
	Over 10 years			1,331,604		
	Total	0	0	2,490,245	0	0
Other	Between 3 months and 1 year			2,198		
	Between 1 and 2 years			109		
	Between 2 and 3 years			3,077		
	Between 3 and 5 years			4,518		
	Between 5 and 10 years			5,628		
	Over 10 years			45,299		
	Total	0	0	60,829	0	0
Total countries		0	0	43,029,407	0	0
Total Group (CaixaBank + insurance group)		1,744,374	(897,739)	56,252,118	12,532,207	6,857,001



Risk associated with debt securities

The balance of debt securities at 30 June 2017 and 31 December 2016, is as follows, broken down by the Standard & Poor's ratings:

30.06.2017

(Thousands of euros)

	Loans and receivables	Financial assets held for trading	Available-for- sale financial assets	Held-to- maturity investments	TOTAL
AAA	0	0	336,687	0	336,687
AA+	0	0	2,318	0	2,318
AA	15,991	0	106,969	0	122,960
AA-	0	0	425,119	0	425,119
A+	60,649	16,420	550,864	0	627,933
A	158	2,957	454,129	0	457,244
A-	0	194,315	596,219	0	790,534
BBB+	8,996	1,799,718	54,444,215	7,774,810	64,027,739
BBB	209,720	444,951	5,599,592	0	6,254,263
BBB-	222,976	31,325	805,288	0	1,059,589
Investment grade	518,490	2,489,686	63,321,400	7,774,810	74,104,386
	17.7%	90.2%	95.7%	99.8%	93.1%
BB+	155,929	134,423	2,366,444	0	2,656,796
BB	49,820	1,338	38,407	0	89,565
BB-	0	96	131,063	0	131,159
B+	0	182	56,818	14,400	71,400
B	0	10,007	955	0	10,962
B-	0	0	146,771	0	146,771
CCC+	0	0	0	0	0
CCC-	0	0	0	0	0
CC	0	0	0	0	0
C	0	0	0	0	0
D	0	0	0	0	0
No rating	2,206,782	125,591	71,705	0	2,404,078
Non-investment grade	2,412,531	271,637	2,812,163	14,400	5,510,731
	82.3%	9.8%	4.3%	0.2%	6.9%
Balance at 30.06.2017	2,931,021	2,761,323	66,133,563	7,789,210	79,615,117



31.12.2016

(Thousands of euros)

	Loans and receivables	Financial assets held for trading	Available-for- sale financial assets	Held-to- maturity investments	TOTAL
AAA	5,059		342,062		347,121
AA+			2,357		2,357
AA	786		135,185		135,971
AA-		5,002	939,739		944,741
A+			549,352		549,352
A			355,619		355,619
A-		6,211	573,486		579,697
BBB+		1,744,749	55,584,506	8,305,902	65,635,157
BBB	150,072	35,221	1,960,310		2,145,603
BBB-		2,223	1,264,583		1,266,806
Investment grade	155,917	1,793,406	61,707,199	8,305,902	71,962,424
	27.8%	99.8%	99.3%	100.0%	98.9%
BB+		3,526	164,473		167,999
BB			61,493		61,493
BB-			91,716		91,716
B+			1,491		1,491
B					0
B-					0
CCC+			68,553		68,553
CCC-	1,325				1,325
CC					0
C	11,586				11,586
D	45,550				45,550
No rating	346,761		36,018		382,779
Non-investment grade	405,222	3,526	423,744	0	832,492
	72.2%	0.2%	0.7%	0.0%	1.1%
Balance at 31.12.2016	561,139	1,796,932	62,130,943	8,305,902	72,794,916

Short positions in debt securities mainly include hedges to manage long positions in Spanish public debt classified in the held-for-trading portfolio and available-for-sale financial assets.

Standard&Poor's long-term sovereign credit rating on the Kingdom of Spain at 30 June 2017 was BBB+.

The following table details CaixaBank's credit exposure (excluding fixed income securities, as indicated above) in accordance with internal levels for 30 June 2017 and 31 December 2016, respectively:

Quality of credit exposure (excluding fixed income securities)

(Percentage)

	30.06.2017	31.12.2016
AAA/AA+/AA/AA-	24.0%	24.0%
A+/A/A-	21.6%	21.8%
BBB+/BBB/BBB-	19.7%	20.0%
BB+/BB/BB-	22.6%	21.5%
B+/B/B-	9.7%	9.9%
CCC+/CCC/CCC-	2.4%	2.8%
Total	100.0%	100.0%



Counterparty risk

Virtually all the risks undertaken in connection with derivative instruments are covered by standardised ISDA and/or CMOF contracts, which provide for the possibility of offsetting the outstanding collection and payment flows between the parties.

Meanwhile, CaixaBank has signed collateral agreements (CSA or Appendix III of the ISDA) with interbank counterparties, which provide a guarantee of the market value of derivative transactions. In addition, CaixaBank's policy requires collateralisation of all its derivatives transactions with financial corporations, and the same applies to repo transactions hedged with *Global Master Repurchase Agreements* (GMRAs) or similar.

Following the entry into force of European Market Infrastructure Regulation (EMIR), the counterparty risk of trading in OTC derivatives contracts arranged with financial corporations is being mitigated through clearance of market positions using Central Counterparties. Moreover, to mitigate settlement risk with an interbank counterparty, delivery-versus-payment (DVP) settlement systems are used, whereby clearing and settlement of a transaction occur simultaneously and inseparably.

At BPI, risk relating to derivatives transactions is mitigated with all counterparties by the standard agreements in place that allow for the possibility of offsetting the outstanding collection and payment flows between the parties for all transactions covered by these agreements. BPI has also signed collateral agreements for its derivatives trading activities (CSA) with all financial counterparties, and for its repo transactions (GMRA or similar) with its main counterparties, normally other banks.

Market risk

Average VaR (value at risk or the potential maximum daily loss with a 99% confidence level and a time horizon of one day) in the first half of 2017 in the CaixaBank Group's trading activities in Spain was EUR 1.3 million.

The table below presents average estimated VaR attributable to the different risk factors. As shown, the amounts used are moderate and concentrated mainly in risk from fluctuations in interest rate curves, while the weight of the rest of the market positioning factors is much smaller.

VaR by risk factors

(Thousands of euros)

	Average VaR	Interest rate	Exchange rate	Share price	Inflation	Commodity price	Credit spread	Interest rate volatility	Exchange rate volatility	Share price volatility
2016	2,739	1,252	131	752	318	0	391	76	111	413
First half 2017	1,340	776	169	182	348	0	360	47	103	185

The inclusion of the BPI Group's trading activities, for an average VaR of EUR 0.2 million during the period, does not significantly alter the CaixaBank Group's market risk profile.

Foreign currency risk

Exchange rate risk arising from the balance sheet positions drawn up in foreign currency is minimised through market hedging of the risks assumed.



Interest rate risk in the banking book

The CaixaBank Group's interest rate risk in the banking book is managed and controlled directly by CaixaBank management through the Asset and Liability Committee (ALCO). Under the scope of the Risk Appetite Framework (RAF), the competent bodies monitor and validate that the interest rate risk metrics defined are commensurate with the established risk tolerance levels.

CaixaBank manages this risk with a two-fold objective:

- To optimise the Entity's net interest income within the volatility limits of the RAF.
- To preserve the economic value of the balance sheet at all times within the range established in the RAF.

To attain these objectives, risk is actively managed by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet as a result of the complementary nature of the sensitivity to interest rate fluctuations of the deposits and lending transactions arranged with customers or other counterparties.

The Executive Finance Division is responsible for analysing and managing this risk, and proposing hedging transactions, management of the fixed-income portfolio or other appropriate actions to the Asset and Liability Committee to achieve this dual objective.

CaixaBank uses fair value macro-hedges and cash flow hedges as a strategy to manage its exposure to interest-rate risk.

The table below shows, using a static gap, the breakdown of maturities and interest rate resets at 30 June 2017 of sensitive items on the CaixaBank balance sheet.

Matrix of maturities and revaluations of the sensitive balance sheet at 30 June 2017

(Thousands of euros)

	1 year	2 years	3 years	4 years	5 years	> 5 years	TOTAL
ASSETS							
Mortgage collateral	99,609,527	11,193,893	1,459,417	1,197,053	1,082,932	9,173,241	123,716,063
Other guarantees	69,938,309	3,530,791	2,293,889	1,741,820	1,313,557	3,789,051	82,607,417
Debt securities	7,172,427	2,675,079	3,648,303	1,736,300	5,085,300	5,143,397	25,460,806
Total assets	176,720,263	17,399,763	7,401,609	4,675,173	7,481,789	18,105,689	231,784,286
LIABILITIES							
Customer funds	121,161,213	17,208,546	10,351,561	7,788,727	7,883,002	36,663,686	201,056,735
Issuances	6,358,181	4,280,380	440,011	3,640,300	5,588,662	11,007,633	31,315,167
Money market, net	(1,494,494)	751,801	24,383,539	3,905,437	25,540	202,246	27,774,069
Total liabilities	126,024,900	22,240,727	35,175,111	15,334,464	13,497,204	47,873,565	260,145,971
Assets less liabilities	50,695,363	(4,840,964)	(27,773,502)	(10,659,291)	(6,015,415)	(29,767,876)	(28,361,685)
Hedges	(4,146,355)	4,531,758	506,750	1,316,881	1,184,765	(3,033,823)	359,976
Total difference	46,549,008	(309,206)	(27,266,752)	(9,342,410)	(4,830,650)	(32,801,699)	(28,001,709)

The sensitivity to interest rates – explained by the speed with which market rates are transposed and the expected terms to maturity – have been analysed for items without a contractual maturity date (such as demand accounts) on the basis of past experience of customer behaviour, including the possibility that the customer may withdraw the funds invested in this type of products.



For other products, in order to define the assumptions for early termination, internal models that capture behavioural variables of customers, own products and seasonal variables are used to ascertain the future operations of customers.

The sensitivity of net interest income shows the impact on the review of balance sheet transactions caused by changes in the interest rate curve. This sensitivity is determined by comparing a net interest income simulation, at one or two years, on the basis of various interest rate scenarios (immediate parallel and progressive movements of different intensities, as well as changes in slope). The most likely scenario, which is obtained using the implicit market rates, is compared with other scenarios of rising or falling interest rates and parallel and non-parallel movements in the slope of the curve. The one-year sensitivity of net interest income to sensitive balance sheet assets and liabilities, taking account of scenarios of rising and falling interest rates of 100 basis points each, is approximately +10.71% on the rising scenario and -3.06% on the falling scenario.

The sensitivity of equity to interest rates measures the effect of interest rate fluctuations on economic value. The one-year sensitivity of equity to sensitive balance sheet assets and liabilities, taking account of scenarios of rising and falling interest rates of 100 basis points each, is approximately +4.58% on the rising scenario and -2.99% on the falling scenario, compared to the economic value in the baseline scenario.

The sensitivities of net interest income and equity are measurements that complement each other and provide an overview of structural risk, which focuses more on the short and medium term, in the case of net interest income, and on the medium and long term in the case of equity.

In accordance with current regulations, the CaixaBank Group does not use own funds for the interest rate risk in the banking book undertaken, in view of the low risk profile of its balance sheet. The balance sheet interest rate risk assumed by the CaixaBank Group is substantially below levels considered significant (outliers) under current regulations.

CaixaBank continues to carry out a series of actions designed to strengthen the monitoring and management of balance sheet interest rate risk.

Liquidity risk

The CaixaBank Group's banking liquidity, as shown by its high quality liquid assets (HQLA) used to calculate the LCR (liquidity coverage ratio) in addition to the balance that can be drawn on the credit facility with the ECB that does not comprise the aforementioned assets, amounts to EUR 65,594 million and EUR 50,408 million at 30 June 2017 and 31 December 2016, respectively.

Compliance with the liquidity coverage ratio became mandatory on 1 October 2015. This entails maintaining an adequate level of total liquid assets available to meet liquidity needs for a 30 calendar day stress scenario which considers a combined financial sector-wide and entity-specific crisis. The regulatory limit established is 80% from 1 January 2017 and 100% from 1 January 2018. The LCR ratio stood at 208% and 160% at 30 June 2017 and 31 December 2016, respectively.

This liquidity position enables the Group to fund its growth and future investment, and to refinance maturities of institutional issuances in the years to come. As part of this approach to managing liquidity risk and to allow it to anticipate potential needs for lendable funds, the CaixaBank Group's wide variety of financing programmes cover a number of maturity periods. This allows the Group to maintain adequate levels of liquidity at all times.



The CaixaBank Group ensures its long-term access to resources through renewal of the fixed income securities and promissory notes issuance programmes, with the following amounts:

Debt issuance capacity

(Thousands of euros)

	Total issuance capacity	Nominal used at 30.06.2017
CaixaBank promissory notes programme (1)	3,000,000	41,221
CaixaBank fixed-income programme (2)	15,000,000	5,589,500
CaixaBank EMTN ("Euro Medium Term Note") programme (3)	10,000,000	0
BPI EMTN ("Euro Medium Term Note") programme (4)	7,000,000	673,000
BPI mortgage covered bonds programme (5)	7,000,000	1,800,000

(1) Promissory notes programme registered with the CNMV on 14 July 2016. A new programme for the same amount was recognised on 18 July 2017.

(2) Base prospectus for non-participating securities registered with the CNMV on 21 July 2016. On 20-07-2017 a new program was registered for the same amount.

(3) Registered with the Irish Stock Exchange on 20 June 2017.

(4) Registered with the Commission de surveillance du secteur financier (the "CSSF") in Luxembourg on 17 February 2017.

(5) Registered with the CMVM (Comissão do Mercado de Valores Mobiliários) on 16 February 2017.

Covered bond issuance capacity

(Thousands of euros)

	30.06.2017	31.12.2016
Mortgage covered bond issuance capacity	6,896,300	4,000,171
Public sector covered bond issuance capacity	1,123,817	1,493,769
Portuguese mortgage covered bond (obrigações hipotecárias) issuance capacity	997,167	0
Portuguese public sector covered bond (obrigações sector público) issuance capacity	100,000	0

The detail of the CaixaBank Group's liquid assets at 30 June 2017 and 31 December 2016 is as follows:

Liquid assets (1)

(Thousands of euros)

	30.06.2017		31.12.2016	
	Market value	Applicable weighted amount	Market value	Applicable weighted amount
Level 1 assets	47,741,564	47,741,564	32,231,671	34,231,671
Level 2A assets	360,903	306,768	80,962	68,818
Level 2B assets	3,943,007	2,148,183	4,629,488	2,669,560
Total liquid assets	52,045,474	50,196,514	36,942,121	36,970,049

(1) Criteria established to determine the LCR

Financing obtained from the European Central Bank through various monetary policy instruments was EUR 28,820 million at 30 June 2017, compared to EUR 26,819 million at 31 December 2016. The current balance drawn down at 30 June 2017 relates to a balance of EUR 28,183 million for extraordinary liquidity auctions under the *Targeted Longer-Term Refinancing Operations II* (TLTRO II). Of this balance, EUR 24,729 million matures in June 2020, EUR 2,500 million matures in December 2020 and EUR 954 million matures in March 2021. It also relates to a balance of EUR 637 million for extraordinary liquidity auctions under the *Targeted Longer-Term Refinancing Operations I* (TLTRO I), maturing in September 2018. The increase in the balance during the first six months of 2017 relates to the incorporation of BPI in the CaixaBank Group.

The Group's financing policies take into account a balanced distribution of issuance maturities, preventing concentrations and diversifying financing instruments. In the first half, issuances matured in wholesale markets for the amount of EUR 4,530 million, with four new issuances: a EUR 1,500 million issuance of



mortgage covered bonds maturing in ten years, a EUR 1,000 million issuance of subordinated bonds maturing in ten years, a EUR 1,000 million senior debt issuance maturing in seven years and EUR 1,000 million in contingently-convertible preference shares perpetual with the possibility of early redemption at the option of the issuer as of the seventh year. The reliance on wholesale funding is limited, while the nominal maturities of institutional debt scheduled for 2017 amounts to EUR 808 million.

Wholesale financing maturities (net of own securities acquired) are as follows:

Wholesale financing maturities (net of own securities acquired)

(Thousands of euros)

	Up to 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total
Mortgage covered bonds	300,000	150,000	2,154,700	9,189,939	9,061,126	20,855,766
Public sector covered bonds	0	0	87,800	0	0	87,800
Public sector covered bonds (Portugal)	0	100,000	0	0	0	100,000
Mortgage covered bonds (Portugal)	250,000	0	200,000	0	0	450,000
Senior debt	0	0	701,430	97,730	1,082,484	1,881,644
Subordinated debt and preference shares	0	0	0	0	2,784,787	2,784,787
Exchangeable bonds	0	0	0	0	0	0
Total wholesale issuance maturities	550,000	250,000	3,143,930	9,287,669	12,928,397	26,159,997

Financial instruments that include accelerated repayment terms

At 30 June 2017, CaixaBank had instruments containing terms that could trigger accelerated repayment if one or more of the events set out in the agreements occurred. Details of these operations, by nature of the agreement, are as follows:

Instruments with accelerated repayment terms

(Thousands of euros)

	30.06.2017	31.12.2016
Loans received (1)	999,692	699,692

(1) These loans are recognised under "Financial liabilities measured at amortised cost – Deposits from credit institutions".

Operational risk

During the first half of 2017, work was carried out to adapt to changes in the operational risk sections of the Corporate Risk Map, following the latest remodel.

Updates were approved to the Operational Risk Management Framework and the Operational Risk Regulations, which together form the Group's Operational Risk Policy. Procedures and controls were particularly strengthened in respect of the operational losses database.

During the period, work also commenced to adapt and integrate Banco BPI in the operational risk management system, primarily in the coordination of operational risk metrics (particularly, loss databases), the calculation of capital requirements and corporate governance of operational risk.

As part of CaixaBank's Risk Appetite Framework, new indicators were implemented for conduct risk, compliance risk and legal risk, and work progressed in rolling out a metric for model risk.



Actuarial risk

In general, risk of the insurance business is managed in accordance with Spanish insurance law. In particular, it is managed as per Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance entities (“LOSSEAR” for its initials in Spanish) and Royal Decree-Law 1060/2015, of 20 November, on the regulation, supervision and solvency of insurance and reinsurance entities (“ROSSEAR” for its initials in Spanish) and other Directorate-General of Insurance and Pension Funds (“DGSFP” for its initials in Spanish) provisions, as well as the body of directly-applicable European regulations.

During the first half of 2017, the first annual reporting under Solvency II was carried out. This included quantitative reporting templates (QRTs), the Own Risk and Solvency Assessment (ORSA), the public solvency and financial condition report, which is subject to external review, and the confidential regular supervisory report. This body of disclosures sets out the quantitative and qualitative information regarding the business and results, governance system, risk profile, valuation for solvency purposes and capital management.



4. Capital adequacy management

At 30 June 2017, the CaixaBank Group had a Common Equity Tier 1 (CET1) ratio of 12.5% (-72 basis points versus 31 December 2016). The integration of Banco BPI in the first quarter of 2017 had an impact of -115 bp¹ on regulatory CET1.

In the first half of 2017 CaixaBank issued EUR 1,000 million of eligible Additional Tier 1 (AT1) instruments, raising the regulatory ratio by only 8bp as its was mostly absorbed by deductions of own capital. At the close of the period, this ratio was 12.6%. As the issuance absorbs deductions during the Basel III phase-in period, that were being supported by CET1, the regulatory CET1 ratio also improved by 58bp thanks to this issuance.

The Total Capital ratio was 15.2% (16.2% at 31 December 2016), above the target set in the Strategic Plan. This ratio was strengthened during the half, through aforementioned issuance of AT1 instruments and the EUR 1,000 million of subordinated debt placed on the institutional market in February. This ratio also includes the redemption of approximately a EUR 1,300 million subordinated debt issuance announced in July. Including the proforma issuance of EUR 1,000 million in subordinated signed in July, Total Capital would stand at 15.9%, 66 basis points higher.

