CaixaBank Group

Condensed interim consolidated financial statements and interim consolidated management report for the six months ended 30 June 2018

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of CaixaBank, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at June 30, 2018, and the income statement, the statement of recognized income and expenses, the total statement of changes in equity, the cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors 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 condensed interim financial information, as provided in 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 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 legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2018 have not been 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, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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Emphasis of Matter

We draw attention to Note 1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2017. Our conclusion is not modified in respect of this matter.

Other Matters

Comparative figures

The consolidated financial statements of CaixaBank, S.A. and subsidiaries for the year ended 31 December 2017 were audited by other auditors that expressed an unqualified opinion on said consolidated financial statements on 23 February 2018.

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2018 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2018. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from CaixaBank, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

This report has been prepared at the request of the Board of Directors of the parent company in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ramón Aznar Pascua

27 july 2018

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE CAIXABANK GROUP AT 30 JUNE 2018

- Condensed interim consolidated balance sheet at 30 June 2018 and 31 December 2017
- Condensed interim consolidated statement of profit or loss for the six months ended 30 June 2018 and 2017
- Condensed interim consolidated statement of other comprehensive income for the six months ended 30 June 2018 and 2017
- Condensed interim consolidated statement of total changes in equity for the six months ended 30 June 2018 and 2017
- Condensed interim consolidated statement of cash flows for the six months ended 30 June 2018 and 2017
- Notes to the interim consolidated financial statements of the CriteriaCaixa Group at 30 June 2018

Condensed interim consolidated financial statements of the CaixaBank

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

at 30 June 2018 and 31 December 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Assets

	30-06-2018	31-12-2017 (*)
Cash and cash balances at central banks and other demand deposits	**22,670,323**	**20,155,318**
Financial assets held for trading (Note 8)	**10,077,238**	**10,596,684**
Memorandum items: loaned or delivered as collateral with the right of sale or pledge	*1,141,916*	*1,052,526*
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 8)	**744,138**	
Memorandum items: loaned or delivered as collateral with the right of sale or pledge	*0*	
Financial assets designated at fair value through profit or loss (Note 8)	**0**	**6,499,807**
Financial assets at fair value with changes in other comprehensive income (Note 8)	**20,026,995**	
Memorandum items: loaned or delivered as collateral with the right of sale or pledge	*4,554,776*	
Available-for-sale financial assets (Note 8)		**69,554,707**
Memorandum items: loaned or delivered as collateral with the right of sale or pledge		*7,383,023*
Financial assets at amortised cost (Note 8)	**243,491,845**	
Memorandum items: loaned or delivered as collateral with the right of sale or pledge	*94,337,208*	
Loans and receivables (Note 8)		**226,272,499**
Memorandum items: loaned or delivered as collateral with the right of sale or pledge		*103,154,984*
Held-to-maturity investments		**11,084,829**
Memorandum items: loaned or delivered as collateral with the right of sale or pledge		*3,600,019*
Derivatives - Hedge accounting (Note 10)	**2,053,380**	**2,596,939**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (Note 10)	**116,448**	**10,847**
Investments in joint ventures and associates (Note 11)	**6,214,723**	**6,224,425**
Joint ventures	160,763	187,107
Associates	6,053,960	6,037,318
Assets under the insurance business (Note 9)	**60,905,331**	**275,495**
Tangible assets (Note 12)	**6,337,604**	**6,480,434**
Property, plant and equipment	3,150,096	3,076,344
For own use	*3,150,096*	*3,076,344*
Investment property	3,187,508	3,404,090
Intangible assets (Note 13)	**3,819,017**	**3,804,983**
Goodwill	3,050,845	3,050,845
Other intangible assets	768,172	754,138
Tax assets (Note 19)	**10,852,318**	**11,054,984**
Current tax assets	579,407	800,143
Deferred tax assets	10,272,911	10,254,841
Other assets (Note 14)	**3,161,347**	**2,505,282**
Inventories	816,993	877,586
Other assets	2,344,354	1,627,696
Non-current assets and disposal groups classified as held for sale (Note 15)	**5,645,841**	**6,068,930**
Total assets	**396,116,548**	**383,186,163**
Memorandum items		
Loan commitments given (Note 23)	62,327,122	61,189,718
Financial guarantees given (Note 23)	4,971,147	6,015,352
Other commitments given (Note 23)	19,903,238	19,461,033

(*) 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 balance sheet at 30 June 2018.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

at 30 June 2018 and 31 December 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Liabilities

	30-06-2018	31-12-2017 (*)
Financial liabilities held for trading (Note 16)	**9,328,249**	**8,604,930**
Financial liabilities designated at fair value through profit or loss (Note 16)	**0**	**8,241,088**
Financial liabilities at amortised cost (Note 16)	**291,401,584**	**280,897,381**
Memorandum items: subordinated liabilities	*6,210,919*	*6,053,814*
Derivatives - Hedge accounting (Note 10)	**911,729**	**793,132**
Fair value changes of the hedged items in portfolio hedge of interest rate risk (Note 10)	**1,321,619**	**1,409,702**
Liabilities under the insurance business (Note 9)	**60,437,661**	**49,750,389**
Provisions (Note 17)	**4,889,195**	**5,000,941**
Pensions and other post-employment defined benefit obligations	2,055,672	2,107,776
Other long-term employee benefits	1,119,394	1,223,077
Pending legal issues and tax litigation	735,692	802,700
Commitments and guarantees given	345,421	356,927
Other provisions	633,016	510,461
Tax liabilities (Note 19)	**1,383,281**	**1,388,070**
Current tax liabilities	280,613	193,944
Deferred tax liabilities	1,102,668	1,194,126
Other liabilities (Note 14)	**2,257,982**	**2,335,108**
Liabilities included in disposal groups classified as held for sale	**86,225**	**82,141**
Total liabilities	**372,017,525**	**358,502,882**

(*) 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 balance sheet at 30 June 2018.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

at 30 June 2018 and 31 December 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

Equity

	30-06-2018	31-12-2017 (*)
SHAREHOLDERS' EQUITY (Note 18)	**24,657,558**	**24,203,895**
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	10,729	10,054
Retained earnings	6,329470	5,553,704
Other reserves	(985,329)	(628,066)
Accumulated losses or reserves from investments in joint ventures and associates	696,488	351,582
Other	(1,681,817)	(979,648)
Less: Treasury shares	(9,796)	(11,753)
Profit/(loss) attributable to owners of the Parent	1,298,244	1,684,167
Less: Interim dividends **(Note 5)**	0	(418,451)
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 18)	**(758,612)**	**45,366**
Items that will not be reclassified to profit or loss	(819,830)	0
Share of other recognised income and expense of investments in joint ventures and associates	(57,366)	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	(762,464)	
Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income	0	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income [hedged item]	0	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income [hedging instrument]	0	
Items that may be reclassified to profit or loss	61,218	45,366
Foreign currency translation	(71,448)	74,199
Hedging derivatives. Reserve of cash flow hedges [effective portion]	(94,888)	16,081
Fair value changes of debt instruments measured at fair value with changes in other comprehensive income	261,991	
Available-for-sale financial assets		(16,370)
Debt instruments		407,959
Equity instruments		(424,329)
Share of other recognised income and expense of investments in joint ventures and associates	(34,437)	(28,544)
MINORITY INTERESTS (non-controlling interests)	**200,077**	**434,020**
Accumulated other comprehensive income	(1,571)	25,760
Other items	201,648	408,260
Total equity	**24,099,023**	**24,683,281**
Total equity and total liabilities	**396,116,548**	**383,186,163**

(*) 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 balance sheet at 30 June 2018.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 and 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	30-06-2018	30-06-2017 (1)
Interest income	3,464,229	3,431,615
Financial assets at fair value with changes in other comprehensive income (2)	940,485	1,022,485
Financial assets at amortised cost (3)	2,431,293	2,355,576
Other assets (4)	92,451	53,554
Interest expenses	(1,032,060)	(1,082,527)
NET INTEREST INCOME	**2,432,169**	**2,349,088**
Dividend income	120,958	120,751
Share of profit/(loss) of entities accounted for using the equity method (Note 11)	502,594	267,723
Fee and commission income	1,446,830	1,367,385
Fee and commission expenses	(154,108)	(115,454)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (Notes 8 and 16)	153,116	63,921
Gains/(losses) on financial assets and liabilities held for trading, net	31,435	43,501
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net (Note 8)	73,735	
Gains/(losses) from hedge accounting, net (Note 8)	36,202	18,876
Exchange differences (gain/loss), net	(1,352)	51,585
Other operating income	269,234	379,599
Other operating expenses	(539,013)	(499,361)
Income from assets under insurance and reinsurance contracts	618,796	519,309
Expenses from liabilities under insurance and reinsurance contracts	(336,937)	(286,438)
GROSS INCOME	**4,653,659**	**4,280,485**
Administrative expenses	**(2,111,059)**	**(2,103,006)**
Staff expenses	(1,470,282)	(1,532,190)
Other administrative expenses	(640,777)	(570,816)
Depreciation and amortisation (Notes 12 and 13)	**(200,855)**	**(219,964)**
Provisions or reversal of provisions (Note 17)	**(263,128)**	**(628,203)**
Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change (Note 8)	**(267,192)**	**(606,116)**
Financial assets at fair value with changes in other comprehensive income	(2)	
Financial assets at amortised cost	(267,190)	
Available-for-sale financial assets		(137,634)
Loans and receivables		(468,482)
Impairment or reversal of impairment on investments in joint ventures and associates (Note 11)	**(53,587)**	**(10)**
Impairment/(reversal) of impairment on non-financial assets	**(12,466)**	**(9,308)**
Tangible assets	(6,675)	(2,890)
Intangible assets	(15)	(6,418)
Other	(5,776)	0
Gains/(losses) on derecognition of non-financial assets, net	**42,524**	**(172,750)**
Negative goodwill recognised in profit or loss	**0**	**441,555**
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (net) (Note 15)	**(47,060)**	**22,749**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**1,740,836**	**1,005,432**
Tax expense or income related to profit or loss from continuing operations	**(400,760)**	**(149,199)**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**1,340,076**	**856,233**
Profit/(loss) after tax from discontinued operations	**905**	**(126)**
PROFIT/(LOSS) FOR THE PERIOD	**1,340,981**	**856,107**
Attributable to minority interests (non-controlling interests)	**42,737**	**16,617**
Attributable to owners of the parent	**1,298,244**	**839,490**
Basic and diluted earnings per share (euros) (Note 5)	0.21	0.14

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

(2) Additionally includes to 30-06-2018 the interests of financial assets available for the sale (IAS 39) of the business insurer and to 30-06-2017 the interests of financial assets available for the sale (IAS 39).

(3) Additionally includes to 30-06-2018 interests of the loans and collection items (IAS 39) of the business insurer and to 30-06-2017 interests of the loans and collection items (IAS 39).

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 2018.

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

for the six months ended 30 June 2018 and 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	30-06-2018	30-06-2017 (*)
PROFIT/(LOSS) FOR THE PERIOD	**1,340,981**	**856,107**
OTHER COMPREHENSIVE INCOME	**(804,630)**	**29,501**
Items that will not be reclassified to profit or loss	**(401,089)**	**0**
Share of other recognised income and expense of investments in joint ventures and associates	(82,571)	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	(346,362)	
Income tax relating to items that will not be reclassified	27,844	
Items that may be reclassified to profit or loss	**(403,541)**	**29,501**
Foreign currency translation	(180,184)	948
Translation gains/(losses) taken to equity	*(180,184)*	*948*
Cash flow hedges (effective portion)	(151,911)	2,927
Valuation gains/(losses) taken to equity	*(131,230)*	*(3,794)*
Transferred to profit or loss	*(20,681)*	*6,721*
Debt instruments classified as fair value financial assets with changes in other comprehensive income	(160,227)	
Valuation gains/(losses) taken to equity	*(41,430)*	
Transferred to profit or loss	*(118,797)*	
Available-for-sale financial assets		40,062
Valuation gains/(losses) taken to equity		*(10,723)*
Transferred to profit or loss		*50,785*
Share of other recognised income and expense of investments in joint ventures and associates	19,312	(38,995)
Income tax relating to items that may be reclassified to profit or loss	69,469	24,559
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**536,351**	**885,608**
Attributable to minority interests (non-controlling interests)	19,371	18,222
Attributable to owners of the parent	516,980	867,386

(*) 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 other comprehensive income for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B)

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY

for the six months ended 30 June 2018 and 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	Equity attributable to the parent									Minority interests		
	Shareholders' equity											
2018	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	**5,981,438**	**12,032,802**	**10,054**	**5,553,704**	**(628,066)**	**(11,753)**	**1,684,167**	**(418,451)**	**45,366**	**25,760**	**408,260**	**24,683,281**
Effects of corrections of errors												0
Effects of changes in accounting policies					(538,438)				(22,714)	(3,965)	9,208	(555,909)
Opening balance at 01-01-2018	**5,981,438**	**12,032,802**	**10,054**	**5,553,704**	**(1,166,504)**	**(11,753)**	**1,684,167**	**(418,451)**	**22,652**	**21,795**	**417,468**	**24,127,372**
Total comprehensive income for the period							**1,298,244**		**(781,264)**	**(23,366)**	**42,737**	**536,351**
Other changes in equity	**0**	**0**	**675**	**775,766**	**181,175**	**1,957**	**(1,684,167)**	**418,451**	**0**	**0**	**(258,557)**	**(564,700)**
Issuance of ordinary shares												0
Dividends (or remuneration to shareholders) (Note 5)				(478,305)							(3,916)	(482,221)
Purchase of treasury shares (Note 18)						(1,505)						(1,505)
Sale or cancellation of treasury shares (Note 18)					802	3,462						4,264
Transfers among components of equity				1,282,391	250,355		(1,684,167)	418,451			(267,030)	0
Other increase/(decrease) in equity			675	(28,320)	(69,982)						12,389	(85,238)
Closing balance at 30-06-2018	**5,981,438**	**12,032,802**	**10,729**	**6,329,470**	**(985,329)**	**(9,796)**	**1,298,244**	**0**	**(758,612)**	**(1,571)**	**201,648**	**24,099,023**

The accompanying Notes 1 to 24 are an integral part of the condensed interim consolidated statement of changes in equity for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B)

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY

for the six months ended 30 June 2018 and 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	Equity attributable to the parent									Minority interests		
	Shareholders' equity											
2017	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	**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 changes in equity for the six months ended 30 June 2018.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

for the six months ended 30 June 2018 and 2017, in thousands of euros

CAIXABANK, SA AND COMPANIES COMPOSING THE CAIXABANK GROUP

	2018	2017 (**)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**2,757,264**	**349,874**
Profit/(loss) for the period (*)	**1,340,981**	**856,107**
Adjustments to obtain cash flows from operating activities	**1,900,468**	**2,621,859**
Depreciation	200,855	219,964
Other adjustments	1,699,613	2,401,895
Net increase/(decrease) in operating assets	**(12,672,752)**	**(1,049,712)**
Financial assets held for trading	(436,594)	1,910,926
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	77,466	
Financial assets designated at fair value through profit or loss		(1,349,213)
Financial assets at fair value with changes in other comprehensive income	(790,524)	
Available-for-sale financial assets		(342,485)
Financial assets at amortised cost	(9,946,086)	
Loans and receivables		(2,467,603)
Other operating assets	(1,577,014)	1,198,663
Net increase/(decrease) in operating liabilities	**11,993,785**	**(2,440,053)**
Financial liabilities held for trading	723,319	(984,052)
Financial liabilities designated at fair value through profit or loss	(116)	1,229,262
Financial liabilities at amortised cost	10,858,203	(2,018,765)
Other operating liabilities	412,379	(666,498)
Income tax (paid)/received	**194,782**	**361,673**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**625,713**	**1,547,303**
Payments	**(580,091)**	**(959,654)**
Tangible assets	(246,570)	(198,512)
Intangible assets	(98,119)	(98,881)
Investments in joint ventures and associates	(5,115)	(3,926)
Subsidiaries and other business units	(204,568)	(644,523)
Non-current assets and liabilities classified as held for sale	(25,719)	(13,812)
Proceeds	**1,205,804**	**2,506,957**
Tangible assets	512,279	45,841
Intangible assets	13,012	
Investments in joint ventures and associates	40,057	3,233
Non-current assets and liabilities classified as held for sale	640,456	574,931
Held-to-maturity investments		532,992
Other proceeds related to investing activities		1,349,960
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**(863,357)**	**(387,287)**
Payments	**(5,742,622)**	**(4,890,080)**
Dividends	(482,221)	(358,675)
Subordinated debt securities	(2,072,000)	
Purchase of own equity instruments	(1,505)	(1,405)
Other payments related to financing activities	(3,186,896)	(4,530,000)
Proceeds	**4,879,265**	**4,502,793**
Subordinated debt securities	2,250,000	
Disposal of own equity instruments	4,265	2,793
Other proceeds related to financing activities	2,625,000	4,500,000
D) EFFECT OF EXCHANGE RATE CHANGES	**(4,615)**	**(1,408)**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**2,515,005**	**1,508,482**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,155,318**	**13,259,957**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**22,670,323**	**14,768,439**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash on hand	1,716,806	1,875,408
Cash equivalents at central banks	20,005,581	11,788,782
Other financial assets	947,936	1,104,249
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**22,670,323**	**14,768,439**
(*) Of which: Interest received (millions of euros)	3,542	3,788
Of which: Interest paid (millions of euros)	1,265	1,459
Of which: Dividends received (millions of euros)	251	185

(**) Presented for comparison purposes only.

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 2018.

Notes to the condensed interim consolidated financial statements of the CaixaBank Group at 30 June 2018

INDEX OF EXPLANATORY NOTES PAGE

Explanatory notes to the condensed interim consolidated financial statements for the six months ended 30 June 2018

CAIXABANK, S.A.
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 six months of 2018.

1. Corporate information, basis of presentation and other information

CaixaBank, SA ("CaixaBank" or the "Entity") and its subsidiaries compose the CaixaBank Group (the "CaixaBank Group" or the "Group"). CaixaBank, with tax identification number (NIF) A08663619 and registered office and tax address in Valencia, calle Pintor Sorolla, 2-4, is a listed company as of 1 July of 2011 and registered in the Bank of Spain Register of Credit Institutions.

CaixaBank is the parent company of the financial conglomerate formed by the group's entities that are considered to be regulated, recognising CaixaBank as a significant supervised entity, whereby CaixaBank comprises, together with the credit institutions of its Group, a significant supervised group of which CaixaBank is the entity at the highest level of prudential consolidation.

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 and the Spanish national securities market regulator (the Comisión Nacional del Mercado de Valores, CNMV), however, the entities of the Group are subject to oversight by supplementary and industry-based bodies.

Basis of presentation

On 22 February 2018, CaixaBank's Board of Directors authorised for issue the CaixaBank Group's 2017 consolidated financial statements in accordance with financial reporting regulatory framework applicable to the Group, namely the International Financial Reporting Standards (hereinafter "IFRS-EU"). Both the consolidated financial statements and the proposed distribution of profit for 2017, were approved at the Ordinary Annual General Meeting held on 6 April 2018.

In the preparation of the 2017 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 2017 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 2018 were prepared using the same principles, accounting policies and criteria as applied in the consolidated financial statements for 2017, particularly IAS 34 ("Interim Financial Reporting"), except for the regulatory changes that came into effect on 1 January 2018 and are detailed in the section "*Standards and interpretations issued by the International Accounting Standard Board (IASB), that became effective during the first half of 2018*". In preparing these statements, Bank of Spain Circular 4/2017 of 27 November has been taken into account, which constitutes the adaptation of the IFRS-EU to Spanish credit institutions. These condensed interim consolidated financial statements were authorised for issue by the Board of Directors of CaixaBank at its meeting of 26 July 2018.

In accordance with IAS 34, the interim notes include, primarily, an explanation of the events and changes that are significant to an understanding of the changes in the 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 six months of the year and do not duplicate information previously reported. Therefore, for an appropriate understanding of the information contained in the consolidated interim consolidated financial statements, they should be read in conjunction with the CaixaBank Group's 2017 consolidated financial statements.

The figures are presented in thousands of euros unless the use of another monetary unit is stated. Certain financial information in these 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.

Similarly, in deciding what information to disclose in this report, its materiality was assessed in relation to the annual financial data.

Accounting standard issued by the Bank of Spain that has come into effect during 2018

Circular 4/2017 was published on 6 December 2017, which incorporates IFRS 9 and IFRS 15 into Spanish law as from 1 January 2018, constituting the adaptation of the IFRS adopted by the EU for Spanish credit institutions. With its entry into force, Circular 4/2004 of 22 December has been repealed.

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in 2018

On 1 January 2018 the Group adopted the following accounting standards (see Note 2):

Standards and interpretations that became effective in 2018

Standards and interpretations	**Title**
IFRS 9	Financial instruments
IFRS 15	Revenue from Contracts with Customers
Amendment to IFRS 4	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'
Amendment to IFRS 2 (*)	Classification and Measurement of Share-based Payment Transactions
Amendment to IAS 40 (*)	Transfers of investment property
IFRIC interpretation 22 (*)	Foreign Currency Transactions and Advance Consideration

(*) They have not had a significant effect on the Group.

- IFRS 9 "Financial Instruments": this standard 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 replaced the current International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement", which was applicable until 31 December 2017. There are very significant differences compared to 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.

The impact of the adoption of this standard is significant, which is why the provisions of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, and IAS 34 "Interim Financial Reporting" have been considered, as well as the transitory provisions for application of the standard (see section “Comparison of information”).

Similarly, in accordance with the amendments made to IFRS 4 *Applying IFRS 9 Financial Instruments*, application of IFRS 9 can be deferred for insurance companies that form part of a financial conglomerate, as stated in article 2, section 14 of Directive 2002/87/EC, which is the case for the CaixaBank Group as its complies with the conditions set out in article 2 of the EU Regulation 2017/1988. Following on from this, the Group has opted to apply this temporary exemption from IFRS 9 for the financial investments of the Group's insurance companies, VidaCaixa and BPI Vida y Pensiones, pending the entry into force of the new standard IFRS 17 Insurance Contracts, which will regulate the presentation and measurement of insurance contracts (including technical provisions). Therefore, details of the information that follows are not considered as a change to the accounting policy with regard to financial investments of the Group's insurance companies, which are grouped under the heading “Assets under the insurance business” on the asset side of the balance sheet. For the purpose of facilitating the comparison of information, the balances of the technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed) have also been reclassified, in order to include them under the heading "Liabilities under the insurance business".

- IFRS 15 "Revenue from Contracts with Customers": this standard establishes a model for recognising ordinary income other than income from financial instruments, based on identifying the obligations under each contract, determining the price thereof, assigning this to the obligations identified, and lastly, recognising income when control of the assets is transferred (in the widest sense, including the provision of services).

  There has been no material impact as a result of its first application, or material changes in the timing of revenue recognition.

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 as follows:

Standards and interpretations issued by the IASB but not yet effective

Standards and interpretations	Title	Mandatory application for annual periods beginning on or after:
Approved for use (*)		
IFRS 16	Leases	1 January 2019
Amendment to IFRS 9 (**)	Prepayment Features with Negative Compensation	1 January 2019
Not approved for use		
IFRS 17	Insurance Contracts	1 January 2021
Amendment to IAS 28 (**)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC23 interpretation (**)	Uncertainty surrounding how gains tax is processed	1 January 2019
Amendment to IAS 19 (**)	Plan Amendment, Curtailment or Settlement	1 January 2019

(*) The Group has elected not to early adopt these standards, where possible.

(**) The Group does not expect any relevant impacts arising from this implementation.

These standards are set out in detail in Note 1 to the 2017 consolidated financial statements, except for the amendments to IAS 19 "Plan Amendment, Curtailment or Settlement", pending publication in February 2018. This last amendment clarifies that when a plan amendment curtailment or settlement occurs (according to IAS 19 definitions), the Group must re-measure pension commitment liabilities, specifying that the cost for the services of the period remaining until the following closure of accounts must be calculated and recorded in the statement of profit or loss based on the assumption updated to the date that the amendment or curtailment occurred.

IFRS 16 impact estimation

The introduced main change for the IFRS 16, just as was specified in the Note 1 earlier above-mentioned, is an only model of accountancy of the leasings for leaseholders, requiring that these recognise the assets and liabilities of all the leasings with a duration higher than 12 months, unless the underlying assets is of low value or of intangible character. 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.

The Group initiated at the end of 2016 a specific project for the implementation of this standard, having concentrating on the analysis of consequence impacts of its business model. The main contracts classification identified that it will require estimate an asset for right of use and a liabilities for leasing are leasings of real properties (set aside for corporate branches and buildings) that are affections to its operations activity.

To the date of preparation of these summarised financial statements consolidated the project is found in operational implementation phase, having planned for the second half of 2018 the completion and validation of certain technological evidence, included the performance of a parallel one. Not is expected a patrimonial significant impact for the coming into force of this standard in the Group.

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 some of the assets, liabilities, revenues, expenses and obligations shown in them. These estimates relate primarily to:

- The criterion for timing of recognition in profit and loss of income from ancillary activities provided (Note 2).
- The accounting classification of certain assets and financial liabilities as well as its reasonable value (Notes 8, 9 and 16).
- Impairment losses on financial assets and the fair value of the guarantees related to the same, involves making relevant judgements relating to: (i) the consideration of “significant increase in credit risk” (SICR) and definition of default; (ii) the inclusion of forward-looking information (Notes 2, 3 and 8).
- The measurement of investments in joint ventures and associates (Note 11).
- Determination of the share of profit/(loss) of associates, included the countable processing of the hyperinflation (Note 11).
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 9).
- The useful life of and impairment losses on other tangible assets and intangible assets (Notes 12 and 13).
- The measurement of goodwill and intangible assets (Note 13).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 15).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 17).
- The measurement of the provisions required to cover labour, legal and tax contingencies (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. According to applicable legislation and the Group's system of governance, the effects of these changes would be recognised prospectively in the corresponding statement of profit or loss.

Comparative information

The figures at 31 December 2017 and for the six months ended 30 March 2017 contained in the accompanying condensed interim consolidated financial statements are presented solely for purposes of comparison.

