

Business activity and results

January-December

2018



CaixaBank

Contents

04	Key Group figures
05	Key information
08	Macroeconomic trends and state of the financial markets
10	Results
19	Business activity
22	Risk management
25	Liquidity and financing structure
27	Capital management
30	Segment reporting
42	The CaixaBank share
44	Significant events in 2018
47	Appendices
	47 Investment portfolio
	47 Information on financing for home purchases and loans to real estate developers
	48 Ratings
	49 Glossary

Note: The financial information contained in this document is unaudited and, accordingly, is subject to change. The income statement and the consolidated balance sheet and the corresponding breakdowns of those statements provided in this report, are presented under management criteria, but have still been prepared in accordance with International Financial Reporting Standards (IFRS-EU) as adopted by the European Union under the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as subsequently modified. In preparing these statements, Circular 4/2017 of the Bank of Spain of 6 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.

This report has been prepared from the accounting records of CaixaBank, S.A. and the other Group companies, and includes certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank. For this reason, and in relation to BPI specifically, the information set out in this report is not entirely consistent with the Group's published financial statements (see *Reconciliation with the financial information released by BPI following the presentation format of the CaixaBank Group* under *Appendices - Glossary* below). Likewise, the financial information regarding investees has been prepared primarily on the basis of estimates made by the Company.

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

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

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

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

Commercial positioning

CaixaBank Group

15.7

million customers

29.3%

market penetration among individual customers in Spain

26.3%

market penetration as main bank among individual customers in Spain

386,622

in total assets (€ million)

358,482

in customer funds (€ million)

224,693

in loans and advances to customers (€ million)

Balance sheet indicators

LIQUIDITY

79,530

in total liquid assets (€ million)

196%

liquidity coverage ratio (LCR), average 12 months

CAPITAL MANAGEMENT

11.5%

fully-loaded CET1

15.2%

fully-loaded total capital

RISK MANAGEMENT

4.7%

NPL ratio

54%

NPL coverage ratio

Profitability and cost-to-income

2,199

Banking and insurance

1,985

profit attributable to the Group (€ million) (+17.8% vs 2017)