Risk-weighted assets (RWA) at 30 June 2017 stood at EUR 151,504 million, up EUR 16,640 million (12.3%) from the end of the previous year, primarily due to the acquisition of BPI.

Applying the criteria expected for the end of the transitional period (fully loaded), the CaixaBank Group had a CET1 ratio of 11.5%, a Tier 1 ratio of 12.2% and a Total Capital ratio of 14.9% at 30 June 2017. Including the EUR 1,000 million from the subordinated debt issuance subscribed in July, in addition to the redemption of EUR 1,300 million, the proforma Total Capital ratio (fully loaded) would be 15.5%.

For 2017, the ECB requires the CaixaBank Group to maintain a CET1 regulatory ratio of 7.375%, entailing: the minimum requirement of Pillar I of 4.5%; the requirement of Pillar II (supervisory review process) of 1.5%; the capital conservation buffer of 1.25% (2.5% phased-in over four years, to 2019) and the O-SII (Other Systemically Important Institution) buffer of 0.125% (0.25% phased-in over four years, to 2019). On a fully loaded basis, the minimum CET1 requirement would be 8.75%.

Similarly, based on the Pillar I requirements of 6% and 8% for Tier 1 and Total Capital, respectively, the minimum Tier 1 requirements were 8.875% (*phase-in*) and 10.25% (*fully loaded*) and 10.875% (*phase-in*) and 12.25% (*fully loaded*) for Total Capital.

CaixaBank is also subject to minimum capital requirements on a non-consolidated basis. CaixaBank's individual regulatory CET1 ratio stood at 12.8%. In addition, Banco BPI also meets its minimum capital requirements, with regulatory ratios of 11.4% CET1 and 13.1% Total Capital for individual level, and at a sub-consolidated level of 11.9% CET1 and 13.3% of Total Capital.

¹ The impact of the integration of BPI includes the sale of 2% of Banco de Fomento Angola (BFA), with a reduction in capital requirements for operational risk due to the loss of control over the Angola-based bank.



The composition of the CaixaBank Group's eligible own funds and leverage at 30 June 2017 and 31 December 2016 is as follows:

Eligible own funds

(Thousands of euros)

	30.06.2017		31.12.2016	
	Amount	%	Amount	%
Net equity	24,375,232		23,555,562	
Shareholders' equity	23,830,359		23,399,819	
Capital	5,981,438		5,981,438	
Profit/(loss)	839,490		1,047,004	
Reserves and other	17,009,431		16,371,377	
Minority interests and valuation adjustments	544,873		155,743	
Other CET1 instruments	(792,961)		(632,187)	
Adjustments applied to the eligibility of minority interests and valuation adjustments	(68,863)		(111,629)	
Other adjustments (1)	(724,098)		(520,558)	
CET1 instruments	23,582,271		22,923,375	
Deductions from CET1	(4,695,140)		(5,134,157)	
Intangible assets	(3,376,171)		(4,026,071)	
Deferred tax assets	(969,233)		(685,185)	
Other deductions from CET1	(349,736)		(422,901)	
CET1	18,887,131	12.47%	17,789,218	13.19%
AT1 instruments	999,000		0	
Deductions from AT1	(878,300)		0	
Intangible assets	(844,043)		0	
Deferred tax assets	(24,282)		0	
Other deductions from AT1	(9,975)		0	
TIER 1	19,007,831	12.55%	17,789,218	13.19%
T2 instruments	4,097,227		4,087,736	
Subordinated financing	3,632,247		4,087,736	
Eligible general provisions	464,980		0	
Deductions from T2	(34,258)		(85,079)	
TIER 2	4,062,969	2.68%	4,002,657	2.97%
TOTAL CAPITAL (2)	23,070,800	15.23%	21,791,875	16.16%
Memorandum items: Risk-weighted assets	151,503,827		134,863,962	
Credit risk	112,350,755		98,190,228	
Shareholder risk	23,978,551		23,703,136	
Operational risk	12,536,796		1,688,891	
Market risk	2,637,725		11,281,707	

(1) Mainly the forecast for outstanding dividends and prudential valuation adjustments (AVAs).

(2) Including the EUR 1,000 million in subordinated debt subscribed in July, the proforma regulatory Total Capital ratio would stand at 15.9%.

Leverage ratio

(Thousands of euros)

	30.06.2017		31.12.2016	
	Amount	%	Amount	%
Exposure (3)	338,842,413		309,678,048	
Leverage ratio		5.61%		5.74%

(3) Total assets of the reserved scope, including off-balance sheet items, derivatives and securities financing transactions, less Tier 1 deductions.



5. Shareholder remuneration and earnings per share

Shareholder remuneration

The total shareholder remuneration for 2016 stood at EUR 0.13 per share (gross) and the total cash amount paid was equal to 54% of consolidated net profit, in line with the 2015-2018 Strategic Plan. Shareholder remuneration for 2016 was therefore made through two cash payments of EUR 0.03 per share (gross) and EUR 0.06 per share (gross) and a scrip dividend of EUR 0.04, paid in September and December 2016 and in April 2017, instead of the four quarterly payments (three in cash and one scrip dividend).

The frequency of payments was modified to reflect the new dividend policy approved by the CaixaBank Board of Directors at its meeting of 23 February 2017. At that meeting, the Board resolved that remuneration for 2017 would be paid through two half-yearly cash dividends. In line with the 2015-2018 Strategic Plan, CaixaBank reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit.

Dividends distributed in the first six months of 2017 were as follows:

Distribution of dividends paid in the first half of 2017

(Thousands of euros)

	Euros per share	Amount paid in cash	Payment announcement	Payment date
Cash dividend				
Final dividend for 2016	0.06	358,675	06.04.2017	13.04.2017

In the first half of 2017, CaixaBank paid CriteriaCaixa EUR 143,552 thousand in cash dividends (EUR 266,514 thousand in the first half of 2016).

Earnings per share

Basic earnings per share are calculated by dividing consolidated net profit or loss for the period attributable to the Group by the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding less treasury shares after adjusting for the effect of all dilutive potential ordinary shares (share options, warrants and bonds that are not mandatorily convertible). At 30 June 2017, commitments to employees based on shares registered under equity totalled EUR 9,079 thousand.



Basic and diluted earnings per share at 30 June 2017 and 2016, as per the consolidated profit of the CaixaBank Group attributable to the Parent, are as follows:

Calculation of basic and diluted earnings per share

	30.06.2017	30.06.2016
<i>Numerator</i>		
Profit attributable to the Parent (in thousands of euros)	839,490	638,056
<i>Denominator (thousands of shares)</i>		
Average number of shares outstanding (*)	5,977,794	5,735,785
Adjusted number of shares (basic earnings per share)	5,977,794	5,735,785
Basic earnings per share (in euros)	0.14	0.11
Diluted earnings per share (in euros) (**)	0.14	0.11

(*) Average number of shares outstanding, excluding the average number of treasury shares held during the period. Includes the retrospective adjustments set out in IAS 33 of the regulatory framework.

(**) Potentially dilutive shares did not have any impact on the calculation of diluted earnings per share.



6. Business combinations and investments in subsidiaries

Business combinations - 2017

Banco BPI Group

On 16 January 2017, the Portuguese securities commission (*Comisión del Mercado de Valores Mobiliarios*) registered the prospectus for CaixaBank's takeover bid for Banco BPI at a price per share of EUR 1.134, and the acceptance period of the bid was opened. This period closed on 7 February 2017. Having secured the required approvals and following completion of the acceptance period for the takeover bid, CaixaBank obtained a stake of 84.51% in Banco BPI. The payment for the 39.01% of share capital acquired in the bid stood at EUR 645 million.

Accounting of the business combination

This business combination is provisionally recognised in the accompanying condensed interim consolidated financial statements. Effective control was assumed on 7 February 2017. The acquisition date for accounting purposes was 31 January 2017. The impact on equity and profit of the difference between the acquisition date and the date control was effectively obtained is not significant.

The revaluation of the previous 45.5% holding in BPI at the takeover bid price (EUR 1.134 per share) gave rise to a loss of EUR 186 million (before and after tax), which was recognised under "Gains/(losses) on derecognition of non-financial assets and investments, net".

The Group recognised a provisional positive amount equivalent to the negative difference arising on consolidation of EUR 442 million under "Negative goodwill recognised in profit or loss" in the accompanying condensed interim consolidated statement of profit or loss (before and after tax).

In view of the foregoing, at the date of acquisition of control, the total provisional impact of the business combination was EUR 256 million.

The provisional fair value of the Banco BPI Group's assets and liabilities at 31 January 2017 is as follows:

Fair value of the Banco BPI Group's assets and liabilities

(Thousands of euros)

	Carrying amount	Adjustments	Fair value
Assets:			
Cash and cash balances at central banks	1,349,960	0	1,349,960
Financial assets held for trading (Note 8)	1,060,796	(11,000)	1,049,796
Financial assets designated at fair value through profit or loss (Note 8)	1,260,688	0	1,260,688
Available-for-sale financial assets (Note 8)	3,876,398	(41,000)	3,835,398
<i>Equity instruments</i>	294,693	(41,000)	253,693
<i>Debt securities</i>	3,581,705		3,581,705
Loans and receivables (Note 8)	23,180,948	(371,000)	22,809,948
Debt securities	2,242,220	36,000	2,278,220
Loans and advances	20,938,728	(407,000)	20,531,728
<i>Credit institutions</i>	674,039		674,039
<i>Customers</i>	20,264,689	(407,000)	19,857,689
Held-to-maturity investments (Note 8)	16,300		16,300
Derivatives – Hedge accounting	23,966		23,966
Fair value changes of the hedged items in portfolio hedge of interest rate risk	27,204		27,204
Investments in joint ventures and associates (Note 10)	639,755	35,000	674,755
Tangible assets (Note 11)	49,957	(3,000)	46,957



Fair value of the Banco BPI Group's assets and liabilities

(Thousands of euros)

	Carrying amount	Adjustments	Fair value
Intangible assets (Note 12)	24,966	140,000	164,966
Tax assets (Note 19)	480,635	162,756	643,391
Other assets (Note 13)	207,777	0	207,777
Non-current assets and disposal groups classified as held for sale (Note 14)	101,225	(8,000)	93,225
Total assets	32,300,575	(96,244)	32,204,331
Liabilities:			
Financial liabilities held for trading (Note 15)	196,278	0	196,278
Financial liabilities designated at fair value through profit or loss (Note 15)	2,213,194	0	2,213,194
Financial liabilities measured at amortised cost (Note 15)	24,868,494	(49,000)	24,819,494
Deposits	23,438,844	0	23,438,844
Central banks	1,999,911	0	1,999,911
Credit institutions	1,792,150	0	1,792,150
Customers	19,646,783	0	19,646,783
Debt securities issued	1,118,383	(49,000)	1,069,383
Other financial liabilities	311,267	0	311,267
Derivatives - Hedge accounting	96,384	0	96,384
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(515)	0	(515)
Liabilities under insurance contracts	2,016,674	41,000	2,057,674
Provisions (Note 17)	104,435	93,000	197,435
Tax liabilities (Note 19)	61,990	63,020	125,010
Other liabilities (Note 13)	308,975	13,983	322,958
Total liabilities	29,865,909	162,003	30,027,912
Equity:			
Shareholders' equity	2,432,888	(258,247)	2,174,641
Accumulated other comprehensive income			0
Minority interests	1,778		1,778
Total equity	2,434,666	(258,247)	2,176,419
Minority interests (15.49%)			338,626
Attributable equity (84.51%)			1,837,793
Consideration paid			1,396,238
Negative goodwill			441,555



The following contingent assets and liabilities of the acquiree were measured during the purchase price allocation process:

- The fair value of loans and receivables was primarily obtained by applying the estimated percentages of expected loss to loans and advances to customers, determined basically in accordance with the characteristics of the financing granted and the collateral of the debt. In accordance with paragraph B64 of IFRS 3, the gross contractual amounts receivable from loans and advances to customers and the provisional adjustments made under the scope of the purchase price allocation process are as follows:

Contractual amounts and provisional adjustments to loans and advances to customers

(Thousands of euros)	Accounting balances of BPI Group at 31 January 2017				Adjustments made during purchase price allocation (1)	Fair value
	Gross amount	Valuation adjustments	Provisions	Net balance		
Loans and advances (Note 8)	21,573,212	46,715	(681,199)	20,938,728	(407,000)	20,531,728
<i>Credit institutions</i>	673,753	286		674,039		674,039
<i>Customers</i>	20,899,459	46,429	(681,199)	20,264,689	(407,000)	19,857,689

(1) Adjustments for expected loss related with credit risk amount to EUR 468 million, after taking into account the adjustments made to contingent liabilities.

- The fair value of the portfolio of real estate assets was obtained considering appraisals available and other parameters such as the type, use and location of the assets, sales experience, sales costs, etc.
- The fair values of the portfolio of non-listed holdings were estimated using a variety of generally accepted valuation techniques, primarily discounted cash flows, dividend discount, analysis using multiples and prices based on recent transactions.
- For fixed income instruments, either market prices or discounted cash flows applying market inputs were used, based on the type of asset.
- The value of intangible assets was estimated as follows:
 - The relief-from-royalties method was used for estimating the fair value of the brand.
 - The estimated cost savings method was used for determining the value of core deposits.
 - The multi-period excess earnings method (MEEM) was used for intangible assets deriving from relationships with customers, primarily in the asset management and insurance products sales businesses.

In all cases, the tax credit for amortisation was added to the value of the intangible asset. In accordance with IFRS 13, this approach is based on valuing the asset as if it were acquired separately, assigning it the corresponding tax amortisation value.

The main assumptions used in determining the fair value include a discount rate of 11.1% and useful lives of between five and ten years.

- Wholesale debt issuances, including any treasury shares, were estimated at their fair values.
- Liabilities and contingent liabilities were measured at the best estimate of the outflow of resources that could be required of uncertain timing. These adjustments include the recognition of the estimated amount to be paid to settle legal and tax risks, even where such risks are considered remote.
- For fair value adjustments made, the corresponding deferred tax asset or deferred tax liability was recognised.



Banco BPI, which is fully consolidated in the CaixaBank Group, contributed EUR 390 million to the Group's gross income (see Note 21).

Non-recurring restructuring costs arising from the transaction, particularly the restructuring labour agreement, totalled EUR 106 million and were recognised under “Staff expenses”.

Transactions with subsidiaries

There were no business combinations other than those already mentioned.



7. Remuneration of key management personnel

Note 9 to the CaixaBank Group's 2016 consolidated financial statements provides details on remuneration and other benefits paid to members of the Board of Directors and Senior Management in 2016. The table below shows remuneration and other benefits paid in the six-month periods ended 30 June 2017 and 30 June 2016.

Remuneration of the Board of Directors

Details of remuneration and other benefits received by the members of the Board of Directors of CaixaBank for their membership in that body as of 30 June 2017 and 2016 related to the periods in which they belonged to this group are shown below:

Remuneration of the Board of Directors

(Thousands of euros)

	30.06.2017	30.06.2016
Remuneration for board membership	1,706	1,814
Non-variable remuneration	1,002	916
Variable remuneration (1)	492	488
Other long-term benefits (2)	178	178
Other items (3)	95	90
<i>Of which life insurance premiums</i>	<i>91</i>	<i>85</i>
Other positions in Group companies	360	590
Total	3,833	4,076
Loans granted	1,081	1,024
Funds and Pension plans: accumulated rights (4)	16,491	15,498
Number of people at end of period (5)	17	18

(1) Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating a 100% achievement, as well as the accrued portion of the long-term share-based variable remuneration plan approved at the Annual General Meeting held on 23 April 2015.

(2) Includes insurance premiums and discretionary pension benefits, in accordance with Bank of Spain Circular 2/2016.

(3) Includes remuneration in kind (premiums of the group civil liability policy for all Directors and health and life insurance premiums paid in favour of executive Directors), interest and dividends accrued on deferred variable remuneration, other insurance premiums paid and other benefits. In cases where the director is a legal person, remuneration in kind for the civil liability insurance premium includes the amount corresponding to the insurance premium of the natural person representative.

(4) Includes accumulated pension rights for the Board of Directors.

(5) Board of Directors had 16 members at 31 December 2016.

At the 28 April 2016 Ordinary Annual General Meeting, shareholders voted to set the number of Board members at 18. At 30 June 2017, there were 17 members of the Board of Directors (16 at 31 December 2016), therefore one vacancy exists.

During the first half of 2017, the following changes occurred in the Board of Directors:

- At its meeting of 15 December 2016, the Board of Directors, subject to a report from the Appointments Committee and after receiving ECB approval on suitability for the post of director, resolved to appoint Alejandro García-Bragado Dalmau to the Board of Directors as a proprietary director, at the proposal of "la Caixa" Banking Foundation. Mr. García-Bragado Dalmau accepted the appointment, with effect from 1 January 2017. At the same meeting, Alejandro García-Bragado Dalmau tendered his resignation as Board Secretary from 31 December 2016, and the Board of Directors, subject to a report in favour from the Appointments Committee, appointed Oscar Calderón de Oya, currently General Secretary and First Deputy Secretary to the Board, to this post. From 1 January 2017, Oscar Calderón de Oya has held the post of General and Board Secretary.



- At the meeting held on 23 February 2017, Fundación Privada Monte de Piedad y Caja de Ahorros de San Fernando de Huelva, Jerez y Sevilla ("Fundación Cajasol") tendered its resignation as member of the Board. To cover the vacancy, the Board of Directors, subject to a report from the Appointments Committee and after receiving ECB approval on suitability for the post of director, resolved to appoint Fundación Bancaria Canaria Caja General de Ahorros de Canarias ("Fundación CajaCanarias") to the Board of Directors as a proprietary director. Fundación CajaCanarias then designated Natalia Aznárez Gómez as its representative on the Board.
- On 17 March 2017, Salvador Gabarró Serra was removed from the Board upon his death.
- In addition, at the Ordinary Annual General Meeting held on 6 April 2017, the shareholders approved the proposal made by the Board of Directors at its meeting of 23 February 2017, subject to a report from the Appointments Committee to appoint Ignacio Garralda Ruiz de Velasco to the Board of Directors as a proprietary director, at the proposal of the shareholder Mutua Madrileña Automovilística, Sociedad de Seguros a Prima Fija. Ignacio Garralda Ruiz de Velasco accepted this appointment on 23 May 2017, after receiving ECB approval on his suitability for the post of director.

CaixaBank has announced that at the Board of Directors' meeting of 22 June, and subject to a favourable report from the Appointments Committee, it was resolved to appoint Francesc Xavier Vives Torrents (independent director) as lead director. This appointment took effect on July 18, following the authorization of the ECB to amend the Bylaws agreed by the General Shareholders' Meeting of April 6, 2017.

CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

There are no termination benefits agreed in the event of termination of the appointment as Director, except for those agreed with the Executive Deputy Chairman and the Chief Executive.

Remuneration received in the first half of 2017 and 2016 by members of the Board of Directors appointed at the Entity's proposal to the Boards of listed companies and of other companies in which it has a presence, excluding Group companies (disclosed in the preceding table), amounted to EUR 441 thousand and EUR 678 thousand, respectively, recognised in the companies' respective statements of profit or loss.



Remuneration of Senior Management

The total remuneration paid to Senior Management of CaixaBank in the first half of 2017 and 2016 for the period during which they belonged to this group is set out in the table below. This remuneration is recognised in “Staff expenses” in CaixaBank’s statement of profit or loss.

Remuneration of Senior Management

(Thousands of euros)

	30.06.2017	30.06.2016
Salary (1)	5,266	4,478
Post-employment benefits (2)	627	567
Other long-term benefits	110	89
Total	6,003	5,134
Number of people (3)	12	11

(1) This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating a 100% achievement, and in the first quarter of 2016, as well as the accrued portion of the long-term share-based variable remuneration plan approved at the Annual General Meeting held on 23 April 2015.

(2) Includes insurance premiums and discretionary pension benefits, in accordance with Bank of Spain Circular 2/2016.