As stated in this note, in the "Basis of presentation" section, the Group has applied IFRS 9 from 1 January 2018. Taking into consideration the accounting policies for classification and measurement approved by the governing bodies on the date of these condensed interim consolidated financial statements, the changes to the classification and measurement modifications of certain items on the balance sheet for the quantitative impacts (only includes the balance headings that have been subject to change) are set out below:

Assets - Reconciliation of impacts of the 1st application of IFRS 9

	Balance at 31-12-2017	Heading name amendment	Other reclassifications	Valuation change	Deferral in IFRS 9 application for insurance activities (a)	Balance at 01-01-2018
ASSETS						
Financial assets held for trading	**10,596,684**				**(956,040)**	**9,640,644**
Financial assets designated at fair value through profit or loss	**6,499,807**		**(6,171)**		**(6,493,636)**	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss			**846,828**	**(25,220)**		**821,608**
Equity instruments			249,018(d)	*35,000*		284,018
Debt securities			147,658(b) (d)			147,658
Loans and advances			450,152(b)	(60,220)		389,932
Available-for-sale financial assets	**69,554,707**	**(69,554,707)** (d)				
Equity instruments	2,882,849	(2,882,849)				
Debt securities	66,671,858	(66,671,858)				
Financial assets at fair value with changes in other comprehensive income		**69,554,707** (d)	**(303,298)**(d)		**(49,393,967)**	**19,857,442**
Equity instruments		2,882,849	(242,847)		(418)	2,639,584
Debt securities		66,671,858	(60,451)		(49,393,549)	17,217,858
Loans and receivables	**226,272,499**	**(226,272,499)** (b)				
Debt securities	2,575,603	(2,575,603)				
Loans and advances	223,696,896	(223,696,896)				
Central banks	*5,000*	*(5,000)*				
Credit institutions	*7,374,035*	*(7,374,035)*				
Customers	*216,317,861*	*(216,317,861)*				
Held-to-maturity investments	**11,084,829**	**(11,084,829)** (c)				
Financial assets at amortised cost		**237,357,328** (b)	**(537,359)**(b)	**(767,882)**	**(1,074,553)**	**234,977,534**
Debt securities		13,660,432 (c)	(87,207)	10,330	(786,151)	12,797,404
Loans and advances		223,696,896	(450,152)	(778,212)	(288,402)	222,180,130
Central banks		*5,000*				*5,000*
Credit institutions		*7,374,035*		*(29)* (f)	*(288,402)*	*7,085,604*
Customers		*216,317,861*	*(450,152)*	*(778,183)* (f)		*215,089,526*
Assets under the insurance business (Note 9)	**275,495**				**57,918,196**	**58,193,691**
Tax assets	**11,054,984**			**242,869** (g)		**11,297,853**
Other assets	**2,505,282**			**1,992**		**2,507,274**
Total assets	**383,186,163**	**-**	**-**(e)	**(548,241)**	**-**	**382,637,922**

Liabilities - Reconciliation of impacts of the 1st application of IFRS 9

	Balance at 31-12-2017	Heading name amendment	Other reclassifications	Valuation change	Deferral in IFRS 9 application for insurance activities (a)	Balance at 01-01-2018
LIABILITIES						
Financial liabilities designated at fair value through profit or loss	**8,241,088**				**(8,240,972)**	**116**
Liabilities under the insurance business	**49,750,389**				**8,240,972**	**57,991,361**
Provisions	**5,000,941**			**7,668**		**5,008,609**
Commitments and guarantees given	356,927			10,090 (f)		367,017
Other provisions	510,461			(2,422)		508,039
Total liabilities	**358,502,882**		**-**	**7,668**	**-**	**358,510,550**

Equity - Reconciliation of impacts of the 1st application of IFRS 9

	Balance at 31-12-2017	Heading name amendment	Other reclassifications	Valuation change	Deferral in IFRS 9 application for insurance activities (a)	Balance at 01-01-2018
SHAREHOLDERS' EQUITY	**24,203,895**		**22,714**	**(561,152)**		**23,665,457**
Other reserves	(628,066)		22,714 (h)	(561,152)		(1,166,504)
ACCUMULATED OTHER COMPREHENSIVE INCOME	**45,366**		**(22,714)** (h)			**22,652**
Items that will not be reclassified to profit or loss	-		(447,043)			**(447,043)**
Items that may be reclassified to profit or loss	45,366		424,329			469,695
MINORITY INTERESTS (non-controlling interests)	**434,020**			**5,243**		**439,263**
Accumulated other comprehensive income	25,760		(3,965)			21,795
Other items	408,260		3,965	5,243		417,468
Total equity	**24,683,281**	**-**	**-**	**(555,909)**		**24,127,372**
Total equity and total liabilities	**383,186,163**	**-**	**-**	**(548,241)**		**382,637,922**

a) In accordance with the provisions of Note 1, applying the amendment to IFRS 4 *Applying IFRS 9 Financial Instruments*, the details of the information that follows are not considered as a change to the accounting policy with regard to investments of the Group's insurance companies, which are grouped under the heading "Financial assets under the insurance business" on the asset side of the balance sheet.

   For the purpose of facilitating the comparison of information, the balances of the technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed) have also been reclassified, in order to include them under the heading "Liabilities under the insurance business".

b) The balances classified under "Loans and receivables" are reclassified under the heading "Financial assets at amortised cost", except for certain exposures that, due to their nature, do not comply with the SPPI test and are reclassified under "Financial assets not designated for trading compulsorily measured at fair value through profit or loss".

c) The balances classified under the heading "Held-to-maturity investments" are reclassified, in their entirety, under "Financial assets at amortised cost".

d) The balances classified under "Available-for-sale financial assets" are reclassified under the heading "Financial assets at fair value with changes in other comprehensive income", except for certain securities whose purpose does not comply with the SPPI test, most notably shares in investment funds and venture capital funds, which are reclassified under the heading "Financial assets not designated for trading compulsorily measured at fair value through profit or loss".

e) As a result of the 1st application of IFRS 9, there have been no reclassifications to the 'fair value at amortised cost' categories.

f) Corresponds to the incremental impact on corrections to the value of exposures at amortised cost, deriving from the change to the accounting policy (Note 8).

g) Fiscal effect of the indicated valuation adjustments.

h) As a result of the reclassification of certain equity instruments of "Available-for-sale financial assets", as "Financial assets not designated for trading compulsorily measured at fair value through profit or loss", the valuation adjustments at 31 December

2017 associated with these positions are reclassified under the heading "Accumulated other comprehensive income", in the section "Other reserves" in shareholder's equity.

Given the impracticality of retrospectively estimating the impact of the change to the accounting policy of IFRS 9, the Group has made use of the provisions in IAS 8.40 in order not to restate the opening balance at 1 January 2017 and the income statement of 2017. Similarly, based on the possibility allowed in the section IFRS 9.7.2.15, the breakdowns, at 31 December 2017, of certain balance sheet items referring to financial instruments in this report have not been restated, which is why it cannot be compared with the information referring to 30 June 2018.

Lastly, the statement of profit or loss corresponding to the previous period includes, as regards the combination of BPI businesses (see Note 7 to the consolidated financial statements of 2017), the contribution using the full consolidation method and using the equity method (45.5%) for 5 and 1 months, respectively.

Seasonality of operations

The cyclical or seasonal nature of the operations of the Group is not significant, except for the transactions presented below, which are processed individually, applying the IFRIC 21 interpretation, and for which the amount recorded to date in the statement of profit or loss of the respective periods is presented:

Specific cases applying IFRIC 21

(Millions of euros)

	2018	2017	Date when the obligation is recognised
Property tax (Spain)	48	50	1 January
Single Resolution Fund (SRF) (*) – CaixaBank	94	88	Upon receiving notification of payment (2Q18)
Single Resolution Fund (SRF) (*) and National Resolution Fund (NRF) – Banco BPI	19	17	Upon receiving notification of payment (2Q18)

(*) With respect to the SFR includes 15% of the annual contribution is an irrevocable payment commitment that has been satisfied through a cash delivery. The amount paid for this item in 2018 and 2017 amounts to EUR 16 million and EUR 15 million, respectively, and it is registered under "Financial assets at amortised cost" and "Loans and receivables", respectively.

Sale agreement of the real estate business

1) Repurchase of Servihabitat Servicios Inmobiliarios, SL

On 8 June 2018, CaixaBank reached an agreement with the company SH Findel, S.À.R.L. (subsidiary company of TPG Sixth Street Partners) to repurchase 51% of the share capital of Servihabitat Servicios Inmobiliarios, SL (Servihabitat) at a price of EUR 176.5 million. After this purchase, which has obtained the necessary authorisations and which was closed on 13 July 2018, the Group now holds 100% of the share capital of Servihabitat.

At the close of the first half of 2018, although the purchase of 51% of Servihabitat has not been recorded insofar as the operation was subject to conditions precedent, the aforementioned transaction has involved the materialisation of the following impacts on the Group's income statement:

a) A review of the carrying amount of the current stake in 49% of Servihabitat by virtue of the update of the valuation of this share as well as the sale offer accepted by the Group with regard to the operation announced on 28 June and described in the following section. It has required the recording of an impairment of EUR 52 million under the heading "Impairment or reversal of impairment on investments in joint ventures and associates" of the accompanying consolidated income statement.

b) The recognition of a provision amounting to EUR 152 million under the heading "Provisions or reversal of provisions" in the accompanying consolidated income statement, corresponding to the difference between the transaction price (EUR 176.5 million) and the fair value of the share purchased in 51% of Servihabitat.

2) Sale of the real estate business

On 28 June 2018, CaixaBank agreed to sell 80% of its real estate business to a company owned by Lone Star. The transaction mainly comprises the portfolio of property assets available for sale at 31 October 2017 and 100% of the share capital of Servihabitat. The gross value of the property assets at 31 October 2017 used for the sale was approximately EUR 12,800 million, the net carrying amount of which was approximately EUR 6,700 million.

Once the repurchase of 51% of Servihabitat is complete, the Group will transfer the real estate business to a new company 80% of which will subsequently be sold to Lone Star, withholding a 20% stake through Building Center.

As part of the operation with Lone Star, Servihabitat will go on servicing to the Group's property assets during a period of 5 years under a new contract that will enable CaixaBank to reach a greater degree of flexibility and efficiency.

Once the necessary authorisation is obtained, the close of this operation will involve the deconsolidation of the real estate business, and it is estimated that it will have a neutral impact on the income statement.

Subsequent events

Between 30 June 2018 and the date these condensed interim consolidated financial statements were authorised for issue, no further events occurred with a material impact on the accompanying financial statements that are not described in the remaining explanatory notes.

2. Accounting policies and measurement bases

Except for those stated hereafter, the accompanying condensed interim consolidated financial statements of the Group were prepared using the same accounting principles, policies and criteria as those used in the 2017 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.

Changes in the accounting policies

In 2018, the Group adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Ordinary Activities Deriving from Contracts with Customers". As a result of this, an assessment has been carried out on the accounting policies in the areas indicated in this note, applicable from 1 January 2018.

For all the areas not stated in these interim financial statements, the definitions, criteria and policies described in Note 2 of the report of the consolidated financial statements of 2017 continue to be applied.

As previously mentioned, and in accordance with the amendments made to IFRS 4 "Applying IFRS 9 Financial Instruments", application of IFRS 9 can be deferred for insurance companies that form part of a financial conglomerate. Therefore, the investments under the insurance business are classified and measured taking into account the criteria and requirements of IAS 39 "Financial Instruments: Recognition and Measurement", using the accounting policies set out in Note 2 of the report on the 2017 consolidated financial statements, and the changes described in this not are not applied.

2.1. Financial instruments

Classification of the financial assets

Financial assets are included to be measured in one of the following portfolios:

a) Financial assets at amortised cost.

b) Financial assets at fair value with changes in other comprehensive income.

c) Financial assets compulsorily measured at fair value through profit or loss:

  i) Financial assets held for trading.

  ii) Financial assets not designated for trading compulsorily measured at fair value through profit or loss.

d) Financial assets designated at fair value through profit or loss.

e) Derivatives - Hedge accounting.

The above classification of assets in the aforementioned categories is carried out based on the two following elements:

- the Group's business model for managing financial assets, and
- the characteristics of the contractual cash flows of some financial assets.

In order to measure a financial asset, the Group classifies it:

- In the portfolio "Financial assets at amortised cost", when the two following conditions are met:
  a) it is managed using a business model that aims to hold financial assets to receive contractual cash flows, and
  b) the contractual conditions result in cash flows on specific dates, which are solely principal and interest payments on the amount of principal outstanding.
- In the portfolio "Financial assets at fair value with changes in other comprehensive income", when the following two conditions are met:
  a) it is managed using a business model whose aim is to blend the perception of contractual cash flows of financial assets and the sale, and

b) the contractual conditions result in cash flows on specific dates, which are solely principal and interest payments on the principal amount outstanding.

- In the portfolio of financial assets measured at fair value through profit or loss: whenever, due to the Group's business model for management of the asset or due to the characteristics of its contractual cash flows, it is not appropriate to classify the asset in any of the aforementioned portfolios.

  Within the portfolio of "Financial assets compulsorily measured at fair value through profit or loss", all the instruments that fulfil one or more of the following characteristics are included:

  a) those originating from or acquired with the aim of realising them in the short term.

  b) those that are part of a group of financial instruments identified and managed together, for which there is evidence of a recent pattern of short-term profit-taking.

  c) derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as accounting hedging instruments.

Investments in equity instruments are an exception to the aforementioned general assessment criteria. In general, the Group irrevocably exercises the option in the initial recognition by including - in the portfolio of financial assets at fair value with changes in other comprehensive income - investments in equity instruments that are not classified as held for trading and that, in the event of not exercising this option, would be classified as financial assets compulsorily measured at fair value through profit or loss.

As for the assessment of the business model, this does not depend on the intentions for an individual instrument, but instead it is determined for a set of instruments, taking into account the frequency, amount and schedule of the sales in previous years, the reasons for these sales and the expectations for futures sales. The infrequent or insignificant sales, those near to the maturity of the asset and driven by increased credit risk of the financial assets or to manage the concentration risk, among others, can be compatible with the model of holding assets to receive contractual cash flows.

More specifically, the fact that CaixaBank Group expects to make regular sales, focusing on loans (or similar financial assets) that have experienced a drop in credit risk levels, is not inconsistent with how those loans are classified under a business model that holds financial assets to receive contractual cash flows. These sales that are counted for the purpose of determining the frequency of sales and their materiality will remain separate from the tracking ratios.

If a financial asset contains a contractual condition under which the schedule or amount of its contractual cash flows can be modified (e.g. if the asset can be redeemed in advance or if maturity can be extended), the Group determines whether the contractual cash flows the instrument generates over its life are solely principal and interest payments on the outstanding principal. To this end, the contractual cash flows that may be generated before and after the change to the schedule or the amount of the contractual cash flows are taken into consideration.

In turn, in the case of a financial asset with a periodic adjustment of the interest rate, but where the frequency of this adjustment does not match the term of the reference interest rate (e.g., the interest rate is adjusted every three months to the one-year rate), at the time of the initial recognition, the Group assesses this mismatch in the interest component to determine whether the contractual cash flows represent solely principal and interest payments on the amount of principal outstanding.

The contractual conditions that, at the time of the initial recognition, have a minimum effect on the cash flows or depend on exceptional and highly unlikely events taking place (such as liquidation of the issuer) do not prevent the asset from being classified in the amortised cost portfolio or fair value portfolio with changes recorded in other comprehensive income.

Classification of the financial liabilities

No difference is shown between the classification of the financial liabilities under IFRS 9 and the accounting policies established under IAS 39 (see Note 2 to the 2017 consolidated financial statements).

Initial recognition and measurement

Upon initial recognition, all financial instruments are recognised at fair value. For the financial instruments that are not registered at fair value through profit or loss, the fair value amount is adjusted, adding or deducting transaction costs directly attributable to the acquisition or issuance thereof. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are immediately recognised in the statement of profit or loss.

The transaction costs are defined as expenses directly attributable to the acquisition or drawdown of a financial asset, or to the issuance or assumption of a financial liability, which would not have been incurred if the Group had not made the transaction. These include fees paid to intermediaries (such as prescribers), mortgage arrangement expenses and part of the costs of personnel in the Risk Acceptance Centres. Under no circumstances are the internal administrative costs or those deriving from prior research and analysis considered transaction costs.

During the first quarter of 2018 the Group completed an internal project with the aim of identifying the direct and incremental transaction costs of asset transactions using analytical accounting tools. From 1 January 2018 the identified transaction costs are used when determining the effective interest rate, which is reduced for financial assets, thus, the costs are accrued throughout the duration of the transaction.

Subsequent measurement of the financial assets

After its initial recognition, the Group measures a financial asset at amortised cost, at fair value with changes in other comprehensive income, at fair value through profit or loss, or at cost.

The receivables for trading operations that do not have a significant financing component and the commercial loans and short-term debt instruments that are initially measured by the price of the transaction or its principal, respectively, continue to be measured by said amount less the correction of value due to estimated impairment as described in section 2.3.

Income and expenses of the financial assets and liabilities

The income and expenses of financial instruments at amortised cost are recognised according to the following criteria:

a) The accrued interest is recorded in the statement of profit or loss using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where it is applied to the net carrying amount).

b) The remaining changes in value will be recognised as income or an expense when the financial instrument is derecognised from the balance sheet; when it is reclassified; and in the case of financial assets, when there are impairment losses or gains due to their subsequent recovery.

The income and expenses of financial instruments at fair value through profit or loss are recognised according to the following criteria:

a) Fair value changes are recorded directly in the statement of profit or loss, and a differentiation is made - for non-derivative instruments - between the part attributable to the returns earned by the instrument, which will be recorded as interest or as dividends according to its nature, and the rest, which will be recorded as results of financial operations in the corresponding balance item.

b) The interest earned on these debt instruments is calculated using the effective interest method.

As an exception, the Group should recognise changes in the value of a financial liability designated at fair value through profit or loss, in the case of applying in the following manner:

a) the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of said liability is recognised in other comprehensive income, which would be directly transferred to a reserve item if the aforementioned financial liability is derecognised, and
b) the remaining amount of the change in the fair value of the liability is recognised in the profit or loss for the year.

The income and expenses of financial assets at fair value with changes in other comprehensive income are recognised according to the following criteria:

a) The interest earned or, where applicable, the dividends earned shall be recognised in the statement of profit or loss. In the case of interest, the same procedure is applied as that of the assets at amortised cost.
b) The differences in a change are recognised in the statement of profit or loss in the case of monetary financial assets, and in other comprehensive income, in the case of non-monetary financial assets.
c) For the case of debt instruments, impairment losses or gains due to their subsequent recovery are recognised in the statement of profit or loss.
d) The remaining changes in value are recognised in other comprehensive income.

Thus, when a debt instrument is measured at fair value with changes in other comprehensive income, the amounts that will be recognised in the profit or loss for the year will be the same as those that would be recognised if it were measured at amortised cost.

When a debt instrument at fair value with changes in other comprehensive income is derecognised from the balance sheet, the profit or loss accumulated in equity is reclassified, and recorded in the statement of profit or loss for the period. In turn, when an equity instrument at fair value with changes in other comprehensive income is derecognised from the balance sheet, the amount of the loss or gain recorded in other accumulated comprehensive income is not reclassified to the statement of profit or loss, but instead to a reserve balance item.

For each of the aforementioned portfolios, the recognition would change if said instruments form part of a hedging relationship, and there would not be any differences to the accounting policies established under IAS 39 (see Note 2 to the 2017 consolidated financial statements).

Reclassifications between financial instrument portfolios

According to the provisions set out in IFRS 9, only in the event the Group decides to change its financial asset management business model, would all the affected financial assets be reclassified. This reclassification would be carried out prospectively from the date of the reclassification. In accordance with the IFRS 9 approach, in general, changes in the business model occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

2.2. Accounting hedges

Since 1 January 2018, the Group has applied the provisions of IFRS 9 relating to hedge accounting, since it is deemed that this option best suits the risk management strategy of the CaixaBank Group, since there are changes with respect to IAS 39 in a number of areas, such as hedged items, hedging instruments, the accounting of the time value of options and the assessment of effectiveness, which enable the expansion of the transactions to which hedge accounting is applied and facilitate the application of hedge accounting.

Other than the attendant greater disclosure requirements and the update to the technical notes that document hedging, no significant quantitative impacts have emerged.

In the technical notes, the Group establishes the hedging relationship documentation, which includes the identification of the hedging instrument and of the hedged item, the nature of the risk to be hedged and the way in which the Group assesses whether the hedging relationship meets the requirements of hedging effectiveness (together with the analysis of the causes of failed protection and the way in which the coverage ratio is determined). In accordance with IFRS 9, to ensure that effectiveness requirement is verified:

a) there must be an economic relationship between the hedged item and the hedging instrument,
b) the credit risk of the hedged item's counterparty or of the hedging instrument should not have a dominant effect on changes in value resulting from said economic relationship, and
c) the coverage ratio of the hedging accounting relationship, which is defined as the relationship between the quantity of the hedged item and the quantity of the hedging instrument, and it must be the same as the coverage ratio used for management purposes.

2.3. Impairment of financial assets and other credit exposures

The Group applies the requirements on impairment of debt instruments that are measured at amortised cost and at fair value with changes in other comprehensive income, as well as other exposures that involve credit risk, such as granted loan commitments, granted financial guarantees and other granted commitments.

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of the credit losses of operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including information of a prospective nature.

Impairment losses on debt instruments in the period are recognised as an expense under the heading "Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change" in the statement of profit or loss. The impairment loss of debt instruments at amortised cost are recognised against a corrective account of provisions that reduces the carrying amount of the asset, whereas those of instruments at fair value with changes in other comprehensive income are recognised against another accumulated comprehensive income.

The hedges to cover impairment losses in exposures involving credit risk other than debt instruments are recorded as a provision under the heading "Provisions – Commitments and guarantees given" in the liabilities of the balance sheet. Additions to and reversals of these hedges are recognised charged under the heading "Provisions or reversal of provisions" in the statement of profit or loss.

For the purpose of recording the hedging for impairment losses of debt instruments, the following definitions must be taken into account in advance:

a) Credit losses: these correspond to the difference between all the contractual cash flows owed to the Group in accordance with the financial asset's contract and all the cash flows that it is due to receive (i.e. all the insufficiency of cash flows), discounted at the original effective interest rate or, for financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality, or the interest rate on the date referred to in the financial statements in the case of a variable rate.

   In the case of the granted loan commitments, the contractual cash flows that would be owed to the Group in the event the loan commitment were drawn down are compared to the cash flows that it would expect to receive if the commitment were drawn down. In the case of granted financial guarantees, taken into account are the payments that the Group expects to receive less the cash flows that are expected to be received from the guaranteed holder.

   The Group estimates the cash flows of the operation during its expected life taking into account all the contractual terms and conditions of the operation (such as early repayment, extension, redemption and other similar options). In extreme cases when it is not possible to reliably estimate the expected life of the operation, the Group uses the remaining contractual term of the operation, including extension options.

   The cash flows taken into account include those deriving from the sale of collateral, taking into account the cash flows that would be obtained from the sale thereof, less the amount of the costs required to obtain them, maintenance and their subsequent sale, or other credit improvements that form an integral part of the contractual conditions, such as financial guarantees received.

   If the Group's current non-performing asset reduction strategy expects loan sales and other accounts receivable whose credit risk has increased (exposure classified at Stage 3), then the Group will retain any asset affect by this strategy under the model for retaining assets to receive their contractual cash flows, thus they are classified in the portfolio of "Financial assets at amortised cost", provided that their flows only include payments of principal and interest. Similarly, until they no longer intend to make sales, the corresponding credit risk provision takes into account the price to be received from a third party.

b) Expected credit losses: these are the weighted average of the credit losses, using as weighting the respective risks of default events. The following distinction will be taken into account:

   i. Expected credit losses during the life of the operation: these are expected credit losses resulting from all the possible default events during the expected life of the operation.

   ii. Expected credit losses at twelve months: these are the part of the credit losses expected during the life of the operation corresponding to the expected credit losses resulting from any default events during the twelve months following the reference date.

The amount of the hedges to cover impairment loss is calculated according to whether there has been a significant increase in credit risk since the operation's initial recognition, and whether a default event has occurred:

Observed credit risk impairment since its initial recognition

Credit risk category	Performing *Stage 1*	Watch-list performing *Stage 2*	Non-performing *Stage 3*	Write-off
Classification and transfer criteria	Operations for which there has been no material increase in credit risk since the initial recognition	Operations for which there has been a material increase in credit risk (**SICR**) but there are no default events	Operations with credit impairment **Default event**: when there are overdue amounts that are older than 90 days	Operations without reasonable expectations of recovery
Calculation of the impairment hedge	Expected credit losses at twelve months	Expected credit losses during the life of the operation		Recognition in results of losses for the carrying amount of the operation and total derecognition of the asset
Calculation and recognition of interest	Calculated by applying the effective interest rate to the gross carrying amount of the operation		Calculated by applying the effective interest rate at amortised cost (adjusted to reflect impairment value corrections)	Not recognised in the statement of profit or loss
Operations included	Initial recognition of financial instruments	Operations included in a sustainability agreement that have not completed the probation period Operations of debtors seeking bankruptcy proceedings which are not classified as non-performing or write-offs Refinanced or restructured operations which do not need to be classified as non-performing and are still in the probation period Operations with overdue amounts that are older than 30 days Operations that can be determined as having produced a material increase in risk, using market indicators/triggers.	**Non-performing for default reasons**: Operations with overdue amounts that are older than 90 days Operations where all holders are considered cluster risk (personal risk criterion) **Non-performing for reasons other than default**: • Operations with reasonable doubts leading us to believe that a transaction may not be paid back in full. • Operations with legally claimed balances • Operations in which the collateral execution process has been initiated • Operations and guarantees with the holders seeking bankruptcy proceedings without a settlement request • Refinanced operations with a corresponding classification as non-performing • Operations purchased/originated with credit impairment	Operations with unlikely recovery Partial derecognition of operations without extinction of the rights (partial write-offs). Non-performing operations due to default reasons, which have been in the category for more than 4 years, or when the amount not hedged with collateral has been maintained with credit risk hedging of 100% for more than 2 years (except when there is collateral to cover at least 10% of the gross amount) Operations where all the holders are declared bankrupt in the settlement phase (except if they have collateral to cover at least 10% of the gross amount)

When the contractual cash flows of a financial asset are modified or the financial asset is replaced with another, and the modification or exchange does not cause it to be derecognised from the balance sheet, the Group recalculates the gross carrying amount of the financial asset, taking into account the modified flows and the effective interest rate applicable before the modification, and recognises any difference that emerges as a loss or gain due to a change in the profit or loss of the period. The amount of the directly attributable transaction costs raises the carrying amount of the modified financial asset and it will be amortised during the remainder of its life, which will require the company to recalculate the effective interest rate.

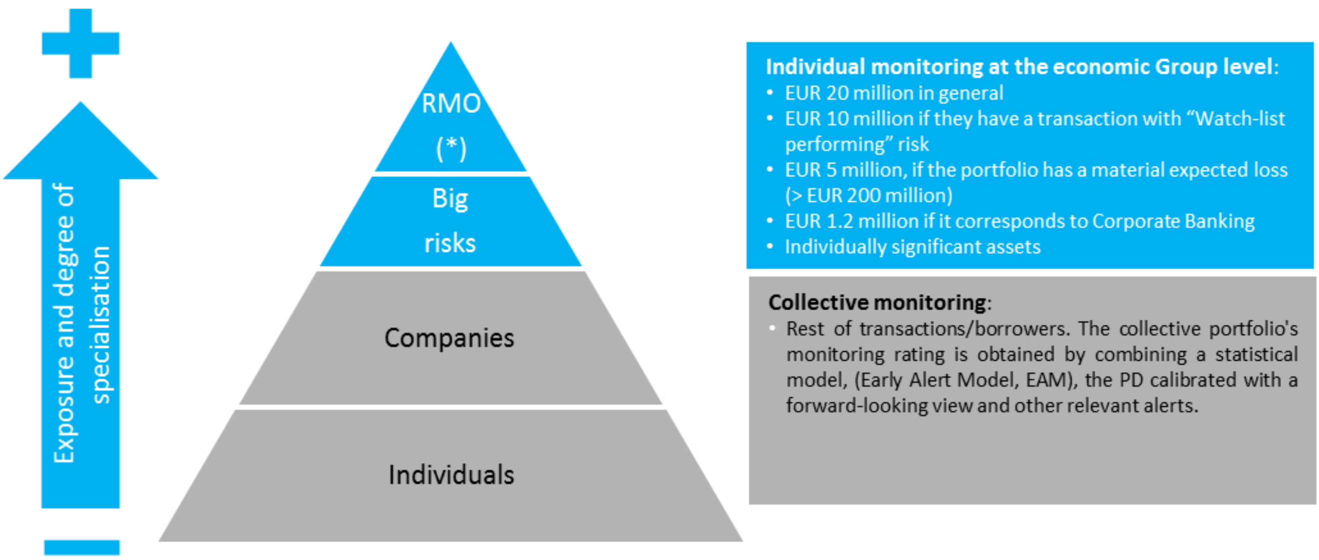
Regardless of its subsequent classification, in the event that an operation is bought with or originates with credit impairment, its hedging would be equal to the accumulated amount of the changes in the credit losses after the initial recognition and the interest income of these assets would be calculated by applying the effective interest rate adjusted to reflect credit quality at the amortised cost of the instrument.

The Group reduces the gross carrying amount of an operation when it does not have reasonable expectations of partly recovering that financial asset (partial write-off). In this case the Group classifies, in its entirety in the corresponding category - frequently as non-performing risk -, the remaining amount of the operations with derecognised amounts (partial derecognition), either by extinction of rights of the company (definite loss), or since they are considered unrecoverable without the extinction of the rights (partial write-off).