54

Equity Investments

262

BPI

-530

Non-core RE activity

52.9%

cost-to-income ratio, stripping out extraordinary expenses

9.3%

ROTE

12.3%

recurring ROTE for banking and insurance business

Key Group figures

€ million / %	January - December		Year-on-year	4Q18	Quarter-on-quarter
	2018	2017			
INCOME STATEMENT					
Net interest income	4,907	4,746	3.4%	1,236	(0.2%)
Net fee and commission income	2,583	2,499	3.4%	645	-
Gross income	8,767	8,222	6.6%	1,866	(17.0%)
Recurring administrative expenses, depreciation and amortisation	(4,634)	(4,467)	3.7%	(1,168)	0.5%
Pre-impairment income stripping out extraordinary expenses	4,133	3,755	10.1%	698	(35.7%)
Pre-impairment income	4,109	3,645	12.7%	685	(36.8%)
Profit/(loss) attributable to the Group	1,985	1,684	17.8%	217	(54.0%)
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	53.1%	55.7%	(2.6)	53.1%	(0.2)
Cost-to-income ratio stripping out extraordinary expenses	52.9%	54.3%	(1.4)	52.9%	(0.3)
ROE	7.7%	6.9%	0.8	7.7%	-
ROTE	9.3%	8.4%	0.9	9.3%	(0.1)
ROA	0.5%	0.5%	-	0.5%	-
RORWA	1.3%	1.1%	0.2	1.3%	-
OTHER INDICATORS					
	December		Year-to-date	September 2018	Quarter-on-quarter
	2018	2017			
BALANCE SHEET					
Total assets	386,622	383,186	0.9%	387,751	(0.3%)
Equity	24,058	24,683	(2.5%)	24,353	(1.2%)
Customer funds	358,482	349,458	2.6%	363,621	(1.4%)
Loans and advances to customers, gross	224,693	223,951	0.3%	223,465	0.5%
RISK MANAGEMENT					
Non-performing loans (NPL)	11,195	14,305	(3,110)	12,116	(921)
Non-performing loan ratio	4.7%	6.0%	(1.3)	5.1%	(0.4)
Cost of risk (last 12 months)	0.04%	0.34%	(0.30)	0.08%	(0.04)
Provisions for insolvency risk	6,014	7,135	(1,121)	6,579	(565)
NPL coverage ratio	54%	50%	4	54%	-
Net foreclosed available for sale real estate assets ¹	740	5,878	(5,138)	5,346	(4,606)
Foreclosed available for sale real estate assets coverage ratio	39%	58%	(19)	59%	(20)
LIQUIDITY					
Total Liquid Assets	79,530	72,775	6,755	76,079	3,451
Loan to deposits	105%	108%	(3)	104%	1
Liquidity Coverage Ratio (last 12 months)	196%	185%	11	193%	3
CAPITAL ADEQUACY					
Fully-loaded Common Equity Tier 1 (CET1)	11.5%	11.7%	(0.2)	11.4%	0.1
Fully-loaded Tier 1	13.0%	12.3%	0.7	12.9%	0.1
Fully-loaded total capital	15.2%	15.7%	(0.5)	15.2%	-
Fully-loaded Risk-Weighted Assets (RWAs)	146,524	148,626	(2,102)	148,826	(2,302)
Fully-loaded leverage ratio	5.5%	5.3%	0.2	5.6%	(0.1)
SHARE INFORMATION					
Share price (€/share)	3.164	3.889	(0.725)	3.938	(0.774)
Market capitalization	18,916	23,248	(4,332)	23,544	(4,628)
Book value per share (€/share)	4.02	4.06	(0.04)	4.04	(0.02)
Tangible book value per share (€/share)	3.30	3.35	(0.05)	3.33	(0.03)
Net income attributable per share (€/share) (12 months)	0.32	0.28	0.04	0.32	-
PER (Price/Profit)	9.95	14.02	(4.07)	12.44	(2.49)
Tangible PBV (Market value/ book value of tangible assets)	0.96	1.16	(0.20)	1.18	(0.22)
OTHER DATA (units)					
Employees	37,440	36,972	468	37,511	(71)
Branches ²	5,103	5,379	(276)	5,176	(73)

(1) Exposure in Spain.

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

Key information

CaixaBank Group

CaixaBank

Commercial strength

- CaixaBank has over **13.7 million customers in Spain**, making it the main bank for one out of every four retail customers. It has a market penetration¹ among individual customers of 29.3% and for 26.3% CaixaBank is their main bank.
- The Bank's commercial prowess has enabled it to maintain high market shares² across all the main retail products and services.

Loans	Deposits	Payroll deposits	Investment funds	Saving insurances	Pension plans	Card turnover	Consumer lending
15.9%	15.0%	26.8%	17.0%	27.3%	24.1%	23.3%	16.3%

The best customer experience

- **Sound business segmentation**, with a wide range of products and services tailored to the needs of customers.
- Named **World's best retail bank** by Global Finance and **Bank of the Year 2018 in Spain** by The Banker.
- Recognised by International Finance Corporation as the **leading bank in developing foreign trade** in emerging countries.
- Named **Best bank** and **Best private banking institution** in Spain by Global Finance and Euromoney, respectively, for the fourth straight year.
- CaixaBank has successfully renewed its European Seal of Excellence EFQM 500+, a testament to the **supreme quality of its** customer and management service. This time round, it has improved on its previous score by earning over 650 points.

Digitalisation

- Euromoney named CaixaBank **Best digital bank in Western Europe** on account of its digital transformation and innovation, while Financial Times named it **Best private bank in Europe** based on how it applies technology.
- Among CaixaBank customers, **57% are now digital**³.
- Recognised by both The Banker and Bank Administration Institute for its **innovative mobile app CaixaBankNow**, a testament to the Bank's digital transformation and commitment to technological innovation.
- **Launch of the Smart Money app**, which offers digital advisory services and proposes investment portfolios based on the customer's risk profile and objectives.

Responsible management and commitment

- Merco named CaixaBank the **Best financial sector institution in corporate social responsibility and corporate governance** in 2017.
- **VidaCaixa** obtained an A+ for its investment management services, the highest score that can be earned under the Principles for Responsible Investment of the United Nations.
- Featured on the main **sustainability indexes**: Dow Jones Sustainability Index, FTSE4Good, Ethibel Sustainability Index Excellence Europe, MSCI Global Sustainability Indexes and Advanced Sustainable Performance Indices.