(3) At 31 December 2016, the Management Committee comprised 12 members, following the incorporation of the BPI Project Director in December 2016.

NOTE: To ensure a correct comparison of the remuneration received by Senior Management in the first six months of 2017 and 2016, the differences in the composition of this body must be taken into account.

The remuneration paid in the first half of 2017 and 2016 to Senior Management at CaixaBank in connection with their activities as the Bank’s representatives – when it is parent – on the Boards of listed companies and other companies in which it has a significant presence or representation and that are CaixaBank consolidated companies was EUR 382 thousand and EUR 357 thousand, respectively, recognised in the income statements of these companies.

The employment contracts with members of the Management Committee contain clauses regarding termination benefits for the early termination or rescission of such contracts.



8. Financial assets

The breakdown of financial assets at 30 June 2017 and 31 December 2016 by nature and category, excluding "Cash on hand, cash balances at central banks and other demand deposits" and "Derivatives – Hedge accounting" is shown in the following table. Where applicable, all assets are shown net of impairment allowances:

30.06.2017

(Thousands of euros)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments	TOTAL
Trading derivatives	8,787,055					8,787,055
Equity instruments	427,495	2,445,168	3,074,643			5,947,306
Debt securities	2,761,323	3,237,182	66,133,563	2,931,021	7,789,210	82,852,299
Loans and advances		75,235		226,856,608		226,931,843
Central banks				4,500		4,500
Credit institutions		75,235		6,595,129		6,670,364
Customers				220,256,979		220,256,979
Total	11,975,873	5,757,585	69,208,206	229,787,629	7,789,210	324,518,503

31.12.2016

(Thousands of euros)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Held-to- maturity investments	TOTAL
Trading derivatives	9,575,832					9,575,832
Equity instruments	294,923	1,806,976	2,946,030			5,047,929
Debt securities	1,796,932	1,332,670	62,130,943	561,139	8,305,902	74,127,586
Loans and advances				207,079,798		207,079,798
Central banks				0		0
Credit institutions				6,741,354		6,741,354
Customers				200,338,444		200,338,444
Total	11,667,687	3,139,646	65,076,973	207,640,937	8,305,902	295,831,145

At the acquisition date, the business combination with BPI entailed the incorporation of EUR 1,050 million under "Financial assets held for trading", EUR 1,261 million under "Financial assets designated at fair value through profit or loss" and EUR 2,278 million under "Loans and receivables - Debt securities" (see Note 6).

"Financial assets designated at fair value through profit or loss" mainly comprises investments related to unit-linked life insurance products where the investment risk is borne by the policyholder, sales of which rose in the first half of 2017.



Available-for-sale financial assets

The breakdown of the balance of this heading in the accompanying condensed interim consolidated balance sheet by nature of the related transaction is as follows:

Breakdown of available-for-sale financial assets

(Thousands of euros)

	30.06.2017	31.12.2016
Equity instruments	3,074,643	2,946,030
Shares in listed companies	2,452,303	2,320,626
Shares in non-listed companies	400,800	570,452
Ownership interests in mutual funds and other	221,540	54,952
Debt securities	66,133,563	62,130,943
Spanish government debt securities	52,816,721	52,935,106
<i>Treasury bills</i>	452,500	2,337,234
<i>Government bonds and debentures</i>	48,622,131	47,655,781
<i>Other issuances</i>	3,742,090	2,942,091
Foreign government debt securities	8,042,488	3,317,012
Issued by credit institutions	3,262,366	3,813,610
Other Spanish issuers	743,623	338,081
Other foreign issuers	1,268,365	1,727,134
Total	69,208,206	65,076,973

At the acquisition date, the business combination with BPI entailed the incorporation of EUR 3,835 million under "Available-for-sale financial assets" (see Note 6).

The changes in "Available-for-sale financial assets – Equity instruments" in the period ended 30 June 2017 are as follows:

Movements in other equity instruments

(Thousands of euros)

	Additions for business combination with Banco BPI (Note 6)	Acquisitions and capital increases	Sales	Transferred to profit or loss	Adjustments to market value	Transfers and other	Impairment losses	Total
Total balance at 31.12.2016								2,946,030
Telefónica, SA					56,563			56,563
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, SA							(127,665)	(127,665)
Other	253,693	4,565	(40,168)	(618)	(21,743)	10,377	(6,391)	199,715
Changes in 2017	253,693	4,565	(40,168)	(618)	34,820	10,377	(134,056)	128,613
Balance at 30.06.2017								3,074,643



The table below presents a breakdown of the percentage of ownership interests and market value of the main listed companies classified as available-for-sale equity instruments as it is considered that the CaixaBank Group does not exercise significant influence over them.

Market value of listed companies

(Thousands of euros) Company	30.06.2017		31.12.2016	
	% interest	Market value	% interest	Market value
Telefónica, SA	5.15%	2,345,016	5.15%	2,288,453
Market value		2,345,016		2,288,453

(*) As of June 30, 2017, CaixaBank has contracted a fair value micro-hedge of 0.91%

Impairment of equity instruments classified as available-for-sale financial assets

As per prevailing accounting standards, the CaixaBank Group conducted impairment tests on all the equity instruments classified as available-for-sale financial assets with a view to reporting any resulting impairment, as discussed in Note 2.9 to the CaixaBank Group's 2016 consolidated financial statements.

These tests uncovered the need to charge against profit for the first half of 2017 an amount of EUR 134 million for its investments in equity instruments, recognised under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss" in the accompanying statement of profit and loss. This impairment forms part of the EUR 154 million write-off recognised during the period for all exposures, including subordinated debt recognised under "Loans and receivables", that the CaixaBank Group holds with Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, SA (SAREB).

With regard to the stake held by the CaixaBank Group in Telefónica SA, in March 2017, for approximately two months, the share price exceeded the consolidated acquisition cost, leading to an interruption in the calculation of the time period established by the CaixaBank Group as one of its internal policies to determine whether there is objective evidence in the consolidated financial statements of impairment on equity instruments.

Impairment of debt securities classified as available-for-sale financial assets

The CaixaBank Group conducted impairment tests on the debt securities classified as available-for-sale financial assets (as listed in Note 2.9 to the CaixaBank Group's consolidated financial statements for 2016), and it was found that there was no impairment.



Loans and receivables

The main line item under this heading is “Loans and advances to customers,” which at 30 June 2017 and 31 December 2016 breaks down as follows:

Loans and advances to customers by loan type and status

(Thousands of euros)

	30.06.2017	31.12.2016
Public administrations	13,161,649	12,305,908
Commercial loans	8,159,094	8,094,858
Secured loans	130,189,226	118,732,831
Reverse repurchase agreement	834,941	1,440,504
Other term loans	47,658,733	42,426,782
Finance leases	3,764,195	2,700,690
Receivables on demand and others	8,787,062	6,799,713
Non-performing assets	14,888,271	14,351,398
Total gross	227,443,171	206,852,684
Impairment allowances	(7,407,765)	(6,688,507)
Other valuation adjustments (1)	221,573	174,267
Total valuation adjustments	(7,186,192)	(6,514,240)
Total	220,256,979	200,338,444

(1) Includes accrued interest, fees and commissions, and other fair-value adjustments.

At the acquisition date, the business combination with BPI entailed the incorporation of EUR 19,858 million under "Loans and advances to customers" (see Note 6).

Credit quality of loans and receivables

Details of loans and receivables in terms of their creditworthiness at 30 June 2017 and 31 December 2016:

30.06.2017

(Thousands of euros)

	Gross amount	Allowances for impairment losses	Carrying amount
Performing	214,899,358	(1,747,002)	213,152,356
Non-performing	14,888,271	(5,713,487)	9,174,784
Total	229,787,629	(7,460,489)	222,327,140

31.12.2016

(Thousands of euros)

	Gross amount	Allowances for impairment losses	Carrying amount
Performing	199,979,244	(1,471,859)	198,507,385
Non-performing	14,351,398	(5,217,846)	9,133,552
Total	214,330,642	(6,689,705)	207,640,937



Guarantees received

The detail of guarantees received in the approval of lending transactions at the CaixaBank Group at 30 June 2017 and 31 December 2016 is as follows:

Guarantees received (*)

(Thousands of euros)

	30.06.2017	31.12.2016
Value of collateral	365,048,449	343,466,181
Of which: Guarantees non-performing risks	22,428,697	22,671,881
Value of other guarantees	5,505,384	3,276,490
Of which: Guarantees non-performing risks	214,150	229,645
Total	370,553,833	346,742,671

(*) The value of the guarantee is the lower amount of the collateral and the loan value, except for non-performing loans, in which it is fair value.

The detail of non-performing assets under “Loans and advances to customers” by counterparty and collateral is as follows:

Detail of non-performing assets

(Thousands of euros)

	30.06.2017	31.12.2016
Public sector	213,926	190,263
Private sector	14,674,345	14,161,135
Secured loans	11,097,058	10,545,367
Unsecured loans	3,577,287	3,615,768
Total	14,888,271	14,351,398

The following table shows the changes in non-performing loans and advances to customers in the first half of 2017:

Changes in non-performing assets

(Thousands of euros)

	30.06.2017	30.06.2016
Opening balance	14,351,398	16,606,667
Plus:		
Additions for business combination with Banco BPI	1,394,137	
Increase due to refinancings	658,533	44,804
Additions	2,176,502	3,213,892
Less:		
Assets foreclosed and acquired from developers and individuals	(522,103)	(739,857)
Standardised and other assets	(2,307,523)	(2,448,593)
Assets derecognised due to disposal	(457,323)	(84,165)
Other assets written-off	(405,350)	(920,100)
Closing balance	14,888,271	15,672,648



In the first half of 2017, the Group sold portfolio assets (both non-performing assets and assets written off the balance sheet because recovery was deemed to be remote) for the gross sum of EUR 791 million.

The changes in the balance of the allowances for impairment losses on assets comprising “Loans and receivables” in the first half of 2017 and 2016 are as follows:

Changes in allowances for impairment of assets

(Thousands of euros)

	Balance at 31.12.2016	Additions for business combination with Banco BPI (Note 6)	Net allowances	Amounts used	Transfers and other	Balance at 30.06.2017
Credit risk allowance of the borrower	6,679,873	1,105,321	310,902	(456,766)	(188,680)	7,450,650
Debt securities	1,198	17,122	29,785	0	1,989	50,094
Loans and advances	6,678,675	1,088,199	281,117	(456,766)	(190,669)	7,400,556
<i>Credit institutions</i>	0		2,548	0	82	2,630
<i>Public sector</i>	3,753		9,388	0	19,451	32,592
<i>Other sectors (*)</i>	6,674,922	1,088,199	269,181	(456,766)	(210,202)	7,365,334
Country risk allowance	9,832	0	7	0	0	9,839
Loans and advances	9,832		7	0	0	9,839
Total	6,689,705	1,105,321	310,909	(456,766)	(188,680)	7,460,489

(*) At 30 June 2017 and 31 December 2016, includes allowances for other financial assets, amounting to EUR 6,902 thousand and EUR 4,675 thousand, respectively.

Changes in allowances for impairment of assets

(Thousands of euros)

	Balance at 31.12.2015	Net allowances	Amounts used	Transfers and other	Balance at 30.06.2016
Credit risk allowance	9,062,748	455,763	(914,077)	(528,559)	8,075,875
Loans and advances to credit institutions	5	0		(5)	0
Loans and advances to customers	9,062,743	455,763	(914,077)	(528,554)	8,075,875
<i>Public sector</i>	10,535	(8,295)		147	2,387
<i>Other sectors (*)</i>	9,052,208	464,058	(914,077)	(528,701)	8,073,488
General allowance	105,638	18,400	(915)	0	123,123
Loans and advances to customers	105,638	18,400	(915)		123,123
Country risk allowance	3,150	2,555	0	0	5,705
Loans and advances to customers	3,150	2,555			5,705
Total	9,171,536	476,718	(914,992)	(528,559)	8,204,703

(*) At 30 June 2016 and 31 December 2015, includes allowances for other financial assets, amounting to EUR 5,093 thousand and EUR 8,545 thousand, respectively.

“Transfers and others” relates mainly to the transfer of provisions recognised to hedge against the risk of insolvency in connection with loan transactions by CaixaBank cancelled through the acquisition of real estate assets by BuildingCenter, SAU to funds to hedge these assets.



The breakdown of the provisions according to how they are identified is as shown:

Provision by identification method

(Thousands of euros)

	30.06.2017	31.12.2016
Allowance identified individually	2,860,594	2,336,687
Allowance identified collectively	2,852,893	2,881,159
Collective allowance for losses incurred but not reported (IBNR)	1,747,002	1,471,859
Total	7,460,489	6,689,705

The changes in the first half of 2017 to items derecognised from the balance sheet because recovery was deemed to be remote are summarised below. These financial assets are recognised under “Suspended assets” in the memorandum accounts supplementing the consolidated balance sheet.

Changes in written-off assets (*)

(Thousands of euros)

	30.06.2017	30.06.2016
Opening balance	15,457,081	14,603,686
Additions:	2,160,263	1,729,226
Additions for business combination with Banco BPI	1,284,459	
With a charge to allowances for impairment of assets	456,766	914,992
With a direct charge to the statement of profit or loss	311,140	285,376
Other causes	107,898	528,858
Disposals:	(1,350,337)	(617,203)
Cash recovery of principal	(153,568)	(224,385)
Cash recovery of past-due receivables	(32,881)	(25,660)
Disposal of written-off assets (capital and interest)	(563,678)	(51,218)
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	(600,210)	(315,940)
Closing balance	16,267,007	15,715,709

(*) Includes EUR 4,454 million and EUR 4,622 million of accrued interest at 30 June 2017 and 31 December 2016, respectively.

Held-to-maturity investments

The breakdown of held-to-maturity investments by nature of the transaction is as follows:

Debt securities

(Thousands of euros)

	30.06.2017	31.12.2016
Spanish government debt securities	6,325,647	6,857,001
<i>Government bonds and debentures</i>	<i>6,325,647</i>	<i>6,857,001</i>
Other Spanish issuers	1,463,563	1,448,901
Total	7,789,210	8,305,902

During the first half of 2017, following the impairment analyses performed, the recoverable amounts of debt instruments were reviewed. As a result of this review, the Group concluded that no allowances were required in addition to those made for financial investments in debt instruments reported under this heading.



Fair value of financial assets and liabilities

Note 2.2 to the Group's consolidated financial statements for 2016 provides the criteria for classification into levels using the hierarchy for determining fair value by valuation technique and the methods used to determine fair value of the instruments in accordance with level. During the first half of 2017, there were no significant changes in the valuation techniques, inputs, sensitivity analysis results from those described in the notes to the prior year's consolidated financial statements.

Financial instruments held by the Group at 30 June 2017 and 31 December 2016 by measurement method were as follows:

Fair value of assets

(Thousands of euros)

	30.06.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading	3,187,040	8,775,633	13,200	2,104,647	9,563,040	0
Derivatives	14,487	8,772,567		14,693	9,561,139	
Equity instruments	427,429	0	66	294,923		
Debt securities	2,745,124	3,066	13,134	1,795,031	1,901	
Financial assets designated at fair value through profit or loss	5,757,585			3,139,646		
Available-for-sale financial assets	68,640,125	131,096	436,985	60,662,436	3,838,759	575,778
Equity instruments	2,667,090	6,753	400,800	2,374,973	605	570,452
Debt securities	65,973,035	124,343	36,185	58,287,463	3,838,154	5,326
Loans and receivables	0	331,460	249,312,868	0	332,324	226,033,845
Debt securities		331,460	2,609,017		332,324	234,205
Loans and advances	0	0	246,703,851	0	0	225,799,640
Central banks			4,500			
Credit institutions			7,167,549			7,463,042
Customers			239,531,802			218,336,598
Held-to-maturity investments	6,162,310	1,749,849		6,138,097	2,271,757	
Derivatives – Hedge accounting		2,799,707			3,090,475	
Total	83,747,060	13,787,745	249,763,053	72,044,826	19,096,355	226,609,623

Fair value of liabilities

(Thousands of euros)

	30.06.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities held for trading	936,777	8,567,747	0	944,174	9,348,124	0
Derivatives	25,397	8,567,747		46,435	9,348,124	
Short positions	911,380			897,739		
Financial liabilities designated at fair value through profit or loss	7,208,229			3,763,976		
Financial liabilities at amortised cost	0	0	276,937,562	0	0	255,408,777
Deposits			243,777,775			224,685,124
Central banks			32,734,816			30,182,316
Credit institutions			7,490,185			6,345,127
Customers			203,552,774			188,157,681
Debt securities issued			28,379,952			27,836,299
Other financial liabilities			4,779,835			2,887,354
Derivatives - Hedge accounting		891,863			625,544	
Total	8,145,006	9,459,610	276,937,562	4,708,150	9,973,668	255,408,777

There were no significant transfers or reclassifications among levels in the first half of 2017.



Movement in the balance of Level 3 financial instruments designated at fair value is as follows:

Level 3 movements - 2017

(Thousands of euros)

	Available-for-sale financial assets	
	Debt securities	Equity instruments
Balance at 31.12.2016	5,326	570,452
Additions for business combination with Banco BPI	85,944	24,945
Total gains/(losses)	2,503	(146,622)
To profit or loss	557	(133,297)
To equity valuation adjustments	1,946	(13,325)
Acquisitions		4,939
Reclassification to/from Level 3		
Settlements and others		
Net variation in financial instruments at amortised cost	(57,588)	(52,914)
Balance at 30.06.2017	36,185	400,800
Total gains/(losses) in the period for instruments held at the end of the period	2,503	(146,622)



9. Derivatives – Hedge accounting (assets and liabilities)

The detail, by type of hedge, of the fair value of derivatives designated as hedging derivatives at 30 June 2017 and 31 December 2016, is as follows:

Fair value by type of hedge

(Thousands of euros)

	30.06.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges	2,574,050	527,737	2,897,579	420,278
<i>Micro-hedges</i>	222,772	93,068	18,983	2,782
<i>Macro-hedges</i>	2,351,278	434,669	2,878,596	417,496
Cash flow hedges	225,657	364,126	192,896	205,266
<i>Micro-hedges</i>	191,996	364,126	148,207	205,266
<i>Macro-hedges</i>	33,661	0	44,689	0
Total	2,799,707	891,863	3,090,475	625,544



10. Investments in joint ventures and associates

The changes in investments in joint ventures and associates in the first half of 2017 are as follows:

Movement in investments in joint ventures and associates

(Thousands of euros)

	Underlying carrying amount	Goodwill	Impairment allowances	Total
Balance at 31.12.2016	6,303,941	667,781	(551,012)	6,420,710
Acquisitions and capital increases/decreases	3,927	0	0	3,927
Additions for business combination with Banco BPI	637,561	37,194	0	674,755
Sales	(3,228)	0	0	(3,228)
Profit/(loss) for the period	267,723	0	0	267,723
Dividends declared	(195,720)	0	0	(195,720)
Translation differences	2,962	(165)	0	2,797
Changes in consolidation method (*)	(1,103,357)	(350,198)	532,965	(920,590)
Valuation adjustments - investees	(38,872)	0	0	(38,872)
Reclassifications and others	(470)	0	(10)	(480)
Balance at 30.06.2017	5,874,467	354,612	(18,057)	6,211,022

(*) See Note 1 Acquisition of control of Banco BPI.

The main changes occurring in the first half of 2017 were as follows:

Banco BPI

On 5 January 2017, Banco BPI sold 2% of Banco de Fomento Angola (BFA) to Unitel, reducing its stake in BFA and ceasing to exercise control over that company. This transaction gave rise to a net loss of EUR 212 million for Banco BPI, of which EUR 97 million are attributable to CaixaBank due to its stake of 45.5%, and which was recognised under "Share of profit/(loss) of entities accounted for using the equity method" in the accompanying condensed interim consolidated statement of profit or loss. This loss primarily arose from valuation adjustments due to translation differences in Banco BPI's statement of profit or loss, previously recognised in equity.