Monitoring and measurement of credit risk

The objective is to reach a conclusion on the quality of the risk assumed with the borrower ("Monitoring Ratings") and any actions that need to be taken, including the estimation of impairment. The targets of risk monitoring are the accredited holders of the debt instruments and off-balance-sheet exposures that bear credit risk, and the profit or loss is a reference for the future granting policy.

The exposure monitoring is guided by the Credit Risk Monitoring Policy, based on the exposure in question and the specific nature of the exposure and segregated into differentiated areas, in accordance with the various credit risk measurement methods, adhering to the following outline:



(*) RMO: Risk in Market Operations

Credit risk parameters

Risk measurement is based on the result of the factors associated with the expected loss calculation:

- **Exposure:** exposure at default (EAD) provides an estimate of the outstanding debt in the event of default by the customer. This measurement is significant for financial instruments with a repayment structure that varies according to customer drawdowns (credit accounts, credit cards and, in general, any revolving credit product).

The estimate is based on the internal experience with defaulting borrowers, relating the drawdown levels upon default to drawdown levels over the 12 preceding months. The relationships observed in terms of product type, term to maturity and customer characteristics are modelled for each transaction.

- **Probability of default:** the Group uses management tools covering virtually all of its lending business to help predict the probability of default (PD) associated with each borrower.

  These tools, implemented in the branch network and the risk monitoring and granting channels, were developed on the basis of NPL experience and include the measurements required to fine-tune the results to the business cycle, with a view to securing relatively stable measures in the long term.

  - Product-oriented tools are used mainly within the scope of authorisation of new retail banking transactions and take account of the debtor’s characteristics, information derived from the customer relationship, internal and external alerts, and the specific characteristics of the transaction to determine its probability of default.

  - Customer-orientated tools assess the debtor’s probability of default on a general basis, though the results for individuals may differ according to the product. They comprise behavioural 'scoring' models for the monitoring of risk of individuals and ratings or companies.

  Rating tools for companies vary considerably according to the customer segment. The rating process for micro-enterprises and SMEs, in particular, is based on a modular algorithm, which rates three different sets of data: the financial statements, the information drawn from dealings with customers, internal and external alerts and certain qualitative factors.

  As regards large corporations, the group has specific models that seek to replicate the ratings of rating agencies and require expert criteria of analysts. In view of the lack of sufficient statistical frequency of internal default delinquency in this segment, the models were built in line with the Standard & Poor’s methodology, and thus the global default rates published by the rating agency could be used, making the methodology much more reliable.

  The customers are scored and rated on a monthly basis in order to keep the credit rating up-to-date, except for the rating of large corporations, which is updated at least annually, and whenever significant events occur that can alter the borrower's credit quality. For legal persons, the financial statements and qualitative information is updated periodically to achieve the maximum level of coverage of the internal rating.

- **Loss given default:** loss given default (LGD) is the percentage of debt that cannot be recovered in the event of customer default.

  The historic loss given default is calculated using internal information, taking into account the cash flows associated with contracts from the moment of default until the operation is corrected or declared written-off, and it is modelled based on the guarantee, the loan to value relationship, the product type, the borrower's credit quality and, as required by regulation, the recessional conditions of the economic cycle. This calculation also makes an estimate of the indirect expenses (office staff, infrastructure costs and similar) associated with the process.

- **Unexpected loss:** the variability of the expected losses from the portfolio constitutes unexpected losses, which represent potential unforeseen losses. They are calculated as the loss associated with a sufficiently high confidence level in the distribution of losses, less the expected losses. Measuring this guarantees control of credit risk under “normal” market conditions.

Methodologies for estimating expected credit losses

The Group estimates the expected credit losses of an operation so that these losses reflect:

a) a weighted and non-biased amount, determined through the assessment of a series of possible results;

b) the time value of the money, and

c) the reasonable and substantial information that is available at the reference date, at no disproportionate cost or effort, on past events, current conditions and forecasts of future economic conditions.

To determine hedging for credit losses the following estimate models are used: probability of default (PD), probability of correcting defaulting cycles (PNC), loss given liquidation (LGL), recoverable value models for mortgage guarantees (haircuts), and adjustments to include LifeTime and forward-looking effects.

The models used to determine the hedging are based on internal experience of default and recovery in portfolios. They are regularly updated to be able to keep an account of the environment's economic situation at all times, and to constitute a representation of the current economic context at any given time. This makes it possible to reduce the differences between estimated loss and recent observations. They will include an unbiased view of the potential forward-looking evolution of the economy to determine the expected loss, taking into account key factors: (i) GDP growth, (ii) the unemployment rate, (iii) 12-month EURIBOR and (iv) evolution of property prices. Following on from this, the Group generates a basic forward-looking scenario focused on the economic variables, as well as a range of potential scenarios that make it possible to adjust, based on the probability and incidence in each sector, the estimated expected loss.

The necessary improvements detected in the backtesting and benchmarking exercises are also inserted in the review cycles. Similarly, the models developed are documented so they can be replicated by a third party. The documentation contains key definitions, information regarding the process of acquiring samples and data processing, methodological principles and results obtained, as well as the comparison of said results with those of previous years.

Customised monitoring ratings

The customised monitoring procedures are applied in portfolios with material risk exposures (those that exceed the figures indicated at the start of the section) and/or have specific characteristics (project finance, public sector, financial institutions and companies of the Group). These procedures consist of the creation of regular reports on the borrowers' economic groups with the aim of assessing the existence of objective evidence of impairment and/or a significant increase in credit risk since the initial recognition of the borrower.

The triggers subject to monitoring for the detection of a SICR and/or of default are grouped into the following categories:

- Financial difficulties of the issuer or debtor
- Breach of contract clauses, non-payments or delays in the payment of interest or principal
- In the event of financial difficulties, the borrower is given concessions or advantages that would otherwise not be considered
- Probability of the borrower declaring bankruptcy or restructuring

Additionally, the reports consider triggers in sectors such as property developers, Project Finance, public administrations and market operations.

The customised monitoring process involves assigning the borrowers an internal risk rating, which is transferred to an accounting classification, which has been allocated the credit risk parameters necessary to calculate the accounting hedges.

Collective monitoring ratings

The collective portfolio's monitoring rating is obtained by combining a statistical model, which we refer to as the Early Alert Model (EAM), the PD calibrated with a forward-looking view (consistent with the PD used to calculate the credit risk hedges) and other relevant alerts. Both the EAM and the PD are updated at least on a monthly basis, and daily in the case of the alerts.

Similarly, the EAM and PD model are subject to the Model Policy of the Group and they must fulfil the requirements on effectiveness, simplicity, documentation and traceability that are included in this Policy.

2.4. Recognition of income and expenses

The main policies applied to recognise revenue and expenses are as follows:

Interest income, interest expenses, dividends and similar items

Interest income, interest expenses and similar items are recognised in the accounts on an accrual basis, using the effective interest method, regardless of when the resulting monetary or financial flow arises, as previously described.

Dividends received from other companies are recognised as income when the right to receive payment is established. This is when the dividend is officially declared by the company's relevant body.

Fees

The criteria for recognising fee and commission income and expenses vary according to their nature.

- Fees paid or charged for financial services, regardless of the name they are given contractually, are classified in the following categories and are recorded in the statement of profit or loss as indicated:

  a) Credit fees: those that are an integral part of the yield or effective cost of a financing operation. These fees are received in advance, and can be:

     i. Fees received by creating or acquiring financing operations that are not measured at fair value through profit or loss: they can include remuneration from activities such as the assessment of the financial situation of the borrower, assessing and recording various guarantees, negotiating the terms and conditions of operations, preparing and processing documentation and closing the transaction. They are deferred and are recognised in the statement of profit or loss over the life of the transaction as an adjustment to the return or effective cost of the operation.

     ii. Fees negotiated as compensation for the commitment of granting financing, when this commitment is not measured at fair value through profit or loss and it is likely that the Group enters into a specific loan agreement. The recognition of the deposit of these fees is deferred, and is deposited in the statement of profit or loss over the life of the transaction as an adjustment to the return or effective cost of the operation. If the commitment expires and the company has not made the loan, the fee is recognised as income at the time of expiry.

     iii. Fees paid when issuing financial liabilities at amortised cost. They are included together with any related direct cost in the carrying amount of the financial liability, and are deposited in the statement of profit or loss as an adjustment to the effective cost of the operation.

  b) Non-credit fees: this includes those deriving from different provisions for the various financial services of the financing operations, and can be:

     i. Those related to the execution of a service provided over time, such as the fees for the administration of accounts and those received in advance for the issuance or renewal of credit cards: the income will be registered in the statement of profit or loss over time, measuring the progress towards full compliance with the execution obligation, in accordance with the criteria specified in the following section. In the case of administration fees for investments payable by third parties, they will be recorded measuring the progress towards compliance with the obligation, applying the general criteria for recognising income and expenses to the costs of acquiring and fulfilling the aforementioned contract.

     ii. Those related to the provision of a service that is executed at a specific time: these fees are accrued when the customer obtains control of the service, as is the case with subscription of securities, exchanging currencies, consultancy or syndication of loans (in this case, when the Group does not withhold any part of the operation for itself or it withholds it in the same risk conditions as the rest of the participants).

        In credit operations where drawing down funds is optional for the credit holder, the availability fee corresponding to the part not drawn down is recorded as income in the statement of profit or loss at the time it is collected.

The financial instruments that are measured at fair value through profit or loss constitute an exception to the previous criteria. For these instruments, the amount of the fee is recognised immediately in the statement of profit or loss.

The accrued fees deriving from typical products or services of the financial activity are presented separate to those deriving from products and services that do not correspond to typical activity, which are presented under the heading "Other operating income" in the statement of profit or loss.

Other non-financial income and expenses

As a general criterion, the Group recognises the other income from its ordinary activities inasmuch as the assets and services contractually agreed with its customers are provided. The amount of the payment to which the Group expects to have a right in exchange for these goods or services, is recognised by the Group as income, during the life of the contract.

As a result, if it receives or has the right to receive, a payment and the goods or services have not been transferred, the Group recognises a contract liability for the delivery of goods or provision of services, which remains on the balance sheet until it is allocated to the statement of profit or loss in accordance with the criteria specified below.

In particular, the Group adheres to the following stages:

1) Identification of the contract (or contracts) with the customer and of the obligation or obligations arising out of the execution of the contract. At this point, the Group assesses the committed goods or services and identifies - as an execution obligation - each commitment to transfer to the customer:

    - a good, a service or a differentiated group of goods or services, or
    - a series of differentiated goods or services that are practically identical and comply with the same customer transfer pattern.

    A good or service committed to a customer is differentiated if it fulfils the following two criteria:

    - The customer can enjoy the good or service alone, or together with other resources which are easily available to the customer.
    - The company's commitment to transfer the good or service to the customer can be identified separately from other commitments in the contract.

2) Determining the price of the transaction: it is defined as the amount of the payment to which the Group expects to have the right in exchange for delivering the goods or providing the services, excluding amounts charged on behalf of third parties, such as indirect taxes, and not taking into consideration any cancellations, renewals or modifications to the contract.

    The price of the transaction can consist of fixed or variable amounts, or both, and may vary due to discounts, subsidies, reductions or other similar elements. Similarly, the price will be variable when the right to charge for the transaction depends on whether a future event will occur. To reach the transaction price it will be necessary to deduct discounts, subsidies or commercial reductions.

    In the event the price includes a variable payment, the Group initially estimates the amount of the payment to which it will have the right, either as an expected value, or as the amount in the most probable scenario. This amount is included, in whole or in part, in the transaction price only inasmuch as it is highly probable that there will be no significant reversal in the amount of the accumulated income recognised by the contract.

    At the end of each period, the Group updates the estimate of the transaction price, to accurately represent the existing circumstances at the time. To determine the price of the transaction, the Group adjusts the amount of the payment to take into account the time value of the money when the agreed payment schedule provides the customer or the company with a significant financing profit. The discount rate used is that which would be used in an independent financing transaction between the company and its customer at the start of the contract. This discount rate is not subject to subsequent updates. Notwithstanding the above, the Group does not update the amount of the payment if, at the start of the contract, the maturity is likely to be equal to or less than a year.

3) Allocation of the price of the transaction between the execution obligations: the Group distributes the price of the transaction in such a way that each execution obligation identified in the contract is allocated an amount that represents the payment that it will obtain in exchange for transferring to the customer the good or service committed in this execution obligation. This amount is allocated based on the corresponding independent selling prices of the goods and services subject to each execution obligation. The best evidence of an independent selling price is its observable price, if these goods or services are sold separately in similar circumstances.

   The Group allocates to the different execution obligations of the contract any subsequent change in the estimate of the transaction price on the same basis as at the start of the contract.

4) Recognition of the income inasmuch as the company complies with its obligations: the Group recognises as income the amount of the transaction price allocated to an execution obligation, inasmuch as it meets this obligation by transferring the committed good or service to the customer.

The goods and services are assets, although only momentarily in the latter's case. An asset is transferred when the customer obtains control over it. Control over an asset is understood as the capacity to manage its use and substantially obtain all the benefits resulting from the cash flows (inflow or avoiding outflow). For every execution obligation identified, the Group determines, at the start the contract, whether the transfer of control of the asset is made over time or at a specific moment:

a) The Group transfers the control of an asset over time if the obligation meets one of the following criteria:

   i. The customer simultaneously receives and consumes the benefits provided by the activity of the company inasmuch as it carries out said activity.

   ii. The Group produces or improves an asset that the customer controls inasmuch as the asset is produced or improved.

   iii. The Group produces a specific asset for the customer, which it cannot use for an alternative purpose, and it has an enforceable right to charge for the activity carried out up to this point, such as consultancy services that give rise to the issuance of a professional opinion for the customer.

b) the Group transfers the control of an asset at a specific moment, if it does not do it over time.

In an execution obligation that is fulfilled over time, the Group recognises the corresponding income inasmuch as the obligation is met, for which it measures the degree of progress of the execution of each identified obligation (subject to the capacity of measuring said degree of progress). Otherwise, it would only recognise income for the amount of the costs incurred at the date of assessment.

In an execution obligation that is fulfilled at a specific moment, the Group recognises the corresponding income at the time it is met.

As for the accounting of the costs related to the contracts, the costs of obtaining a contract are those which the Group incurs to obtain a contract with a customer and which it would not have incurred if the company had not entered into said contract.

They are recognised as an asset if they are directly related to a contract that can be identified specifically and the Group expects to recover them. In this case, they are amortised systematically and consistent with the transfer to the customer of the contractually related goods or services. However, if the asset's repayment period is equal to or less than one year, these costs are not recognised as an asset and are recorded as an expense.

3. Risk management

Spanish banking is at a new stage featuring reduced non-performing loans and improved returns. However, the likes of minimum interest rate levels and pressure to reduce problematic assets continue to be a challenge in the European banking environment.

The Global Risks Report 2018 of the World Economic Forum highlights the fact that although we have learnt to understand and mitigate the risks that can be isolated and managed, we are less competent when faced with complex risks in interconnected systems that we currently face: environmental risks, and cybersecurity and geopolitical risks.

In line with the previous report, the report released in April by the Joint Committee of the European Supervisory Authorities, “Risks and vulnerabilities in the EU financial system”, highlights the cyber risks that threaten data integrity, business continuity and virtual currencies, as well as other aspects. Similarly, climate change and the transition to a lower-carbon economy have received greater attention from supervisory/regulatory bodies.

Along these lines, the Group is working on assessing and implementing the latest developments in bank regulation and supervision, as well as cooperating in industry forums that analyse the content of consultative documents.

- ***European framework for the management of NPLs***

  Despite the fact that the average NPL ratio remains on a clear downward trend, the high volume of NPLs on the European market represents one of the key concerns of regulators and supervisors. For this reason, with the aim of reducing and avoiding future concentrations of NPLs, European authorities and companies established an “Action plan to address NPLs in Europe” at the July 2017 ECOFIN.

  In March 2018 the Commission presented a package of measures to tackle high levels of NPLs, which included: (i) measures to encourage the development of secondary markets and more effective debt recovery (proposed directive on credit servicers, loan purchasers and an accelerated mechanism to enforce secured loans); (ii) a proposed amendment of the Capital Requirements Regulation (CRR), aligned with the provisions of the Addendum to the ECB Guide on NPLs to ensure sufficient loss coverage; and, lastly, (iii) a technical blueprint for how to set up national Asset Management Companies (AMCs).

  Additionally, the EBA has recently closed its consultation on the update to the guidelines on the management of impaired exposure, which aims to establish (i) solid management practices; (ii) clarity in recognition definition and processes; as well as, (iii) the threshold that determines the banks deemed to have high exposure and requirements for the supervisory assessment. In the short term, it will also close its consultation on the disclosure of NPL and forborne exposure, and before the end of the year, it is expected to launch a consultation on detailed guidelines on the origin, supervision and internal governance on banking loans.

- ***2018 stress test exercise***

  In January 2018 The EBA launched the 2018 stress test, on all portfolios. CaixaBank will directly participate as parent of the CaixaBank Group for prudential effects following the deconsolidation of Criteria in September 2017. The published methodology is similar to that of 2016, and as a new feature the exercise already includes the application of IFRS 9.

  As in previous years, it is an exercise with a bottom-up approach with constraints and with a time horizon of 3 years, under 2 stages (one central scenario and another adverse scenario). The result, just as during 2016, constitutes a critical component in the supervisory review and evaluation process (SREP). The results are scheduled to be published in November 2018.

- ***Action plan on sustainable finance***

  On 28 May the European Parliament backed the initiatives proposed in the European Commission's Action Plan, which aim to: (i) reorient capital flows, boosting investment in sustainable and inclusive projects; (ii) improve the management of financial risk from climate change, and environmental and societal issues; and (iii) foster transparency and long-term thinking in finance and economic activities.

  Complying with the planning set out, various legislative proposals have recently been launched that include a **taxonomy** proposal, which aims to provide a unified classification for properly identifying environmentally sustainable companies; a **disclosure** proposal, enabling companies to reflect the integration of these kinds of risks in investment decision making and advisory services; and establishing benchmarks allow portfolios to be evaluated in terms of climatic objectives. Furthermore, in order to adapt investment products to consumer sustainability needs, it sets out specific reviews on the MiFID II Directive and the Insurance Distribution Directive.

- Various regulatory initiatives have filled the EU's financial sector, featuring the consultation on the update to the first chapter of the ECB guide to internal models, the EBA consultation on exposures associated with high risk, or those associated with an especially high risk, as well as the double consultation on RTS for determining periods of recession and estimating LGD in such scenarios.

3.1 - Credit risk

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 are described in Note 3.3 "Credit risk" to the 2017 consolidated financial statements.

Financing for real estate development

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

Financing for real estate development 30-06-2018

(Thousands of euros)	Gross carrying amount	Accumulated impairment	Carrying amount	Excess over the maximum recoverable value of collateral
Financing for real estate construction and development (including land) (in Spain)	**6,712,967**	**(575,432)**	**6,137,535**	**1,294,231**
Of which: Non-performing	1,168,005	(478,557)	689,448	521,137
Memorandum items:				
Asset write-offs	3,712,332			

Memorandum items: Public consolidated balance sheet	**Amount**
Loans and advances to customers excluding public administrations (business in Spain) (carrying amount)	195,386,461

Financing for real estate development 31-12-2017

(Thousands of euros)	Gross carrying amount	Accumulated impairment	Carrying amount	Excess over the maximum recoverable value of collateral
Financing for real estate construction and development (including land) (in Spain)	**6,829,524**	**(636,609)**	**6,192,915**	**1,418,495**
Of which: Non-performing	1,480,517	(549,323)	931,194	602,142
Memorandum items:				
Asset write-offs	3,816,292			

Memorandum items: Public consolidated balance sheet	**Amount**
Loans and advances to customers excluding public administrations (business in Spain) (carrying amount)	185,256,929

The table below provides information on guarantees received from real estate development loans in Spain by classification of customer insolvency risk:

Guarantees received for real estate development transactions

(Thousands of euros)

	30-06-2018	31-12-2017
Value of collateral	**14,451,651**	**14,883,082**
Of which: Guarantees non-performing risks	1,964,778	2,519,777
Value of other guarantees	**107,049**	**115,137**
Of which: Guarantees non-performing risks	1,958	11,710
Total	**14,558,700**	**14,998,219**

Financial guarantees extended for real estate construction and development in Spain are shown below, including the maximum level of exposure to credit risk.

Financial guarantees

(Thousands of euros)

	Carrying amount	
	30-06-2018	31-12-2017
Financial guarantees given related to real estate construction and development	**168,220**	**175,478**
Amount recognised under liabilities	*53,982*	*54,910*

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)

	Gross carrying amount	
	30-06-2018	31-12-2017
Not real estate mortgage secured	**724,531**	**813,393**
Real estate mortgage secured	**5,988,436**	**6,016,131**
Buildings and other completed constructions	4,285,681	4,335,892
Homes	*2,858,114*	*2,811,016*
Other	*1,427,567*	*1,524,876*
Buildings and other constructions under construction	1,060,116	931,428
Homes	*920,613*	*839,971*
Other	*139,503*	*91,457*
Land	642,639	748,811
Consolidated urban land	*377,603*	*422,489*
Other land	*265,036*	*326,322*
Total	**6,712,967**	**6,829,524**

Change in financing for home purchases

The breakdown of home purchase loans (business in Spain) is as follows:

Home purchase loans (*)

(Thousands of euros)	30-06-2018		31-12-2017	
	Gross carrying amount	***Of which: Non-performing***	**Gross carrying amount**	***Of which: Non-performing***
Not real estate mortgage secured	**781,727**	***14,949***	**767,099**	***14,806***
Real estate mortgage secured, by LTV ranges (**)	**81,380,660**	**3,406,382**	**82,494,803**	**3,529,788**
LTV ≤ 40%	21,281,883	*223,471*	21,020,919	*226,950*
40% < LTV ≤ 60%	30,897,439	*480,112*	31,351,499	*515,957*
60% < LTV ≤ 80%	21,604,514	*691,201*	22,524,204	*811,889*
80% < LTV ≤ 100%	4,379,487	*652,704*	4,682,038	*779,881*
LTV > 100%	3,217,337	*1,358,894*	2,916,143	*1,195,111*
Total home loans	**82,162,387**	**3,421,331**	**83,261,902**	**3,544,594**

(*) Includes financing for home purchases granted by investees Unión de Créditos para la Financiación Inmobiliaria, EFC, SAU (Credifimo) and Corporación Hipotecaria Mutual.

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

Foreclosed assets or assets received as payment for debts

The table below shows foreclosed assets in Spain, by type of asset, source and type of property:

Foreclosed real estate assets

(Thousands of euros)

	30-06-2018 (1)				31-12-2017 (2)			
	Gross carrying amount	Allowances for impairment of assets (3)	*Of which: Allowances for impairment of assets from foreclosure*	Net carrying amount	Gross carrying amount	Allowances for impairment of assets (4)	*Of which: Allowances for impairment of assets from foreclosure*	Net carrying amount
Property acquired from loans to real estate constructors and developers	**8,989,217**	**(4,516,213)**	***(2,558,770)***	**4,473,004**	**9,889,708**	**(4,795,547)**	***(2,631,086)***	**5,094,161**
Buildings and other completed constructions	4,701,298	(1,790,071)	*(869,465)*	2,911,227	5,275,095	(1,939,084)	*(911,427)*	3,336,011
Homes	*3,662,099*	*(1,302,259)*	*(569,272)*	*2,359,840*	*4,144,525*	*(1,429,174)*	*(602,425)*	*2,715,351*
Other	*1,039,199*	*(487,812)*	*(300,193)*	*551,387*	*1,130,570*	*(509,910)*	*(309,002)*	*620,660*
Buildings and other constructions under construction	804,139	(460,813)	*(190,345)*	343,326	835,392	(463,481)	*(176,374)*	371,911
Homes	*629,710*	*(367,168)*	*(154,148)*	*262,542*	*667,373*	*(372,890)*	*(141,796)*	*294,483*
Other	*174,429*	*(93,645)*	*(36,197)*	*80,784*	*168,019*	*(90,591)*	*(34,578)*	*77,428*
Land	3,483,780	(2,265,329)	*(1,498,960)*	1,218,451	3,779,221	(2,392,982)	*(1,543,285)*	1,386,239
Consolidated urban land	*1,634,294*	*(982,517)*	*(563,219)*	*651,777*	*1,810,711*	*(1,067,210)*	*(584,623)*	*743,501*
Other land	*1,849,486*	*(1,282,812)*	*(935,741)*	*566,674*	*1,968,510*	*(1,325,772)*	*(958,662)*	*642,738*
Property acquired from mortgage loans to homebuyers	**4,478,793**	**(1,321,627)**	***(601,927)***	**3,157,166**	**4,535,129**	**(1,342,466)**	***(617,750)***	**3,192,663**
Other foreclosed real estate assets or received in lieu of payment of debt	**1,802,699**	**(762,076)**	***(376,801)***	**1,040,623**	**1,872,977**	**(778,178)**	***(375,059)***	**1,094,799**
Total	**15,270,709**	**(6,599,916)**	**(3,537,498)**	**8,670,793**	**16,297,814**	**(6,916,191)**	**(3,623,895)**	**9,381,623**

(1) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 2,806 million, net, and also foreclosure rights deriving from auctions in the amount of EUR 311 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 41 million, as this is not included in business in Spain.

(2) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 3,030 million, net, and also foreclosure rights deriving from auctions in the amount of EUR 473 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 53 million, as this is not included in business in Spain.

(3) Cancelled debt associated with the foreclosed assets totalled EUR 18,834 million and total write-downs of this portfolio amounted to EUR 10,163 million, EUR 6,600 million of which are impairment allowances recognised in the balance sheet.

(4) Cancelled debt associated with the foreclosed assets totalled EUR 20,083 million and total write-downs of this portfolio amounted to EUR 10,701 million, EUR 6,916 million of which are impairment allowances recognised in the balance sheet.