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

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

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

BPI

- BPI boasts solid market shares¹ in **Portugal**, with over **1.9 million customers**: 10.1% in lending activity and 11.0% in customer funds.
- Named by Euromoney as **Best bank in Portugal** in 2018 thanks to its strategy, innovation and social commitment.

Strategic Plan 2019-2021

CaixaBank has now approved its new Strategic Plan, which aims to make the Bank a **leading and highly innovative financial group** with the **best customer service**, while making it a **benchmark for socially responsible banking**. The plan pursues the following strategic lines:

- Offer the **best customer experience**
- Accelerate **digital transformation** to boost efficiency and flexibility
- Foster a **people centric, agile and collaborative culture**
- **Attractive shareholder returns** and **solid financials**
- A benchmark in **responsible banking and social commitment**

By launching its new Strategic Plan, the CaixaBank Group aims to cement its leadership in Spain while expanding its business model in Portugal through BPI, which promises considerable growth potential. The plan also envisions an ambitious target of speeding up the **digital transformation** to become more customer-oriented and to adapt to new consumer behaviours, ultimately allowing the Group to become **more agile, efficient and flexible**.

Turning to the Group's financial targets, it expects to reach the following milestones by the end of the Strategic Plan:

- **Core income** to gain over 5% (CAGR²) and the **core cost-to-income ratio**³ to fall below 55%.
- **Reduction in non-performing loans** to bring the **NPL ratio to below 3%**.
- **Average LCR** ratio for the last 12 months of **over 130%**
- **Return on tangible equity (ROTE) to exceed 12% in 2021**.

Meanwhile, the **fully-loaded CET1 ratio** is expected to reach around **12%** and the Group will ensure a transitional buffer over the following three years of approximately 100 basis points to absorb possible future regulatory impacts.

The Bank's increased profitability, coupled with its financial robustness, will enable it to maintain an attractive dividend policy, with a cash payout to exceed 50% of earnings over the entire period.

Financial milestones in the quarter

- In the second quarter of 2018, CaixaBank agreed to **sell its real estate business**⁴ to a newco, 80% of which was to be owned by the funds Lone Star Fund X and Lone Star Real Estate Fund V and the remaining 20% by CaixaBank.

The sale was completed in the fourth quarter of 2018, generating a final impact on the income statement (including expenses, taxes and other costs) of €-48 million, net of tax, while adding 14 basis points to the fully-loaded CET1 ratio.

- At year-end 2018, the Group's significant influence at **BFA** was restated, giving rise to a **change in the accounting classification** of the investee (from Investments in joint ventures and associates to Financial assets designated at fair value through other comprehensive income). Due to the change, a loss of €-154 million was reported under Gains/(losses) on disposal of assets and others (€-139 million, net), largely due to the transfer of valuation adjustments previously recognised in equity.
- On 14 December 2018, the Portuguese stock market regulator approved the delisting of **Banco BPI**. On 27 December, CaixaBank exercised its squeeze-out right to acquire all the shares it did not already own. The consolidated stake in Banco BPI appearing on CaixaBank's financial statements at year-end was 100%.

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

(2) Compound Annual Growth Rate.

(3) Recurring expenses to core income (includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for SegurcaixaAdeslas and income from the insurance investees of BPI).

(4) For more information, see the section on 'Significant Events in 2018'.

Results and business activity

- **Attributable profit for 2018 grew to €1,985 million** (+17.8% on 2017), on the back of:
 - **Gross income** growth (+6.6%), driven mainly by **core income**¹, which climbed to €8,217 million (+4.2%), as well as higher income from **investees**, among others factors.
 - **Reduction in Allowances for insolvency risk** and **Other charges to provisions** (-66.8%).
 - A number of extraordinary events also impacted the income statement in both annual periods.
- **Total funds** grew to €358,482 million (+2.6% in 2018).
- Total loans and advances to customers, gross came to €224,693 million (+0.3% in the year), while the **performing portfolio was up 1.8%**.