As indicated in Note 1, on 7 February 2017 CaixaBank assumed control of Banco BPI, upon which it reclassified this investment from "Associates" to "Group companies". As from that date, the interest in Banco BPI is fully consolidated in the CaixaBank Group (see Note 1 - Acquisition of control of Banco BPI).

This entailed the integration of Banco BPI's portfolio of investments in non-listed associates and joint ventures, of which the most significant investments are Banco de Fomento Angola, SA, Companhia de Seguros Allianz Portugal, SA and Banco Comercial e de Investimentos, SARL.

Allowances for impairment of associates and joint ventures

The Group has a methodology in place (described in Note 17 of the CaixaBank Group 2016 consolidated annual financial statements) for assessing the recoverable amounts and potential impairment of its investments in associates and joint ventures.



The Group updated the impairment tests performed at 31 December 2016 at 30 June 2017. To do so, it updated the model's balance sheet and statement of profit or loss projections for investees and the assumptions used, based on new information as of that date on the circumstances and performance of the investees. Sensitivity analyses for key variables were also updated. The main assumptions, with a five-year time horizon, were as follows:

- The individualised discount rates for each business ranged between 7.4% and 10.1%, in line with December 2016. The rates used for emerging countries ranged between 21.2% and 22.1%.
- The growth rates used to calculate residual value beyond the projected period were between 0.5% and 2.5% for significant holdings, unchanged from December 2016. The rate used for emerging countries was 5%.

Sensitivity analyses were performed using reasonable changes in key assumptions to ensure that the recoverable amount of the investments continues to exceed the amount to be recovered in more adverse scenarios.

Based on the analyses carried out at 30 June 2017, it is not necessary to recognise additional impairment losses for the first half of the year.

Market value of listed investees

The table below shows the main listed companies classified as associates at 30 June 2017 and 31 December 2016, detailing the percentage of ownership and their market value.

Main listed companies

(Thousands of euros)

Company	30.06.2017		31.12.2016	
	% interest	Market value	% interest	Market value
Repsol, SA (*)	9.84%	1,973,102	10.05%	1,976,047
Erste Group Bank AG	9.92%	1,429,313	9.92%	1,186,298
Banco BPI, SA (*)			45.50%	749,727
Market value		3,402,415		3,912,072

(*) Since July 17, the participation is 9.64%, after the last payment of scrip dividend in cash.

(**) See Note 1 - Acquisition of control of Banco BPI.



11. Tangible assets

This heading in the accompanying condensed interim consolidated balance sheet includes the acquired properties held to earn rentals or for own use.

In the first six months of 2017, there were no significant gains or losses on any individual sale.

The CaixaBank Group had no significant commitments to acquire items of tangible assets at 30 June 2017.

At the acquisition date, the business combination with BPI entailed the incorporation of EUR 47 million under "Tangible assets" (see Note 6).

In addition, property and equipment for own use are allocated to the banking business cash-generating unit (CGU). At 30 June 2017, the impairment test performed on the net amount of the assets associated with the banking business CGU was updated. Both the assumptions issued and the earnings projections were updated to reflect circumstances at 30 June 2017. The results of the tests carried did not uncover any need to make allowances for the assets included under this heading in the first half of 2017.



12. Intangible assets

Goodwill

At 30 June 2017, the balance of this heading in the accompanying condensed interim consolidated balance sheet was not different from the balance at 31 December 2016. The most significant existing goodwill arose on the acquisitions in previous years of the businesses of Banca Cívica, Morgan Stanley in Spain, VidaCaixa, SA de Seguros y Reaseguros, and Bankprime, SA.

Impairment tests on the CGUs to which this goodwill is associated and the updates of the impairment tests carried out at 31 December 2016 did not uncover the need to recognise any impairment of the goodwill existing at 30 June 2017.

As explained in Note 20 of the 2016 consolidated financial statements, every six months the Group retests the banking business CGU for impairment by updating projected cash flows to factor in potential deviations from the recoverable amount estimation model. Additionally, assumptions are reviewed and changed accordingly to reflect any developments in a six-month period if necessary and a new sensitivity analysis for key variables is performed.

The recoverable amount of the insurance business CGU is also updated in the same way.

Other intangible assets

The most significant change in the first half of 2017 related to the incorporation of intangible assets totalling EUR 165 million, due to the business combination with Banco BPI (see Note 6).



13. Other assets and liabilities

The detail of the balance of these headings in the accompanying condensed interim consolidated balance sheet at 30 June 2017 and 31 December 2016 is as follows:

Breakdown of other assets and other liabilities

(Thousands of euros)

	30.06.2017	31.12.2016
Inventories	1,010,316	1,012,896
Other assets	1,678,747	782,827
Prepayments and accrued income	810,193	575,799
Ongoing transactions	580,737	42,006
Dividends on equity securities accrued and receivable	71,172	51,682
Other	216,645	113,340
Total other assets	2,689,063	1,795,723
Prepayments and accrued income	1,068,559	976,384
Ongoing transactions	956,475	657,611
Other	303,178	171,640
Total other liabilities	2,328,212	1,805,635

At the acquisition date, the business combination with Banco BPI entailed the incorporation of EUR 208 million under "Other assets" and EUR 323 million under "Other liabilities" (see Note 6).

"Inventories," which consists mainly of land and property under construction, are measured at the lower of cost, including financial charges, and realisable value, understood to be the estimated net selling price less the estimated production and marketing costs. The breakdown and movement of "Inventories" is as follows:

Changes in inventories

(Thousands of euros)

	30.06.2017		
	Foreclosed assets	Other Assets	Total
Gross cost, inventories			
Opening balance	2,621,960	62,187	2,684,147
Plus:			
Acquisitions	49,980	105,905	155,885
Less:			
Sales	(69,261)	(80,643)	(149,904)
Transfers and other	(30,520)	(9,612)	(40,132)
Subtotal	2,572,159	77,837	2,649,996
Impairment allowances, inventories			
Opening balance	(1,653,757)	(17,494)	(1,671,251)
Plus:			
Allowances	(9,143)	12	(9,131)
Transfers and other	(1,892)	345	(1,547)
Less:			
Amounts used	42,249	0	42,249
Closing balance	(1,622,543)	(17,137)	(1,639,680)
Total	949,616	60,700	1,010,316



Note 3, “Risk management”, provides details on foreclosed assets, classified into “Non-current assets and disposal groups classified as held for sale” (see Note 14) and “Other assets – Inventories” by source and type of property.



14. Non-current assets and disposal groups classified as held for sale

This item in the condensed interim consolidated balance sheet includes assets from purchases and foreclosures in payment of loans which are not included as assets for own use, investment property or inventories, and assets initially classified as investment property or for own use, once the decision to sell them has been made.

The detail of and changes in this condensed interim consolidated balance sheet heading in the first six months of 2017 are as follows:

30.06.2017

(Thousands of euros)

	Foreclosed assets		Other Assets (2)	Total
	Foreclosure rights (1)	Other foreclosed assets		
Cost				
Opening balance	680,941	9,929,270	778,618	11,388,829
Plus:				
Additions in the period	307,508	233,143	13,812	554,463
Additions for business combination with Banco BPI		126,783		126,783
Transfers (3)	(373,428)	379,679	(51,440)	(45,189)
Less:				
Disposals	0	(801,609)	(50,988)	(852,597)
Balance at 30.06.2017	615,021	9,867,266	690,002	11,172,289
Impairment allowances				
Opening balance	(124,737)	(4,641,322)	(217,910)	(4,983,969)
Net allowances	0	(27,144)	(15,266)	(42,410)
Additions for business combination with Banco BPI		(33,557)		(33,557)
Transfers	23,225	(116,483)	24,346	(68,912)
Amounts used	0	330,293	12,533	342,826
Balance at 30.06.2017	(101,512)	(4,488,213)	(196,297)	(4,786,022)
Total	513,509	5,379,053	493,705	6,386,267

(1) Foreclosure rights are measured initially at the net value at which the asset will be recognised when the definitive foreclosure occurs.

(2) Mainly includes investments reclassified as non-current assets held for sale, assets deriving from the termination of operating lease agreements and closed branches.

(3) The change in transfers of other assets includes the elimination of advances for transfers with BuildingCenter.

“Other assets” includes prepayments related to bonds placed with courts to participate in auctions, provisions of funds and payments to notaries and administrative agencies for a variety of procedures related to properties, as well as prepayments on unallocated foreclosure rights on properties expected to be allocated in the short term. Also included are the assets from investee Aris Rosen, SAU.

Foreclosed assets are measured using internal models for calculating recoverable amounts, which are used as inputs for revised appraisals in accordance with Ministerial Order ECO/805/2003. The valuation method for these assets is described in Note 2.19 to the consolidated financial statements for 2016.



15. Financial liabilities

The detail of the balance of "Financial liabilities" in the accompanying condensed interim consolidated balance sheet, except for the balances corresponding to "Derivatives – Hedge accounting", by nature and category and for measurement purposes at 30 June 2017 and 31 December 2016, is as follows:

30.06.2017

(Thousands of euros)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost	TOTAL
Derivatives	8,593,144			8,593,144
Short positions	911,380			911,380
Deposits		7,206,433	243,711,078	250,917,511
Central banks			32,725,832	32,725,832
Credit institutions			7,488,616	7,488,616
Customers		7,206,433	203,496,630	210,703,063
Debt securities issued			28,372,496	28,372,496
Other financial liabilities		1,796	4,778,654	4,780,450
Total	9,504,524	7,208,229	276,862,228	293,574,981

31.12.2016

(Thousands of euros)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost	TOTAL
Derivatives	9,394,559			9,394,559
Short positions	897,739			897,739
Deposits		3,763,976	223,511,848	227,275,824
Central banks			30,029,382	30,029,382
Credit institutions			6,315,758	6,315,758
Customers		3,763,976	187,166,708	190,930,684
Debt securities issued			27,708,015	27,708,015
Other financial liabilities			2,873,432	2,873,432
Total	10,292,298	3,763,976	254,093,295	268,149,569

At the acquisition date, the business combination with BPI entailed the incorporation of EUR 196 million under "Financial liabilities held for trading", EUR 2,213 million under "Financial liabilities designated at fair value through profit or loss" and EUR 24,819 million under "Financial liabilities at amortised cost" (see Note 6).

In addition, during the first half of 2017, sales of unit-linked life insurance products rose significantly, with the associated mathematical provisions being recognised under "Financial liabilities designated at fair value through profit or loss".



Issuances, buy-backs and redemptions of debt securities

Maturities during the first six months of 2017 amounted to EUR 4,530 million. In addition, the following transactions were carried out in the first half of 2017:

- Issuance of ten-year mortgage-covered bonds, under the Base Prospectus of Non-Participating Securities of CaixaBank registered in CNMV, for EUR 1,500 million, with a coupon of 1.25% and an issuance cost of 60 basis points over the midswap rate.
- Issuance of ten-year subordinated bonds (Tier 2), under the debt program "EURO 10,000,000,000 Euro Medium Term Note Program" registered on the Irish Stock Exchange, for EUR 1,000 million, paying an annual interest rate of 3.5%. From the fifth year, the bonds will pay fixed annual interest at the 5 year swap rate plus 3.35%
- Issuance of seven-year senior debt, under the debt program "EURO 10,000,000,000 Euro Medium Term Note Program" registered on the Irish Stock Exchange, for EUR 1,000 million, with a coupon of 1.15%.
- Issuance of preference shares convertible perpetual, with possibility of early redemption at the option of the issuer from the seventh year, into newly-issued CaixaBank shares ("*Additional Tier 1*") for EUR 1,000 million.

The issuance was made at par and remuneration for the preference shares, where payment is subject to conditions and is also discretionary, was set at 6.75% per year for the first seven years. From then on, it will be revised according to the applicable five year mid swap rate (*5-year EUR Mid Swap Rate*) plus 649.8 basis points. Under the current accounting framework and considering that payment of this remuneration is discretionary for CaixaBank, and would in any case be payable quarterly in arrears, it would be charged against the Group's available reserves.

The preference shares are perpetual, although they may be redeemed under specific circumstances at the option of CaixaBank and, in all cases, are convertible into ordinary newly-issued shares of the entity if CaixaBank or the CaixaBank Group has a *Common Equity Tier 1 ratio* (CET1) of less than 5.125%, calculated in accordance with European Regulation 575/2013, of 26 June, of the European Parliament and Council, on prudential requirements of credit institutions and investment firms. The conversion price of the preference shares shall be the highest of (i) the volume-weighted daily average price of CaixaBank's shares in the five trading days prior to the day the corresponding conversion is announced, (ii) EUR 2.803 (*Floor Price*) and (iii) the par value of CaixaBank's shares at the time of conversion (on the issue date, the par value of the shares is one euro (EUR 1)).

The issuance was placed exclusively among professional investors.

The preference shares were listed for trading on the Spanish Fixed Income Market (AIAF).

The European Central Bank has approved these preference shares as eligible Additional Tier 1 capital for CaixaBank and the CaixaBank Group, in accordance with Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, and with the criteria of the aforementioned Regulation 575/2013.

During the first six months of the year, Banco BPI launched a EUR 300 million subordinated debt issue, which was fully subscribed by CaixaBank (see Note 20).

Other issuances guaranteed by the Group

At 30 June 2017 and 31 December 2016, there were no debt securities issued by associates or third parties (outside the Group) guaranteed by CaixaBank or any Group company.



16. Liabilities under insurance contracts

The breakdown of these balances in the consolidated balance sheet at 30 June 2017 and 31 December 2016 is as follows:

Breakdown of liabilities under insurance contracts

(Thousands of euros)

	30.06.2017	31.12.2016
Unearned premiums	8,041	4,412
Mathematical provisions	48,643,080	45,223,258
Claims	593,167	526,592
Bonuses and rebates	41,746	49,317
Total	49,286,034	45,803,579

At the acquisition date, the business combination with BPI entailed the incorporation of liabilities under insurance contracts totalling EUR 2,058 million (see Note 6). The growth in the savings insurance business, particularly life annuities and individual savings stands out in the first half of 2017.



17. Provisions

The table below presents the balances at 30 June 2017 and 31 December 2016 and the nature of provisions recognised in the accompanying condensed interim consolidated balance sheet:

Changes in provisions

(Thousands of euros)

	Balance at 31.12.2016	Additions for business combination with Banco BPI (Note 6)	Provisions net of releases charged to income	Other charges (*)	Actuarial (gains)/ losses	Amounts used	Transfers and other	Balance at 30.06.2017
Provisions for pensions and other post-employment defined benefit obligations	2,028,612	33,548	0	13,929	59,482	(50,581)	69,142	2,154,132
Provisions for other long-term employee benefits	972,767	3,000	457,166	1,305	0	(110,284)	(3,808)	1,320,146
Provisions for pending legal issues and tax litigation	633,224	72,758	117,619	0	0	(61,913)	6,758	768,446
Legal contingencies	343,533	9,782	109,529	0	0	(52,693)	6,633	416,784
Provisions for taxes	289,691	62,976	8,090	0	0	(9,220)	125	351,662
Provisions for commitments and guarantees given	228,553	83,394	39,676	0	0	(6,198)	3,494	348,919
Country risk allowance	8,703	0	0	0	0	0	0	8,703
Allowance for identified losses	219,850	83,394	39,676	0	0	(6,198)	3,494	340,216
Contingent liabilities	35,385	83,394	35,385	0	0	0	(2,743)	303,589
Contingent commitments	4,291	0	4,291	0	0	(6,198)	6,237	36,627
Other provisions	867,115	4,736	13,742	106,400	0	(165,846)	(71,491)	754,656
Losses from agreements not formalised and other risks	807,475	4,736	10,979	0	0	(152,957)	30,132	700,365
Ongoing legal proceedings	17,763	0	2,763	0	0	(337)	15	20,204
Other	41,877	0	0	106,400	0	(12,552)	(101,638)	34,087
Total provisions	4,730,271	197,436	628,203	121,634	59,482	(394,822)	4,095	5,346,299
(*) Interest cost of pension funds				17,956				
Staff expenses				103,678				
Total other provisions				121,634				

Provisions for pensions and other post-employment defined benefit obligations

The Group has undertakings with certain employees or their right holders to supplement public social security benefits for retirement, permanent disability, death of spouse or death of parents. These obligations were basically assumed by CaixaBank.

Most of the obligations arise from the “Pensions Caixa 30” Pension Fund, the CaixaBank employee pension plan, which mostly covers its risks in Group entities. The Bank has a duty to oversee the plan, which it exercises through its membership of the plan’s Control Committee. For insurance contracts not taken out by the pension plan, but with third parties outside the Group, CaixaBank is the policyholder, and the contracts are managed by each insurance company, which also assumes the risks.



The value of the obligations at 30 June 2017 was recalculated using the following criteria:

- a) The “projected unit credit” method has been used, which considers each year of service as giving rise to one additional unit of benefit entitlement and measures each unit separately.
- b) The actuarial assumptions used are unbiased and mutually compatible. The main assumptions used in the calculations were as follows:

Actuarial assumptions

	30.06.2017	31.12.2016
Long-term discount rate (1)	1.73%	1.68%
Short-term discount rate (1)	0.11%	0.14%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
Annual cumulative CPI	1.5% 2017; 1.6% 2018; 1.9% 2019 and onwards	1.5% 2017 and onwards
Annual salary increase rate	1.75% 2017; 2% 2018; CPI+0.5% 2019 and onwards	1.75% 2017; 2% 2018; CPI+0.5% 2019 and onwards

(1) Rate obtained by using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed.

(2) Depending on each obligation.

CaixaBank uses a curve developed in house that is more representative of the reality of the Group’s pension obligations.

- c) The estimated retirement age of each employee is the first at which the employee has the right to retire or the agreed age, as applicable.

At 30 June 2017, BPI had a net defined-benefit obligation amounting to EUR 42 million. The actuarial assumption used to calculate this net obligation are as follows:

- Discount rate: 2.08%.
- Pension review rate: 0.5%
- Salary increase rate: [1-2]%
- Mortality tables (men): TV 88/90
- Mortality tables (women): TV 88/90 – 3 years

Accordingly, actuarial gains/loss were recognised under “Items that will not be reclassified to profit or loss – Actuarial gains or losses on defined benefit pension plans” in equity and immediately reclassified to reserves in application of the amendment to IAS 19 explained in Note 2 to the Group’s 2016 consolidated financial statements.

Provisions for other long-term employee benefits

The CaixaBank Group has pension funds covering the obligations assumed under its early retirement schemes. The funds cover the obligations with personnel who retire early – with regard to salaries and other welfare charges – from the date of early retirement to their actual retirement date. Funds are also in place covering obligations with personnel who are partially retired, and obligations assumed in relation to length of service bonuses and other obligations with existing personnel.



On 17 July 2014, a labour agreement was signed under which CaixaBank could allocate specific amounts in 2014 to the employee restructuring plan. The associated cost of this labour agreement amounted to EUR 182 million, all intended for employees born before 1 January 1958. The retirement programmes got underway in March 2015.

A labour restructuring agreement was reached in the first half of 2015 with trade union representatives. The deal envisages an adjustment in the workforce coming from Barclays Bank, SAU, affecting a total of 968 individuals of the 975 initially covered by the agreement, through voluntary redundancies, repostings and compulsory redundancies. The associated extraordinary restructuring cost was recognised under this item in the first half of 2015 and amounted to EUR 187 million.

On 29 June 2015, CaixaBank and trade union representatives signed a new labour agreement to set out a raft of measures aimed at restructuring and rebalancing the existing geographical distribution of the workforce and the associated costs. The plan affected 700 people (voluntary redundancies). The restructuring cost was EUR 284 million, which was recognised under this Fund at 30 June 2015.

CaixaBank approved a paid early retirement scheme on 16 April 2016. The scheme targeted individuals born before 1 January 1959 and affected 371 people at a cost of EUR 160 million. Practically all these retirements took place on 1 June 2016.

On 29 July 2016, CaixaBank and trade union representatives signed a labour agreement designed to optimise the geographical distribution of the workforce. The agreement affected 386 employees, for a cost of EUR 121 million.