Refinancing

The detail of refinancing by economic sector is as follows:

Refinancing 30-06-2018

(Thousands of euros)

	Total						
	Unsecured loans		Secured loans				Accumulated impairment in fair value due to credit risk
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	50	161,733	452	75,826	42,269	0	(10,235)
Other financial corporations and individual entrepreneurs (financial business)	46	36,106	12	1,604	1,386	61	(26,412)
Non-financial corporations and individual entrepreneurs (non-financial business)	6,637	2,294,653	13,054	2,955,514	1,915,491	32,470	(1,669,681)
Of which: Financing for real estate construction and development (including land)	*548*	*88,028*	*3,418*	*1,062,052*	*692,742*	*1,841*	*(367,461)*
Other households	35,799	346,829	93,148	5,267,593	4,454,827	10,101	(950,751)
Total	**42,532**	**2,839,321**	**106,666**	**8,300,537**	**6,413,973**	**42,632**	**(2,657,079)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

	Of which: Non-performing						
	Unsecured loans		Secured loans				Accumulated impairment in fair value due to credit risk
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	15	5,751	161	19,176	8,074	0	(10,235)
Other financial corporations and individual entrepreneurs (financial business)	36	26,552	11	1,087	973	46	(26,248)
Non-financial corporations and individual entrepreneurs (non-financial business)	4,790	1,337,704	9,591	1,933,093	1,128,485	19,660	(1,536,179)
Of which: Financing for real estate construction and development (including land)	*464*	*56,499*	*2,315*	*685,126*	*382,289*	*1,813*	*(322,378)*
Other households	21,680	244,052	59,205	3,434,585	2,733,310	5,556	(879,249)
Total	**26,521**	**1,614,059**	**68,968**	**5,387,941**	**3,870,842**	**25,262**	**(2,451,911)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

Refinancing 31-12-2017

(Thousands of euros)

	Total						
	Unsecured loans		Secured loans				Accumulated impairment or losses in fair value due to credit risk
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	54	180,962	466	77,521	52,821		(6,880)
Other financial corporations and individual entrepreneurs (financial business)	60	36,587	12	1,394	1,306	4	(25,829)
Non-financial corporations and individual entrepreneurs (non-financial business)	8,484	2,961,308	13,434	3,342,143	2,209,914	28,729	(1,879,563)
Of which: Financing for real estate construction and development (including land)	*807*	*148,761*	*3,520*	*1,181,833*	*811,463*	*1,842*	*(415,869)*
Other households	37,163	349,021	95,946	5,421,689	4,737,552	8,957	(731,467)
Total	**45,761**	**3,527,878**	**109,858**	**8,842,747**	**7,001,593**	**37,690**	**(2,643,739)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

	Of which: Non-performing						
	Unsecured loans		Secured loans				Accumulated impairment or losses in fair value due to credit risk
					Maximum amount of the collateral that can be considered		
	Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
Public administrations	17	64,208	164	19,360	12,303		(6,880)
Other financial corporations and individual entrepreneurs (financial business)	45	26,208	11	1,004	944	4	(25,784)
Non-financial corporations and individual entrepreneurs (non-financial business)	6,542	1,742,260	9,830	2,252,478	1,442,637	16,225	(1,791,722)
Of which: Financing for real estate construction and development (including land)	*711*	*112,666*	*2,361*	*842,721*	*522,361*	*1,790*	*(385,724)*
Other households	22,702	246,733	60,548	3,506,778	2,937,614	5,643	(699,648)
Total	**29,306**	**2,079,409**	**70,553**	**5,779,620**	**4,393,498**	**21,872**	**(2,524,034)**
Memorandum items: Financing classified as non-current assets and disposal groups classified as held for sale							

Changes in refinanced operations are as follows:

Changes in refinanced transactions

(Thousands of euros)

	30-06-2018	30-06-2017
Opening balance	9,726,886	9,163,771
Additions for business combination with Banco BPI		1,089,608
Refinancing and restructuring in the period	845,897	826,730
Memorandum items: Impact recognised in the statement of profit or loss for the period	*(45,120)*	*(111,533)*
Debt repayments	(1,119,900)	(1,085,923)
Foreclosures	(131,215)	(155,401)
Derecognitions (reclassification to written-off assets)	(478,404)	(148,442)
Other changes	(360,485)	226,816
Closing balance	**8,482,779**	**9,917,159**

The table below provides information on guarantees received for refinanced operations by classification of customer insolvency risk:

Guarantees received for refinanced transactions (*)

(Thousands of euros)

	30-06-2018	31-12-2017
Value of collateral	**14,937,033**	**15,869,084**
Of which: Guarantees non-performing risks	9,453,472	10,120,880
Value of other guarantees	**306,401**	**218,222**
Of which: Guarantees non-performing risks	261,896	24,276
Total	**15,243,434**	**16,087,306**

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

Concentration risk

Concentration by geographic location

Risk by geographic area is as follows:

Concentration by geographic location 30-06-2018

(Thousands of euros)

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**41,929,987**	**22,797,527**	**16,632,694**	**831,453**	**1,668,313**
Public administrations	**91,622,190**	**79,774,838**	**10,354,756**	**1,114,690**	**377,906**
Central government	77,520,554	66,759,913	9,268,045	1,114,690	377,906
Other public administrations	14,101,636	13,014,925	1,086,711		
Other financial corporations and individual entrepreneurs (financial business)	**16,052,643**	**7,140,598**	**8,313,093**	**238,065**	**360,887**
Non-financial corporations and individual entrepreneurs (non-financial business)	**96,161,691**	**73,052,748**	**17,713,053**	**3,791,676**	**1,604,214**
Real estate construction and development (including land)	6,519,990	6,065,011	453,399	920	660
Civil engineering	4,730,881	3,688,389	687,085	336,368	19,039
Other	84,910,820	63,299,348	16,572,569	3,454,388	1,584,515
Large corporations	50,360,797	35,785,011	10,810,796	2,786,241	978,749
SMEs and individual entrepreneurs	34,550,023	27,514,337	5,761,773	668,147	605,766
Other households	**123,414,878**	**110,073,026**	**12,795,692**	**168,307**	**377,853**
Home purchase	96,076,579	84,708,716	10,908,627	137,694	321,542
Consumer spending	14,383,903	13,537,396	803,436	15,121	27,950
Other	12,954,396	11,826,914	1,083,629	15,492	28,361
TOTAL	**369,181,389**	**292,838,737**	**65,809,288**	**6,144,191**	**4,389,173**

Concentration by geographic location 31-12-2017

(Thousands of euros)

	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**37,392,330**	**21,800,503**	**13,242,627**	**776,232**	**1,572,968**
Public administrations	**83,899,852**	**72,595,598**	**10,983,012**	**26,220**	**295,022**
Central government	70,793,952	60,402,201	10,070,607	26,122	295,022
Other public administrations	13,105,900	12,193,397	912,405	98	0
Other financial corporations and individual entrepreneurs (financial business)	**15,596,770**	**6,428,068**	**8,598,244**	**391,023**	**179,435**
Non-financial corporations and individual entrepreneurs (non-financial business)	**96,802,213**	**75,204,955**	**16,848,514**	**3,437,362**	**1,311,382**
Real estate construction and development (including land)	6,555,214	6,135,558	418,741	20	895
Civil engineering	4,727,172	3,879,783	412,339	416,365	18,685
Other	85,519,827	65,189,614	16,017,434	3,020,977	1,291,802
Large corporations	49,279,778	35,438,561	10,792,947	2,403,742	644,528
SMEs and individual entrepreneurs	36,240,049	29,751,053	5,224,487	617,235	647,274
Other households	**123,132,043**	**110,015,741**	**12,514,815**	**204,505**	**396,982**
Home purchase	97,344,111	86,067,220	10,819,567	133,990	323,334
Consumer spending	13,861,214	13,104,925	719,060	12,128	25,101
Other	11,926,718	10,843,596	976,188	58,387	48,547
TOTAL	**356,823,208**	**286,044,865**	**62,187,212**	**4,835,342**	**3,755,789**

The breakdown of risk in Spain by Autonomous Community is as follows:

Concentration by Autonomous Community 30-06-2018 **1 / 2**

(Thousands of euros)

	Total	Andalusia	Balearic Islands	Canary Islands	Castilla-La Mancha	Castile and León
Central banks and credit institutions	**22,797,527**	**242,590**	**0**	**0**	**7**	**9,308**
Public administrations	**79,774,838**	**1,346,987**	**288,211**	**287,717**	**117,358**	**387,686**
Central government	66,759,913					
Other public administrations	13,014,925	1,346,987	288,211	287,717	117,358	387,686
Other financial corporations and individual entrepreneurs (financial business)	**7,140,598**	**65,532**	**1,759**	**11,843**	**3,835**	**19,088**
Non-financial corporations and individual entrepreneurs (non-financial business)	**73,052,748**	**5,822,715**	**1,983,076**	**2,364,769**	**1,254,198**	**1,632,526**
Real estate construction and development (including land)	6,065,011	786,232	221,901	316,149	28,558	167,492
Civil engineering	3,688,389	265,271	58,941	97,113	58,753	56,063
Other	63,299,348	4,771,212	1,702,234	1,951,507	1,166,887	1,408,971
Large corporations	35,785,011	887,452	669,609	759,954	311,243	508,802
SMEs and individual entrepreneurs	27,514,337	3,883,760	1,032,625	1,191,553	855,644	900,169
Other households	**110,073,026**	**18,081,911**	**4,168,098**	**6,287,145**	**2,728,498**	**3,752,828**
Home purchase	84,708,716	13,496,829	3,316,825	5,222,724	2,175,383	3,082,674
Consumer spending	13,537,396	2,439,010	513,199	762,205	318,443	355,046
Other	11,826,914	2,146,072	338,074	302,216	234,672	315,108
TOTAL	**292,838,737**	**25,559,735**	**6,441,144**	**8,951,474**	**4,103,896**	**5,801,436**

Concentration by Autonomous Community 30-06-2018 **2 / 2**

(Thousands of euros)

	Catalonia	Madrid	Navarre	Community Valencia	Basque Country	Other (*)
Central banks and credit institutions	**576,427**	**21,101,294**	**1,161**	**18,167**	**540,669**	**307,904**
Public administrations	**4,198,984**	**3,698,841**	**639,912**	**744,127**	**669,086**	**636,016**
Central government						
Other public administrations	4,198,984	3,698,841	639,912	744,127	669,086	636,016
Other financial corporations and individual	**1,513,169**	**5,302,822**	**8,479**	**135,102**	**27,427**	**51,542**
Non-financial corporations and individual entrepreneurs (non-financial business)	**15,033,118**	**28,903,667**	**1,252,056**	**5,067,616**	**3,470,315**	**6,268,692**
Real estate construction and	1,413,235	2,143,862	141,540	366,817	173,232	305,993
Civil engineering	1,047,793	1,384,828	100,849	171,166	88,734	358,878
Other	12,572,090	25,374,977	1,009,667	4,529,633	3,208,349	5,603,821
Large corporations	5,888,479	19,925,928	420,136	1,659,628	2,212,630	2,541,150
SMEs and individual entrepreneurs	6,683,611	5,449,049	589,531	2,870,005	995,719	3,062,671
Other households	**32,883,807**	**16,248,872**	**3,392,106**	**8,601,104**	**3,469,340**	**10,459,317**
Home purchase	23,294,001	13,446,715	2,818,456	6,754,978	2,854,958	8,245,173
Consumer spending	4,532,578	1,536,559	333,251	1,087,386	365,361	1,294,358
Other	5,057,228	1,265,598	240,399	758,740	249,021	919,786
TOTAL	**54,205,505**	**75,255,496**	**5,293,714**	**14,566,116**	**8,176,837**	**17,723,471**

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

Concentration by Autonomous Community 31-12-2017 — 1 / 2

(Thousands of euros)

	Total	Andalusia	Balearic Islands	Canary Islands	Castilla-La Mancha	Castile and León
Central banks and credit institutions	**21,800,503**	**59,006**	**80**	**19**	**34**	**1,921**
Public administrations	**72,595,598**	**1,302,401**	**172,962**	**315,481**	**134,985**	**139,396**
Central government	60,402,201					
Other public administrations	12,193,397	1,302,401	172,962	315,481	134,985	139,396
Other financial corporations and individual entrepreneurs (financial business)	**6,428,068**	**88,026**	**4,359**	**9,007**	**3,047**	**18,248**
Non-financial corporations and individual entrepreneurs (non-financial business)	**75,204,955**	**5,710,526**	**1,955,899**	**2,421,277**	**1,211,534**	**1,644,938**
Real estate construction and development (including land)	6,135,558	819,311	227,588	329,963	30,316	192,543
Civil engineering	3,879,783	214,832	59,742	99,195	55,690	52,414
Other	65,189,614	4,676,383	1,668,569	1,992,119	1,125,528	1,399,981
Large corporations	35,438,561	854,511	657,272	778,677	300,364	513,275
SMEs and individual entrepreneurs	29,751,053	3,821,872	1,011,297	1,213,442	825,164	886,706
Other households	**110,015,741**	**18,093,918**	**4,195,492**	**6,333,511**	**2,722,553**	**3,726,392**
Home purchase	86,067,220	13,817,835	3,349,498	5,388,891	2,215,914	3,128,871
Consumer spending	13,104,925	2,307,694	492,360	705,158	302,827	326,515
Other	10,843,596	1,968,389	353,634	239,462	203,812	271,006
TOTAL	**286,044,865**	**25,253,877**	**6,328,792**	**9,079,295**	**4,072,153**	**5,530,895**

Concentration by Autonomous Community 31-12-2017 — 2 / 2

(Thousands of euros)

	Catalonia	Madrid	Navarre	Community of Valencia	Basque Country	Other (*)
Central banks and credit institutions	**475,447**	**20,108,786**	**506**	**279,618**	**636,164**	**238,922**
Public administrations	**4,135,801**	**3,114,721**	**556,624**	**1,017,414**	**675,124**	**628,488**
Central government						
Other public administrations	4,135,801	3,114,721	556,624	1,017,414	675,124	628,488
Other financial corporations and individual entrepreneurs (financial business)	**1,128,751**	**5,054,634**	**1,753**	**60,392**	**15,026**	**44,825**
Non-financial corporations and individual entrepreneurs (non-financial business)	**15,326,096**	**30,924,335**	**1,271,339**	**5,098,182**	**3,546,421**	**6,094,408**
Real estate construction and development (including land)	1,454,887	2,072,980	152,577	363,957	165,439	325,997
Civil engineering	1,064,583	1,638,097	82,708	170,354	91,052	351,116
Other	12,806,626	27,213,258	1,036,054	4,563,871	3,289,930	5,417,295
Large corporations	5,693,167	19,886,684	426,033	1,782,464	2,161,131	2,384,983
SMEs and individual entrepreneurs	7,113,459	7,326,574	610,021	2,781,407	1,128,799	3,032,312
Other households	**32,938,581**	**16,307,689**	**3,385,780**	**8,511,295**	**3,423,020**	**10,377,510**
Home purchase	23,518,845	13,674,519	2,870,419	6,852,981	2,868,229	8,381,218
Consumer spending	4,535,351	1,544,341	319,897	1,004,887	348,275	1,217,620
Other	4,884,385	1,088,829	195,464	653,427	206,516	778,672
TOTAL	**54,004,676**	**75,510,165**	**5,216,002**	**14,966,901**	**8,295,755**	**17,384,153**

(*) 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 2018 and 31 December 2017:

Concentration by activity from loans to the clients 30-06-2018

(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	**12,837,918**	**586,492**	**12,069**	**102,476**	**143,173**	**232,066**	**29,670**	**91,176**
Other financial corporations and individual entrepreneurs (financial business)	**1,894,562**	**442,535**	**442,375**	**491,057**	**278,512**	**103,939**	**4,243**	**7,159**
Non-financial corporations and individual entrepreneurs (non-financial business)	**78,823,314**	***22,024,593***	***3,511,459***	**9,999,847**	**8,324,081**	**4,127,588**	**1,263,472**	**1,821,064**
Real estate construction and development (including land)	6,189,150	5,301,059	90,609	1,515,212	1,999,652	1,198,538	341,469	336,797
Civil engineering	4,325,709	531,516	82,832	247,962	203,404	85,182	27,762	50,038
Other	68,308,455	*16,192,018*	*3,338,018*	8,236,673	6,121,025	2,843,868	894,241	1,434,229
Large corporations	34,240,097	3,509,341	1,437,378	2,169,681	1,186,339	552,732	161,968	875,999
SMEs and individual entrepreneurs	34,068,358	12,682,677	1,900,640	6,066,992	4,934,686	2,291,136	732,273	558,230
Other households	**122,951,758**	***104,736,501***	***926,946***	**29,980,210**	**38,494,497**	**28,812,756**	**6,262,897**	**2,113,087**
Home purchase	96,077,522	94,704,057	304,621	25,429,428	35,120,147	27,005,149	5,685,593	1,768,361
Consumer spending	14,340,159	3,686,718	323,262	1,870,019	1,251,179	614,056	186,601	88,125
Other	12,534,077	6,345,726	299,063	2,680,763	2,123,171	1,193,551	390,703	256,601
TOTAL	**216,507,552**	**127,790,121**	**4,892,849**	**40,573,590**	**47,240,263**	**33,276,349**	**7,560,282**	**4,032,486**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	8,482,779	6,523,396	210,318	1,198,309	1,658,173	2,389,312	880,840	607,083

Concentration by activity 31-12-2017

(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	**11,745,147**	***668,013***	***284,837***	**153,224**	**258,260**	**377,941**	**88,869**	**74,556**
Other financial corporations and individual entrepreneurs (financial business)	**4,077,535**	***408,601***	***915,013***	**984,376**	**238,547**	**91,099**	**2,093**	**7,499**
Non-financial corporations and individual entrepreneurs (non-financial business)	**78,433,818**	***23,681,280***	***3,911,756***	**9,944,323**	**8,928,733**	**4,504,843**	**1,545,263**	**2,669,874**
Real estate construction and development (including land)	6,222,891	*5,348,308*	*71,609*	1,507,556	2,049,286	1,149,276	413,463	300,336
Civil engineering	4,380,676	*583,309*	*89,407*	269,297	220,604	95,210	29,023	58,582
Other	67,830,251	*17,749,663*	*3,750,740*	8,167,470	6,658,843	3,260,357	1,102,777	2,310,956
Large corporations	32,694,567	*4,139,174*	*1,604,440*	1,740,142	1,695,338	683,497	118,133	1,506,504
SMEs and individual entrepreneurs	35,135,684	*13,610,489*	*2,146,300*	6,427,328	4,963,505	2,576,860	984,644	804,452
Other households and non-profit institutions serving households	**122,598,361**	***106,574,210***	***1,107,742***	**29,762,798**	**38,938,623**	**29,116,519**	**7,292,963**	**2,571,049**
Home purchase	97,344,110	*96,074,380*	*314,281*	25,092,544	35,389,374	27,238,630	6,592,871	2,075,242
Consumer spending	13,852,737	*3,816,095*	*385,859*	1,896,057	1,322,352	634,485	237,783	111,277
Other	11,401,514	*6,683,735*	*407,602*	2,774,197	2,226,897	1,243,404	462,309	384,530
TOTAL	**216,854,861**	**131,332,104**	**6,219,348**	**40,844,721**	**48,364,163**	**34,090,402**	**8,929,188**	**5,322,978**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured transactions	9,706,647	*7,329,779*	*324,966*	1,286,103	1,894,209	2,323,024	1,214,748	936,660

3.2 - 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 2018 in the CaixaBank Group's trading activities in Spain was EUR 1.1 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 rate	Price of raw materials	Credit spread	Interest rate volatility	Exchange rate volatility	Share price volatility
2017	**1,116**	612	141	144	299	0	332	44	82	188
First half 2018	**1,071**	583	123	236	205	0	290	24	85	188

In the first half of 2018, the average 1-day VaR and maximum 1-day VaR at 99% for BPI's trading activities (rescaled at the root of 10) was EUR 0.1 million and EUR 0.2 million, respectively.

3.3 - Structural interest rate risk in the banking book

The table below shows, using a static gap, the breakdown of maturities and interest rate resets of sensitive items on the Group's balance sheet.

Matrix of maturities and revaluations of the sensitive balance sheet at 31-05-2018

(Thousands of euros)

	1 year	2 years	3 years	4 years	5 years	> 5 years	TOTAL
ASSETS							
Interbank and Central Banks	20,333,852	0	0	0	0	20,000	20,353,852
Loans and advances to customers	164,801,073	15,790,431	4,323,903	3,123,954	2,344,856	13,844,210	204,228,427
Fixed income portfolio	7,215,430	3,629,454	4,128,373	10,637,184	3,789,871	3,317,148	32,717,460
Total assets	**192,350,355**	**19,419,885**	**8,452,276**	**13,761,138**	**6,134,727**	**17,181,358**	**257,299,739**
LIABILITIES							
Interbank and Central Banks	12,447,454	237,999	28,746,319	80,742	47,211	211,529	41,771,254
Customer deposits	124,338,902	18,044,729	9,317,118	8,369,919	8,397,330	38,125,120	206,593,118
Issuances	6,390,417	2,426,643	3,815,396	4,392,076	3,984,022	14,672,211	35,680,765
Total liabilities	**143,176,773**	**20,709,371**	**41,878,833**	**12,842,737**	**12,428,563**	**53,008,860**	**284,045,137**
Assets less liabilities	**49,173,582**	**(1,289,486)**	**(33,426,557)**	**918,401**	**(6,293,836)**	**(35,827,502)**	**(26,745,398)**
Hedges	**(9,492,440)**	**3,080,710**	**1,869,784**	**1,011,138**	**2,000,471**	**1,548,087**	**17,750**
Total difference	**39,681,142**	**1,791,224**	**(31,556,773)**	**1,929,539**	**(4,293,365)**	**(34,279,415)**	**(26,727,648)**

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. Following the methodology to calculate the sensitivity used in the 2017 annual financial statements, the breakdown is displayed below:

Interest rate sensitivity

(Thousands of euros)

	+100 bp	-100 bp (3)
Net interest income (1)	467	(46)
Economic value of equity for sensitive balance sheet aggregates (2)	1,650	332

(1) Sensitivity of the 1-year NII of sensitive balance sheet aggregates.

(2) Sensitivity of economic value for sensitive balance sheet aggregates.

(3) Includes a floor of 0%, except for interest rates that are below 0% in the baseline scenario being stressed.

3.4 - Liquidity risk

The Group manages this risk to maintain sufficient levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework.

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 80,282 million and EUR 72,775 million at 30 June 2018 and 31 December 2017, respectively.

The breakdown of the Group's liquid assets is as follows:

Liquid assets (*)

(Thousands of euros)

	30-06-2018		31-12-2017	
	Market value	Applicable weighted amount	Market value	Applicable weighted amount
Level 1 assets	59,213,565	59,213,565	51,772,969	51,772,969
Level 2A assets	21,513	18,286	332,627	282,733
Level 2B assets	5,166,473	2,708,221	2,858,172	1,554,070
Total HQLAs	**64,401,551**	**61,940,072**	**54,963,768**	**53,609,772**
Available in non-HQLA facility		**17,951,658**		**19,165,232**
Total liquid assets (HQLAs + available in non-HQLA facility)		**79,891,730**		**72,775,004**

(*) Criteria established to determine the LCR (liquidity coverage ratio)

The LCR ratio stood at 218% and 202% at 30 June 2018 and 31 December 2017, respectively. The average LCR over the past twelve months has been 199% .

The measures in place for liquidity risk management and anticipatory measures feature:

- Maintaining issuance programmes aimed at expediting formalisation of securities issuances in the market

Debt issuance capacity

(Thousands of euros)

	Total issuance capacity	Nominal used at 30-06-2018
CaixaBank promissory notes programme (1)	3,000,000	8,870
CaixaBank fixed-income programme (2)	15,000,000	9,572,753
CaixaBank EMTN (Euro Medium Term Note) programme (3)	15,000,000	7,000,000
EMTN (Euro Medium Term Note) programme, BPI (4)	7,000,000	328,548
BPI mortgage covered bonds programme (5)	7,000,000	6,250,000
Public sector covered bonds programme (Portugal) (6)	2,000,000	600,000

(1) Promissory notes programme registered with the CNMV on 18-07-2017. The day 12-07-2018 was registered a new program expandable for EUR 1,000 million to EUR 3,000 million.

(2) Base prospectus for non-participating securities registered with the CNMV on 20-07-2017.

(3) Registered with the Irish Stock Exchange on 23-04-2018.

(4) Registered in " Commission of surveillance du secteur financial " (the "CSSF") of Luxembourg of 20 March 2018.

(5) Registered in the CMVM " Portuguese Securities Market Commission " on 22 February 2018.

(6) Programme registered with the CNVM (Comissão do Mercado de Valores Mobiliários) on 12 October 2017.

- Capacity to issue backed bonds (mortgage covered and public sector covered bonds, etc.)

Covered bond issuance capacity

(Thousands of euros)

	30-06-2018	31-12-2017
Mortgage covered bond issuance capacity	3,061,790	2,804,590
Public sector covered bond issuance capacity	1,825,060	355,016

Financing obtained from the European Central Bank through various monetary policy instruments was EUR 28,820 million at 30 June 2018 compared to EUR 28,820 million at 31 December 2017. The current balance drawn down at 30 June 2018 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 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 (TRLTO I), maturing in September 2018.

The Group's financing policies take into account a balanced distribution of issuance maturities, preventing concentrations and diversifying financing instruments. The first half of the year featured the maturity of EUR 3,157 million of wholesale issuances and issuances of EUR 4,875 million. The reliance on wholesale funding is limited, while the nominal maturities of institutional debt scheduled for 2018 amount to EUR 30,432 million.

Wholesale funding 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	Totals
Mortgage bonds	300,000	0	3,568,023	6,981,639	10,006,742	20,856,404
Public sector covered bonds	0	0	0	0	0	0
Senior debt	1,674	2,077	32,515	1,044,134	1,062,010	2,142,410
Subordinated debt and preference shares	0	0	0	0	6,183,056	6,183,056
Senior Non Preferred	0	0	0	1,250,000	0	1,250,000
Total wholesale issuance maturities	**301,674**	**2,077**	**3,600,538**	**9,275,773**	**17,251,808**	**30,431,870**

Financial instruments that include accelerated repayment terms

The Group has instruments containing terms that could trigger accelerated repayment if one or more of the events set out in the agreements occurs. Details of these operations, by nature of the agreement, are as follows:

Instruments with accelerated repayment terms

(Thousands of euros)

	30-06-2018	31-12-2017
Loans received (1)	1,204,840	1,121,030

(1) These loans are recognised under “Financial liabilities measured at amortised cost – Deposits from credit institutions”. Only includes loans with repayment terms featuring a rating downgrade of up to 3 notches.

3.5 - Operational risk

During the first half of 2018 the Operational Risk Management Framework and the Operational Risk Regulations were replaced by the Operational Risk Policy, which includes the necessary steps and is aligned with the general Risk Policy structure.

The Credit Risk and Operational Risk management is actively participating in drawing up the Stress Test exercise, contributing historic series of losses and projections for the next 3 years in a central scenario and an adverse scenario.

During the period, the integration of Banco BPI was consolidated 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.

In the Risk Appetite framework, there have been advances in the development of new indicators that offer greater sensitivity to changes in management.

3.6 – Other risks

There have been no significant changes in the policies or levels for risk in the first half of 2018.

4. Capital adequacy management

The composition of the CaixaBank Group's eligible own funds (phase-in) is as follows:

Eligible own funds

(Thousands of euros)

	30-06-2018		31-12-2017	
	Amount	**(%)**	**Amount**	**(%)**
Net equity	**24,099,023**		**24,683,281**	
Shareholders' equity	24,657,558		24,203,895	
Capital	*5,981,438*		*5,981,438*	
Profit/(loss)	*1,298,244*		*1,684,167*	
Reserves and other (1)	*17,377,876*		*16,538,290*	
Minority interest and accumulated other comprehensive income (OCIs) (2)	(558,535)		479,386	
Other CET1 instruments	**(797,427)**		**(755,785)**	
Adjustments applied to the eligibility of minority interests and OCI	57,491		(147,896)	
Other adjustments (3)	(854,918)		(607,889)	
CET1 instruments	**23,301,596**		**23,927,496**	
Deductions from CET1 (4)	**(6,101,057)**		**(4,961,008)**	
Intangible assets	(4,228,419)		(3,364,813)	
Deferred tax assets	(1,564,928)		(1,125,674)	
Other deductions from CET1	(307,710)		(470,521)	
CET1	**17,200,539**	**11.6%**	**18,966,488**	**12.7%**
AT1 Instruments (5)	**2,232,276**		**999,000**	
Deductions from AT1 (4)	**0**		**(891,300)**	
Intangible assets	0		(841,203)	
Other deductions from AT1	0		(50,097)	
TIER 1	**19,432,815**	**13.1%**	**19,074,188**	**12.8%**
T2 instruments (6)	**4,153,252**		**5,023,123**	
Deductions from T2 (4)	**0**		**(50,097)**	
TIER 2	**4,153,252**	**2.8%**	**4,973,026**	**3.3%**
TOTAL CAPITAL	**23,586,067**	**15.9%**	**24,047,214**	**16.1%**
Other eligible subordinated instruments MREL (7)	1,255,826		1,607,865	
TOTAL CAPITAL + SNP	**24,841,893**	**16.8%**	**25,655,079**	**17.2%**
Memorandum items: Risk-weighted assets	**147,897,950**		**148,940,259**	
Credit risk	*111,951,262*		*110,818,912*	
Shareholder risk	*20,915,638*		*22,860,407*	
Operational risk	*12,982,647*		*12,982,647*	
Market risk	*2,048,403*		*2,278,293*	
Memorandum items: Ratios expected for the end of the transitional period				
CET1	16,822,305	*11.4%*	17,322,953	*11.7%*
Tier 1	19,054,581	*12.9%*	18,321,953	*12.3%*
Total Capital	23,207,833	*15.7%*	23,345,076	*15.7%*
RWAs	147,754,486		148,694,598	

(1) Mostly variation for reclassification of result of the previous year and for impact first application IFRS-9.
(2) Mainly due to market effects and BPI minority shareholder repurchase.
(3) Mainly the forecast for dividends and prudential valuation adjustments (AVAs).
(4) With the change of faseado in the implementation of Basel 3, on 1 January 2018, all the deductions are moved to CET1.
(5) Includes issuance of EUR 1,250 million in additional Tier 1 (AT1) instruments in March 2018.
(6) Issuance of EUR 1,000 million in Tier 2 instruments in April 2018 and repayment of an issuance of Tier 2 instruments of EUR 2,072 million in May (of which EUR 1,574 million are eligible).
(7) Mainly senior non-preferred debt (SNP).
(8) The target range established in the strategic plan is [11-12%] for CET1 and a minimum of 14.5% for the Total Capital.