Balance sheet strength

Risk management

- NPLs were down €3,110 million in the year, bringing the **NPL ratio** down to **4.7%** (6.0% at December 2017).
- The **coverage ratio** has climbed to **54%** (+4pp in the year) mainly impacted by the adoption of IFRS 9.
- The **net portfolio of foreclosed real estate assets available for sale** dropped to **€740 million** (€-5,138 million in 2018), revealing a **coverage ratio with write-offs of 39%**.
- **Net foreclosed assets held for rent** fell to **€2,479 million** (€-551 million in 2018).

Capital adequacy

- The **fully-loaded Common Equity Tier 1 (CET1)** stands at **11.5%** at 31 December 2018. If we exclude the negative impact of the implementation of the IFRS 9 accounting standard (-15 bp) and -14 basis points deriving from extraordinary impacts in the year (acquisition of non-controlling interests at BPI and sale of 80% of the real estate business), the ratio gained 54 basis points from capital generation, but shed 43 basis points due mainly to market volatility and other factors, notably the adjustment made in the third quarter to meet credit risk requirements for the non-performing mortgage portfolio under the TRIM² process of the European Central Bank.
- The **fully-loaded Tier 1** ratio was **13.0%**. The Group has managed to maintain, since the first quarter of the year, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- Fully-loaded **total capital** was **15.2%**, following the issuance of €1,000 million in Tier 2 instruments in April 2018, the redemption of an issuance of Tier 2 instruments worth €2,072 million in May (of which €1,574 million eligible) and the redemption of a further issuance of Tier 2 instruments worth €750 million completed in November (of which €738 million eligible).

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

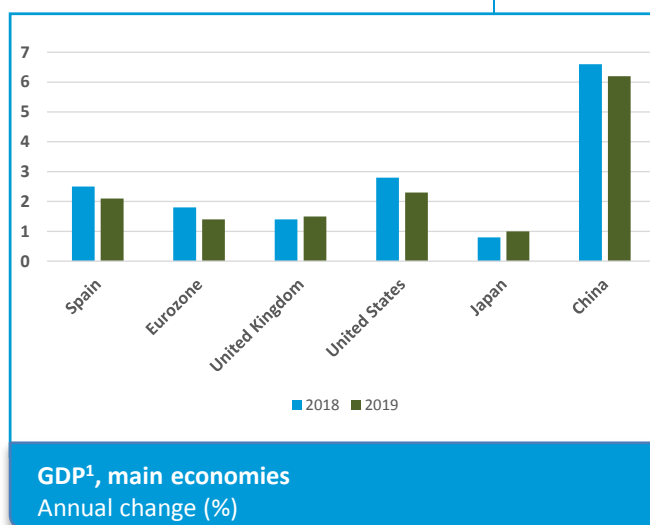
(2) Targeted Review of Internal Models.

Macroeconomic trends and state of the financial markets

Global economic outlook

Indicators on global economic activity for the fourth quarter reveal still high, yet somewhat gentler growth than the levels reported in previous quarters, bringing estimated **global growth** in 2018 to 3.7%, the same as in 2017. That said, downside risks remain a definite threat and are in fact the main cause of the volatility we have been seeing during the quarter across the financial markets. The prevailing uncertainty surrounding global growth has once again dragged down the stock markets in both developed countries and the emerging block, while yields on sovereign bonds have also fallen. More to the point, there are concerns over a possible trade war. The United States and China moved closer to an agreement in the late stages in 2018, bringing a welcome détente to the hostilities, although a definitive solution to the conflict is still a long way off. Against this backdrop, CaixaBank Research predicts global growth of 3.4% in 2019.

Despite the uncertainty, economic activity in the United States remains buoyant, as shown by an improved set of figures on business sentiment in November and healthy figures for the labour market, which was able to generate 155,000 jobs in that month alone (a high figure indeed when we consider that the economy was already at next to full employment). Given the maturity of the economic cycle, and as was to be expected, the Federal Reserve once again hiked its reference rate in December, bringing it from 2.25% to 2.50%. However, the Fed has been strongly hinting to the market that it may well slow the pace from 2019 onward.



(1) 2018 GDP estimated.
Forecasts for 2019 made by
CaixaBank Research.