On 10 January 2017, a paid early retirement scheme was launched for employees born between 1 March 1953 and 31 December 1959. A total of 350 people accepted the plan, with a cost of EUR 152 million.

On 19 May 2017, a paid early retirement scheme was closed for employees born before 1 January 1962. 610 people have accepted the plan, which will cost approximately EUR 303 million. Retirements will take place in June and October 2017.

Provisions for pending legal issues and tax litigation

Provisions for pending legal issues and tax litigation at 30 June 2017 and 31 December 2016 are as follows:

Provisions for pending tax litigation

(Thousands of euros)	30.06.2017	31.12.2016
Income tax assessments for years 2004 to 2006	33,171	33,171
Income tax assessments for years 2007 to 2009	11,443	11,354
Tax on deposits	113,254	116,131
Other	193,794	129,035
Total	351,662	289,691



Provisions – Other provisions

Losses from agreements not formalised and other risks

This item also comprises provisions made upon elimination of the floor clauses existing in certain mortgage contracts within the Group. In 2016 and 2015, the Group recognised total provisions of EUR 625 million (EUR 515 million and EUR 110 million respectively) to cover the reasonable estimate of the disbursements that could derive from this matter. That estimate took into account the status of the process and the uncertainty surrounding the matter, and was verified by an independent expert.

Furthermore, in accordance with the provisions of Royal Decree-Law 1/2017, of 20 January, on urgent consumer protection measures in connection with floor clauses, CaixaBank implemented a code of best practices, creating a specialised department or service to swiftly handle claims filed in relation to this Royal Decree-Law, and thereby attend and provide responses to its customers within three months. The procedure established is operating and disbursements have begun, claims are still being reviewed and customers are being informed of the decisions made.

Other

During the first half of 2017, redundancy agreements were signed with Banco BPI, with a total of 617 employees and a cost of EUR 106 million.



18. Equity

Capital

At 30 June 2017, CaixaBank had 5,981,438,031 shares in issue, all fully subscribed and paid up. All the shares are in book-entry form, with a par value of EUR 1 each.

CaixaBank's shares are traded on the four official stock exchanges in Spain and on the continuous electronic trading system, forming part of the Ibex-35. The share price at 30 June 2017 was EUR 4.180 (EUR 3.140 at 31 December 2016).

Treasury shares

At the Annual General Meeting on 28 April 2016, the Board of Directors was granted, as provided for in Articles 146 and 509 of the Corporate Enterprises Act, power for the derivative acquisition of treasury shares, directly and indirectly, through subsidiaries, under the following terms:

- The acquisition may be in the form of a trade, swap, dation in payment or any other form allowed by law, in one or more instalments, provided that the nominal amount of the shares acquired does not amount to more than 10% of the subscribed share capital when added to those already owned by the Company.
- When the acquisition is for consideration, the price or equivalent value shall be the price of Company shares on the Continuous Market at the close of the day prior to the acquisition, +/-15%.

This authorisation is valid for five years from the date of approval at the Company's Annual General Meeting. In addition, shares acquired by virtue of this authorisation may be subsequently disposed of or redeemed, or else extended to employees and directors of the Company or its Group as part of the remuneration systems set out in Article 146, section a, paragraph 3 of the Corporate Enterprise Act.

Changes in treasury shares in the first half of 2017 were as follows:

Treasury shares

	31.12.2016	Acquisitions and other	Disposals and other (**)	30.06.2017
Number of treasury shares	4,335,865	343,724	(829,540)	3,850,049
% of share capital (*)	0.072%			0.064%
Cost/sale (thousands of euros)	14,339	1,405	(2,793)	12,951

(*) Percentage calculated on the basis of the total number of CaixaBank shares at the end of the period.

Accumulated other comprehensive income

This heading includes mainly the net amount of changes in the fair value of financial assets classified as available-for-sale, as well as the amounts of valuation adjustments recognised in the equity of associates.

The change in valuation adjustments attributable to the Group ("Items that may be reclassified to profit or loss") in the first half of 2017 amounted to EUR 27,896 thousand.

Minority interests

The variation in minority interests in the first half of 2017 is due to the Banco BPI business combination, which entailed, at the acquisition date, the incorporation of EUR 339 million (see Note 6).



19. Tax position

Tax consolidation

In accordance with prevailing tax legislation, the consolidated tax group includes CaixaBank, as the parent, and subsidiaries that comply with the requirements for inclusion under regulations. The remaining Group companies file taxes in accordance with applicable tax legislation.

Furthermore, CaixaBank and some its subsidiaries have belonged to a value added tax (VAT) group since 2008, whose parent company has been CaixaBank since 1 January 2016.

Deferred tax assets and liabilities

Pursuant to current tax legislation, certain temporary differences must be taken into account when quantifying the corresponding income tax expenditure. The deferred tax assets and liabilities recognised in the balance sheet at 30 June 2017 and 31 December 2016 arose from the following:

Deferred tax assets

(Thousands of euros)

	30.06.2017 (1)	31.12.2016
Pension plan contributions	567,316	470,808
Allowances for credit losses	4,224,436	4,103,383
Early retirement obligations	35,691	42,510
Provision for foreclosed property	1,185,578	1,185,578
Origination fees for loans and receivables	26,334	10,744
Unused tax credits	1,221,265	1,220,909
Tax loss carryforwards	1,018,836	1,178,959
Tax assets for adjustments to equity	46,508	32,755
Other deferred tax assets arising on business combinations (2)	202,731	50,090
Other (3)	1,491,505	1,346,927
Total	10,020,200	9,642,663

(1) Includes deferred tax assets from the Banco BPI Group, recognised at the tax rate applicable in each tax jurisdiction.

(2) Includes deferred tax assets from negative fair value adjustments to assets and liabilities of Banca Cívica, Banco de Valencia, Barclays and Banco BPI, except those from adjustments to loans and receivables.

(3) Includes, *inter alia*, deferred tax assets deriving from eliminations from intra-group operations and those corresponding to different provisions.

At the acquisition date, the business combination with BPI entailed the incorporation of tax assets totalling EUR 643 million (see Note 6).

Deferred tax assets guaranteed by the Spanish government amount to EUR 6,013 million.

The Group assesses the recoverable amount of its recognised deferred tax assets. To do so, it has developed a model based on the Group's projected results. At 31 December 2016, this model, which was created in collaboration with an independent expert, indicated that the tax assets should be recovered before the legal recovery period lapses.

The model is updated every six months so that the assumptions used are adjusted continually during the analysis to include any potential deviations. At 30 June 2017, the results of the model and the back testing exercises support the recoverability of the deferred tax assets within the legal recovery period.



In the current interest-rate environment, the nominal value of deferred tax assets does not differ significantly from present value.

Deferred tax liabilities

(Thousands of euros)

	30.06.2017 (1)	31.12.2016
Revaluation of property on first time application of IFRS	241,484	242,038
Tax liabilities on measurement of available-for-sale financial assets	193,303	223,172
Tax liabilities relating to intangible assets generated in business combinations	50,921	57,464
Tax liabilities relating to an extraordinary allowance to the mathematical provision	271,329	271,329
Other deferred tax liabilities arising on business combinations (2)	289,925	250,791
Other	160,525	141,197
Total	1,207,487	1,185,991

(1) Includes deferred tax liabilities from the Banco BPI Group, recognised at the tax rate applicable in each tax jurisdiction.

(2) Includes mainly deferred tax liabilities from positive fair value adjustments to assets and liabilities acquired in business combinations.

At the acquisition date, the business combination with BPI entailed the incorporation of tax liabilities totalling EUR 120 million (see Note 6).



20. Related party transactions

Under the provisions of Bank of Spain Circular 4/2004, key management personnel at CaixaBank are those persons having authority and responsibility for planning, directing and controlling the activities of the Entity, directly or indirectly, including all members of the Board of Directors (executive or other) and Senior Management. Given their posts, each member of key management personnel is a "related party" of CaixaBank. Therefore, CaixaBank must disclose, among other transactions, the information provided in this Note.

Also considered CaixaBank related parties are family members close to "key management personnel", understood as being those family members who may influence or be influenced by that person in their dealings with the Entity. These include: (i) that person's spouse or partner through an analogous relationship; (ii) that person's parents, children or siblings or the spouses or partners through an analogous relationship of these individuals; (iii) the parents, children or siblings of the person's spouse or partner through an analogous relationship; and (iv) any individuals under the person's care or that of the spouse or partner through an analogous relationship. They also include any companies over which key personnel or their close family members exercise control, joint control or significant influence, or have, directly or indirectly, significant voting power.

According to the Regulations of the Board of Directors, transactions between Directors and their related parties must be authorised by the Board of Directors, subject to a report by the Audit and Control Committee, except if they meet the following three conditions: (i) they are performed pursuant to contracts with standardised conditions and applied en masse to a large number of clients; (ii) they are performed at market prices or rates, generally established by the party acting as the provider of the relevant good or service; and (iii) their amount does not exceed one per cent (1%) of the annual revenue of the Company.

Notwithstanding the above, according to prevailing legislation, express authorisation by the Bank of Spain is required for the grant of loans, credits or guarantees to the Chairman, Deputy Chairman, and other Directors and General Managers and similar.

The approval policy for loans to Senior Management, who are employees of CaixaBank, is governed by the provisions of the collective bargaining agreement for savings bank and financial savings institutions, as well as the internal employment regulations that implement this agreement.

All other loan and deposit transactions or financial services arranged by CaixaBank with key management personnel (Board of Directors and Senior Management), which are not subject to employment regulations, were approved under normal market conditions. None of these transactions involves any material amounts affecting the correct interpretation of the annual financial statements.

CaixaBank also has service level agreements with related parties. These agreements form part of its ordinary course of business and are carried out under normal market conditions. None of them individually is for a significant amount.

The most significant balances at 30 June 2017 and 2016 between CaixaBank and associates and joint ventures, and with Directors, Senior Managers and other related parties (relatives and companies with links to members of the Board of Directors and Senior Management, to the best of the Bank's knowledge), of CaixaBank and "la Caixa" Banking Foundation and CriteriaCaixa, and those with other related parties such as the employee pension plan, etc., are shown in the table below. Details are also provided of the amounts recognised in the statement of profit and loss from transactions carried out. All transactions between related parties form part of the ordinary course of business and are carried out under normal market conditions.



30.06.2017

(Thousands of euros)

	With CriteriaCaixa, "la Caixa" Banking Foundation and its Group (1)	Associates and joint ventures	Directors and Senior Management (2)	Other related parties (3)	Employment pension plan
ASSETS					
Loans and advances to credit institutions					
Loans and advances	964,852	203,323	10,778	60,293	0
<i>Reverse repurchase agreement</i>					
<i>Mortgage loans</i>	188,150	3,590	9,821	22,609	
<i>Other (4)</i>	776,702	199,733	957	37,684	
Of which: Credit loss provisions	(122)	(5,046)	(7)	(4,611)	
Equity instruments					4,316
Debt securities	1,263,526	28,408			
Total	2,228,378	231,731	10,778	60,293	4,316
LIABILITIES					
Deposits from credit institutions	27,713	29			
Customer deposits	1,923,426	749,563	38,079	48,661	70,503
Derivatives				2	
Debt securities issued					2,700
Off balance sheet liabilities (5)			89,324	41,970	
Total	1,951,139	749,592	127,403	90,633	73,203
PROFIT OR LOSS					
Interest income	15,332	1,423	33	414	
Interest expenses (6)	(9,657)	(4)	(23)	(18)	(42)
Dividend income (7)					
Fee and commission income	1,556	98,788	6	25	
Fee and commission expenses					(366)
Total	7,231	100,207	16	421	(408)
OTHER					
Guarantees given – Guarantees and others	159,474	444,891	10	13,091	
Contingent commitments given – Drawable by third parties and others (8)	1,264,805	499,433	11,833	8,718	
Accrued post-employment obligations			52,099		
Total	1,424,279	944,324	63,942	21,809	0

(1) Includes transactions with "la Caixa" Banking Foundation and its Group companies, jointly controlled entities and associates.

(2) Directors and Senior Management of "la Caixa" Banking Foundation, CaixaBank and CriteriaCaixa.

(3) Family members and entities related to members of the Boards of Directors and Senior Management of "la Caixa", CaixaBank and CriteriaCaixa and other related parties.

(4) Includes other loans and receivables.

(5) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

(6) Does not include the finance cost relating to off-balance sheet liabilities.

(7) Set on an accrual basis.

(8) Includes amounts drawable against commercial risk lines.



30.06.2016

(Thousands of euros)

	With CriteriaCaixa, "la Caixa" Banking Foundation and its Group (1)	Associates and joint ventures	Directors and Senior Management (2)	Other related parties (3)	Employment pension plan
ASSETS					
Loans and advances to credit institutions		615			
Loans and advances	2,536,708	432,389	13,352	53,704	
<i>Reverse repurchase agreement</i>					
<i>Mortgage loans</i>	435,841	14,241	11,703	28,459	
<i>Other (4)</i>	2,100,867	418,148	1,649	25,245	
<i>Of which: Credit loss provisions</i>		(59,870)		(1,730)	
Debt securities	1,426,327	2,128			
Total	3,963,035	435,132	13,352	53,704	0
LIABILITIES					
Deposits from credit institutions	229	30,429	1,870		
Customer deposits	1,474,727	1,056,073	76,625	34,693	87,990
Debt securities issued					84,569
Off balance sheet liabilities (5)			31,443		
Total	1,474,956	1,086,502	109,938	34,693	172,559
PROFIT OR LOSS					
Interest income	19,628	3,858	44	356	
Interest expenses (6)	(548)	(738)	(125)	(43)	(230)
Dividend income (7)					
Fee and commission income	2,908	89,408	10	18	
Fee and commission expenses			(3)		
Total	21,988	92,528	(74)	331	(230)
OTHER					
Guarantees given – Guarantees and others	214,164	86,471	37	1,443	
Contingent commitments given – Drawable by third parties and others (8)	1,747,233	527,389	8,525	19,548	
Accrued post-employment obligations				47,669	
Total	1,961,397	613,860	8,562	68,660	0

(1) Includes transactions with "la Caixa" Banking Foundation and its Group companies, joint ventures and associates.

(2) Directors and Senior Management of "la Caixa" Banking Foundation, CaixaBank and Criteria.

(3) Family members and entities related to members of the Boards of Directors and Senior Management of "la Caixa", CaixaBank and Criteria and other related parties.

(4) Includes other loans and receivables.

(5) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

(6) Does not include the finance cost relating to off-balance sheet liabilities.

(7) Set on an accrual basis.

(8) Includes amounts drawable against commercial risk lines.

Transactions between Group companies form part of the ordinary course of business and are carried out under normal market conditions.

At 30 June 2017, there was no evidence of impairment to the value of the financial assets or the guarantees or contingent commitments held with key management personnel.



Description of the relationship between "la Caixa" Banking Foundation and CaixaBank

In order to strengthen the Group's transparency, autonomy and good governance, as well as to limit and regulate conflicts of interest, "la Caixa" and CaixaBank signed an internal relations protocol on 1 July 2011. According to the Protocol, any new intragroup service or transaction shall always be made in writing and shall be governed by the general principles contained therein.

As a result of its transformation into a banking foundation and the conclusion of the indirect exercise of banking activity through CaixaBank, and in accordance with the provisions of Law 26/2013, of 27 December, governing savings banks and banking foundations, on 24 July 2014, amended on 31 March 2016, the foundation's Board of Trustees approved a protocol for managing its ownership interest in the financial corporation which primarily regulates the following aspects:

- The basic strategic lines governing "la Caixa" Foundation's management of its stake in CaixaBank.
- Relations between the Board of Trustees and CaixaBank's governing bodies
- The general criteria governing transactions between "la Caixa" Banking Foundation and CaixaBank, and the mechanisms to be introduced to prevent potential conflicts of interest.
- The mechanisms to avoid the emergence of conflicts of interest
- The basic criteria relating to the assignment and use of distinctive signs and domain names owned by "la Caixa" Banking Foundation by CaixaBank and the companies in its Group
- The provision for "la Caixa" Banking Foundation to have a right of pre-emptive acquisition in the event of transfer by CaixaBank of Monte de Piedad, which it owns
- The basic principles for a possible collaboration so that (a) CaixaBank may implement corporate social responsibility policies through "la Caixa" Banking Foundation, and, at the same time (b) "la Caixa" Banking Foundation may disseminate its welfare projects through the CaixaBank branch network, and where appropriate, through other material means
- The flow of adequate information to allow "la Caixa" Banking Foundation and CaixaBank to prepare their financial statements and to comply with periodic reporting and supervisory duties with the Bank of Spain and other regulatory bodies

In the framework of the management protocol, "la Caixa" Banking Foundation, CriteriaCaixa and CaixaBank agreed to formalise a new internal relations protocol modifying the protocol of July 2011 in order to include management protocol aspects required by CaixaBank's role as a partner of "la Caixa" Banking Foundation and of CriteriaCaixa.

On 19 December 2016, the Internal Protocol Governing Relations between "la Caixa" Banking Foundation, CriteriaCaixa and CaixaBank was signed, following approval by the "la Caixa" Banking Foundation Board of Trustees and the Boards of Directors of the latter two entities,

On 18 May 2017, the Board of Trustees of "la Caixa" Banking Foundation agreed to modify the protocol governing the financial holding in CaixaBank, with Criteria adhering to this protocol on 25 May 2017.



21. Segment information

Segment reporting is carried out on the basis of internal control, monitoring and management of the CaixaBank Group's activity and results, and developed in accordance with the various areas of business established with regard to the Group's structure and organisation.

The business segments are defined bearing in mind the inherent risks and management characteristics of each. For the purposes of business segment reporting of activities and income, the core business units on which accounting and management figures are available are taken as a reference. The same general principles are applied as those used in Group management information, and the measurement, valuation bases and accounting principles applied are basically the same as those used to prepare the interim financial statements.

Segment reporting is presented in the same way as prior to the acquisition of BPI, although from February 2017, the profits attributable to this investees are not included in the Investments business but as a new business (BPI), with the following **different business lines**:

Banking and insurance (Spain): the CaixaBank Group's core business and includes the entire banking business (retail banking, corporate and institutional, cash management and markets), together with the insurance business and asset management, primarily carried out in Spain through the branch network and the other complementary channels. It encompasses the activity and the profits generated from the Group's customers, whether individuals, companies or institutions. It also incorporates the liquidity management and the Assets and Liabilities Committee (ALCO) and income from the financing of other businesses and corporate activities.

This segment includes the result of the Group's insurance companies in Spain, mainly VidaCaixa, whose retail products are distributed to the same customer base and through the CaixaBank branch office network.

Following the takeover bid and the acquisition of control over Banco BPI, this segment also includes the result of the business combination, as it derived from a corporate operation.

Non-core real estate business: includes the results, net of the related financing charge, of non-core real estate assets in Spain, which comprise:

- Non-core developer lending.
- Foreclosed real estate assets (available for sale and rental) mainly owned by the real estate subsidiary BuildingCenter, SA.
- Other real estate assets and holdings.

Investments business: primarily includes income from dividends and/or the equity method of accounting, less financing costs, in respect of investments in Erste Group Bank, Repsol, SA and Telefónica, SA, as well as the significant impacts on profit and loss from other relevant investments acquired in order to diversify investment sectors. In 2016, this business segment included Banco BPI's contribution to Group profit and loss. Until May 2016, it also included the contribution from investments in Bank of East Asia and Grupo Financiero Inbursa. In 2017, it includes Banco BPI's profit and loss for January. In February 2017, following completion of the takeover bid and the acquisition of control, Banco BPI's profit and loss was reassigned to a new business segment.

The gross income of the investments business primarily includes income from the equity accounting of the respective investments and from dividends, net of the related financing charge.



The allocation of capital to the non-core real estate and investments businesses is in line with the corporate objective of maintaining a Common Equity Tier 1 (CET1) fully loaded ratio of between 11% and 12%, taking into account both the 11% weighting applied to risk-weighted assets and any applicable deductions. The allocation of capital to BPI is at sub-consolidated level, i.e., taking into account the subsidiary's equity.