CaixaBank's regulatory ratios on an individual level are 12.8% of CET1, 14.4% of Tier 1 and 17.5% of Total Capital.

The following chart displays a summary of the minimum requirements of eligible own funds:

Minimum requirements

(Thousands of euros)

	30-06-2018		31-12-2017	
	Amount	**(%)**	**Amount**	**(%)**
BIS III phase-in minimum requirements				
CET1 (*)	11,924,272	8.063%	10,984,344	7.375%
Tier 1	14,142,741	9.563%	13,218,448	8.875%
Total Capital	17,100,700	11.563%	16,197,253	10.875%

(*) Includes 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 1.875% (2.5% to be phased in over 4 years through to 2019); and the O-SII (Other Systemically Important Institution) buffer of 0.1875% (0.25% to be phased in over 4 years through to 2019).

The following chart provides a breakdown of the leverage ratio:

Leverage ratio

(Thousands of euros)

	30-06-2018	31-12-2017
Exposure	352,884,536	344,281,393
Leverage (phase-in) ratio (Tier 1/Exposure)	5.5%	5.5%

5. Shareholder remuneration and earnings per share

Shareholder remuneration

The frequency of dividend payments was agreed under 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 2018 would be paid through two half-yearly cash dividends. In line with the 2015-2018 Strategic Plan, CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit (53% in 2017).

Dividends distributed in the first six months of 2018 were as follows:

Distribution of dividends paid in the first half of 2018

(Thousands of euros)

	Euros per share	Amount paid in cash	Payment announcement	Payment date
Cash dividend				
Final dividend for 2017	0.08	478,307	06-04-2018	13-04-2018

Earnings per share

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

Calculation of basic and diluted earnings per share

	30-06-2018	30-06-2017
Numerator (in thousands of euros)	**1,262,319**	**837,179**
Profit attributable to the Parent	1,298,244	839,490
Preference share coupon amount (AT1)	(35,925)	(2,311)
Denominator (thousands of shares)		
Average number of outstanding shares (*)	5,978,079	5,977,874
Adjusted number of shares (basic earnings per share)	**5,978,079**	**5,977,874**
Basic earnings per share (in euros)	**0.21**	**0.14**
Diluted earnings per share (in euros) (**)	**0.21**	**0.14**

(*) 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.

(**) Preference shares did not have any impact on the calculation of diluted earnings per share, since their capacity to be convertible was unlikely. Additionally, equity instruments associated with remuneration components were not significant.

6. Business combinations and investments in subsidiaries

Annex 1 to the 2017 consolidated financial statements provides information pertaining to the subsidiary entities.

There were no business combinations in the first six months of the 2018.

BPI

On 6 May 2018 CaixaBank agreed the purchase of Banco BPI shares in Allianz group companies, representing 8.425% of the share capital of Banco BPI. The total purchase price of this acquisition is EUR 178 million (1.45 euros per share). After this acquisition, CaixaBank S.A. holds 92.935% of the share capital of Banco BPI.

CaixaBank requested that the Chair of the BPI General Shareholders' Meeting calls the meeting to approve the de-listing of BPI, in accordance with the provisions of article 27.1.b) of the Portuguese Securities Code. The Extraordinary General Shareholders' Meeting took place on 29 June 2018, approving the de-listing of Banco BPI.

Once the de-listing is approved by the CMVM, CaixaBank intends to proceed with the squeeze-out of all the remaining shares, also at a price of 1.45 euros per share, in accordance with article 490 of the Portuguese Trading Companies Code. The total cash payment to acquire the remaining Banco BPI shares (from 92.935% to 100%) at a price of 1.45 euros per share is EUR 149 million.

At 30 June 2018, after the purchase of shares in the market at 1.45 euros per share, CaixaBank's stake in BPI is 94.2%.

7. Remuneration of key management personnel

Note 9 to the CaixaBank Group's 2017 consolidated financial statements provides details on remuneration and other benefits paid to members of the Board of Directors and Senior Management in 2017.

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 related to the periods in which they belonged to this group are shown below:

Remuneration of the Board of Directors

(Thousands of euros)

	30-06-2018	30-06-2017
Remuneration for board membership	1,812	1,706
Non-variable remuneration	709	1,002
Variable remuneration (1)	496	492
Other long-term benefits (2)	194	178
Other items (3)	56	95
Of which life insurance premiums	*51*	*91*
Other positions in Group companies	485	360
Total	**3,752**	**3,833**
Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group (4)	431	441
Total remuneration	**4,183**	**4,274**
Loans granted	50	1,081
Funds and pension plans: accumulated rights (5)	20,877	16,491
Number of people at end of period (6)	18	17

(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 6 April 2018.

(2) Includes insurance premiums and discretionary pension benefits.

(3) Includes remuneration in kind (health and life insurance premiums paid in favour of executive Directors), interest accrued on the cash of the deferred variable remuneration, other insurance premiums paid and other benefits.

(4) This remuneration is registered in the statement of profit or loss of the respective companies.

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

(6) At 30 June 2018 and at 31 December 2017 the Board of Directors had 18 members, as planned.

During the first six months of 2018, the following changes occurred in the Board:

- On 21 December 2017, Antonio Massanell Lavilla tendered his resignation as Deputy Chairman and member of the Board of Directors, with effect from 31 December 2017.
- On 26 April 2018, Tomás Muniesa Arantegui was appointed member of the Board of Directors and CaixaBank's Deputy Chairman, maintaining his current positions as Managing Director of Insurance and Asset Management at CaixaBank.

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 Chief Executive.

Remuneration of Senior Management

The total remuneration paid to Senior Management of CaixaBank 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 the CaixaBank Group's statement of profit or loss.

Remuneration of Senior Management
(Thousands of euros)

	30-06-2018	30-06-2017
Salary (1)	4,660	5,266
Post-employment benefits (2)	704	627
Other long-term benefits	92	110
Total	**5,456**	**6,003**
Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group (3)	300	382
Total remuneration	**5,756**	**6,385**
Number of people (4)	10	12

(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 includes 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) This remuneration is registered in the statement of profit or loss of the respective companies.
(4) To ensure a correct comparison of the remuneration received by Senior Management in the first six months of 2018 and 2017, the differences in the composition of this body must be taken into account.

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

8. Financial assets

The breakdown of financial assets by nature and category, excluding financial assets under the insurance business, except for “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:

Breakdown of financial assets 30-06-2018

(Thousands of euros)	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value with changes in other comprehensive income	Financial assets at amortised cost	TOTAL
Trading derivatives	8,560,603					8,560,603
Equity instruments	358,239	234,988		2,318,557		2,911,784
Debt securities	1,158,396	145,416		17,708,438	16,924,238	35,936,488
Loans and advances		363,734			226,567,607	226,931,341
Central banks					5,000	5,000
Credit institutions					8,939,524	8,939,524
Customers		363,734			217,623,083	217,986,817
Total	**10,077,238**	**744,138**	**0**	**20,026,995**	**243,491,845**	**274,340,216**

Breakdown of financial assets 31-12-2017

(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	8,162,172					8,162,172
Equity instruments	402,714	4,299,161	2,882,849			7,584,724
Debt securities	2,031,798	2,100,347	66,671,858	2,575,603	11,084,829	84,464,435
Loans and advances		100,299		223,696,896		223,797,195
Central banks				5,000		5,000
Credit institutions		100,299		7,374,035		7,474,334
Customers				216,317,861		216,317,861
Total	**10,596,684**	**6,499,807**	**69,554,707**	**226,272,499**	**11,084,829**	**324,008,526**

Loans to the clients

Below are specified the financial Active epigraphs «not set aside for valued negotiation mandatorily to reasonable value with changes in financial results» and «Assets to depreciated cost » by activity:

Item of the credit risk - Loans to the clients (*)

(Thousands of euros)	30-06-2018	
	Accounting exposure	Coverage
Public administrations	12,529,754	(24,109)
Other Financial Companies	3,320,263	(33,792)
Loans and advances to companies and individual entrepreneurs	83,085,766	(4,416,979)
Real estate construction and development (including land)	6,813,969	(631,022)
Other companies and individual entrepreneurs	76,271,797	(3,785,957)
Other households	125,075,282	(2,343,919)
Home purchase	97,237,579	(1,355,550)
Other	27,837,703	(988,369)
Total	**224,011,065**	**(6,818,799)**

Financial assets not designated for trading compulsorily measured at fair value through profit or loss

In February 2018, the subsidiary company Banco BPI reported that, together with the Fundo de Pensões do Banco BPI, it signed a contract agreeing the sale to Violas SGPS, S.A. of its shareholdings in the company Viacer - Sociedad Gestora de Participaciones Sociales, Lda (Viacer), which holds 56% of the share capital of Super Bock Group, SGPS, SA. Banco BPI holds a 14% stake of the share capital of Viacer, that it agreed to sell for an amount of EUR 130 million and Fundo de Pensões do Banco BPI holds 11% of the share capital of Viacer, that it agreed sell for EUR 103 million. This operation has supposed a profit of EUR 60 million registered in the section «Gains or losses for financial assets not set aside for valued negotiation mandatorily to reasonable value with changes in results (net)» in the statements of profit or loss.

Financial assets at fair value with changes in other comprehensive income

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:

Financial assets at fair value with changes in other comprehensive income

(Thousands of euros)

	30-06-2018	31-12-2017 (*)
Equity instruments	**2,318,557**	**2,882,849**
Shares in listed companies	1,909,538	2,229,712
Shares in non-listed companies	409,019	449,228
Ownership interests in mutual funds and other (see Note 1)		203,909
Debt securities (**)	**17,708,438**	**66,671,858**
Spanish government debt securities	13,792,229	54,492,743
Treasury bills	*0*	*65,037*
Government bonds and debentures	*11,069,799*	*50,638,225*
Other issuances	*2,722,430*	*3,789,481*
Foreign government debt securities	3,782,254	8,714,605
Issued by credit institutions	83,508	2,678,671
Other Spanish issuers	50,425	49,358
Other foreign issuers	22	736,481
Total	**20,026,995**	**69,554,707**

(*) Corresponds to balances recognised under "Available-for-sale financial assets" (see Note 1).

(**) There have been fixed income portfolio sales with a nominal amount of EUR 4,540 million and a profit of EUR 45 million, under the heading "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" and EUR 80 million of profit under the heading "Gains/(losses) from hedge accounting, net" due to the cancellation of the fair value micro-hedge of this portfolio.

The changes in "Financial assets at fair value with changes in other comprehensive income - Equity instruments," are as follows:

Movements in equity instruments

(Thousands of euros)

	31-12-2017	1st application of IFRS 9 (Note 1)	Acquisitions and capital increases	Sales	Amounts transferred to reserves	Adjustments to market value and exchange differences	Transfers and other	30-06-2018
Telefónica, SA (*)	2,109,346					(219,632)		1,889,714
Other	773,503	(243,265)	(2,792)	(17,183)	(11,831)	(70,365)	776	428,843
Total	**2,882,849**	**(243,265)**	**(2,792)**	**(17,183)**	**(11,831)**	**(289,997)**	**776**	**2,318,557**

(*) At 31 March 2017, CaixaBank had a fair value micro-hedge in effect on 0.88% of this stake, which was cancelled in April 2018.

Financial assets at amortised cost

Debt securities

The detail of Financial assets at amortised cost - Debt securities by nature of the transaction, is as follows:

Breakdown of debt securities (*)

(Thousands of euros)

	30-06-2018	31-12-2017 (**)
Public debt	13,826,929	9,696,923
Private Spanish issuers	1,374,030	1,530,658
Private foreign issuers	1,723,279	2,432,851
Total	**16,924,238**	**13,660,432**

(*) These assets are mainly classified in Stage 1.

(**) Corresponds to the balances classified under the headings "Loans and receivables" and "Held-to-maturity Investments" (see Note 1).

Loans to the clients

Below are specified the epigraphs for *Stage*:

Loans and receivables - Customers per stage 30-06-2018

(Thousands of euros)

	Accounting exposure			Coverage		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loans and receivables - Customers (*)	195,571,375	16,702,860	12,210,647	(1,059,315)	(728,387)	(5,074,097)

Loans and receivables - Customers per stage 01-01-2018

(Thousands of euros)

	Accounting exposure			Coverage		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Loans and receivables - Customers (*)	193,224,169	15,663,409	13,780,771	(971,747)	(588,954)	(6,018,122)

(*) At 30 June 2018 and 31 December 2017 there is no operation that originated with impairment.

The detail of guarantees received in the approval of the Group's lending transactions is as follows:

Guarantees received (*)

(Thousands of euros)

	30-06-2018	31-12-2017
Value of collateral	**355,997,764**	**361,574,675**
Of which: Guarantees non-performing risks	17,768,603	20,144,026
Value of other guarantees	**6,287,350**	**5,775,682**
Of which: Guarantees non-performing risks	387,110	181,121
Total	**362,285,114**	**367,350,357**

(*) 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 following table shows the changes in "Loans and advances to customers" in the first half of 2018, classified in Stage 3:

Changes in Stage 3

(Thousands of euros)

	30-06-2018
Balance at 01-01-2018	**13,780,771**
Increase due to refinancings	354,915
Additions	1,244,689
Assets foreclosed and acquired from developers and individuals	(291,153)
Standardised and other assets	(1,879,125)
Assets derecognised due to disposal	(470,130)
Other assets written-off	(529,320)
Balance at 30-06-2018	**12,210,647**

The changes in the balance of the allowances for impairment losses on assets comprising “Financial assets at amortised cost – Loans and advances to customers” in the first half of 2018 are as follows:

The changes in the balance of the allowances for impairment losses on assets comprising “Financial assets at amortised cost – Loans and advances to customers” in the first half of 2018 are as follows:

Changes to the allowances for impairment losses on assets - Loans and advances to customers (*)

(Thousands of euros)

	In Stage 1:	In Stage 2:	In Stage 3:	TOTAL
Balance at 31-12-2017	**1,313,785**		**5,502,032**	**6,815,817**
1st application IFRS 9 (see Note 1) (**)	(342,038)	588,954	516,090	**763,006**
Balance at 01-01-2018	**971,747**	**588,954**	**6,018,122**	**7,578,823**
Provisions charged to income (net)	87,568	139,433	(97,125)	**129,876**
Amounts used			(733,061)	**(733,061)**
Internal transfers and others (***)			(113,839)	**(113,839)**
Total	**1,059,315**	**728,387**	**5,074,097**	**6,861,799**

(*) At 30 June 2018 and 31 December 2017, includes allowances for other financial assets, amounting to EUR 4,756 thousand and EUR 5,291 thousand, respectively.

(**) Includes 778,183 thousands of euros of valuation change for the coming into force of the IFRS 9.

(***) The column of “Internal transfers and others” includes, mostly, the internal transfer of provisions set up for the coverage of the insolvency risk of credit operations of Caixabank cancelled through the acquisition of property assets by Building Center, S.A.U. to funds for these assets' coverage.

The breakdown of provisions to cover credit risk, according to how they are identified, is as shown:

Provisions for credit risk according to how they are identified

(Thousands of euros)

	30-06-2018	01-01-2018
Allowance identified individually	2,351,860	2,153,766
Allowance identified collectively	4,509,939	5,425,057
Total	**6,861,799**	**7,578,823**

The changes in the first half of 2018 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)

	30-06-2018	30-06-2017
Opening balance	**15,822,981**	**15,457,081**
Additions:	**1,163,347**	**2,160,263**
Additions for business combination with Banco BPI		1,284,459
With a charge to allowances for impairment of assets	733,061	456,766
With a direct charge to the statement of profit or loss	331,745	311,140
Other causes	98,541	107,898
Disposals:	**(778,611)**	**(1,350,337)**
Cash recovery of principal	(194,431)	(153,568)
Cash recovery of past-due receivables	(24,071)	(32,881)
Disposal of written-off assets (capital and interest)	(177,499)	(563,678)
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	(382,610)	(600,210)
Closing balance	**16,207,717**	**16,267,007**

(*) Includes EUR 4,609 million and EUR 4,454 million of accrued interest at 30 June 2018 and 30 June 2017, respectively.

Fair value of financial assets

Note 2.2 to the Group's 2017 consolidated financial statements 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 2018, there were no significant changes in the valuation techniques, inputs, and sensitivity analysis results from those described in the notes to the prior year's consolidated financial statements.

Financial assets held by the Group, excluding the financial assets under the insurance business, by measurement method, were as follows:

Fair value of assets

(Thousands of euros)	30-06-2018			31-12-2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held for trading	**1,518,690**	**8,549,086**	**9,462**	**2,432,785**	**8,149,738**	**14,161**
Derivatives	17,657	8,542,946		12,887	8,149,285	
Equity instruments	358,239			402,714		
Debt securities	1,142,794	6,140	9,462	2,017,184	453	14,161
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**234,988**	**0**	**509,150**			
Equity instruments	234,988					
Debt securities			145,416			
Loans and advances	0	0	363,734			
Customers			*363,734*			
Financial assets designated at fair value through profit or loss				**6,499,807**	**0**	**0**
Equity instruments				4,299,161		
Debt securities				2,100,347		
Loans and advances				100,299	0	0
Customers				*100,299*		

Fair value of assets

(Thousands of euros)	30-06-2018			31-12-2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value with changes in other comprehensive income	**19,324,883**	**292,615**	**409,497**			
Equity instruments	1,898,185	10,898	409,474			
Debt securities	17,426,698	281,717	23			
Available-for-sale financial assets				**65,568,912**	**3,450,150**	**535,645**
Equity instruments				2,427,283	6,338	449,228
Debt securities				63,141,629	3,443,812	86,417
Financial assets at amortised cost	**11,419,531**	**1,601,607**	**248,524,381**			
Debt securities	11,419,531	1,601,607	4,069,957			
Loans and advances	0	0	244,454,424			
Central banks			*5,000*			
Credit institutions			*9,695,976*			
Customers			*234,753,448*			
Loans and receivables				**0**	**256,983**	**240,818,253**
Debt securities					256,983	2,327,882
Loans and advances				0	0	238,490,371
Central banks						*5,000*
Credit institutions						*7,956,572*
Customers						*230,528,799*
Held-to-maturity investments				**9,529,634**	**1,677,308**	
Derivatives – Hedge accounting		**2,053,380**			**2,596,939**	
Total	**32,498,092**	**12,496,688**	**249,452,490**	**84,031,138**	**16,131,118**	**241,368,059**

There were no significant transfers or reclassifications among levels in the first half of 2018.

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

Financial assets to reasonable value - Movements of Level 3 - 2018

(Thousands of euros)	Financial assets not designated for trading compulsorily measured at fair value through profit or loss - Debt securities	Financial assets at fair value with changes in other comprehensive income	
		Debt securities	Equity instruments
Balance to 31-12-2017 (*)	**0**	**86,417**	**449,228**
1st application of IFRS 9 (see Note 1)	147,658	(86,393)	51,673
Balance at 01-01-2018	**147,658**	**24**	**500,901**
Total gains/(losses)	(2,242)	(1)	(79,368)
To profit or loss	(2,242)		(4,571)
To equity valuation adjustments		(1)	(74,797)
Settlements and others			(12,059)
Balance at 30-06-2018	**145,416**	**23**	**409,474**
Total gains/(losses) in the period for instruments held at the end of the period	**(2,242)**	**(1)**	**(79,368)**

(*) The balance of the «Financial assets at fair value with changes in other comprehensive income» corresponds to classified balances in epigraph «Available-for-sale financial assets» (see Note 1).

Information on sovereign risk exposure

The carrying amounts of the main items related to sovereign risk exposure are shown below (excluding the insurance business, see Note 9):

Sovereign risk exposure 30-06-2018

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading – debt securities	Financial liabilities held for trading - short positions	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value with changes in other comprehensive income	Financial assets at amortised cost
Spain	Less than 3 months	74,774	(18,248)		312,343	2,590,503
	Between 3 months and 1 year	439,004	(40,725)		2,184,276	2,748,725
	Between 1 and 2 years	91,032	(60,444)		2,344,193	1,769,437
	Between 2 and 3 years	81,796	(108,275)		1,519,704	2,629,200
	Between 3 and 5 years	79,746	(84,019)	308,028	5,453,507	8,705,159
	Between 5 and 10 years	157,417	(222,718)		1,970,474	2,985,329
	Over 10 years	66,287	(54,045)		7,732	1,928,122
	Total	990,056	(588,474)	308,028	13,792,229	23,356,475
Italy	Less than 3 months	1,121	0		0	0
	Between 3 months and 1 year	2,843	0		182,633	0
	Between 1 and 2 years	6,400	(8,149)		0	0
	Between 2 and 3 years	0	0		0	511,535
	Between 3 and 5 years	1,991	(5,512)		916,667	0
	Between 5 and 10 years	12,433	(8,861)		253,361	0
	Over 10 years	2,922	0		0	0
	Total	27,710	(22,522)	0	1,352,661	511,535
Portugal	Less than 3 months	0			471,243	5,170
	Between 3 months and 1 year	0			1,098,965	62,473
	Between 1 and 2 years	0			0	13,379
	Between 2 and 3 years	5,625			0	611,572
	Between 3 and 5 years	2,037			0	118,455
	Between 5 and 10 years	32			0	395,101
	Over 10 years	51			0	130,887
	Total	7,745	0	0	1,570,208	1,337,037
Other	Less than 3 months	0			698	71,415
	Between 3 months and 1 year	29			0	168,611
	Between 1 and 2 years	0			0	1
	Between 2 and 3 years	19			0	78,678
	Between 3 and 5 years	126			858,687	18,241
	Between 5 and 10 years	0			0	201,041
	Over 10 years	0			0	524,911
	Total	174	0	0	859,385	1,062,898
Total countries		**1,025,685**	**(610,996)**	**308,028**	**17,574,483**	**26,267,945**

Sovereign risk exposure 31-12-2017

(Thousands of euros)

Country	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	705,660	(638,923)	12,380,925	10,725,431	9,696,923
Italy	124,255	(30,678)	1,396,882	0	0
Portugal	92,686	(58,943)	3,311,463	1,054,050	0
Other	0	(10,089)	693	309,591	0
Total countries	**922,601**	**(738,633)**	**17,089,963**	**12,089,072**	**9,696,923**

Risk concentration according to the rating assigned at 30 June 2018 (excluding the insurance business, see Note 9), and 31 December 2017 respectively, is as follows:

Concentration according to credit quality 30-06-2018

(Thousands of euros)

	Financial assets at amortised cost					
	Loans and advances to customers	Debt securities	Financial assets held for trading	Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Financial assets at fair value with changes in other comprehensive income	Loan commitments and financial guarantees
AAA/AA+/AA/AA-	29,441,992	226	174	0	858,688	12,995,659
A+/A/A-	29,135,285	10,399,490	973,933	0	9,703,599	9,924,211
BBB+/BBB/BBB-	35,072,861	3,859,398	172,751	1,140	7,108,922	17,068,347
Investment grade	**93,650,138**	**14,259,114**	**1,146,858**	**1,140**	**17,671,209**	**39,988,217**
	43.0%	84.3%	99.0%	0.8%	99.8%	59.4%
BB+/BB/BB-	36,177,939	961,485	264	53,534	37,229	14,846,741
B+/B/B-	15,979,599	168,751	0	0	0	6,226,297
CCC+/CCC/CCC-	3,685,838	5,890	0	0	0	496,799
No rating	68,129,569	1,528,998	11,274	90,742		5,740,215
Non-investment grade	**123,972,945**	**2,665,124**	**11,538**	**144,276**	**37,229**	**27,310,052**
	57.0%	15.7%	1.0%	99.2%	0.2%	40.6%
Balance at 30-06-2018	**217,623,083**	**16,924,238**	**1,158,396**	**145,416**	**17,708,438**	**67,298,269**

Concentration according to credit quality 31-12-2017

(Thousands of euros)	Loans and collection items/Clients - Loans and advances and Loan commitments and financial guarantees	Loans and collection items - Securities representing debt	Financial assets held for trading	Available-for-sale financial assets	Held-to-maturity investments
AAA/AA+/AA/AA-	43,189,521	16,904		588,501	
A+/A/A-	38,658,185	70,333	221,458	1,901,527	
BBB+/BBB/BBB-	51,629,552	481,581	1,786,483	63,726,678	11,070,415
Investment grade	**133,477,258**	**568,818**	**2,007,941**	**66,216,706**	**11,070,415**
	47.1%	22.1%	98.8%	99.3%	99.9%
BB+/BB/BB-	49,358,641	101,264	7,681	305,643	0
B+/B/B-	21,733,805	358,779	0	982	14,414
CCC+/CCC/CCC-/C/D	4,497,800	58,488	0	113,571	0
No rating	74,455,427	1,488,254	16,176	34,956	0
Non-investment grade	**150,045,673**	**2,006,785**	**23,857**	**455,152**	**14,414**
	52.9%	77.9%	1.2%	0.7%	0.1%
Balance at 31-12-2017	**283,522,931**	**2,575,603**	**2,031,798**	**66,671,858**	**11,084,829**

9. Assets and liabilities under the insurance business

Assets under the insurance business

The Group's insurance companies, VidaCaixa, SA de Seguros y Reaseguros and BPI Vida y Pensiones, have decided to make use of the temporary exemption from IFRS 9, which is why its financial instruments are presented in accordance with IAS 39 in the heading "Assets under the insurance business" of the accompanying consolidated balance sheet (see Note 2 Accounting policies and measurement bases). The breakdown of this item in the balance sheet, by financial asset category, is as follows:

Assets under the insurance business
(Thousands of euros)

	30-06-2018	01-01-2018
Financial assets held for trading	**985,019**	**956,040**
Equity instruments	135	136
Debt securities	984,884	955,904
Financial assets designated at fair value through profit or loss	**7,344,317**	**6,493,636**
Equity instruments	5,004,432	4,292,990
Debt securities	2,143,103	2,100,347
Loans and advances	196,782	100,299
Credit institutions	*196,782*	*100,299*
Available-for-sale financial assets	**51,289,357**	**49,393,967**
Equity instruments	453	418
Debt securities	51,288,904	49,393,549
Loans and receivables	**1,029,779**	**1,074,553**
Debt securities	688,154	786,151
Loans and advances	341,625	288,402
Credit institutions	*341,625*	*288,402*
Assets under insurance and reinsurance contracts	**256,859**	**275,495**
Total	**60,905,331**	**58,193,691**

Financial instruments under the insurance business, by fair value measurement method, were as follows:

Fair value of assets under the insurance business
(Thousands of euros)

	30-06-2018 (*)		
	Level 1	Level 2	Level 3
Financial assets held for trading	**983,172**	**0**	**1,847**
Equity instruments	135		
Debt securities	983,037	0	1,847
Financial assets designated at fair value through profit or loss	**7,344,317**	**0**	**0**
Equity instruments	5,004,432		
Debt securities	2,143,103		
Loans and advances	196,782		
Credit institutions	*196,782*		
Available-for-sale financial assets	**47,783,145**	**3,506,212**	**0**
Equity instruments		453	
Debt securities	47,783,145	3,505,759	
Loans and receivables	**0**	**0**	**1,029,779**
Debt securities			688,154
Loans and advances	0	0	341,625
Credit institutions			*341,625*
Total	**56,110,634**	**3,506,212**	**1,031,626**

(*) At 31 December 2017 they are included by financial asset category (IAS 39) (see Note 8)

There were no significant transfers or reclassifications among levels in the first half of 2018.