Economic scenario - Europe, Spain and Portugal

In the **euro area**, growth is continuing to slow in response to faltering levels of external demand, while domestic demand has become stronger during this more mature phase of the economic cycle. We therefore estimate growth of 1.8% in 2018, falling short of the 2.5% reported in 2017. Looking ahead to 2019, CaixaBank Research expects to see growth of 1.4%. As was widely expected, the ECB confirmed the end of its bond purchase programme at its December meeting (although it will continue to pursue a policy of reinvesting principal payments from maturing securities so as to maintain the current size of its balance sheet). Meanwhile, the United Kingdom and Italy remain hotspots of uncertainty. Given the difficulties the British government is now facing in getting its deal with the EU through the House of Commons, it is reasonable to expect that the UK and the EU will agree to extend negotiations beyond 29 March and to put back the UK's departure to allow for an orderly withdrawal. The matter of the budget dispute between Italy and the EU is only slightly less gloomy. Now that the European Commission has opened a process that could lead to the application of the so-called "excessive deficit procedure", the Italian government has backed down and announced a downgrade in its deficit target for 2019. Although this certainly marks a step in the right direction and while the European Commission has announced that it may end up deactivating the procedure, the precarious state of Italy's public finances is likely to remain a source of risk as we move forward.

Turning to **Spain**, the nation's economy remains in reasonably good health. Activity indicators suggest that the economy is growing strongly and that GDP growth for the fourth quarter could be roughly on par with the levels reported in the previous quarter, i.e. at around 2.2% year on year. Meanwhile, the main growth drivers remain very much present: internal demand is benefiting from a robust labour market, the real estate sector is recovering well and borrowing conditions remain healthy, as shown by the recent growth in new lending. In this climate, we estimate growth of 2.5% in 2018 (3.0% in 2017), falling to 2.1% in 2019.

Moving across to **Portugal**, the economy is moving into a more mature phase of the cycle (in which we expect to see a natural growth slowdown) and economic activity remains on track (GDP grew by 2.1% year on year in the third quarter, compared with 2.4% the previous quarter). Meanwhile, external demand is continuing to make a negative net contribution to growth. On balance, the overall state of the Portuguese economy remains largely positive: public accounts are continuing to improve, the labour market is booming, consumer confidence remains high and lending to the private sector is continuing to recover. All in all, the outlook is relatively bright: after growing an estimated 2.1% in 2018 (versus 2.8% in 2017), we expect to see a further gentle slowdown in 2019 to 1.8%.

State of the financial markets

The final stretch of 2018 was a volatile and turbulent affair for the **financial markets**. Over the last 12 months, the stock markets have endured three major corrections: a bleak start to 2018, followed by "Red October" and then a December plagued by market jitters, bringing virtually all stock indexes into the red for the year as a whole. In the United States, the Dow Jones index dipped 11.8% in the fourth quarter of 2018 and shed 5.6% in the year, while the S&P 500 lost 14.0% in the fourth quarter and 6.2% in the year. In Europe, the EuroStoxx50 index reported losses of 14.3% and 11.7% in the fourth quarter and in 2018, respectively. The worst performance came from the European banking segment, with the Eurostoxx Banks index falling 18.3% in the last quarter and 33.3% in the year.

Fixed income markets also saw their share of turmoil. The yield on US Treasury notes hovered at around 3% for most of the year, before slipping to the 2.5% zone in the final stretch, while risk premia on sovereign debt in peripheral Europe and across many emerging countries were once again on the increase. In relation to oil prices, volatility was once again a constant present, with prices peaking at 85 dollars per barrel of Brent in October, only to close out the year at some 55 dollars a barrel.

The main factors causing these extreme fluctuations include the uncertainty surrounding the pace of global economic growth, the risk of increased protectionist sentiment resulting from the ongoing trade dispute between China and the United States, lingering fears over the outcome of Brexit and doubts as to how committed Italy really is to protecting its public finances. Further concerns include the continuation of monetary tightening in the United States in 2018 and the matter of how successful the European authorities will be in phasing out the exceptional monetary conditions within the region.