The difference between total CaixaBank Group equity and the capital assigned to these businesses, including BPI, is attributed to the banking and insurance business.

Segment operating expenses include both direct and indirect expenses, which are allocated in accordance with distribution methods.

BPI: Includes the profit and loss contributed by BPI to the consolidated Group as from the acquisition of control in February 2017, at which time the Group began fully consolidating the interest held. The statement of profit or loss reflects the reversal of the adjustments derived from the fair value measurement of assets and liabilities assumed in the business combination. Equity in this business segment relates exclusively to BPI's equity at the sub-consolidated level.

The performance of the CaixaBank Group by business segment at 30 June 2017 and 2016 is shown below:

Profit/(loss) attributable to the Group

(Thousands of euros)

	January – June	
	2017	2016
Banking and insurance	927,378	943,341
Non-core real estate	(256,686)	(355,253)
Investments	91,894	49,968
BPI	76,904	
Total profit/(loss) attributable to reporting segments	839,490	638,056
Unattributed results		
Elimination of internal results (between segments)		
Plus: Other results (including result attributable to minority interest)	16,617	5,973
Plus: Income tax and/or gains/(losses) on discontinued operations	149,325	243,999
Total profit/(loss) before tax	1,005,432	888,028



Consolidated statement of profit or loss of the CaixaBank Group – By business segment

(Millions of euros)

	Banking and insurance ⁽¹⁾		Non-core real estate		Investments ⁽²⁾		BPI ⁽³⁾		CaixaBank Group	
	January - June		January - June		January - June		January - June		January - June	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	2,300	2,162	(34)	(28)	(84)	(93)	167		2,349	2,041
Dividend income and share of the profit or loss of entities accounted for using the equity method	94	63	16	9	170	328	109		389	400
Net fee and commission income	1,134	1,010	1				117		1,252	1,010
Gains/(losses) on financial assets and liabilities and others	182	593			(18)		13		177	593
Income and expenses under insurance and reinsurance contracts	233	140							233	140
Other operating income and expense	72	9	(176)	(144)			(16)		(120)	(135)
Gross income	4,015	3,977	(193)	(163)	68	235	390		4,280	4,049
Administrative expenses	(1,789)	(1,792)	(23)	(26)	(2)	(2)	(288)		(2,102)	(1,820)
Depreciation	(174)	(152)	(29)	(30)			(17)		(220)	(182)
Operating income/(loss)	2,052	2,033	(245)	(219)	66	233	85		1,958	2,047
Impairment losses on financial assets	(482)	(391)	(1)	(87)			11		(472)	(478)
Other provisions	(592)	(248)	(169)	(22)		(164)	(2)		(763)	(434)
Net operating income/(loss)	978	1,394	(415)	(328)	66	69	94		723	1,135
Gains/(losses) on disposal of assets and others	241	11	41	(167)		(91)			282	(247)
Profit/(loss) before tax from continuing operations	1,219	1,405	(374)	(495)	66	(22)	94		1,005	888
Income tax	(289)	(455)	117	140	26	72	(3)		(149)	(243)
Profit/(loss) after tax from continuing operations	930	950	(257)	(355)	92	50	91		856	645
Profit/(loss) attributable to minority interests	3	7					14		17	7
Profit/(loss) attributable to the Group	927	943	(257)	(355)	92	50	77		839	638
<i>Equity ⁽⁴⁾</i>	<i>18,966</i>	<i>18,896</i>	<i>1,506</i>	<i>1,597</i>	<i>1,195</i>	<i>1,445</i>	<i>2,163</i>		<i>23,830</i>	<i>21,938</i>
Total assets	327,271	331,677	12,323	14,355	6,425	7,077	32,665		378,684	353,109

(1) This segment includes the impact of the business combination resulting from the acquisition of Banco BPI (EUR 256 millions), as it derived from a corporate operation.

(2) Profit and loss of Banco BPI was included in the investments business until acquisition of control in February 2017.

(3) BPI includes the profit and loss contributed by BPI to the consolidated Group from February 2017, using the full consolidation method to account for the assets and liabilities (considering the adjustments made in the business combination) (see Note 6).

(4) Equity allocated to the businesses.



The banking and insurance businesses have an integrated Banking-Insurance management model. Under a regulatory framework with similar accounting and supervision objectives, sales and risks are managed jointly, as the model is integrated.

The CaixaBank Group sells insurance products, which complement the other financial products, through the CaixaBank commercial network to the same customer base. Sales are managed in an integrated manner because the majority of the insurance products offer savings alternatives (life-savings and pensions) to the banking products (deposits and investment funds).

The results of the Banking-Insurance business are presented as a single business segment in the segment reporting because of this integrated Banking-Insurance management model.

Details of the contribution to the CaixaBank Group of the revenues from the insurance and pension plan management business are as follows:

Contribution of insurance and pensions to the Group's revenues

(Millions of euros)

	30.06.2017	30.06.2016
Net interest income	143	158
Share of profit/(loss) of entities accounted for using the equity method	71	50
Net fee and commission income	205	168
Gains/(losses) on other financial assets and liabilities and others	64	87
Income and expenses of assets and liabilities under insurance and reinsurance contracts	233	140
Other operating income and expense	5	3
Total income	721	606

CaixaBank also holds a 100% stake in VidaCaixa, SA, which has an ownership interest in SegurCaixa Adeslas, SA (49.92%).

The VidaCaixa Group posted an after-tax profit of EUR 304 million in the first half of 2017 (EUR 242 million in the first half of 2016). The insurance group also generated EUR 5,612 million of accrued premiums in the first half of 2017 (EUR 4,561 million in the first half of 2016).

The main balance sheet items of the VidaCaixa Group at 30 June 2017 and 31 December 2016 are shown below:

Key items in the VidaCaixa Group's balance sheet

(Millions of euros)

	30.06.2017	31.12.2016
Total assets	58,321	55,352
<i>Of which: position in sovereign debt</i>	<i>45,377</i>	<i>43,029</i>
Technical provisions	54,216	51,287



The income of the CaixaBank Group for the first half of 2017 and 2016 by segment and geographical area is as follows:

Distribution of interest and similar income by geographical area

(Thousands of euros)	January – June			
	CaixaBank		CaixaBank Group	
	2017	2016	2017	2016
Domestic market	2,142,929	2,342,481	3,243,105	3,341,929
Export	5,178	6,078	188,510	6,078
a) European Union	3,518	3,533	186,849	3,533
b) OECD countries				
c) Other countries	1,660	2,545	1,661	2,545
Total	2,148,107	2,348,559	3,431,615	3,348,007

Distribution of ordinary income (*)

(Thousands of euros)	January – June					
	Ordinary income from customers		Ordinary income between segments (**)		Total ordinary income	
	2017	2016	2017	2016	2017	2016
Banking and insurance	5,496,294	5,628,897	0	0	5,496,294	5,628,897
<i>Spain</i>	5,480,235	5,615,928			5,480,235	5,615,928
<i>Other countries</i>	16,059	12,969			16,059	12,969
Non-core real estate	128,237	145,495	0	0	128,237	145,495
<i>Spain</i>	128,237	145,495			128,237	145,495
<i>Other countries</i>					0	0
Investments	151,508	327,711	0	0	151,508	327,711
<i>Spain</i>	186,961	127,825			186,961	127,825
<i>Other countries</i>	(35,453)	199,886			(35,453)	199,886
BPI	436,641	0	0	0	436,641	0
<i>Portugal</i>	398,009				398,009	0
<i>Other countries</i>	38,632				38,632	0
Total	6,212,680	6,102,103	0	0	6,212,680	6,102,103

(*) Correspond to the following line items of the CaixaBank Group's public statement of profit or loss calculated pursuant to Bank of Spain Circular 5/2014.

1. Interest income
2. Dividend income
3. Share of profit/(loss) of entities accounted for using the equity method
4. Fee and commission income
5. Gains/(losses) on financial assets and liabilities
6. Gains/(losses) from hedge accounting
7. Other operating income
8. Income from assets under insurance and reinsurance contracts

(**) No ordinary income between segments. Banking and insurance income generated from financing of the rest of the businesses has not been recognised as this segment's ordinary income.



22. Workforce and number of branches

The following table shows the breakdown of average headcount by gender for the six months ended 30 June 2017 and 2016.

Average number of employees (*)

(Number of employees)

	30.06.2017		30.06.2016	
	CaixaBank	CaixaBank Group (**)	CaixaBank	CaixaBank Group
Male	13,982	17,708	14,197	15,424
Female	15,710	19,916	15,643	16,850
Total	29,692	37,624	29,840	32,274

(*) At 30 June 2017 there were 212 employees with a disability equal to or above 33%.

(**) At 30 June 2017, an average of 5,465 employees from Banco BPI are included (see Note 1 - Acquisition of Banco BPI).

At 30 June 2017, the CaixaBank Group's workforce comprised 37,336 employees (32,403 as at 31 December 2016).

The number of branches at 30 June 2017 and at 31 December 2016 is as follows:

Branches

No. of branches

	30.06.2017 (*)	31.12.2016
Spain	4,941	5,027
Foreign	556	19
Total	5,497	5,046

(*) At 30 June 2017, 535 branches are included as a result of the business combination with Banco BPI (see Note 1 - Acquisition of Banco BPI).



23. Guarantees and contingent commitments given

The detail of the balance of this heading in the accompanying condensed interim consolidated balance sheet is as follows:

Off-balance sheet exposures

(Thousands of euros)

	30.06.2017	31.12.2016
Financial guarantees given	4,623,077	3,486,709
<i>Of which: Classified as non-performing</i>	241,796	138,807
<i>Amount recognised under liabilities</i>	58,553	60,631
Loan commitments given	59,966,164	56,189,582
<i>Of which: Classified as non-performing</i>	341,890	321,693
<i>Amount recognised under liabilities</i>	36,627	23,778
Other commitments given	20,034,154	19,461,523
<i>Of which: Non-performing contingent liabilities</i>	348,645	263,384
<i>Amount recognised under liabilities</i>	253,739	144,144
Total	84,623,395	79,137,814

At the acquisition date, the business combination with BPI entailed the incorporation of financial guarantees given amounting to EUR 1,268 million.

The specific and general provisions relating to contingent liabilities and commitments are recognised under “Provisions” in the balance sheet (see Note 17).

The Group is only obliged to pay the sum of contingent liabilities if the counterparty guaranteed fails to comply with its obligations at the time of non-compliance. CaixaBank believes that most of these risks will reach maturity without being settled.

With respect to contingent commitments, the Group has an undertaking to facilitate funds to customers through drawables on lines of credit and other commitments, whenever it receives a request and subject to compliance with certain conditions by the counterparties. It believes that not all the drawables will be used by customers, and that a large portion of them will fall due prior to drawdown, either because they will not be requested by customers or because the drawdown conditions will not be met.



24. Disclosures required under the Mortgage Market Law

In accordance with regulations governing the mortgage market, issuers of mortgage covered bonds are required to disclose relevant information regarding their issuances. Consequently, CaixaBank SA presents the following information regarding its total mortgage covered bond issuances:

Information on support and privileges available to holders of mortgage covered bonds issued by CaixaBank

CaixaBank is the only Group entity that issues mortgage covered bonds in Spain.

Mortgage covered bonds are securities in which the principal and interest are especially secured, with no need for registration, by mortgages on all the bonds registered in favour of the Bank, without prejudice to liability of the Bank's assets.

The securities include credit rights for holders vis-à-vis the Bank, guaranteed as stated in the preceding paragraphs, and entail execution to claim payment for the issuer after they mature. The holders of these securities are considered to be creditors with special preference, as stipulated in section 3 of Article 1,923 of the Civil Code, vis-à-vis any other creditor, in relation to the total mortgage credits and loans registered in favour of the issuer. All holders of bonds, irrespective of their date of issue, have the same seniority over the loans and credits which guarantee the bonds.

The members of the Board of Directors certify that CaixaBank has express policies and procedures in place covering all activities carried on within the scope of its mortgage market issuances, and that they guarantee strict compliance with the mortgage market regulations applicable to such activities. These policies and procedures cover issues such as:

- Relationship between the sum of loans and credits and the appraisal value of the mortgaged asset.
- Relationship between the debt and the borrower's income, and verification of the information provided by the borrower and its solvency.
- Prevention of mismatches between flows from the hedging portfolio and those arising from payments owed on issued securities.
- Proper procedures for the selection of appraisers.



Information concerning mortgage market issuances

The table below shows the nominal amount of mortgage covered bonds issued by CaixaBank and outstanding at 30 June 2017 and 31 December 2016:

Mortgage covered bonds issued

(Thousands of euros)

	30.06.2017	31.12.2016
Mortgage covered bonds issued in public offers (debt securities)	13,462	19,842
Residual maturity up to 1 year	13,462	19,842
Mortgage covered bonds not issued in public offers (debt securities)	40,013,449	42,034,413
Residual maturity up to 1 year	2,450,000	3,952,500
Residual maturity between 1 and 2 years	4,900,000	3,300,000
Residual maturity between 2 and 3 years	0	3,600,000
Residual maturity between 3 and 5 years	6,850,000	3,850,000
Residual maturity between 5 and 10 years	20,790,000	22,290,000
Residual maturity over 10 years	5,023,449	5,041,913
Deposits	4,619,367	5,019,367
Residual maturity up to 1 year	885,000	1,100,000
Residual maturity between 1 and 2 years	761,323	946,323
Residual maturity between 2 and 3 years	432,617	53,659
Residual maturity between 3 and 5 years	925,000	1,053,958
Residual maturity between 5 and 10 years	1,145,427	845,427
Residual maturity over 10 years	470,000	1,020,000
Total	44,646,278	47,073,622
Of which: Recognised under liabilities	21,594,392	23,728,766

The nominal amount of mortgage participations issued by CaixaBank, corresponding exclusively to the mortgage credits and loans on the asset side of the balance sheet, and outstanding at 30 June 2017 and 31 December 2016 is as follows:

Mortgage participations issued

(Thousands of euros)

	30.06.2017	31.12.2016
Mortgage participations issued in public offers		
Mortgage participations not issued in public offers (*)	6,205,729	6,556,761
Total	6,205,729	6,556,761

(*) The weighted average maturity at 30 June 2017 and 31 December 2016 was 160 months (unchanged).



The nominal amount of mortgage transfer certificates issued by CaixaBank, corresponding exclusively to the mortgage credits and loans on the asset side of the balance sheet, and outstanding at 30 June 2017 and 31 December 2016, is as follows:

Mortgage transfer certificates issued

(Thousands of euros)

	30.06.2017	31.12.2016
Mortgage transfer certificates issued in public offers		
Mortgage transfer certificates not issued in public offers (*)	19,672,137	18,871,537
Total	19,672,137	18,871,537

(*) The weighted average maturity at 30 June 2017 and 31 December 2016 was 181 months (unchanged).

Information on mortgage loans and credits

The nominal amount of all CaixaBank's mortgage loans and credits as well as those which are eligible, pursuant to applicable regulations, for the purposes of calculating the mortgage covered bonds issuance limit, is as follows:

Mortgage loans. Eligibility and accountability in relation to the mortgage market

(Thousands of euros)

	30.06.2017	31.12.2016
Total loans	124,678,346	127,609,257
Mortgage participations issued	6,225,118	6,578,652
<i>Of which: On balance sheet loans</i>	6,205,729	6,556,761
Mortgage transfer certificates issued	19,680,364	18,880,674
<i>Of which: On balance sheet loans</i>	19,672,137	18,871,537
Mortgage loans pledged in guarantee for financing received	0	0
Loans backing mortgage bonds issuances and covered bond issuances	98,772,864	102,149,931
<i>Non-eligible loans</i>	34,187,899	38,195,592
Meet eligibility requirements, except for limits established in Article 5.1. of Royal Decree 716/2009, of April 24	17,953,619	21,419,755
Other	16,234,280	16,775,837
<i>Eligible loans</i>	64,584,965	63,954,339
Non-computable amounts	156,742	141,522
Computable amounts	64,428,223	63,812,817
<i>Loans backing mortgage bond issuances</i>		
<i>Loans suitable for backing mortgage bond issuances</i>	64,428,223	63,812,817



Information is also provided on all pending mortgage loans and credits, and those that are eligible without taking into account the calculation limits set out in Article 12 of Royal Decree 716/2009 of 24 April:

Mortgage loans and credits

(Thousands of euros)

	30.06.2017		31.12.2016	
	Total portfolio of loans and credits	Total portfolio of eligible loans and credits	Total portfolio of loans and credits	Total portfolio of eligible loans and credits
By source	98,772,864	64,584,965	102,149,931	63,954,339
Originated by the Entity	98,596,813	64,470,017	102,098,776	63,917,635
Assumed from other entities	0	0		
Other	176,051	114,948	51,155	36,704
By currency	98,772,864	64,584,965	102,149,931	63,954,339
Euro	97,805,466	64,195,838	101,107,725	63,577,286
Other currencies	967,398	389,127	1,042,206	377,053
By payment situation	98,772,864	64,584,965	102,149,931	63,954,339
Performing	88,536,831	62,836,009	91,608,902	62,458,813
Other situations	10,236,033	1,748,956	10,541,029	1,495,526
By average residual maturity	98,772,864	64,584,965	102,149,931	63,954,339
Up to 10 years	19,643,125	13,146,599	19,913,909	13,187,961
From 10 to 20 years	49,111,219	34,996,537	48,214,395	34,139,762
From 20 to 30 years	26,719,089	15,668,844	29,938,482	15,529,522
Over 30 years	3,299,431	772,985	4,083,145	1,097,094
By type of interest rate	98,772,864	64,584,965	102,149,931	63,954,339
Fixed	7,899,256	4,488,804	6,697,475	2,631,710
Floating	89,829,986	59,160,975	94,319,557	60,366,724
Mixed	1,043,622	935,186	1,132,899	955,905
By holder	98,772,864	64,584,965	102,149,931	63,954,339
Legal entities and entrepreneurs	21,672,757	9,747,706	22,474,374	10,083,180
<i>Of which: Real estate developers</i>	<i>4,501,709</i>	<i>2,106,908</i>	<i>4,737,573</i>	<i>2,187,925</i>
Other individuals and not-for-profit institutions	77,100,107	54,837,259	79,675,557	53,871,159
By collateral	98,772,864	64,584,965	102,149,931	63,954,339
Assets /completed buildings	94,882,849	63,045,658	98,272,839	62,342,118
- Homes	81,435,632	57,102,187	84,515,314	56,249,436
<i>Of which: Subsidised housing</i>	<i>2,736,835</i>	<i>1,622,178</i>	<i>3,188,431</i>	<i>1,673,454</i>
- Commercial	4,750,099	2,264,670	5,001,310	2,312,474
- Other	8,697,118	3,678,801	8,756,215	3,780,208
Assets / buildings under construction	2,183,527	966,193	2,000,073	970,019
- Homes	1,719,145	850,149	1,573,095	842,158
<i>Of which: Subsidised housing</i>	<i>67,589</i>	<i>12,053</i>	<i>79,193</i>	<i>12,840</i>
- Commercial	90,064	14,546	63,570	22,073
- Other	374,318	101,498	363,408	105,788
Land	1,706,488	573,114	1,877,019	642,202
- Built	1,371,625	547,850	1,507,136	534,061
- Other	334,863	25,264	369,883	108,141



The amounts available (undrawn committed amounts) of the entire portfolio of mortgage loans and credits pending payment at 30 June 2017 and 31 December 2016, are as follows:

Available mortgage loans and credits

(Thousands of euros)

	30.06.2017	31.12.2016
Potentially eligible	17,473,425	17,050,691
Not eligible	3,871,870	3,251,202
Total	21,345,295	20,301,893

The table below shows the breakdown of eligible mortgage loans and credits tied to CaixaBank's mortgage covered bond issuances at 30 June 2017 and 31 December 2016 in accordance with the principal amount receivable on the loans and credits divided by the latest fair value of the corresponding collateral (LTV):

Eligible mortgage loans and credits

(Thousands of euros)

	30.06.2017	31.12.2016
Mortgage on homes	57,908,387	57,048,369
Transactions with LTV below 40%	25,212,996	24,615,779
Transactions with LTV between 40% and 60%	23,841,466	24,027,955
Transactions with LTV between 60% and 80%	8,853,925	8,404,635
Other assets received as collateral	6,676,578	6,905,970
Transactions with LTV below 40%	4,537,243	4,757,011
Transactions with LTV between 40% and 60%	2,080,427	2,102,760
Transactions with LTV over 60%	58,908	46,199
Total	64,584,965	63,954,339



Changes in mortgage loans and credits, which back the issuance of mortgage covered bonds, are shown below:

Mortgage loans and credits. Changes in nominal value during the period

(Thousands of euros)

	30.06.2017	
	Eligible loans	Non-eligible loans
Opening balance	63,954,339	38,195,592
Disposals in the year	3,939,749	6,628,509
Matured principal collected in cash	11	3,175
Early cancellation	63,705	300,831
Assumed by other entities	63,253	16,099
Other disposals	3,812,780	6,308,404
Additions in the year	4,570,375	2,620,816
Originated by the Entity	3,495,288	2,408,495
Assumed by other entities	9,776	499
Other additions	1,065,311	211,822
Closing balance	64,584,965	34,187,899

The table below shows the degree of collateralisation and overcollateralisation of CaixaBank's mortgage covered bonds at 30 June 2017 and 31 December 2016.