Movements in Level 3 balances in 2018 were as follows:

Level 3 movements

(Thousands of euros)

	Financial assets designated at fair value through profit or loss	
	Debt securities	**Equity instruments**
Opening balance at 31-12-2017	**30,787**	
Total gains/(losses)	(684)	
To profit or loss	(159)	
To equity valuation adjustments	(525)	
Settlements and others	(30,103)	
Balance at 30-06-2018	**0**	
Total gains/(losses) in the period for instruments held at the end of the period	**684**	**0**

The following table shows the fair value and the amount of the change in fair value during the period, differentiating between assets with cash flows that would solely represent payments of principal and interest (SPPI) in accordance with the provisions of IFRS 9 - excluding financial assets held for trading or managed by their fair value - and those with cash flows that do not represent solely payments of principal and interest (non-SPPI):

Fair value at 30 June 2018

(Thousands of euros)

	SPPI	Non-SPPI	Total
Financial assets not held for trading and not managed by their fair value	51,256,860	32,497	51,289,357
Financial assets held for trading or managed by their fair value	Not applicable	Not applicable	

Amount of the change in the fair value during 2018

(Thousands of euros)

	SPPI	Non-SPPI	Total
Financial assets not held for trading and not managed by their fair value	1,895,533	(143)	1,895,390
Financial assets held for trading or managed by their fair value	Not applicable	Not applicable	

(*) The amendments to IFRS 4 (see Notes 1 and 2) require companies to report their exposure to credit risk, including material credit risk concentrations, for financial assets not held for trading and not managed by their fair value, that comply with the SPPI test.

In addition to applying the temporary exemption from IFRS 9 to insurance companies controlled by the Group, the disclosure requirements of which are shown below, the aforementioned deferral has also been applied to SegurCaixa Adeslas (affiliated company of the Group). The impact on the value of financial instruments associated with the application of IFRS 9 in this company is not deemed significant, due to the low credit risk of the counterparties of its financial instruments.

The carrying amounts of the main items related to sovereign risk exposure are shown below:

Sovereign risk exposure - Insurance business 30-06-2018

(Thousands of euros)

Country	Residual maturity	Financial assets held for trading - debt securities	Available-for-sale financial assets
Spain	Less than 3 months	357,427	57,977
	Between 3 months and 1 year	200,621	202,109
	Between 1 and 2 years	0	998,171
	Between 2 and 3 years	0	923,374
	Between 3 and 5 years	0	4,196,654
	Between 5 and 10 years	0	9,330,955
	Over 10 years	0	26,337,540
	Total	**558,048**	**42,046,780**
Italy	Less than 3 months		2,184
	Between 3 months and 1 year		5,635
	Between 1 and 2 years		147,492
	Between 2 and 3 years		0
	Between 3 and 5 years		588,418
	Between 5 and 10 years		947,368
	Over 10 years		2,243,105
	Total	**0**	**3,934,202**
Other	Less than 3 months	300,091	2,917
	Between 3 months and 1 year	120,034	104
	Between 1 and 2 years	2,909	3,595
	Between 2 and 3 years	0	5,705
	Between 3 and 5 years	26	11,345
	Between 5 and 10 years	0	4,763
	Over 10 years	301	42,936
	Total	**423,361**	**71,365**
Total countries		**981,409**	**46,052,347**

Sovereign risk exposure - Insurance business 31-12-2017

(Thousands of euros)

Country	Financial assets held for trading - debt securities	Available-for-sale financial assets
Spain	607,607	42,111,817
Italy	0	3,934,202
Other	344,370	71,366
Total countries	**951,977**	**46,117,385**

Risk concentration according to the rating assigned under the insurance business is as follows:

Credit quality of the insurance business 30-06-2018 (*)

(Thousands of euros)

	Loans and receivables	Financial assets held for trading – debt securities	Available-for-sale financial assets – debt securities	TOTAL
AAA/AA+/AA/AA-		196,083	938,501	1,134,584
A+/A/A-		361,966	45,919,239	46,281,205
BBB+/BBB/BBB-	264,894	125,023	4,219,496	4,609,413
Investment grade	**264,894**	**683,072**	**51,077,236**	**52,025,202**
	25.7%	69.4%	99.6%	97.6%
BB+/BB/BB-		1,331	114,362	115,693
B+/B/B-	8,408		93,794	102,202
CCC+/CCC/CCC-				0
No rating	756,477	300,481	3,512	1,060,470
Non-investment grade	**764,885**	**301,812**	**211,668**	**1,278,365**
	74.3%	30.6%	0.4%	2.4%
Balance at 30-06-2018	**1,029,779**	**984,884**	**51,288,904**	**53,303,567**

(*) At 31 December 2017 they are included by financial asset category (IAS 39) (see Note 8)

Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder, (Unit-links).

Liabilities under the insurance business

The breakdown of this item in the consolidated balance sheet is as follows:

Breakdown of liabilities under the insurance business

(Thousands of euros)

	30-06-2018	01-01-2018
Contracts designated at fair value through profit or loss (*)	8,795,740	8,240,972
Unearned premiums	8,505	3,622
Mathematical provisions	50,952,913	49,142,374
Claims	653,281	567,374
Bonuses and rebates	27,127	36,914
Technical provisions	95	105
Total	**60,437,661**	**57,991,361**

(*) The “contracts designated at fair value through profit or loss” are classified as level 1 financial liabilities in the fair value hierarchy.

10. Derivatives – Hedge accounting (assets and liabilities)

The detail, by type of hedge, of the fair value of derivatives designated as hedging derivatives is as follows:

Fair value by type of hedge
(Thousands of euros)

	30-06-2018		31-12-2017	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges	**1,866,767**	**414,641**	**2,400,875**	**401,500**
Micro-hedges	*104,103*	*119,094*	*258,832*	*98,560*
Macro-hedges	*1,762,664*	*295,547*	*2,142,043*	*302,940*
Cash flow hedges	**186,613**	**497,088**	**196,064**	**391,632**
Micro-hedges	*178,276*	*487,501*	*181,111*	*377,653*
Macro-hedges	*8,337*	*9,587*	*14,953*	*13,979*
Total	**2,053,380**	**911,729**	**2,596,939**	**793,132**

In fair value macro-hedges, gains or losses arising on the hedged items attributable to interest rate risk are recognised directly in the statement of profit or loss, but the balancing entry is recognised in “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk” depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.

11. Investments in joint ventures and associates

Annexes 2 and 3 to the 2017 consolidated annual accounts specify the investments in joint ventures and associate companies.

The changes in investments in joint ventures and associates in 2018 are as follows:

Movement in investments in joint ventures and associates

(Thousands of euros)

	Underlying carrying amount	Goodwill	Impairment allowances	Total
Balance at 01-01-2018	**5,874,695**	**362,499**	**(12,769)**	**6,224,425**
Acquisitions and capital increases/decreases	5,737	0	0	5,737
Disposals and capital decreases	(40,194)	0	0	(40,194)
Profit/(loss) for the period	502,594	0	0	502,594
Dividends declared	(200,042)	0	0	(200,042)
Translation differences	(173,267)	(186)	0	(173,453)
Changes in consolidation method	(8,674)	0	(10)	(8,684)
Valuation adjustments - investees	(72,457)	0	0	(72,457)
Reclassifications and others	30,365	0	(53,568)	(23,203)
Balance at 30-06-2018	**5,918,757**	**362,313**	**(66,347)**	**6,214,723**

Banco de Fomento de Angola, SA (BFA)

In January 2018 Angola National Bank changed its currency mechanism that regulated parity between the local currency, the kwanza, and the US dollar. Off the back of this began an orderly and gradual process of devaluation of the kwanza against the US dollar. The net patrimonial impact of this devaluation in the financial statements of the company dependent Bank BPI on 30 June 2018, for the maintained book value in BFA, ascends to, approximately, EUR 89 million in results and EUR -203 million in «Other comprehensive income».

Allowances for impairment of associates and joint ventures

The Group has a methodology in place (described in Note 17 to the 2017 consolidated annual financial statements) for assessing recoverable amounts and potential impairment of its investments in associates and joint ventures.

The Group updated the impairment tests performed at 31 December 2017 at 30 June 2018. 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:

- Individual discount rates for each activity ranged from 7.1% to 10.1% (from 7.3% to 10.1% in the tests performed at 31 December 2017). The discount rate used for investments in emerging countries is around 18.5% (unchanged with respect to December 2017).

- 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 2017. Rates of between 3.6% and 5% were used for stakes in emerging countries, unchanged from December 2017.

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.

On 30 June 2018 has been registered a depreciation of the share of Servihabitat with a value of EUR 52 million, derived from the agreement of sale of the property business (see Note 1).

Market value of listed investees

The table below shows the main listed companies classified as associates, detailing the percentage of ownership and their market value.

Main listed companies

(Thousands of euros)

	30-06-2018		31-12-2017	
Company	**% interest**	**Market value**	**% interest**	**Market value**
Repsol, SA (*)	9.46%	2,468,586	9.64%	2,171,148
Erste Group Bank AG (**)	9.92%	1,524,174	9.92%	1,539,310
Market value		**3,992,760**		**3,710,458**

(*) On 30 June 2018, Caixabank has contracted a microcoverage of cash flows on 4.73% of this share.

(**) On 30 June 2018, Caixabank has contracted a microcoverage of cash flows on 1.36% of this share.

12. 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 2018, there were no significant gains or losses on any individual sale.

At 30 June 2018, the Group had no significant commitments to acquire items of property and equipment.

In addition, property and equipment for own use are allocated to the banking business cash-generating unit (CGU). At 30 June 2018, 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 2018. 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 2018.

On 28 June 2018, CaixaBank agreed to sell 80% of mainly the property portfolio classified as held for sale at 31 October 2017 to Lone Star (see note 1).

13. Intangible assets

Goodwill

At 30 June 2018, the balance of this heading in the accompanying condensed interim consolidated balance sheet was not different from the balance at 31 December 2017 (see Note 20 to the 2017 consolidated financial statements). 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 Bankpime, SA.

Impairment tests on the CGUs to which this goodwill is associated and the updates of the impairment tests carried out at 31 December 2017 did not uncover the need to recognise any additional impairment of the goodwill existing at 30 June 2018.

As explained in Note 20 to the 2017 consolidated financial statements, every six months the Group retests the banking business CGU for impairment on the basis of the test carried out at the close of the previous year, 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 the 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.

Based on these exercises, it is not necessary to recognise impairment losses at 30 June 2018.

Other intangible assets

There were no relevant movements in this heading in the first half of 2018.

During the first half of 2018, the Group has carried out an exercise to adapt the service lives of the internally developed software, in collaboration with an independent consultant. As a result of the aforementioned analysis, the service life of the software has been revised to an average of 11 years, and these modifications have been applied prospectively, starting from 2018.

14. Other assets and other liabilities

The detail of the balance of these headings in the condensed interim consolidated balance sheet is as follows:

Breakdown of other assets and other liabilities
(Thousands of euros)

	30-06-2018	31-12-2017
Inventories	816,993	877,586
Other assets	2,344,354	1,627,696
Prepayments and accrued income	903,073	699,370
Ongoing transactions	393,088	427,205
Dividends on equity securities accrued and receivable	122,261	114,830
Other	925,932	386,291
Total other assets	**3,161,347**	**2,505,282**
Prepayments and accrued income	1,006,579	1,055,794
Ongoing transactions	878,845	951,508
Other	372,558	327,806
Total other liabilities	**2,257,982**	**2,335,108**

Note 3, "Risk management", provides details on foreclosed assets received, classified into "Non-current assets and disposal groups classified as held for sale" (see Note 15), "Tangible assets" and "Other assets – Inventories".

Changes in "Other assets - Inventories" are as follows:

Changes in inventories
(Thousands of euros)

	Foreclosed assets	Other assets	Total
Gross cost			
Balance at 31-12-2017	**2,357,046**	**54,277**	**2,411,323**
Additions in the period	34,665	138,529	173,194
Transfers	(37,062)	(349)	(37,411)
Disposals	(202,704)	(106,597)	(309,301)
Subtotal	**2,151,945**	**85,860**	**2,237,805**
Impairment allowances			
Balance at 31-12-2017	**(1,516,726)**	**(17,011)**	**(1,533,737)**
Net allowances	(5,674)	(699)	(6,373)
Transfers	349	632	981
Amounts used	118,317	0	118,317
Subtotal	**(1,403,734)**	**(17,078)**	**(1,420,812)**
Balance at 30-06-2018	**748,211**	**68,782**	**816,993**

On 28 June 2018, Caixabank agreed sell 80% of the portfolio of property assets registered on 31 October 2017 to Lone Star (see note 1), among which are included assets registered in «Stock».

15. 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 2018 are as follows:

Breakdown of non-current assets and disposal groups reclassified as held for sale
(Thousands of euros)

	Foreclosed assets			
	Foreclosure rights (1)	**Other foreclosed assets**	**Other Assets (2)**	**Total**
Cost				
Balance at 31-12-2017	**569,772**	**9,401,354**	**670,997**	**10,642,123**
Additions in the period	76,316	285,460	25,719	387,495
Transfers	(266,138)	270,934	(11,577)	(6,781)
Disposals	0	(888,062)	(47,945)	(936,007)
Balance at 30-06-2018	**379,950**	**9,069,686**	**637,194**	**10,086,830**
Impairment allowances				
Balance at 01-01-2018	**(96,331)**	**(4,310,638)**	**(166,224)**	**(4,573,193)**
Net allowances	(2,176)	(144,377)	(6,279)	(152,832)
Transfers	29,828	(158,300)	12,184	(116,288)
Amounts used		389,318	12,006	401,324
Balance at 31-12-2017	**(68,679)**	**(4,223,997)**	**(148,313)**	**(4,440,989)**
Total	**311,271**	**4,845,689**	**488,881**	**5,645,841**

(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.

The proceeds from sales of "Non-current assets and disposal groups classified as held for sale" during the first six months of 2018 do not include individually material operations.

On 28 June 2018, CaixaBank agreed to sell 80% of mainly the property portfolio classified as held for sale at 31 October 2017 to Lone Star (see note 1).

16. 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", excluding financial liabilities under the insurance business, by nature and category and for measurement purposes is as follows:

30-06-2018

(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	8,696,049			8,696,049
Short positions	632,200			632,200
Deposits			257,777,787	257,777,787
Central banks			30,614,675	30,614,675
Credit institutions			11,530,618	11,530,618
Customers			215,632,494	215,632,494
Debt securities issued			29,294,246	29,294,246
Other financial liabilities			4,329,551	4,329,551
Total	**9,328,249**	**0**	**291,401,584**	**300,729,833**

(*) Reclassified as "Liabilities under the insurance business" (see Note 1).

31-12-2017

(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	7,860,638			7,860,638
Short positions	744,292			744,292
Deposits		8,240,972	246,804,137	255,045,109
Central banks			31,680,685	31,680,685
Credit institutions			11,515,365	11,515,365
Customers		8,240,972	203,608,087	211,849,059
Debt securities issued			29,918,503	29,918,503
Other financial liabilities		116	4,174,741	4,174,857
Total	**8,604,930**	**8,241,088**	**280,897,381**	**297,743,399**

Issuances, buy-backs and redemptions of debt securities

During the first six months of 2018 have been produced maturities with a value of EUR 3,157 million. Additionally, in the first half of 2018 has been amortised in advance an amortised subordinated bond issue of EUR 2,072 million of nominal amount. Has been registered a profit of EUR 110 million in the epigraph «Gains or losses when unsubscribing in active and passive accounts financial not valued at reasonable value with changes in results, net» of the account of losses and gains consolidated attached, derived from the operations of coverages associated with this issuance.

The following issuances were carried out in the first half of 2018:

Issuances for the first half of 2018

(Millions of euros)

Issuance	Amount	Maturity	Cost (*)
Mortgage bonds	1,000	10 years	Coupon 1.116% (midswap + 0.22%)
Mortgage bonds	125	14 years	Coupon 1.747% (midswap + 0.31%)
Mortgage bonds	50	14 years	Coupon 1.744% (midswap + 0.31%)
Mortgage bonds	75	14 years	Coupon 1.754% (midswap + 0.30%)
Mortgage bonds	375	14 years	Coupon 1.559% (midswap + 0.32%)
Senior debt	1,000	5 years and 3 months	Coupon 0.836% (midswap + 0.48%)
Additional Tier 1 (a)	1,250	Perpetual	Coupon 5.354%
Subordinated debt (Tier 2)	1,000	12 years	Coupon 2.323% (midswap + 0.168%)

(*) Meaning the yield on the issuance

a) Perpetual issuance placed for institutional investors traded on the Spanish Fixed Income Market (AIAF) with a discretionary coupon, which may be redeemed under specific circumstances at the option of CaixaBank and, in any case, they will be converted into new-issue common shares of the Bank if it reports a Common Equity Tier 1 ratio (CET1) of less than 5.125%. 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.

Other issuances guaranteed by the Group

At 30 June 2018 and 31 December 2017, there were no debt securities issued by associates or third parties (outside the Group) guaranteed by CaixaBank or any Group company.

Fair value of financial liabilities

Note 2.2 to the Group's 2017 consolidated financial statements 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 2018, there were no significant changes in the valuation techniques, inputs, and sensitivity analysis results from those described in the notes to the prior year's consolidated financial statements.

Financial liabilities held by the Group, excluding the liabilities under the insurance business, by measurement method, were as follows:

Fair value of liabilities

(Thousands of euros)	30-06-2018			31-12-2017		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities held for trading	**673,170**	**8,655,079**		**777,073**	**7,827,857**	**0**
Derivatives	40,970	8,655,079		32,781	7,827,857	
Short positions	632,200			744,292		
Financial liabilities designated at fair value through profit or loss				**8,241,088**		
Deposits				8,240,972		
Other financial liabilities				116		
Financial liabilities at amortised cost	**27,957,254**		**263,573,664**	**28,496,513**		**253,694,144**
Deposits			**256,757,075**			246,568,051
Central banks			*30,820,565*			*31,827,426*
Credit institutions			*11,437,494*			*11,425,823*
Customers			*214,499,016*			*203,314,802*
Debt securities issued	27,957,254		2,487,038	28,496,513		2,951,352
Other financial liabilities			4,329,551			4,174,741
Derivatives - Hedge accounting		**911,729**			**793,132**	
Total	**28,630,424**	**9,566,808**	**263,573,664**	**37,514,674**	**8,620,989**	**253,694,144**

17. Provisions

The table below presents the balances by the nature of provisions recognised in the accompanying condensed interim consolidated balance sheet:

Changes in provisions

(Thousands of euros)

	Balance at 31-12-2017	1st application of IFRS 9 (see Note 1)	Provisions net of releases charged to income	Other charges (**)	Actuarial (gains) / losses (*)	Amounts used	Transfers and other	Balance at 30-06-2018
Provisions for pensions and other post-employment defined benefit obligations	**2,107,776**		**0**	**15,257**	**(153,601)**	**(81,157)**	**167,397**	**2,055,672**
Provisions for other long-term employee benefits	**1,223,077**		**15,130**	**1,213**	**0**	**(120,055)**	**29**	**1,119,394**
Provisions for pending legal issues and tax litigation	**802,700**		**53,312**	**0**	**0**	**(119,220)**	**(1,100)**	**735,692**
Legal contingencies	504,136		33,722	0	0	(77,291)	(1,100)	459,467
Provisions for taxes	298,564		19,590	0	0	(41,929)	0	276,225
Provisions for commitments and guarantees given	**356,927**	**10,090**	**(21,164)**	**0**	**0**	**0**	**(432)**	**345,421**
Country risk allowance	8,703	0	0	0	0	0	0	8,703
Allowance for expected losses	348,224	10,090	(21,164)	0	0	0	(432)	336,718
Contingent liabilities	*293,794*	*12,897*	*(20,687)*	*0*	*0*	*0*	*(314)*	*285,690*
Contingent commitments	*54,430*	*(2,807)*	*(477)*	*0*	*0*	*0*	*(118)*	*51,028*
Other provisions	**510,461**	(2,422)	**215,850**	**0**	**0**	**(75,407)**	**(15,466)**	**633,016**
Losses from agreements not formalised and other risks	489,158	(2,422)	215,850	0	0	(75,662)	(6,403)	620,521
Ongoing legal proceedings	700		0	0	0	0	0	700
Other	20,603	0	0	0	0	255	(9,063)	11,795
Total provisions	**5,000,941**	**7,668**	**263,128**	**16,470**	**(153,601)**	**(395,839)**	**150,428**	**4,889,195**

(*) The defined benefit obligations with BPI, at 30 June 2018 and 31 December 2017, are of an asset nature (net). Nonetheless, the actuarial gain (loss) is displayed for informative purposes with the change of the provisions, although the balance is finally reflected in the asset. During the first half of 2018, the net actuarial gain includes the gains deriving from the investment of the BPI employee pension fund in Viacer (see Note 8), as well as the update of the discount rate of the obligations.

(**) Interest cost of pension funds	**18,365**
Staff expenses	**(1,895)**
Total other provisions	**16,470**

Provisions for pensions and other post-employment defined benefit obligations

CaixaBank has undertakings with certain employees or their rightholders to supplement public social security benefits for retirement, permanent disability, death of spouses or death of parents, the nature of which has not significantly changed during the first half of 2018.

The value of the obligations at 30 June 2018, 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 assumptions used in the calculations regarding business in Spain are as follows:

Actuarial assumptions in Spain

	30-06-2018	31-12-2017
Long-term discount rate (1)	1.68%	1.66%
Short-term discount rate (1)	0.08%	0.12%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
Annual accumulative CPI	1.8% 2018 and onwards	1.2% 2017, 1.8% 2018 and onwards
Annual salary increase rate	1.25% 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.

The assumptions used in the calculations regarding business in Portugal are as follows:

Actuarial assumptions in Portugal

	30-06-2018	31-12-2017
Discount rate	2.02%	2.00%
Mortality tables for males	TV 88/90	TV 88/90
Mortality tables for females	TV 88/90 – 3 years	TV 88/90 – 3 years
Annual pension review rate	0.50%	0.50%
Annual salary increase rate	[1-2] %	[1-2] %

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.

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 2017 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 nature of which has not significantly changed with respect to 2017.

Provisions for pending legal issues and tax litigation

Provisions for pending legal issues and tax litigation are as follows:

Provisions for pending tax litigation

(Thousands of euros)	30-06-2018	31-12-2017
Income tax assessments for years 2004 to 2006	33,171	33,171
Income tax assessments for years 2007 to 2009	11,623	11,533
Income tax assessments for years 2010 to 2012	13,496	14,758
Tax on deposits	17,788	53,083
Other	200,147	186,019
Total	**276,225**	**298,564**

Other provisions

Note 24 to the 2017 consolidated financial statements discloses the nature of the recorded provisions.

With respect to the provisions deriving from the elimination of "floor clauses" that existed in certain mortgages of the Group, during 2018 claims have continued to be reviewed, and customers have been notified of their resolution and have been given refunds, where applicable. The Bank will continue to closely monitor and analyse the sufficiency of this provision, while drawing on its experience and the lessons learned, and will increase and/or enhance the provision accordingly as and when needed.

Furthermore, on 30 June 2018 a provision amounting to EUR 152 million was recorded under the heading "Provisions or reversal of provisions" associated with the real estate business sale agreement (see Note 1).

18. Equity

Capital

At 30 June 2018 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 2018 was EUR 3.706 (EUR 3.889 at 31 December 2017).

Treasury shares

Changes in treasury shares in the first half of 2018 were as follows:

Treasury shares

	31-12-2017	Acquisitions and other	Disposals and other	30-06-2018
Number of treasury shares	3,565,959	366,856	(1,123,595)	2,809,220
% of share capital (*)	0.060%			0.047%
Cost/sale (thousands of euros)	11,753	1,505	(3,462)	9,796

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

Accumulated other comprehensive income

The main movements in Accumulated other comprehensive income are specified in the Statement of other comprehensive income.

The variations in this epigraph are owed to the decrease of the reductions for assessment for variations of value of the assets qualifiers as «financial Assets to reasonable value with changes in another overall result » (see Note 8) and to the impact of the devaluation of the kwanza for the maintained book value in BFA (see Note 11).

Minority interests

The variation of the first half of 2018 is owed to the acquisition of shares of Bank BPI (see Note 6).

19. Tax position

Tax consolidation

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 of its subsidiaries belong to a consolidated tax group for VAT since 2008, whose parent company has been CaixaBank since 1 January 2016.

Deferred tax assets and liabilities

The deferred tax assets and liabilities recognised in the balance sheet arose from the following:

Deferred tax assets

(Thousands of euros)

	30-06-2018	01-01-2018
Pension plan contributions	565,673	583,450
Allowances for credit losses	4,111,384	4,244,650
Early retirement obligations	22,824	27,465
Provision for foreclosed property	1,082,358	1,035,012
Origination fees for loans and receivables	8,348	8,403
Unused tax credits	962,290	1,063,025
Tax loss carryforwards	1,664,817	1,591,009
Tax assets other comprehensive income	136,652	56,125
Other deferred tax assets arising on business combinations (1)	172,184	194,838
Impact of the initial adoption of IFRS 9 (Note 1)	242,869	242,869
Other (2)	1,303,512	1,450,864
Total	**10,272,911**	**10,497,710**
Of which: monetisable (millions of euros)	*5,782*	*5,891*

(1) 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.

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

Deferred tax liabilities

(Thousands of euros)

	30-06-2018	01-01-2018
Revaluation of property on first time application of IFRS	232,607	235,768
Tax liabilities on measurement of available-for-sale financial assets	124,136	192,405
Tax liabilities relating to intangible assets generated in business combinations	36,442	43,274
Tax liabilities relating to mathematical provisions	203,837	203,837
Other deferred tax liabilities arising on business combinations (1)	258,095	279,671
Other	247,551	239,171
Total	**1,102,668**	**1,194,126**

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

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 30 June 2018, 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 2018, 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.

20. Related party transactions

The balances held and the nature of the related parties at 30 June 2018 were not significantly different from those held at 31 December 2017, described in Note 41 to the consolidated financial statements.

The most significant balances between CaixaBank and its subsidiary companies, with its joint ventures and associates, and with CaixaBank Directors, Senior Management and other related parties (relatives and companies with links to members of the Board of Directors and Senior Management, to the best of the Entity's knowledge) and those with other related parties such as the CaixaBank employee pension plan, are shown in the table below. Details are also provided of the amounts recognised in the statement of profit or 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.

Balances and transactions with significant shareholders at 30 June 2018 include those relating to "la Caixa" Banking Foundation, CriteriaCaixa and its subsidiaries.