Results

The Group's income statement

Year-on-year performance

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

€ million	2018	2017	Change	%
Net interest income	4,907	4,746	161	3.4
Dividend income	146	127	19	15.1
Share of profit/(loss) of entities accounted for using the equity method	826	526	300	57.0
Net fee and commission income	2,583	2,499	84	3.4
Gains/(losses) on financial assets and liabilities and others	278	282	(4)	(1.7)
Income and expense under insurance or reinsurance contracts	551	472	79	16.7
Other operating income and expense	(524)	(430)	(94)	21.8
Gross income	8,767	8,222	545	6.6
Recurring administrative expenses, depreciation and amortisation	(4,634)	(4,467)	(167)	3.7
Extraordinary expenses	(24)	(110)	86	(78.1)
Pre-impairment income	4,109	3,645	464	12.7
Pre-impairment income stripping out extraordinary expenses	4,133	3,755	378	10.1
Allowances for insolvency risk	(97)	(799)	702	(87.9)
Other charges to provisions	(470)	(912)	442	(48.4)
Gains/(losses) on disposal of assets and others	(735)	164	(899)	
Profit/(loss) before tax	2,807	2,098	709	33.8
Income tax expense	(712)	(378)	(334)	
Profit/(loss) after tax	2,095	1,720	375	21.8
Profit/(loss) attributable to minority interest and others	110	36	74	
Profit/(loss) attributable to the Group	1,985	1,684	301	17.8

Attributable profit was up 17.8% in 2018 to reach €1,985 million.

Gross income came to €8,767 million (+6.6% year on year), driven by growth in core income to €8,217 million in 2018 (+4.2%) and higher income from investees. Moreover, a total of €115 million in income was reported in 2017 in connection with the agreement reached with Cecabank.

Recurring administrative expenses, depreciation and amortisation was also up (+3.7%), but less so than core income. A total of €24 million in extraordinary expenses was recognised in connection with BPI (€110 million in 2017).

Allowances for insolvency risk (-87.9%) was impacted by the normalisation of asset quality indicators and the extraordinary release of provisions in the third quarter of 2018 following an improvement in debt recoverability of some €275 million. Other charges to provisions (-48.4%) shows the impact in 2018 of the deal to repurchase 51% of Servihabitats¹ (in 2017 it reflects the extraordinary negative impacts associated with early retirements and the write-down on the exposure to Sareb).

Gains/(losses) on disposal of assets and others shows one-off results in both years, notably in 2018 the negative impact of the sale of Repsol and the accounting reclassification of BFA, while in 2017 it shows the positive result of the business combination resulting from the acquisition of BPI.

(1) The deal to repurchase 51% of Servihabitats has generated a loss of €-204 million on the 2018 income statement (€-152 million under Other charges to provisions and €-52 million under Gains/(losses) on disposal of assets and others).

Quarterly performance

€ million	4Q18	3Q18	Change	%	4Q17	Change %
Net interest income	1,236	1,239	(3)	(0.2)	1,196	3.4
Dividend income	24	1	23		1	
Share of profit/(loss) of entities accounted for using the equity method	101	222	(121)	(54.8)	38	
Net fee and commission income	645	645			632	2.2
Gains/(losses) on financial assets and liabilities and others	(45)	30	(75)		(5)	
Income and expense under insurance or reinsurance contracts	132	137	(5)	(3.5)	118	12.3
Other operating income and expense	(227)	(27)	(200)		(249)	(8.8)
Gross income	1,866	2,247	(381)	(17.0)	1,731	7.8
Recurring administrative expenses, depreciation and amortisation	(1,168)	(1,162)	(6)	0.5	(1,124)	3.9
Extraordinary expenses	(13)	(3)	(10)		(1)	
Pre-impairment income	685	1,082	(397)	(36.8)	606	13.0
Pre-impairment income stripping out extraordinary expenses	698	1,085	(387)	(35.7)	607	15.0
Allowances for insolvency risk	(47)	198	(245)		(141)	(66.5)
Other charges to provisions	(143)	(44)	(99)		(112)	26.8
Gains/(losses) on disposal of assets and others	(258)	(407)	149	(36.2)	(117)	
Profit/(loss) before tax	237	829	(592)	(71.5)	236	0.1
Income tax expense	8	(319)	327		(42)	
Profit/(loss) after tax	245	510	(265)	(52.1)	194	25.8
Profit/(loss) attributable to minority interest and others ¹	28	40	(12)	(30.4)	(2)	
Profit/(loss) attributable to the Group	217	470	(253)	(54.0)	196	10.5