Collateralisation and overcollateralisation

(Thousands of euros)

	30.06.2017	31.12.2016
Non-registered mortgage covered bonds	40,026,911	42,054,255
Registered mortgage covered bonds placed as customer deposits	4,599,367	4,999,367
Registered mortgage covered bonds issued by credit institutions	20,000	20,000
Mortgage covered bonds issued	(A) 44,646,278	47,073,622
Total outstanding mortgage loans and credits (*)	124,678,346	127,609,257
Mortgage participations issued	(6,225,118)	(6,578,652)
Mortgage transfer certificates issued	(19,680,364)	(18,880,674)
Mortgage bonds issued		
Portfolio of loan and credit collateral for mortgage covered bonds	(B) 98,772,864	102,149,931
Collateralisation:	(B)/(A)	221%
Overcollateralisation:	[(B)/(A)]-1	121%

(*) Includes on and off balance sheet portfolio

CaixaBank Group

Interim management report

January – June 2017

This report contains the most significant figures and events for the first half of 2017, under management criteria, to reflect the situation of the CaixaBank Group, its business performance and its potential risks and future outlook. The condensed interim consolidated financial statements of the CaixaBank Group for the first half of 2017, which are supplemented by this management report, were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union through EU regulations, and with Bank of Spain Circular 4/2004 and Circular 5/2015 of the Comisión Nacional del Mercado de Valores (CNMV), and subsequent amendments thereto.

Economic environment

Global economic growth continued to pick up throughout the first six months of 2017. GDP gained 3.5% year-on-year in the first quarter of the year, compared to 3.1% in 2016, and judging by recent indicators this will increase further in the second quarter. Growth is being underpinned by both developed and emerging nations. We saw year-on-year growth in the first quarter of 2.1% in the United States, 1.3% in Japan, 6.9% in China and 6.1% in India. The key support factors underpinning this expansion are well known. First and foremost, we have the accommodative monetary policy still being pursued by developed nations, despite the process of monetary normalisation recently initiated by the Fed, which in June once again hiked the reference rate from 1.0% to 1.25%. Further support factors include the moderate recovery of the commodities markets and the fact that certain key emerging nations have now managed to shake off their recession.

The macroeconomic boom has run parallel to a prolonged climate of placidity in the financial markets. Stock exchanges across both developed and emerging nations have performed well and financial asset volatility remains extremely low. This is the product of the pick-up in the global economy as just discussed, while also showing a certain reduction in the downward trend in the balance of risk in the short term. In the first half of the year, public debate was largely dominated by the uncertainty surrounding the election results in various European countries and the direction the new US administration will take. Further talking points included the various flashpoints of geopolitical risk across the globe. As it turned out, the election results in the Netherlands and France, and even the first steps taken by the US administration (which we might cautiously call pragmatic), were far from the disaster that many had feared.

While certain political risks (protectionism, populism, Brexit, etc.) will certainly persist in the medium term despite the relatively calm political landscape of late, what we can say is that short-term pressures have been lifted.

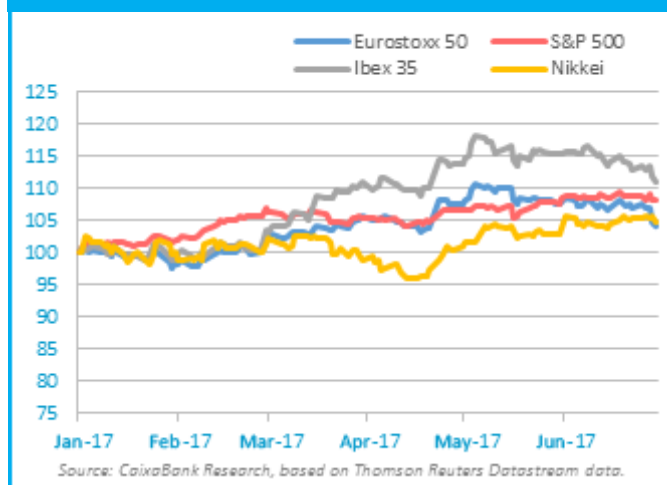
In line with this global economic and financial performance, growth across the euro area continued to pick up over the first half of the year. Euro area GDP rose by 1.9% year-on-year in the first quarter, showing a healthy overall performance across all countries, particularly Spain (3.0%) and Portugal (2.8%), but also central European countries such as Germany (1.7%). Indicators suggest that this strong pace of activity was maintained in the second quarter. The economic growth is benefiting both companies –which are currently enjoying easier access to funding– and consumers alike, who, in addition to having access to financing under more favourable terms, are seeing steady improvements in the labour market. Meanwhile, inflation stood at 1.3% year-on-year in June, gradually moving away from the annual high due to more muted year-on-year growth in oil prices.

Turning to Spain, the 3.0% gain in GDP in the first quarter of the year confirms that the nation's economy is firmly on track. Internal demand remained the main driver of growth, supported by private consumption and investment. These high growth figures have been accompanied by the stabilisation of the real estate cycle, which saw both the number of transactions and prices rise, albeit with notable differences among regions. A key factor in this recovery is lending growth, as shown by the sharp year-on-year rise in home loans (up 16.8% between January and May). This healthier borrowing environment also extends to consumer loans, and to a lesser extent, to loans to SMEs. However, large companies are still having to issue corporate bonds and other debt instrument in order to meet their financing needs, albeit to a lesser extent than in 2016. Last but not least, the labour market continues to impress, as evidenced by the growth in the full-time equivalent employment rate, which stood at 2.5% year-on-year in the first quarter.

Meanwhile, Portugal reported the same positive trend in the first half of 2017, having posted strong year-on-year growth of 2.8% in the first quarter, as just mentioned. This performance is due largely to internal demand, driven by private consumption and investment. External demand also gave a strong boost to exports, while imports reflected

Main international stock markets

(Index (100= 1/1/2016))

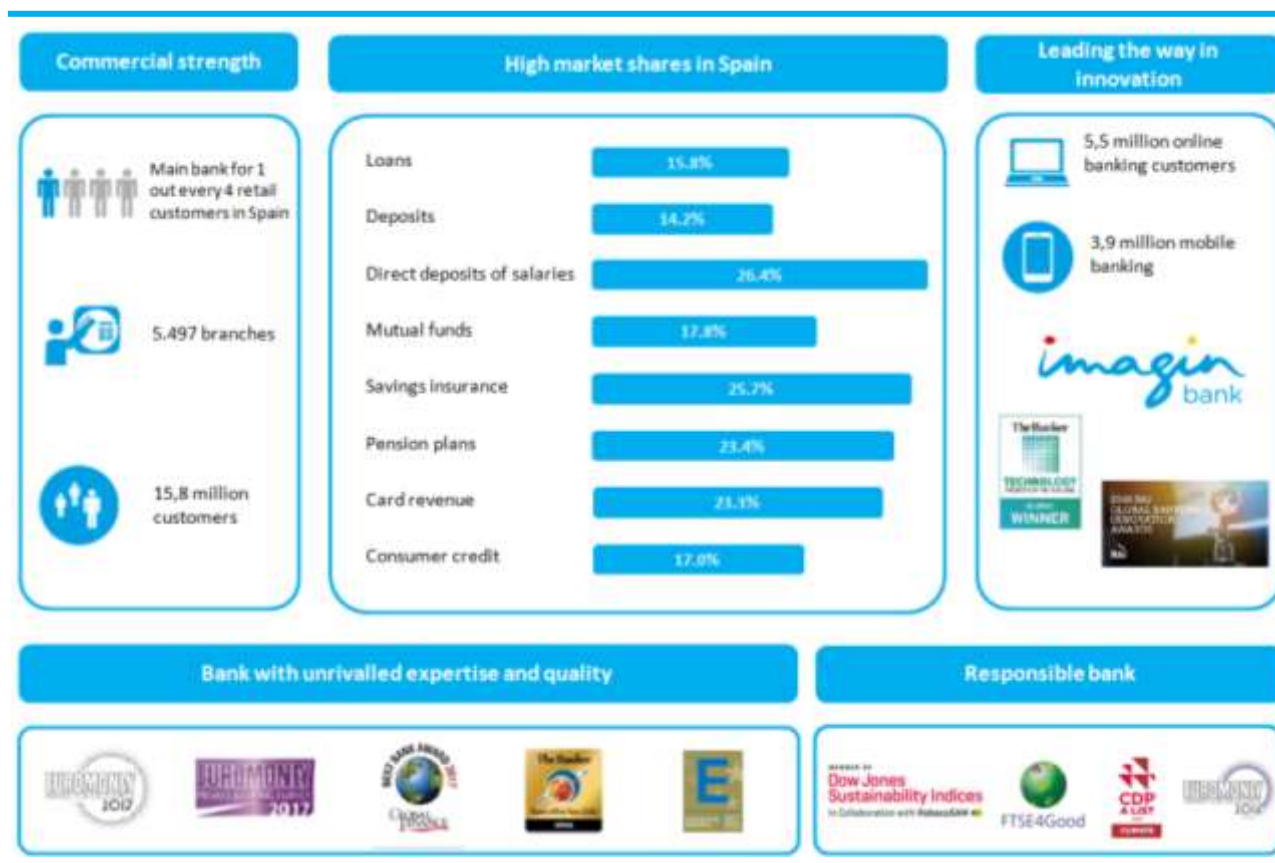


sound internal consumption. Activity indicators suggest that growth in the second quarter will follow a similar pattern to that seen in the first quarter. Public finance figures were also strong (2016 ended with a public deficit of 2% of GDP), prompting the closure of the excessive deficit procedure in June.

CaixaBank Group

CaixaBank has the largest customer base among all banks, a robust balance sheet and a culture drawing on deeply engrained values. Its business model is based on specialisation, with a value proposition tailored to each segment; a comprehensive offering of products and services; the largest branch network in the country; a multi-channel approach and reach; and a team of highly-trained specialists.

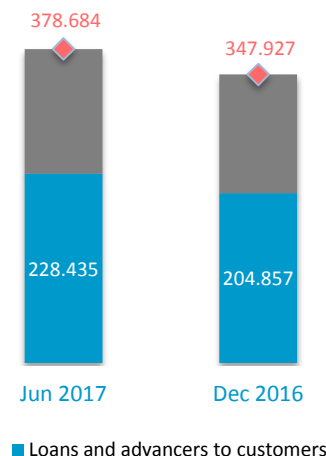
CaixaBank's priorities include: achieving exacting quality of service standards; a firm commitment to mobility and digitalisation; and a determination to be set apart by its proximity, robust financial position, capacity for innovation and social responsibility.



Business performance

- **Loans and advances to customers, gross**, stood at EUR 228,435 million, up 11.5% in 2017 (+0.1% stripping out BPI).
 - The **performing portfolio was up 0.5%** in 2017 (excluding BPI).
 - NPLs at CaixaBank **were down EUR 574 million** in the second quarter of the year. BPI brought with it NPLs of EUR 1,508 million (EUR 1,439 million at 30 June 2017).
 - Meanwhile, the **Group's NPL ratio was 6.5%** versus 6.9% at December 2016.
 - The NPL coverage ratio was 50% (EUR 7,732 million in provisions).
 - The portfolio of **foreclosed real estate assets available for sale stood at EUR 6,258 million** (stable in 2017). **The coverage ratio was 58%**, while the accounting coverage ratio was 49%.
 - Net foreclosed assets held for rent amounted to EUR 3,086 million, with an occupancy ratio of 90%.
 - **Total sales in 2017 currently stand at EUR 669 million** (up 9.7% on the same period of 2016), with positive proceeds reported since the fourth quarter of 2015. **Proceeds from sales to net book value stood at 15% in the first half of the year** (+12pp year on year).
- **Growth of 14.8% in customer funds** in the first half of 2017 to reach EUR 348,903 million following the integration of BPI (+3.4% without BPI).

Total assets
(€ million)



Results

Profit attributable to the Group in the first half of 2017 amounted to **EUR 839 million**, up 31.6% on the same period of 2016 (EUR 638 million).

- **The full integration of the results of BPI** from February 2017 onward has affected the year-on-year performance of the main headings of the income statement.
- **Net interest income** amounted to EUR 2,349 million (+15.1%) in response to the integration of the business of BPI, which contributed 8.2% of growth. At CaixaBank, net interest income gained 6.9%, largely on the back of:
 - Forceful management of retail financing, especially maturity deposits, the cost of which has fallen from 0.63% in the first half of 2016 to 0.11% in the same period of 2017 (-52bp), plus the lower cost of institutional financing due to lower volumes and rates.
 - The change in income, due to falling returns on the loan portfolio and the fixed income portfolio prompted by the drop in market interest rates.
- **Income from equity investments** totalled EUR 389 million (-2.8%), reflecting, among other factors, the change in earnings at investees, BPI's move to sell 2% of its stake in BFA (EUR -97 million, attributable) and certain perimeter adjustments.
- **Fee and commission income** amounted to EUR 1,252 million. The change here (+23.9%) was due to BPI's contribution to CaixaBank's results (+11.5%) as well as the increased income deriving from CaixaBank's own commercial activity (+12.4%).
- **Gains/ (losses) on financial assets and liabilities and other** fell to EUR 177 million (-70.1%). In 2016, this figure included EUR 165 million resulting from the Visa Europe Ltd. deal, as well as the materialisation of higher capital gains on available-for-sale fixed-income securities.



- **Sustained growth in income arising from insurance contracts** (up 66.7% to EUR 233 million) in response to intensive commercial activity and the termination in late October 2016 of a reinsurance contract on the individual life-risk portfolio of VidaCaixa.
- **Other operating income and expense** shows, among other items, the recognition in both years of property tax and the contribution paid to the Single Resolution Fund. Income of EUR 115 million in connection with the agreement reached with Cecabank has been reported in 2017.
- **Gross income** was **EUR 4,280 million, up 5.7%** on the same period of 2016. The change here is down to the integration of BPI, plus high core income¹ generating capacity at CaixaBank (+11.8%) and lower earnings on financial assets and liabilities.
- **Recurring administrative expenses, depreciation and amortisation** was impacted by the perimeter change and stood at EUR 2,216 million (+10.7%, or +0.8% stripping out BPI).
- **The cost-to-income ratio stripping out extraordinary expenses has shed 2 percentage points** in the past 12 months to reach 52.2%.
- **Pre-impairment income excluding extraordinary expenses** (EUR 2,064 million) was up 0.8% on 2016 (-4.4% if we factor in extraordinary expenses).
- **Impairment losses on financial assets** amounted to EUR 472 million (-1.5%). The cost of risk stood at 0.44% (-2bp in 2017).

CaixaBank Group condensed income statement

(€ million)	January – June		Change (%)
	2017	2016	
Net interest income	2,349	2,041	15.1
Dividend income	121	108	11.8
Share of profit/(loss) of entities accounted for using the equity method	268	292	(8.2)
Net fee and commission income	1,252	1,010	23.9
Gains/(losses) on financial assets and liabilities and others	177	593	(70.1)
Income and expenses under insurance and reinsurance contracts	233	140	66.7
Other operating income and expense	(120)	(135)	(11.5)
Gross income	4,280	4,049	5.7
Recurring administration and amortisation expenses	(2,216)	(2,002)	10.7
Extraordinary expenses	(106)		
Operating income/(loss)	1,958	2,047	(4.4)
Gross income excl. extraordinary expenses	2,064	2,047	0.8
Impairment losses on financial assets and other provisions	(472)	(478)	(1.5)
Other charges to provisions	(763)	(434)	76.1
Gains/(losses) on disposal of assets and others	282	(247)	
Profit/(loss) before tax	1,005	888	13.2
Income tax	(149)	(243)	(38.5)
Consolidated profit/(loss) for the period	856	645	32.7
Profit/(loss) attributable to minority interests and others	17	7	128.2
Profit/(loss) attributable to the Group	839	638	31.6

- **Other charges to provisions** (EUR 763 million) in the first half of 2017 included EUR 455 million in connection with the early retirements and EUR 154 million in write-downs on exposure to the SAREB.
- **Gains/(losses) on disposals of assets and others** includes in 2017, among other items, the result of the business combination resulting from the acquisition of BPI of EUR 256 million, as well as proceeds on sales of foreclosed real estate assets.
- With respect to **income tax expense**, double taxation avoidance principles are applied to income contributed by investees. This heading was impacted in 2017 by the reporting of the results of the business combination.

¹ Includes net interest income, fee and commission income, income from the life-risk insurance business and the results of reporting SegurCaixa Adeslas under the equity method.



Liquidity and financing structure

Total liquid assets totalled EUR 65,594 million at 30 June 2017. The change in the commercial gap was largely down to seasonal effects in the second quarter of 2017, the incorporation of BPI (EUR 7,831 million) and the net increase in institutional financing.

The **balance drawn** under the ECB facility amounted to **EUR 28,820 million**, of which EUR 637 million related to TLTRO I financing and EUR 28,183 million to TLTRO II. In 2017, an additional EUR 2,001 million was drawn in financing as a result of the acquisition of BPI.

Institutional financing totalled EUR 26,160 million during the first half of the year, with heavy financing through the capital markets via the following issues:

- Issuance of mortgage covered bonds worth EUR 1,500 million at ten years, with demand exceeding EUR 2,400 million. The coupon rate was set at 1.25% and the issue cost is 60 basis points over the mid-swap rate.
- Subordinated debt placement worth EUR 1,000 million at ten years including the option to redeem from year five onward. The bond issue pays a coupon of 3.5% per annum and demand has exceeded EUR 2,000 million. From year five onward, the bonds pay an annual fixed coupon equal to the five-year swap rate plus a spread of 3.35%.
- Issuance of senior bonds worth EUR 1,000 million at seven years, paying a coupon of 1.15% and with demand exceeding EUR 3,500 million.
- Inaugural EUR 1,000 million placement of perpetual contingent convertibles (CoCos) exchangeable for new-issue CaixaBank shares (Additional Tier 1), including the option to redeem them early from year seven onward. The coupon is subject to certain conditions and is also discretionary. It has been set at 6.75% per year for the first seven years. From then on, it will be revised by applying a spread of 649.8 basis points to the applicable five-year swap rate. Payment will invariably be made quarterly in arrears. The issue was intended exclusively for qualified investors and attracted demand in excess of EUR 3,500 million.
- The Bank also had further bond maturities totalling EUR 4,530 million.

In July 2017, the Bank effected a private placement of subordinated debt (Tier 2) worth EUR 150 million, with a maturity of 25 years, redeemable from year twenty onward and paying a coupon of 4%.

Also the CaixaBank Group issued subordinated debt worth EUR 1,000 million at eleven years, including the option to redeem from year six onward. The bond issue pays a coupon of 2.75% per annum and demand has exceeded EUR 2,800 million. From year six onward, the bonds pay an annual fixed coupon equal to the five-year mid-swap rate plus a spread of 2.35%.