Related party balances and operations

(Thousands of euros)

	Significant shareholder (1)		Associates and joint ventures		Directors and Senior Management (2)		Other related parties (3)		Employee pension plan	
	30-06-2018	30-06-2017	30-06-2018	30-06-2017	30-06-2018	30-06-2017	30-06-2018	30-06-2017	30-06-2018	30-06-2017
ASSETS										
Loans and advances to credit institutions										
Loans and advances	109,598	964,852	465,223	203,323	8,306	10,778	19,332	60,293	0	0
Mortgage loans	*104,724*	*188,150*	*3,006*	*3,590*	*8,143*	*9,821*	*6,257*	*22,609*		
Other	*4,874*	*776,702*	*462,217*	*199,733*	*163*	*957*	*13,075*	*37,684*		
of which: loan-loss provisions	*(909)*	*(122)*	*(1,419)*	*(5,046)*	*(9)*	*(7)*	*(16)*	*(4,611)*		
Equity instruments									5,229	4,316
Debt securities	11,513	1,263,526	4,570	28,408						
Total	**121,111**	**2,228,378**	**469,793**	**231,731**	**8,306**	**10,778**	**19,332**	**60,293**	**5,229**	**4,316**
LIABILITIES										
Deposits from credit institutions	11,032	27,713		29						
Customer deposits	1,122,647	1,923,426	1,653,725	749,563	23,701	38,079	20,524	48,661	73,617	70,503
Derivatives								2		
Debt securities issued										2,700
Off-balance sheet liabilities (4)					317,442	89,324	35,169	41,970		
Total	**1,133,679**	**1,951,139**	**1,653,725**	**749,592**	**341,143**	**127,403**	**55,693**	**90,633**	**73,617**	**73,203**
PROFIT OR LOSS										
Interest income	636	15,332	1,989	1,423	16	33	90	414		
Interest expenses		(9,657)	(16)	(4)	20	(23)	(2)	(18)	(49)	(42)
Dividend income (5)										
Fee and commission income		1,556	115,932	98,788		6	4	25	401	
Fee and commission expenses			1							(366)
Total	**636**	**7,231**	**117,906**	**100,207**	**36**	**16**	**92**	**421**	**352**	**(408)**
OTHER										
Guarantees given – Guarantees and others	11,207	159,474	58,192	444,891		10	336	13,091		
Contingent commitments granted - Drawable by third parties and other (8)		1,264,805	437,019	499,433	2,134	11,833	13,445	8,718		
Accrued post-employment commitments					31,637	52,099				
Total	**11,207**	**1,424,279**	**495,211**	**944,324**	**33,771**	**63,942**	**13,781**	**21,809**	**0**	**0**

(1) "Significant shareholder" refers to any shareholder that is the parent of or has joint control of or significant influence over the Group, the latter term as defined in IAS 28, irrespective of its economic rights. Along these lines they solely refer to balances and operations made with "la Caixa" Banking Foundation, CriteriaCaixa and its subsidiaries. At 30 June 2018 CriteriaCaixa's stake in CaixaBank is 40%.

(2) Directors and Senior Management of CaixaBank.

(3) Family members and entities related to members of the Board of Directors and Senior Management of CaixaBank.

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

(5) Set on an accrual basis.

21. Segment information

The objective of business segment reporting is to allow internal supervision and management of the Group's activity and profits. The information is broken down into several lines of business according to the Group's organisation and structure. The segments are defined and segregated taking into account the inherent risks and management characteristics of each one, based on the basic business units which have accounting and management figures. Similarly, the following is applied to create them: (i) the same presentation principles are applied as those used in Group management information, and (ii) the same accounting principles and policies as those used to prepare the financial statements:

Banking and insurance: the Group's core business; it 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 covers the activity and results generated by the Group's customers, as well as liquidity and ALCO management, income from financing the other businesses and the corporate centre. Additionally, from 1 January 2018 it has covered the results of BPI Vida e Pensoes and from April 2018 the results corresponding to BPI Gestao de Activos and BPI Global Investment Fund.

The insurance and banking business is presented as a single segment, consistent with the joint sales and risk management. Along these lines, the Group markets insurance products, in addition to the other financial products, through its commercial network with the same client base, because the majority of the insurance products offer savings alternatives (life-savings and pensions) to the banking products (savings and investment funds).

Non-core **real estate business:** includes the results, net of the related financing charge, of non-core real estate assets in Spain, which comprise: (i) non-core developer lending: (ii) foreclosed real estate assets (available for sale and rental); and (iii) other real estate assets and holdings.

Equity investments: includes income from dividends and/or profit from banks accounted for using the equity method, net of financing costs, from the interests and gains/(losses) on financial assets and liabilities held in Erste Group Bank, Repsol, Telefónica, BFA, BCI and Viacer. It also includes the significant impacts on income of other relevant stakes acquired to diversify across sectors. The results contributed by BPI to the consolidated income statement under the equity method are included in this segment through to the effective takeover in February 2017, whereupon a new business segment described below was created.

BPI: includes the assets and liabilities contributed to the consolidated Group, considering the adjustments made in the business combination. The income statement includes the reversal of the adjustments deriving from the measurement at fair value of the assets and liabilities under the business combination. It excludes the profit and loss and figures in the balance sheet associated with BPI assets allocated to the investments business.

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 capital consumed in BPI by the investees allocated to the investment business is allocated consistently to the investment business.

The difference between total Group equity and the capital allocated to these businesses, including BPI, is attributed to the banking and insurance business. Operating expenses for these business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

While the Group has kept the same structure of business segments in 2018, it has made certain changes to its presentation criteria, with 2017 restated for comparison purposes as follows: (i) Impact of the allocation to the equity investments business of BFA, BPI and Viacer, which were previously shown in the BPI business; and (ii) removal of analytical income in the banking business and insurance charged to the non-core real estate business, associated with the process of marketing assets.

The performance of the Group by business segment is shown below:

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		BPI		CaixaBank Group	
	January – June				January – June		January – June		January – June		January – June	
	2018		2017		2018	2017	2018	2017	2018	2017	2018	2017
		Of which: insurance business		Of which: insurance business								
Net interest income	**2,322**	**149**	**2,300**	**143**	**(7)**	**(34)**	**(80)**	**(86)**	**197**	**169**	**2,432**	**2,349**
Dividend income and share of profit/(loss) of entities accounted for using the equity method (2)	107	79	94	72	10	16	500	268	7	11	624	389
Net fee and commission income	1,152	(79)	1,134	(60)	(3)	1			144	117	1,293	1,252
Gains/(losses) on financial assets and liabilities and others	245	1	182	63			17	(18)	31	13	293	177
Income and expenses under insurance and reinsurance contracts	282	282	233	233						0	282	233
Other operating income and expense	(128)	2	17	5	(121)	(121)			(21)	(16)	(270)	(120)
Gross income	**3,980**	**434**	**3,960**	**456**	**(121)**	**(138)**	**437**	**164**	**358**	**294**	**4,654**	**4,280**
Administrative expenses	(1,866)	(42)	(1,789)	(37)	(23)	(23)	(2)	(2)	(220)	(288)	(2,111)	(2,102)
Depreciation	(147)	(13)	(174)	(18)	(36)	(29)			(18)	(17)	(201)	(220)
Operating income/(loss)	**1,967**	**379**	**1,997**	**401**	**(180)**	**(190)**	**435**	**162**	**120**	**(11)**	**2,342**	**1,958**
Impairment losses on financial assets and other provisions	(399)	0	(1,074)		(135)	(170)			3	9	(531)	(1,235)
Net operating income/(loss)	**1,568**	**379**	**923**	**401**	**(315)**	**(360)**	**435**	**162**	**123**	**(2)**	**1,811**	**723**
Gains/(losses) on disposal of assets and others	(19)	0	241		(51)	41					(70)	282
Profit/(loss) before tax from continuing operations	**1,549**	**379**	**1,164**	**401**	**(366)**	**(319)**	**435**	**162**	**123**	**(2)**	**1,741**	**1,005**
Income tax	(427)	(89)	(273)	(97)	52	101	8	17	(34)	6	(401)	(149)
Profit/(loss) after tax from continuing operations	**1,122**	**290**	**891**	**304**	**(314)**	**(218)**	**443**	**179**	**89**	**4**	**1,340**	**856**
Profit/(loss) attributable to minority interests	1		3				28	13	13	1	42	17
Profit/(loss) attributable to the Group	**1,121**	**290**	**888**	**304**	**(314)**	**(218)**	**415**	**166**	**76**	**3**	**1,298**	**839**
Total assets	*347,399*	*66,434*	*327,271*	*58,321*	*10,447*	*12,323*	*6,612*	*7,042*	*31,659*	*32,048*	*396,117*	*378,684*
Of which: positions in sovereign debt		*49,447*		*45,373*								

(1) In 2017 this segment includes the impact of the business combination resulting from the acquisition of Banco BPI, as it derived from a corporate operation.

(2) Insurance business includes the contribution of the stake in SegurCaixa Adeslas.

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 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.

At the end of December 2017, VidaCaixa, SAU de Seguros y Reaseguros acquired all of the share capital of BPI Vida e Pensoes, Companhia de Seguros, SA. Therefore, at 30 June 2018 the balance sheet includes the assets and liabilities deriving from this acquisition.

The income of the Group 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	
	2018	**2017**	**2018**	**2017**
Domestic market	2,134,386	2,138,345	3,231,983	3,239,520
Export	9,614	9,762	232,246	192,095
a) European Union	7,878	7,931	229,973	190,264
b) OECD countries			431	
c) Other countries	1,736	1,831	1,842	1,831
Total	**2,144,000**	**2,148,107**	**3,464,229**	**3,431,615**

Distribution of ordinary income (*)

(Thousands of euros)	January – June					
	Ordinary income from customers		Ordinary income between segments		Total ordinary income	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Banking and insurance	5,661,672	5,490,159	120,899	160,851	5,782,571	5,651,010
Spain	*5,648,895*	*5,478,585*	*120,899*	*160,851*	*5,769,794*	*5,639,436*
Other countries	*12,777*	*11,574*	*0*	*0*	*12,777*	*11,574*
Non-core real estate	124,295	128,237	0	0	124,295	128,237
Spain	124,295	128,237	0	0	124,295	128,237
Other countries		*0*	*0*	*0*	*0*	*0*
Investments	516,913	250,139	0	0	516,913	250,139
Spain	*270,840*	*189,362*	*0*	*0*	*270,840*	*189,362*
Other countries	*246,073*	*60,777*	*0*	*0*	*246,073*	*60,777*
BPI	414,249	344,145	26,606	2,556	440,855	346,701
Portugal	*408,202*	*308,083*	*26,606*	*2,556*	*434,808*	*310,639*
Other countries	*6,047*	*36,062*		*0*	*6,047*	*36,062*
Ordinary adjustments and eliminations between segments			(147,505)	(163,407)	(147,505)	(163,407)
Total	**6,717,129**	**6,212,680**	**0**	**0**	**6,717,129**	**6,212,680**

(*) Correspond to the following captions of the CaixaBank Group's public income statement calculated pursuant to Bank of Spain Circular 4/2017.

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

22. Workforce and number of branches

The following table shows the breakdown of average headcount by gender for the six months ended 30 June 2018 and 2017.

Average number of employees (*)

(Number of employees)

	30-06-2018		30-06-2017	
	CaixaBank	CaixaBank Group	CaixaBank	CaixaBank Group
Male	13,563	17,495	13,982	17,708
Female	15,725	19,969	15,710	19,916
Total	**29,288**	**37,464**	**29,692**	**37,624**

(*) At 30 June 2018 there were 284 employees with a disability equal to or above 33% (212 employees as at 30 June 2017).

At 30 June 2018, the CaixaBank Group's workforce comprised 37,286 employees (36,972 as at 31 December 2017).

The number of branches at 30 June 2018 and at 31 December 2017 is as follows:

Branches

(No. of branches)

	30-06-2018	31-12-2017
Spain	4,743	4,875
Foreign	521	529
Total	**5,264**	**5,404**

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)

	30-06-2018	31-12-2017
Loan commitments given	62,327,122	61,189,718
Of which: Classified as non-performing	*338,320*	*387,807*
Amount recognised under liabilities	*136,122*	*107,750*
Financial guarantees given	4,971,147	6,015,352
Of which: Classified as non-performing	*98,119*	*179,888*
Amount recognised under liabilities	*51,028*	*54,430*
Other commitments given	19,903,238	19,461,033
Of which: Classified as non-performing	*393,367*	*347,890*
Amount recognised under liabilities	*158,271*	*194,747*
Total	**87,201,507**	**86,666,103**

The 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. The Group believes that most of these liabilities 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 value of the mortgage covered bonds, mortgage participations and mortgage transfer certificates issued by CaixaBank and outstanding at 30 June 2018 and 31 December 2017:

Mortgage market issuances

(Thousands of euros)

	30-06-2018	31-12-2017
Mortgage covered bonds issued in public offers (debt securities)	**0**	**0**
Mortgage covered bonds not issued in public offers (debt securities)	**47,418,787**	**47,770,637**
Residual maturity up to 1 year	4,900,000	3,300,000
Residual maturity between 1 and 2 years	0	3,600,000
Residual maturity between 2 and 3 years	3,850,000	1,175,000
Residual maturity between 3 and 5 years	9,890,000	10,065,000
Residual maturity between 5 and 10 years	24,660,053	26,143,013
Residual maturity over 10 years	4,118,734	3,487,624
Deposits	**3,734,367**	**3,919,367**
Residual maturity up to 1 year	761,323	946,323
Residual maturity between 1 and 2 years	432,617	53,659
Residual maturity between 2 and 3 years	675,000	378,958
Residual maturity between 3 and 5 years	417,222	1,092,222
Residual maturity between 5 and 10 years	978,205	978,205
Residual maturity over 10 years	470,000	470,000
Total mortgage covered bonds issued	**51,153,154**	**51,690,004**
Of which: Recognised under liabilities	***20,876,504***	***21,391,453***
Mortgage participations issued		
Issued via public offering		
Other issuances (*)	5,503,368	5,831,479
Total mortgage participations issued	**5,503,368**	**5,831,479**
Mortgage transfer certificates		
Issued via public offering		
Other issuances (**)	21,184,312	22,164,842
Total mortgage transfer certificates issued	**21,184,312**	**22,164,842**

(*) The weighted average maturity at 30 June 2018 is 145 months (152 months at 31 December 2017).

(**) The weighted average maturity at 30 June 2018 is 201 months (188 months at 31 December 2017).

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 calculating the mortgage covered bonds issuance limit, is as follows:

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

(Thousands of euros)

	30-06-2018	31-12-2017
Total loans	**118,724,800**	**121,264,013**
Mortgage participations issued	**5,509,823**	**5,848,560**
Of which: On balance sheet loans	*5,503,368*	*5,831,479*
Mortgage transfer certificates issued	**21,190,981**	**22,170,892**
Of which: On balance sheet loans	*21,184,312*	*22,164,842*
Mortgage loans pledged in guarantee for financing received	**0**	**0**
Loans backing mortgage bonds issuances and covered bond issuances	**92,023,996**	**93,244,561**
Non-eligible loans	24,142,621	25,000,761
Meet eligibility requirements, except for limits established in article 5.1. of Royal Decree 716/2009 of April 24	*10,964,030*	*11,747,469*
Other	*13,178,591*	*13,253,292*
Eligible loans	67,881,375	68,243,800
Loans backing bond issuances		
Loans suitable for backing mortgage bond issuances	67,881,375	68,243,800
Non-computable amounts	*112,695*	*125,558*
Computable amounts	*67,768,680*	*68,118,242*

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)

	30-06-2018		31-12-2017	
	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	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Originated by the Entity	91,371,464	67,454,598	92,839,143	67,963,264
Other	652,532	426,777	405,418	280,536
By currency	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Euro	91,188,371	67,348,399	92,383,924	67,690,635
Other currencies	835,625	532,976	860,637	553,165
By payment situation	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Performing	83,585,563	66,028,132	84,237,458	66,462,795
Other situations	8,438,433	1,853,243	9,007,103	1,781,005
By average residual maturity	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Up to 10 years	18,250,840	13,213,198	18,967,791	13,448,339
From 10 to 20 years	47,649,594	37,347,599	47,400,207	37,100,367
From 20 to 30 years	23,577,584	16,632,382	24,124,284	16,799,534
Over 30 years	2,545,978	688,196	2,752,279	895,560
By type of interest rate	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Fixed	16,232,915	12,585,912	8,943,159	5,728,065
Floating	75,768,511	55,277,390	83,337,322	61,605,342
Mixed	22,570	18,073	964,080	910,393

Mortgage loans and credits

(Thousands of euros)

	30-06-2018		31-12-2017	
	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 holder	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Legal entities and entrepreneurs	19,774,377	9,662,747	20,523,149	9,973,569
Of which: Real estate developers	*4,348,568*	*2,064,485*	*4,342,910*	*2,089,979*
Other individuals and not-for-profit institutions	72,249,619	58,218,628	72,721,412	58,270,231
By collateral	**92,023,996**	**67,881,375**	**93,244,561**	**68,243,800**
Assets / completed buildings	**88,519,209**	**66,507,882**	**89,578,035**	**66,728,904**
- Homes	76,316,867	60,672,936	76,726,870	60,614,024
Of which: Subsidised housing	*2,350,423*	*1,766,415*	*2,460,350*	*1,798,690*
- Offices and commercial premises	3,935,220	2,192,171	4,485,927	2,350,724
- Other buildings and constructions	8,267,122	3,642,775	8,365,238	3,764,156
Assets / buildings under construction	**2,240,343**	**863,500**	**2,159,444**	**966,680**
- Homes	1,660,924	735,853	1,669,869	826,282
Of which: Subsidised housing	*26,907*	*8,085*	*42,548*	*11,788*
- Offices and commercial premises	77,771	35,222	83,716	14,724
- Other buildings and constructions	501,648	92,425	405,859	125,674
Land	**1,264,444**	**509,993**	**1,507,082**	**548,216**
- Built	985,317	498,513	1,192,572	531,954
- Other	279,127	11,480	314,510	16,262

The amounts available (undrawn committed amounts) of the entire portfolio of mortgage loans and credits pending payment at 30 June 2018 and 31 December 2017, are as follows:

Available mortgage loans and credits

(Thousands of euros)

	30-06-2018	31-12-2017
Potentially eligible	17,557,040	17,686,207
Not eligible	3,765,693	3,388,881
Total	**21,322,733**	**21,075,088**

The table below shows the breakdown of eligible mortgage loans and credits tied to CaixaBank's mortgage covered bond issuances at 30 June 2018 and 31 December 2017, according to 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)

	30-06-2018	31-12-2017
Mortgage on homes	**61,349,462**	**61,378,664**
Transactions with LTV below 40%	26,122,771	25,953,442
Transactions with LTV between 40% and 60%	24,834,626	25,440,398
Transactions with LTV between 60% and 80%	10,392,065	9,984,824
Other assets received as collateral	**6,531,913**	**6,865,136**
Transactions with LTV below 40%	4,202,452	4,436,395
Transactions with LTV between 40% and 60%	2,249,348	2,345,122
Transactions with LTV over 60%	80,113	83,619
Total	**67,881,375**	**68,243,800**

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)

	30-06-2018	
	Eligible loans	Non-eligible loans
Opening balance	**68,243,800**	**25,000,761**
Disposals in the period	**4,494,103**	**3,036,475**
Matured principal collected in cash		1,539
Early cancellation	93,482	479,681
Assumed by other entities	78,143	5,511
Other disposals	4,322,478	2,549,744
Additions in the period	**4,131,678**	**2,178,335**
Originated by the Entity	3,222,065	1,781,443
Assumed by other entities	6,499	310
Other additions	903,114	396,582
Closing balance	**67,881,375**	**24,142,621**

The table below shows the degree of collateralisation and overcollateralisation of CaixaBank's mortgage covered bonds at 30 June 2018 and 31 December 2017.

Collateralisation and overcollateralisation

(Thousands of euros)

		30-06-2018	31-12-2017
Non-registered mortgage covered bonds		47,418,787	47,770,637
Registered mortgage covered bonds placed as customer deposits		3,714,367	3,899,367
Registered mortgage covered bonds issued by credit institutions		20,000	20,000
Mortgage covered bonds issued	**(A)**	**51,153,154**	**51,690,004**
Total outstanding mortgage loans and credits (*)		118,724,800	121,264,013
Mortgage participations issued		(5,509,823)	(5,848,560)
Mortgage transfer certificates issued		(21,190,981)	(22,170,892)
Mortgage bonds issued			
Portfolio of loan and credit collateral for mortgage covered bonds	**(B)**	**92,023,996**	**93,244,561**
Collateralisation:	**(B)/(A)**	**180%**	**180%**
Overcollateralisation:	**[(B)/(A)]-1**	**80%**	**80%**

(*) Includes on- and off-balance-sheet portfolio

CaixaBank Group

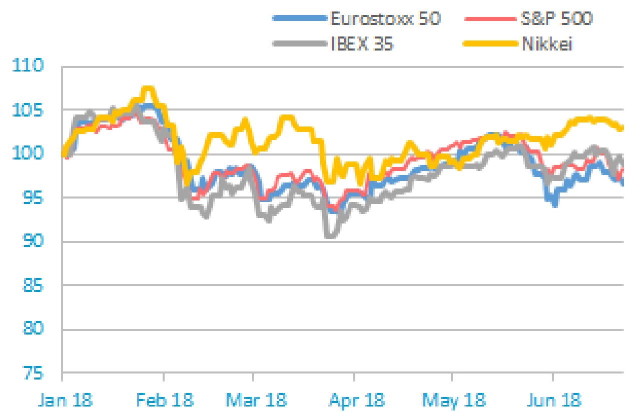
Interim management report
January - June 2018

This report contains the most significant figures and events for the first half of 2018, 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 2018, 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 4/2017 and Circular 3/2018 of the Spanish Securities Commission (CNMV), and subsequent amendments thereto.

Economic environment

In the first half of 2018 the world economy has maintained the robust growth dynamic with which it ended 2017. Thus, the available indicators suggest that global activity has continued advancing at rates similar to the 3.8% registered throughout 2017. However, whereas 2017 was characterised by a highly accommodatory and non-volatile financial environment, the economy has experienced financial turbulence in the first half of the year caused by a tightened monetary policy and the return of geopolitical and trade tensions.

Main international markets
(Index (100=1/1/2016)



Source: CaixaBank Research, using Thomson Reuters Datastream data.

Paradoxically, this change in the financial environment has come as a consequence of a positive macroeconomic scenario, due to the fact that the US Federal Reserve (Fed) and the European Central Bank (ECB) have gradually withdrawn monetary stimulus at contrasting speeds. Thus, so far this year, the Fed already has made two 25 bp increases to its reference interest rate (one in March and another in June, taking it to the interval of 1.75%-2.00%) and the ECB has announced that it will put an end to net asset purchases in 2018 (which will continue a rhythm of EUR 30,000 million per month up to the end of September, they will be reduced to EUR 15,000 million from October and they will end in December). However, in financial markets that have been buoyed for years by an environment of low interest rates, these activities were received with surges in volatility, market corrections and strengthening of the US dollar (which has started to erode listings of the assets of some emerging economies). In addition, the financial conditions have also been affected by a rise in geopolitical and trade tensions, with an US Administration that has taken a more belligerent approach to its foreign policy, with measures such as imposing tariffs on the steel and aluminium imports, reinstating economic sanctions to Russia and Iran and threatening a trade war with China.

Despite this change in the financial setting, the main international economies continued to perform well in the first half of the year. Thus, among the emerging economies, China and India showed strong growth (with GDP growth in the 1Q18 of 6.8% and 7.7%, respectively) and Russia recovered dynamism (according to the latest available data, GDP growth accelerated by 0.9% from 4T17 to 1.3% in 1T18). However, in Latin America, growth continued to disappoint in key economies such as Mexico and Brazil, ridden with political uncertainty, whereas the emerging fragile economies, such as Argentina and Turkey, were penalised in the international markets due to their increasing macroeconomic imbalances.

Furthermore, among the main advanced economies, the US continued to show robust growth despite clearly being in a mature phase of the cycle, with an unemployment rate at an all-time low (not since the end of the 1960s have rates been lower than they are at present) and increasingly strong inflationary pressures. Conversely, the eurozone continued along a somewhat less buoyant dynamic and, after ending 2017 dynamically, activity growth eased to rates closer to its potential. Nonetheless, part of this deceleration comes as a result of a combination of temporary factors (strikes, abnormally adverse weather and flu epidemics) and a smaller contribution to growth from foreign trade, whereas internal demand held a highly positive dynamic and indicators continue to back high rhythms of progress for the quarters to come.

Restrained growth observed across the eurozone also was reflected in the indicators of Spain and Portugal, although to different degrees. On the one hand, activity in Spain began 2018 with 3.0% year-on-year growth in 1Q (only very slightly below the 3.1% registered throughout 2017) and the most recent indicators suggest that GDP has continued to grow in a similar way in the second quarter. Furthermore, after three consecutive years of growth above 3%, the main rating agencies interpret the solidity of the Spanish macroeconomic setting as improvements in the sovereign rating, starting with Fitch in January (from BBB+ to A-) and S&P (from BBB+ to A-, in March) and lastly Moody's (from Baa2 to Baa1 in April). On the other hand, in Portugal the moderated pace of growth was somewhat more notable (2.1% year-on-year in 1Q18 after 2.4% in 4Q17). However, in the same way as the eurozone, the GDP downswing was attributed to a smaller contribution of foreign demand, whereas, internally, consumer spending and investment in the Portuguese economy held a solid dynamic and even accelerated their pace of progress.

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

In the first half of 2018 the Group has obtained recurring high quality results and it has laid the foundations to continue strengthening the Group's financial solidity, selling 80% of the real estate business to a company owned by the funds Lone Star Fund X and Lone Star Real Estate Fund V. At June 2018, the ROTE reached double figures.

The trends observed as regards core income **in the first six months will foreseeably continue as we move through the latter half of the year**. In order to continue to generate quality results, CaixaBank will continue to place a strategic focus on consumer loans and loans to businesses, and its insurance and asset management businesses, relying on its commercial prowess and excellent market positioning.

Core operating income, meaning net interest income plus fee and insurance income, is expected to continue growing moderately**.**

- **Gradual though slow recovery in net interest income.** In a scenario of depressed rates with moderation in credit growth, CaixaBank has protected its margins strengthening businesses that show the biggest potential in terms of growth and profitability - such as consumer loans and loans to businesses on the lending side and advisory investment products on the borrowing side.
- **Growth rate of fees similar to the first half of the year** despite fierce competition. Similarly, lingering uncertainty and market volatility will continue to impact the performance of fees linked to off-balance sheet funds.
- **Maintaining the high contribution of the insurance business** underpinned by intense sales activity and a leading position in the sector**.**

CaixaBank will also pursue a **cost containment policy**, albeit one which must be compatible with its continuous investments strengthening digital transformation and its business model in a bid to ensure adequate coverage of the general needs of its customers. All of this, while ensuring the increase in litigious activity is correctly managed.

Following the operation to sell 80% of the real estate business, the CaixaBank Group significantly strengthens its financial solidity maintaining the FL CET1 ratio within the target band of 11-12% and improving **balance sheet quality**. In any case, default management will remain a key priority for the Group because apart from not contributing to the Group's earnings, non-performing assets require additional financing and consume capital.

The Group will disclose its new Strategic Plan in the second half of the year with a three-year time horizon, from 2019 to 2021, as it seeks to maintain attractive and sustainable returns for shareholders and continue to generate value for its customers and for society in general.

Business performance

- The **gross credit to the clients** is placed at the **EUR 225,744 million** (+0.8%) and the **healthy** portfolio grows 1.6% in 2018. If is not considered the seasonal effect of the advances to pensioners of June (EUR +1,601 million), the **evolution of the healthy portfolio in the year is of 0.9 %.**
- The **non-performing assets ratio is reduced until 5.3 %** (6.0% in December 2017 and 6.5% in June 2017).
- Non-performing loans fell as a result of asset management, including portfolio sales, to EUR 12,714 million, EUR -981 million in the quarter (EUR -1,591 in the year to date).
- The portfolio of **awarded net available for the sale** is placed at EUR 5,553 million (EUR – 705 million and EUR- 257 million in the twelve past months and in the quarter, respectively). **Coverage ratio of 59 %**, and ratio of cobertura accountant of 50%. Real estate assets in the process of foreclosure (EUR 311 million and EUR 473 million, net, at 30 June 2018 and 31 December 2017, respectively) are not included in foreclosed real estate assets available for sale.
- The portfolio of **rental property** amounted to EUR 2,806 million, EUR -224 million in the quarter, which includes the sale of a rental property asset portfolio.
- The **total of sales of properties in 2018 reaches the EUR 1,143 million** (+70.9% when dealing with the same period of 2017), includes the above-mentioned portfolio sale of rent for EUR 226 million (+37.1% without taking into account this effect). **The margin of sales to book value is 17% in the year to date.**
- The **client resources grow until EUR 366,163 million**, +4.8% in the year, with rise of the +6.1% of the resources in balance sheet and +1.8% of the low assets management.