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

Available capacity to issue mortgage and regional public sector covered bonds currently stands at EUR 8,020 million.

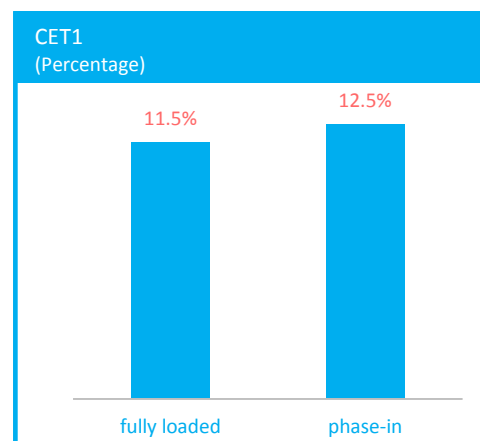
The Group's **Liquidity Coverage Ratio** (LCR) at 30 June 2017 was **208%**, well clear of the minimum requirement of 80% applicable from 1 January 2017 onward.



Capital management

At 30 June 2017, the CaixaBank Group had a **fully-loaded Common Equity Tier 1 (CET1) of 11.5%**, within the target band of 11-12% envisioned in the Strategic Plan. The impact on capital of the integration of Portuguese bank BPI (-108bp) had already been covered in advance in 2016 through the sale of treasury shares totalling EUR 1,322 million. The ratio gained 22 basis points in the first half of the year due to solid profit generation, but shed 3 basis points in response to market conditions and other negative impacts. Risk-weighted assets (RWA), fully loaded, amounted to EUR 151,223 million at the close of the period.

Meanwhile, Tier 1 stood at 12.2% following the issuance of EUR 1,000 million in Additional Tier 1 (AT1) instruments in June, which had an impact of 66 basis points.



Total capital, fully-loaded, was 15.5%, including an AT1 issue of EUR 1,000 million in June and a placement of EUR 1,000 million of subordinated debt in February. The ratio already reflects the redemption of the around EUR 1,300 million issue of subordinated debt announced on the 28th of July 2017, and expressed pro-forma, the new EUR 1,000 million issue of subordinated debt placed on the 14th of July (+66 basis points, increasing the ratio from 14.9% to 15.5%, pro-forma).

The leverage ratio, fully-loaded, was 5.5%, in line with previous quarters. Following the criteria in force in 2017 for phased-in implementation, regulatory capital and leverage were as follows: **CET1 and Tier 1 of 12.5%, total capital of 15.2% and a leverage ratio of 5.6%.**

CaixaBank is also subject to minimum capital requirements on a non-consolidated basis. CaixaBank's CET1 ratio under this perimeter is currently 12.7%.

As for the **capital adequacy of the consolidated CaixaBank perimeter without BPI, regulatory CET1 would be 12.5%** (11.6% fully-loaded), and total capital pro-forma is 16.2% (15.9% fully-loaded), while **BPI's sub consolidated own regulatory CET1 ratio is 11.9%** (10.9% fully-loaded) and total capital is 13.3% (12.7% fully-loaded).

Ratings

At the date of this management report, CaixaBank holds the following credit ratings:

	Long term	Short term	Outlook	Last review date	Rating of mortgage-covered bonds
Standard & Poor's Credit Market Services Europe Limited	BBB	A-2	Positive	09/02/2017	A+
Fitch Ratings España, SAU	BBB	F2	Positive	07/04/2017	
Moody's Investor Services España, SA	Baa2	P-2	Stable	10/05/2017	Aa2
DBRS	A (low)	R-1 (low)	Stable	14/07/2017	AA (high)



The CaixaBank share

The CaixaBank share closed 30 June 2017 at EUR 4.180 per share.

In the second quarter of 2017, trading was up 9.0% on the first quarter and showed a 61.2% increase on the second quarter of 2016, during which the share price hit an all-time low following the outcome of the Brexit referendum. Meanwhile, and in terms of the actual number of shares traded, the volume was slightly down on the first quarter (-6.6%) and also on the same period of 2016 (-8.2%).

Share price performance

Stock market capitalisation (€ million)	24,988
Number of outstanding shares (1)	5,977,588

Share price (euros/share) (2)

Share price at beginning of year (31.12.2016)	3.140
Share price at close of period (30.06.2017)	4.180
Maximum price	4.429
Minimum price	3.190

Trading volume (number of shares, excluding special transactions, in thousands)

Highest daily trading volume	53,108
Minimum daily trading volume	5,164

Average daily trading volume	18,110
------------------------------	--------

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

(2) Share price at close of trading.

(3) Excluding minority interests.

Stock market ratios

Net profit (EUR million) (12 months)	1,246
Average number of shares (12 months) (1)	5,809,550

Net earnings per share, attributable (EPS) (€/share) 0.21

Equity (EUR million) (3)	23,985
Number of shares at 30.06.2017 (1)	5,977,588

Book value per share (€/share) – fully diluted 4.01

Tangible equity (EUR million) (3)	19,715
-----------------------------------	--------

Number of shares at 30.06.2017 - fully diluted (1)	5,977,588
--	-----------

Tangible book value per share (€/share) – fully diluted 3.30

PER (Price / Earnings, x) 19.49

Price/ Tangible BV (share price / tangible book value) 1.27

Dividend yield (4) 3.11

(4) Calculated by dividing the yield for the last 12 months (EUR 0.13/share) by the price at the end of the period (EUR 4.180/share).

Shareholder returns

The total shareholder remuneration for 2016 stood at EUR 0.13 per share (gross) and the total cash amount paid was equal to 54% of consolidated net profit, in line with the 2015-2018 Strategic Plan.

Under CaixaBank's new dividend policy approved by its Board of Directors on 23 February 2017, remuneration for 2017 will comprise two half-yearly dividends payable in cash and amounting to at least 50% of consolidated net profit.

Shareholder returns over the past 12 months

(Thousands of euros)	€/share	Payment (1)
Cash dividend, final dividend 2016	0.06	13.04.2017
Scrip dividend programme (2)	0.04	08.12.2016
Cash dividend, interim 2016	0.03	30.09.2016

(1) Settlement date for rights sold to CaixaBank related to the scrip dividend programme.

(2) Trading start date of the scrip rights: 22/11/2016.



Outlook

CaixaBank Research forecasts indicate that the strong global activity levels seen in the first half of 2017 will extend to the second part of the year. Global growth is estimated at 3.5% in the second half, practically in line with the first six months, thanks to the healthy economic performance across both developed and emerging nations. Global inflation is slated to rise slightly in the second quarter, due mainly to the recovery of oil prices, putting the year-on-year rate for 2017 at 3.4% (2.8% in 2016). Among the largest economies, the United States is expected to grow at a similar pace to the first half of 2017, although inflation should fall slightly, while the Japanese economy will ease gradually despite the unexpected uptick at the start of the year. In the emerging markets, CaixaBank Research forecasts modest improvements for those economies that were recently in recession (Russia, Brazil and South Africa), and a continuation of the soft landing in China.

In the euro area, economic growth will continue to pick up, closing the year at a rate of 1.9% (2 decimal points above the figure seen in 2016), on the back of robust domestic demand, the gradual recovery of the labour market and still accommodative borrowing conditions. In this context, as the gradual rising trend in core inflation consolidates, CaixaBank Research expects the ECB to start preparing the ground for a gradual return to more normal monetary conditions in the second half of the year. We certainly hope the favourable short-term outlook does not give rise to complacency and that the reforms needed to ensure long-lasting and balanced growth are implemented. One of the main tasks ahead is to further entrench European unity, a process that could gain momentum following the German elections in September.

Main economies: GDP



The outcome of the UK elections in June has increased the likelihood of a “soft” Brexit, which will enable the United Kingdom to retain reasonable access to the European single market.

Against this backdrop, Spain will continue to stand out. The strong momentum of the Spanish economy in the first half of the year has prompted CaixaBank Research to raise its growth projections: 3.1% in 2017, once again outpacing the euro area average. Around 500,000 new jobs are expected to be created. Yet unemployment will still remain high, at 16.8% in the fourth quarter of 2017, a long way above the rates reported by other euro area countries, showing that unemployment remains a serious challenge for the Spanish economy. Job creation should therefore remain a priority for the ongoing recovery in Spain.

Lastly, with regard to the economic outlook in Portugal, the country's strong performance in the first half of 2017 promises a year of high growth (2.5%, vs 1.4% in 2016), supported by a more balanced relationship between internal and external demand.

Outlook for the CaixaBank Group in the second half of the year

The Group was able to report high quality recurring results in the first half of 2017. The sustained growth in core income, driven by intensive sales activity and improved margins, effectively offset the drop in earnings on financial transactions and at investees and the performance of recurring expenses. In relation to exposure to distressed assets, and excluding the impact of BPI, the period saw a reduction in such assets and increased capital gains on the sale of properties.

Following the integration, the CaixaBank Group's balance sheet remains healthy and robust. Meanwhile, capital strength remains one of its hallmarks and the FL CET1 ratio remains within the target band of 11-12%. As we move forward, the CaixaBank Group will make further improvements to its core income and financial prowess by continuing to diversify its income towards segments that promise the best returns, especially in relation to consumer corporate and company loans. In doing so it will rely on its commercial strength and quality of service. Meanwhile, risk management (reducing unproductive assets), managing operational efficiency and continuous investment in technology will all remain key strategic priorities. Capital adequacy remains a priority given the demanding regulatory and supervisory landscape.

The trends observed in the first six months will foreseeably continue as we move through the latter half of the year:

- **Core income** (net interest income plus fee and commission income): against a backdrop of rock-bottom interest rates, CaixaBank will continue to show great resilience and will grow its core income by providing customers with a range of products and services tailored to each and every one of their financial needs (insurance, investment funds, financing, etc.).
 - Steady recovery of net interest income. While low interest rates continue to undermine income from loans and advances, the steady growth in loan volumes and the shift towards segments promising greater returns (consumer and corporate) should all help to push up the Bank's net interest income.
 - Growth in fee and commission income, showing structural strength, particularly in view of the increase in off-balance sheet funds. However, fierce levels of competition will continue to add pressure and market uncertainty and volatility will also impact the performance of off-balance sheet funds.
 - Meanwhile, the insurance business is set to make a bigger contribution. Our leadership in this segment, combined with the relentless commercial drive and improving levels of income on the portfolio of individual life-risk insurance products reinsured in 2012, will all support growth in 2016.
- **Banco BPI:** The BPI franchise brings an attractive business in a region that is experiencing a definite economic reactivation. This business will benefit further from significant synergies in terms of both income and costs. BPI will contribute roughly 11% to CaixaBank's key metrics.
- **Reduction in the cost of risk**, in response to improving levels of credit quality and a positive set of macroeconomic figures (unemployment rate and economic reactivation). Moreover, **rallying house prices will continue to push up proceeds on sales of real estate assets.**
- **Active management of the costs base**, which requires measures to contain and streamline costs, with examples here being the early retirement agreements covering three generations signed in the first half of the year. A process has also been initiated in 2017 to review the cost base in order to make further improvements in streamlining costs.
- **Anticipating and responding to short- and mid-term supervisory requirements and regulatory changes will remain a major challenge.** In particular, we have the entry into force of the IFRS 9 accounting standard, minimum requirements on eligible liabilities for internal recapitalisation of banks (MREL) and the Basel Committee's plans to review the methods for calculating risk-weighted assets.

Lastly, 2017 will also be a key year when it comes to management of political risks and lawsuits. The Group has therefore set itself the strategic priorities of becoming a leader in reputation, while raising awareness across the organisation of the importance of conduct risk and strengthening the culture of internal control and compliance. It will also continue to adapt to best standards and practices when it comes to information governance and data quality.



Appendix – Financial reporting glossary

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

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

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

Alternative Performance Measures

		2Q17	4Q16
Customer spread (%)	Yield average rate on the lending portfolio - cost average rate of retail deposits	2.17%	2.14%
Yield average rate on the lending portfolio	$\frac{\text{Annualized Income on the customer loan portfolio (net)}}{\text{Average balance of the loans and advances to customers for the period (quarterly)}}$	2.21%	2.27%
Cost average rate of retail deposits	$\frac{\text{Annualized Cost of retail customer funds}^1 \text{ on the balance sheet (management)}}{\text{Average balance in the period (quarterly)}}$	0.04%	0.13%
Balance sheet spread (%)	Return on assets average rate - Cost of customer funds average rate	1.30%	1.27%
Return on assets average rate	$\frac{\text{Annualized finance income for the period}}{\text{Average total assets in the period (quarterly)}}$	1.87%	2.02%
Cost of customer funds average rate	$\frac{\text{Annualized finance expenses for the period}}{\text{Average customer funds in the period (quarterly)}}$	0.57%	0.75%
Cost-to-income ratio (last 12 months)	$\frac{\text{Administration expenses and amortisation}}{\text{Gross income}}$	55.1%	52.6%
Cost-to-income ratio stripping out extraordinary expenses (last 12 months)	$\frac{\text{Recurring administration and amortisation expenses}}{\text{Gross income}}$	52.2%	51.0%
ROE (Return on equity) (last 12 months)	$\frac{\text{Profit/(loss)}^2 \text{ attributable to the Group}}{\text{Average equity}}$	5.4%	4.5%



		2Q17	4Q16
ROTE (Return on tangible equity) (last 12 months)	Profit/(loss) ² attributable to the Group Average equity – intangible assets (management) ³	6.5%	5.6%
ROA (Return on assets) (last 12 months)	Net profit/(loss) ² Average total assets	0.3%	0.3%
RORWA (Return on risk weighted assets) (last 12 months)	Net profit/(loss) ² Regulatory risk weighted assets	0.8%	0.8%
Cost of risk (last 12 months)⁴	Allowances for insolvency risk (Customer loans + contingent liabilities) average balance, gross	0.44%	0.46%
Loan to deposits (%)⁵	Net customer loans – Brokered loans ⁶ On-balance sheet customer funds	107.9%	110.9%
NPL ratio⁵	Non-performing customer loans + other contingent liabilities Customer loans + contingent liabilities (gross)	6.5%	6.9%
Coverage ratio⁵	Provision for credit losses + contingent liabilities Non-performing customer loans + other contingent liabilities	50%	47%
Coverage ratio for available-for-sale real estate assets	Total coverage (Write-downs + Accounting provisions) Debt repaid (net book value + total coverage)	58%	60%
Accounting coverage ratio for available-for-sale real estate assets	Accounting coverage (Accounting provisions for foreclosed assets) Gross book value of the real estate asset (net book value + accounting coverage)	49%	50%

(1) Excluding subordinated liabilities.

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

(3) Intangible assets: intangible assets on the public balance sheet, plus the intangible assets and goodwill associated with investees, net of impairment allowances, recognised in investments in joint ventures and associates on the public balance sheet.

(4) Excluding the provisions released in 4Q16 (EUR 676 million).

(5) Loans and customer funds, under management criteria.

(6) Funding extended by public bodies is classified as brokered loans.



Reconciliation of management indicators with public financial statements

Income statement

Earnings indicators	
Net fee and commission income	(+) Fee and commission income (-) Fee and commission expenses
Gains/(losses) on financial assets and liabilities and others	(+) Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+) Gains/(losses) on financial assets and liabilities held for trading, net (+) Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net (+) Gains/(losses) from hedge accounting, net (+) Exchange differences, gains/(losses), net
Operating expenses	(+) Administrative expenses (+) Depreciation
Operating income/(loss)	(+) Gross income (-) Operating expenses
Impairment losses on financial assets and other provisions	(+) Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (+) Provisions or reversal of provisions
Insolvency allowances	(+) Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Loans and receivables (management criteria) (+) Provisions or reversal of provisions - Contingent liabilities (management criteria)
Other charges to provisions	(+) Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (excluding loans and receivables) (management criteria) (+) Provisions or reversal of provisions (excluding provisions for contingent liabilities) (management criteria)
Gains/(losses) on disposal of assets and others	(+) Impairment or reversal of impairment on investments in joint ventures or associates (+) Impairment or reversal of impairment on non-financial assets (+) Gains/(losses) on derecognition of non-financial assets and investments, net (+) Negative goodwill recognised in profit or loss (+) Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations
Profit/(loss) attributable to minority interests and others	(+) Profit/(loss) before tax from discontinued operations (+) Profit/(loss) for the period attributable to minority interests (non-controlling interests)



Activity indicators

(Millions of euros)		June 2017	
Loans and advances to customers, gross	(+) Loans and advances to customers (public balance sheet)	220,257	228,435
	(-) Allowances for impairment losses on customer loans ¹	7,420	
	(-) Other non-retail financial assets	(758)	
	(-) Reverse repo (public and private sector)	(835)	
	(+) Loans arranged through the debt securities of BPI ²	2,351	
Insolvency risk provisions	(+) Allowances for impairment losses on customer loans ¹	7,420	7,732
	(+) Allowance for contingency liabilities	312	
Liabilities under insurance contracts	(+) Liabilities under insurance contracts (public balance sheet)	49,286	48,153
	(-) Losses associated with available-for-sale assets under insurance contracts	(8,339)	
	(+) Unit links ³	7,206	
Customer funds	(+) On-balance sheet customer funds	249,954	348,903
	(+) Assets under management (pension plans, mutual funds, portfolios and SICAVs)	94,497	
	(+) Other accounts	4,452	
On-balance sheet customer funds	(+) Financial liabilities measured at amortised cost-Customers (public balance sheet)	203,497	249,954
	(-) Non-retail funds within above balance	(5,589)	
	(-) Multi-issuer covered bonds and subordinated deposits	(4,632)	
	(-) Counterparties and others	(957)	
	(+) Retail funds under Debt securities issued	3,893	
	(+) Liabilities under insurance contracts (management)	48,153	
Institutional financing for the purpose of managing bank liquidity	(+) Debt securities issued (public balance sheet)	28,372	26,160
	(-) Institutional financing not for the purpose of bank liquidity	(6,135)	
	(-) Securitisation bonds	(2,627)	
	(-) Valuation adjustments	(357)	
	(-) Retail	(3,349)	
	(+) Issuances acquired by Group companies	198	
	(+) Customer deposits for the purpose of bank liquidity	3,903	
	(+) Multi-issuer covered bonds	3,870	
	(+) Subordinated deposits	33	
	(+) Deposits from credit institutions - EIB mortgage covered bonds	20	

(1) Includes the provision for debt securities issued equivalent to loans for EUR 19 million.

(2) Reported as Debt securities and Other assets on the public balance sheet.

(3) Recognised under Financial liabilities designated at fair value through profit or loss in the public balance sheet.



Market indicators

Total liquid assets	Bank HQLAs + available amount (non-HQLA) under Bank of Spain facility
EPS (Earnings per share)	$\frac{\text{Attributable profit (12M)}}{\text{Average number of shares outstanding}}$
Average number of shares outstanding	Average number of shares issued – average number of treasury shares
Market capitalisation	Share price * (number of outstanding shares – treasury shares) ¹
BV (Book value)	$\frac{\text{Equity – Minority interests}}{\text{Average number of shares outstanding - fully diluted}}$
Number of shares outstanding – fully diluted	Shares issued – treasury shares + number of shares in case of convertible debt swap
TBV (Tangible book value)	$\frac{\text{Equity – Minority interests – Intangible assets}}{\text{Average number of shares outstanding - fully diluted}}$
PER (Price-to-earnings ratio)	$\frac{\text{Share price}}{\text{EPS (Earnings per share)}}$
P/BV	$\frac{\text{Share price}}{\text{BV (Book value)}}$
P/TBV	$\frac{\text{Share price}}{\text{TBV (Tangible book value)}}$
Dividend yield	$\frac{\text{Dividends paid (12 months)}^2}{\text{Share price}^1}$
MDA buffer	Pillar 1 capital requirements + Pillar 2 capital requirements + capital buffers + possible AT1 and AT2 deficits

(1) At close of period (30/06/2017).

(2) Dividends paid in shares or cash.