Results

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

- The Group's **net interest income** in the first half of the year totalled EUR 2,432 million (+3.5% on the same period in 2017) boosted by the incorporation of BPI in February 2017, which accounted for 0.9% of the growth.
  - An improvement of +7 basis points in the return on lending activity due to the new loans arranged at higher rates than the existing portfolio, as well as the shift in the product mix towards more profitable segments, all of which has helped offset the still negative repricings on the mortgage portfolio.
  - Forceful management of retail financing activity, representing a reduction of -3 bp in maturity deposits and -1bp in demand deposits.
  - Lower cost of institutional financing as prices fall and an increased volume of the fixed income portfolio have offset lower returns on fixed income and the increased costs of excess liquidity remunerated at negative rates.
- **Fee and commission income grew to EUR 1,293 million**, up 3.3% year on year following the integration of BPI, which contributed 2.1% of this growth.
- **Income from the investee portfolio stood at EUR 624 million**. This heading shows earnings at entities accounted for using the equity method, as well as dividend income.
- The **Gains/losses because of assets and liabilities** increase to EUR 293 million (+64.8%) that includes, among others, the implementation of underlying goodwill of available financial assets for the sale. Similarly, the first quarter of 2018 includes the record of the share's revaluation of BPI in Viacer in the context of its disinvestment, and in the second quarter the result derived from the operations of coverages associated with the amortised subordinated debentures in advance.
- **Sustained growth of the derivative revenues of the activity of insurance** until the EUR 282 million (+4.3% with respect to the previous quarter and +17.6% with respect to the same quarter of the previous year).
- **Other operating income and expense** (EUR -270 million) includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes.
- The **expenses of administration and repayment recurring** are placed at EUR 2.304 million, +4.0% (+2.8% without considering the incorporation of the base of BPI's costs, with respect to the same period of the previous year).
- **Losses for depreciation of financial assets decrease until the EUR -248 million**, 47.5% less with respect to the same period of 2017. The **cost of risk** was 0.24%.
- **Other charges to provisions** mainly includes the coverage of future contingencies and impairment of other assets. In the second quarter, the Group recorded a EUR 152 million provision, deriving from the servicer repurchase operation, due to be formalised on 30 June, corresponding to the difference between the price of repurchasing 51% from TPG and the estimated fair value for this stake.
- **Gains/(losses) on disposal of assets and others** essentially comprises the results of completed one-off transactions and proceeds on asset sales and write-downs mainly relating to the real estate portfolio. The change here was a result of:
  - Proceeds of EUR 151 million from sales of real estate assets (+91.1%), showing a margin to net book value of 17% (15% in the first half of 2017).
  - Other results on real estate activity (EUR -202 million) mainly include allowances associated with asset valuations.

CaixaBank Group condensed income statement

(Millions of euros)	January–June 2018	January–June 2017	Change (%)
Net interest income	**2,432**	**2,349**	**3.5**
Dividend income	121	121	
Share of profit/(loss) of entities accounted for using the equity method	503	268	87.7
Net fee and commission income	1,293	1,252	3.3
Gains/(losses) on financial assets and liabilities and others	293	177	64.8
Income and expenses under insurance and reinsurance contracts	282	233	21.0
Other operating income and expense	(270)	(120)	
Gross income	**4,654**	**4,280**	**8.7**
Recurring administration and amortisation expenses	(2,304)	(2,216)	4.0
Extraordinary expenses	(8)	(106)	(92.9)
Operating income/(loss)	**2,342**	**1,958**	19.6
Gross income excl. extraordinary expenses	***2,350***	***2,064***	***13.8***
Impairment losses on financial assets and other provisions	(248)	(472)	(47.5)
Other charges to provisions	(283)	(763)	(62.9)
Gains/(losses) on disposal of assets and others	(70)	282	
Profit/(loss) before tax	**1,741**	**1,005**	**73.1**
Income tax	(401)	(149)	
Consolidated profit/(loss) for the period	**1,340**	**856**	**56.5**
Profit/(loss) attributable to minority interests and others	42	17	
Profit/(loss) attributable to the Group	**1,298**	**839**	**54.6**

Liquidity and financing structure

The total liquid assets are placed at EUR 79,892 million on 30 June 2018, with a growth of EUR 7,117 million in the half.

The ***Liquidity Coverage average Ratio*** of the Group (LCR), on 30 June 2018, is of **199%**, well above of the minimum punctual required of 100% starting from 1 January 2018.

Solid retail financing structure with a ratio ***praise to deposits* of 102%**.

The **balance drawn** under the ECB facility at 30 June 2018 remained at **EUR 28,820 million**, of which EUR 637 million related to TLTRO I financing and EUR 28,183 million to TLTRO II.

At 30 Juny 2018, **Institutional financing** amounting to EUR 30,432 million with **successful placements by CaixaBank** on the capital markets in 2018 through various debt issues.

Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to EUR 4,887 million at the end of June 2018.

Capital management

- The **ratio *Common Equity Tier 1 capital (CET1) fully loaded* of the Group is placed at 11.4%** on 30 June 2018, in line with the range set in the Strategic Plan, of 11% - 12%. Excluding the impact of - 15 basis points for the first application IFRS9 in the first quarter and the extraordinary impact of - 23 basis points for repurchase of BPI's minority interests and of 51% of ServiHabitat, the evolution of the half has been of +38 basis points for generation of capital and - 26 basis points for the evolution of the market and other factors, where the principal effect have been the movements of OCl. The assets praised by risk (APR) *fully loaded* reach the EUR 147,754 million at the close of June of 2018.
- The Tier 1 (fully loaded) ratio reached **12.9%**. Since the first quarter of the year the Group has maintained the 1.5% of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- **The Total**Capital, in terms *fully loaded*, reaches **15.7 %**, above the objective set in the Strategic Plan of 14.5%. On the one hand, this ratio covers the issuance of EUR 1,000 million in Tier 2 instruments in April 2018 and, on the other hand, repayment of an issuance of Tier 2 instruments of EUR 2,072 million in May (of which EUR 1,574 million are eligible).
- The level of leverage (*leverage ratio*) *fully loaded* reaches 5.4%.
- With respect to the subordinated elements to comply with the future requirements of MREL, the ratio on APR of subordinated instruments including, mostly, the Total Capital and the *Senior one non-preferred* is of 16.6% *fully loaded*.
- According to the criteria in force in 2018 for the phased-in implementation, regulatory capital and leverage were: **11.6% the CET1, 13.1% the Tier 1 capital, 15.9% the Total Capital and 5.5% the *Leverage ratio***.
- **CaixaBank is also subject to minimum capital requirements** on a non-consolidated basis. The ratio CET1 regulatory in this perimeter reaches 12.8%, with some considered assets for risk of EUR 136,794 million.
- Banco BPI also meets its minimum capital requirements. From 2018 the ratio CET1 regulatory and *fully loaded* converges, and is of 12.8% at the close of June of 2018.
- The European Central Bank (ECB) and the national supervisor require the Group to maintain regulatory CET1, Tier 1 and total capital ratios of 8.063%, 9.563% and 11.563%, respectively, at 30 June 2018 (including the phased-in implementation of the capital conservation and systemic risk buffers), which climb to 8.75%, 10.25% and 12.25% in a fully-loaded perspective.
- Current levels of solvency of the Group confirm that the applicable requirements would not involve no automatic limitation of the above-mentioned in the standard of solvency on distributions of dividends, of variable remuneration and from interests to the holders of capital values of level 1 additional (there is a margin of 357 basis points, this is, EUR 5,276 million, until the trigger MDA regulatory of the Group).
- CaixaBank's dividend policy satisfies the requirements prescribed by the ECB in its recommendation of 28 December 2017, meaning that it does not limit or confine the Bank in any way.

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	Stable	06-04-2018	AA-(positive)
Fitch Ratings España, SAU	BBB	F2	Positive	03-07-2018	
Moody's Investor Services España, SA	Baa2	P-2	Positive	17-04-2018	Aa1
DBRS	A	R-1 (low)	Stable	12-04-2018	AAA

The CaixaBank share

The **CaixaBank share** closed trading in June 2018 at **EUR 3.706 per share**.

Share price performance	
Stock market capitalisation (millions of euros)	22,157
Number of outstanding shares (1)	5,978,621
Share price (euros/share) (2)	
Share price at start of period (29-12-2017)	3.889
Share price at close of period (29-06-2018)	3.706
Maximum price	4.440
Minimum price	3.560
Trading volume (number of shares, excluding special transactions, in thousands)	
Highest daily trading volume	42,099
Lowest daily trading volume	5,975
Average daily trading volume	13,975

(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 (millions of euros) (12 months)	2,083
Average number of stock (12 months) (1)	5,978,160
Net earning per share, attributable (EPS) (€/share)	**0.35**
Net worth excluding minority (million euros) (3)	23,899
Number of shares to 30.06.18 (1)	5,978,621
Book value per share (€/share) – fully diluted	**400**
Tangible net worth (million euros) (3)	19,650
Tangible book value per share (€/share) – fully diluted	**3.29**
PER (Price / Earnings x)	**10.64**
Price/ Tangible BV (share price / tangible book value)	**1.13**
Dividend yield (4)	**4.05%**

(4) Calculated by dividing the yield for the last 12 months (EUR 0.15/share) by the closing price at the end of the period (EUR 3.706/share).

Shareholder returns

The total shareholder remuneration for 2017 stood at EUR 0.15 per share (gross) and the total cash amount paid was equal to 53% of consolidated net profit, in line with the 2015-2018 Strategic Plan.

Shareholder returns over the last 12 months

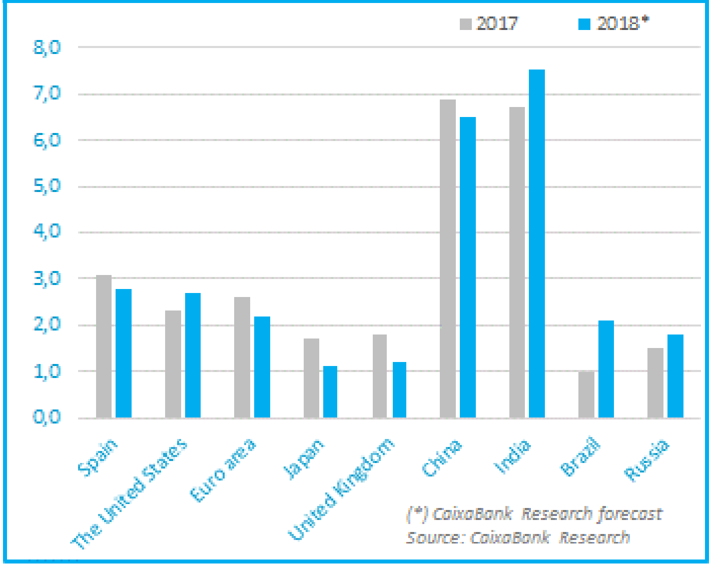
(Thousands of euros)	€/share	Payment
Cash dividend, final dividend 2017	0.08	13-04-2018
Interim dividend - 2017	0.07	02-11-2017

Outlook

For the rest of the year, CaixaBank Research forecasts that the world's economy will go on growing at a rhythm close to 3.8%, thanks to both the emerging and advanced economies. World-wide activity will benefit from the positive inertia of recent quarters, controlled moderation of Chinese growth and a US economy which, stimulated by the Trump Administration's fiscal expansion, will make further progress in the mature phase of the cycle without losing its drive. Nonetheless, as a result of these tail winds it will face a more volatile financial environment, and financial conditions which, affected by Fed rate hikes, will gradually refrain from being accommodating and the combination of an array of international geopolitical conflicts and a packed electoral calendar (with elections in the US Congress and in various key Latin American economies). This is, all in all, a situation that may result in episodes of risk aversion.

In further detail, the fiscal stimulus of the Trump Administration will most probably keep US growth at levels above 2.5% and, since the economy is already at full employment, it will likely strengthen inflationary pressures and lead the way for the Fed to further increase interest rates. On the other hand, in Europe, the ECB has made clear its desire to preserve an accommodating financial environment (not only through net asset purchases that will last until the end of year, but also by reinvesting the principal of maturities and promising not to raise interest rates before September 2019). This will enable the internal demand of the eurozone to continue firmly moving forwards, and enable the job market to continue with its recovery and activity to maintain growth of around 2.0% throughout the rest of the year. However, beyond this positive macroeconomic conjuncture, the eurozone is facing significant political challenges which, although not likely to derail the short-term economy, reflect the importance of strengthening European integration in the mid to long term.

Main economies: GDP
(Year-on-year change: %)



(*) CaixaBank Research forecast
Source: CaixaBank Research

On the one hand, although the Brexit negotiations are complex, CaixaBank Research still trusts that an agreement will be reached with the United Kingdom guaranteeing a smooth and orderly transition. Conversely, CaixaBank Research deems that Italy's Government will finally avoid implementing openly disruptive policies that could result in a more significant financial crisis.

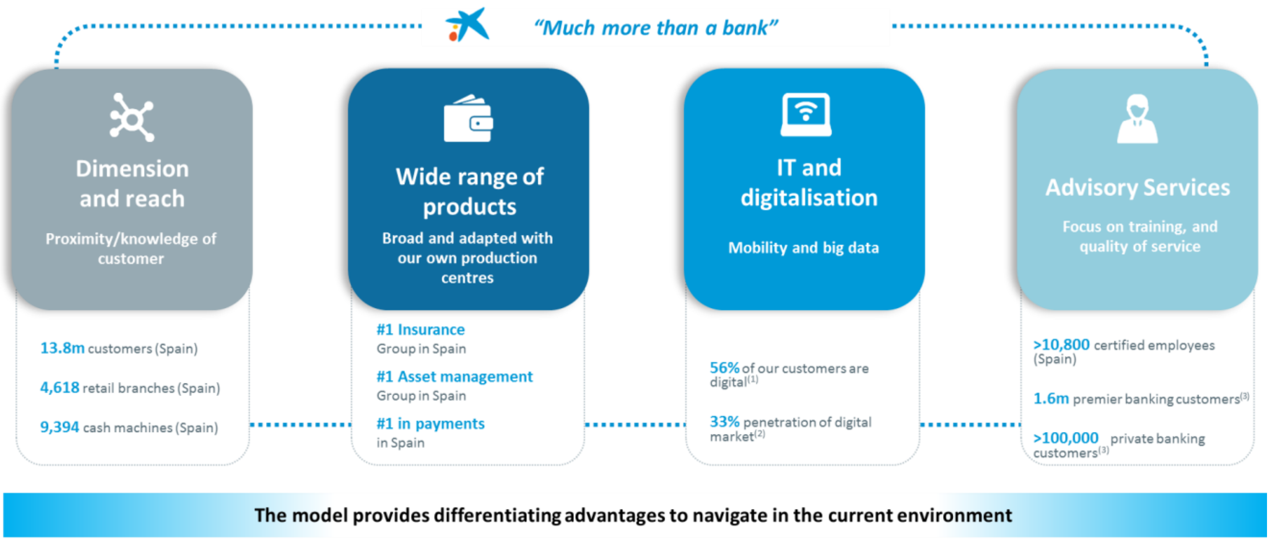
In turn, the Spanish economy will maintain a robust growth rate, although, probably at levels slightly lower than those seen in 2017 (as a result of the disappearance of temporary tail winds, such as low oil prices). However, it is expected to be partially offset by a greater contribution of the external sector (thanks to improvements to competitiveness achieved in recent years). Additionally, the change of Government will likely involve a much more expansive tax policy in 2018. However, given the high parliamentary fragmentation, it is unlikely that there will be substantial changes to the general direction of the economic policy.

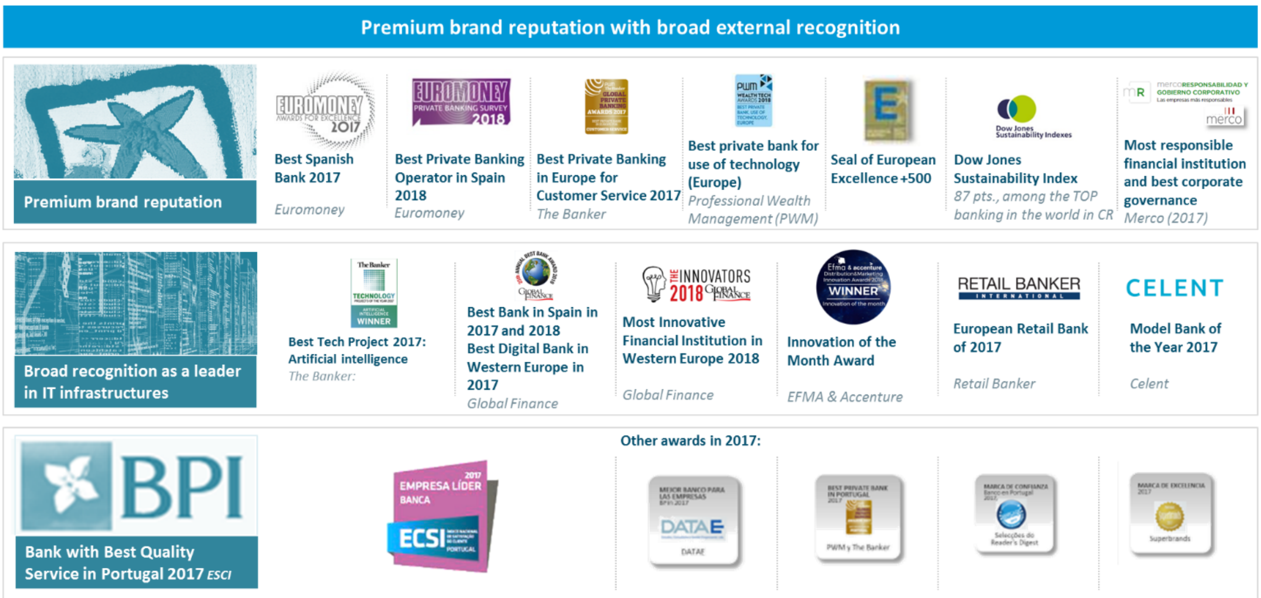
Lastly, in Portugal, the activity will display increased dynamism in the second half of the year, shaking off factors that temporarily burdened the economy in 2Q18 and operating in a favourable international setting that will stimulate exports. Furthermore, consumer spending will continue to benefit the high job creation rate and, overall, the CaixaBank Research forecasts predict that the economy will close the year with a 2.3% growth average. Thus, in 2018 Portugal will consolidate the improvement of its economic framework observed in 2017 that earned it improved credit ratings from S&P and Fitch. In fact, Moody’s is the only one of the main rating agencies that has not yet adjusted Portugal's credit rating upwards, and it is expected to do so in the second half of 2018.

CaixaBank Group

CaixaBank is the leading retail banking Spain, with the largest customer base, an unrivalled strong balance sheet with a culture and values spanning more than a century. Following the acquisition of the Portuguese bank BPI, the CaixaBank Group has consolidated its leading position in retail banking in both Spain and Portugal. Its business model is based on specialisation, with a tailor-made value proposition for each segment.

CaixaBank seeks to be recognised as setting itself apart through its socially responsible banking model. Its priorities include: achieving exacting quality of service standards; a firm commitment to mobility and digitalisation; its capacity for innovation; and its proximity and robust financial position.





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. As such, 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

Profitability and cost-to-income			2Q18	4Q17
Customer spread (%)	**Definition:**	Average rate of return on the loan portfolio - Average rate of retail deposits	2.23%	2.16%
	Purpose:	Allows the Bank to track the spread between interest income and costs for customers		
Yield average rate on the lending portfolio		Annualised income from loans and advances / Average net balance of loans and advances for the period (quarterly)	2.27%	2.19%
Average rate of retail deposits		Annualised cost of retail customer funds [1] on the balance sheet (management) / Average balance in the period (quarterly)	0.04%	0.03%
Balance sheet spread (%)	**Definition:**	Average return on assets - Average cost of funds	1,28%	1.22%
	Purpose:	Allows the Bank to track the spread between interest income and cost for its on-balance sheet assets and liabilities.		
Average return rate on assets		Annualised interest income for the quarter / Average total assets in the period (quarterly)	1,83%	1.83%
Average cost of funds		Annualised interest expenses for the quarter / Average total funds in the period (quarterly)	0,55%	0.61%
ROE (Return on equity)	**Definition:**	Profit/(loss) [2] attributable to the Group / Average equity	8,6%	6.9%
	Purpose:	Allows the Bank to monitor the return on its equity		
ROTE (Return on tangible equity)	**Definition:**	Profit/(loss) [2] attributable to the Group / Average equity (12 months) - intangible assets (management) [3]	10,4%	8.4%
	Purpose:	Metric used to measure the return on a company's tangible equity		
ROA (Return on assets)	**Definition:**	Net profit/(loss) [2] / Average total assets (last 12 months)	0,6%	0.5%
	Purpose:	Measures the level of return relative to assets		

(1) Excluding subordinated liabilities.

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

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

Profitability and efficiency (continued)			2Q18	4Q17
RORWA (Return on risk weighted assets)	Definition:	Net profit/(loss) [1] / Average total risk-weighted assets (last 12 months)	1.4%	1.1%
	Purpose:	Measures the return based on risk weighted assets		
Cost-to-income ratio (last 12 months)	Definition:	Operating expenses (administrative expenses and depreciation and amortisation) / Gross income (last 12 months)	53.1%	55.7%
	Purpose:	Metric widely used in the banking sector to compare the cost to income generated		
Cost-to-income ratio excluding extraordinary expenses	Definition:	Recurring administration and amortisation expenses / Gross income	53.0%	54.3%
	Purpose:	Metric widely used in the banking sector to compare the cost to income generated		

Risk management			2Q18	4Q17
Cost of risk [2]	Definition:	Insolvency allowances (12M) / (Customer loans + contingent liabilities) average balance, gross	0.24%	0.34%
	Purpose:	Indicator used to monitor and track the cost of insolvency allowances on the loan book		
NPL ratio [2]	Definition:	Non-performing customer loans + other contingent liabilities / Customer loans + contingent liabilities (gross)	5.3%	6.0%
	Purpose:	Indicator used to monitor and track the change and quality of the loan portfolio		
Coverage ratio [2]	Definition:	Impairment allowances for cust. loans + allowances for contingent liabilities / Non-performing customer loans + other contingent liabilities	50%	50%
	Purpose:	Indicator used to monitor NPL coverage via provisions		
Coverage ratio for available-for-sale real estate assets	Definition:	Gross debt cancelled at the foreclosure/surrender - Net book value of the real estate asset / Debt cancelled at the foreclosure/surrender	59%	58%
	Purpose:	Reflects the coverage level via write-downs and accounting provisions on foreclosed real estate assets available for sale		
Accounting coverage ratio for available-for-sale real estate assets	Definition:	Accounting coverage (accounting provisions for foreclosed assets) / Book value of real estate assets, gross (net book value + accounting coverage)	56%	50%
	Purpose:	Indicator of accounting provisions covering foreclosed real estate assets available for sale		

Liquidity			2Q18	4Q17
Total liquid assets (millions of euros)	Definition:	HQLAs [3] + available amount (non-HQLA) under the European Central Bank facility	79,892	72,775
	Purpose:	Shows the Bank's liquidity position		
Loan to deposits (%) [2]	Definition:	Loans and advances to customers, net – Brokered loans [4] / Customer deposits on the balance sheet	102%	108%
	Purpose:	Indicator of the retail funding (percentage of customer funds used to finance customer lending)		

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

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

(3) HQLAs are High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014

(4) 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	(+) Net gain/(loss) on derecognition of financial assets and liabilities not measured at fair value through profit or loss. (+) Net gain/(loss) on financial assets and liabilities held for trading. (+) Net gain/(loss) on financial assets and liabilities designated at fair value through profit or loss. (+) Net gain/(loss) from hedge accounting. (+) Exchange differences, net gain/(loss).
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
Allowances for insolvency risk	(+) Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss - Loans and advances (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 advances) (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 and associates. (+) Impairment or reversal of impairment on non-financial assets. (+) Profit/(loss) on derecognition of non-financial assets and investments, net. (+) Negative goodwill recognised in profit and 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) after tax from discontinued operations. (+) Profit/(loss) for the period attributable to minority interests (non-controlling interests).

Activity indicators

(Millions of euros)		June 2018	
Loans and advances to customers, gross	**(+) Financial assets at amortised cost - Loans and advances to customers (public balance sheet)**	**217,623**	
	(-) Reverse repurchase agreements (public and private sector)	(161)	
	(-) Allowances for impairment losses	(923)	
	(-) Other non-retail financial assets	(386)	
	(+) Financial assets not held for trading at fair value through profit or loss - Loans and advances (public balance sheet)	**364**	
	(-) Other non-retail financial assets	(308)	
	(+) Fixed income bonds considered retail financing (Financial assets at amortised cost - Debt securities on the public balance sheet)	**1,977**	
	(+) Fixed income bonds considered retail financing (Assets associated with the insurance business on the public balance sheet)	680	
	(+) Allowances for impairment losses	**6,878**	**225,744**
Liabilities under insurance contracts	**(+) Liabilities under the insurance business (public balance sheet)**	**60,438**	
	(-) Losses associated with available-for-sale financial assets under insurance contracts	(8,955)	**51,483**
Customer funds	**(+) Financial liabilities at amortised cost - Customer deposits (public balance sheet)**	**215,632**	
	(-) Non-retail funds (recorded under the heading Financial liabilities at amortised cost - Customer deposits)	**(5,060)**	
	Multi-issuer covered bonds and subordinated deposits	(3,747)	
	Counterparties and others	(1,313)	
	(+) Retail funds (recorded under the heading Financial liabilities at amortised cost - Debt securities)	**522**	
	Retail issuances and other	*522*	
	(+) Liabilities under insurance contracts	51,483	
	Total on-balance sheet customer funds	262,577	
	(+) Assets under management	**98,316**	
	(+) Other accounts [1]	**5,270**	**366,163**
Institutional issuances for the purpose of managing bank liquidity	**(+) Financial liabilities at amortised cost - Debt securities issued (public balance sheet)**	**29,294**	
	(-) Institutional financing not for the purpose of bank liquidity	**(2,629)**	
	(-) Securitisation bonds	(2,046)	
	(-) Valuation adjustments	(178)	
	(-) Retail	(522)	
	(+) Issuances acquired by Group companies and other	117	
	(+) Customer deposits for bank liquidity purposes	**3,747**	
	(+) Multi-issuer covered bonds		
	(+) Subordinated deposits		
	(+) Deposits from credit institutions (public balance sheet) - EIB mortgage covered bonds	**20**	**30,432**

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

(1) Reported as "Debt securities" under "Loans and receivables" on the public balance sheet.

(2) Recognised under "Financial liabilities designated at fair value through profit or loss" on the public balance sheet.

Market indicators

EPS (Earnings per share)	Attributable profit [1] (12 months) / Average number of shares outstanding
Average number of shares outstanding	Average number of shares issued - average number of shares held in treasury
Market capitalisation	Share price * (number of shares outstanding – shares held in treasury) [1]
BV (Book value)	Equity - minority interests / Number of shares outstanding - fully diluted
Number of shares outstanding - fully diluted	Shares issued - shares held in treasury + number of shares in case of swap of convertible debt issued
TBV (Tangible book value)	Equity - Minority interests - Intangible assets / Number of shares outstanding - fully diluted
P/E (Price-to-earnings ratio):	Share price / EPS (Earnings per share)
P/BV	Share price / BV (Book value)
P/TBV	Share price / TBV (Tangible book value)
Dividend yield	Dividends paid (12 months) [2] / Share price [3]
MDA (maximum amount distributable) buffer	Pillar 1 capital requirements + Pillar 2 capital requirements + capital buffers + possible AT1 and AT2 deficits
Available Distributable Items (ADIs)	Individual earnings + Unrestricted reserves (net of dividends) [4]

(1) Figures adjusted to reflect the amount of the Additional Tier 1 coupon, after tax, reported in equity.
(2) Dividends paid in shares or cash.
(3) At close of period.
(4) Does not include the share premium.