- The **quarter-on-quarter change in attributable profit in the fourth quarter of 2018 (€217 million)** was largely a result of the following:

- Gross income was down 17.0%, mainly because of the drop in income from investees and because of the decline in profit on financial assets and liabilities. The fourth quarter also includes the annual contribution of €228 million paid to the Deposit Guarantee Fund (DGF).
- Allowances for insolvency risk included, in the third quarter, the release of provisions mentioned above.
- Other charges to provisions includes, among other impacts, a total of €-53 million in connection with early retirements in the fourth quarter of 2018.
- The heading Gains/(losses) on disposal of assets and others for the fourth quarter shows the negative result of €154 million resulting from the change in the accounting classification of the stake held in BFA, as well as the completion of the deal to sell the real estate business. The previous quarter included, among other impacts, the negative result of €-453 million deriving from the agreement to sell the stake in Repsol.

- Compared with the **same quarter of the previous year**, the Group's attributable profit was up 10.5%.

The Bank's commercial strength and the strength of its investees generated gross income growth of 7.8%, despite the reduction in gains/(losses) on financial assets and liabilities in 2018.

Growth in core income (+3.2%), with an increase in net interest income (+3.4%), fees and commissions (+2.2%) and insurance income (+12.3%).

Thanks to the fact that gross income growth outpaced the growth in expenses, the Group was able to report an **increase in pre-impairment income stripping out extraordinary expenses of 15.0%**.

The headings Allowances for insolvency risk, Other charges to provisions and Gains/(losses) on disposal of assets and others were all impacted by one-off factors in both years.

(1) Includes non-controlling interests and particularly the result of discontinued activities relating to Servihabitat's contribution to consolidated earnings since its acquisition in July 2018 through to the completion of the sale of the real estate business in December (€-24 million in 4Q and €-31 million in 3Q).

Return on average total assets¹

In %	4Q18	3Q18	2Q18	1Q18	4Q17
Interest income	1.81	1.77	1.83	1.83	1.83
Interest expense	(0.53)	(0.50)	(0.55)	(0.54)	(0.61)
Net interest income	1.28	1.27	1.28	1.29	1.22
Dividend income	0.02	0.00	0.12	0.01	0.00
Share of profit/(loss) of entities accounted for using the equity method	0.10	0.23	0.25	0.29	0.04
Net fee and commission income	0.67	0.66	0.70	0.67	0.65
Gains/(losses) on financial assets and liabilities and others	(0.05)	0.03	0.16	0.15	(0.01)
Income and expense under insurance or reinsurance contracts	0.14	0.14	0.15	0.15	0.12
Other operating income and expense	(0.23)	(0.03)	(0.17)	(0.13)	(0.25)
Gross income	1.93	2.30	2.49	2.43	1.77
Recurring administrative expenses, depreciation and amortisation	(1.21)	(1.19)	(1.20)	(1.24)	(1.15)
Extraordinary expenses	(0.01)	0.00	(0.01)	0.00	(0.00)
Pre-impairment income	0.71	1.11	1.28	1.19	0.62
Pre-impairment income stripping out extraordinary expenses	0.72	1.11	1.29	1.19	0.62
Allowances for insolvency risk	(0.05)	0.20	(0.11)	(0.15)	(0.14)
Other charges to provisions	(0.15)	(0.04)	(0.24)	(0.05)	(0.12)
Gains/(losses) on disposal of assets and others	(0.27)	(0.42)	(0.07)	0.00	(0.12)
Profit/(loss) before tax	0.24	0.85	0.86	0.99	0.24
Income tax expense	0.01	(0.33)	(0.23)	(0.20)	(0.04)
Profit/(loss) after tax	0.25	0.52	0.63	0.79	0.20
Profit/(loss) attributable to minority interest and others	0.03	0.04	0.01	0.03	(0.00)
Profit/(loss) attributable to the Group	0.22	0.48	0.62	0.76	0.20
Average total net assets (€ million)	384,500	388,276	385,155	377,143	387,300

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

Gross income

Net interest income

- The **Group's net interest income** came to €4,907 million in the year (+3.4% on the same period of 2017).

Against a backdrop of still negative interest rates, this growth is down to:

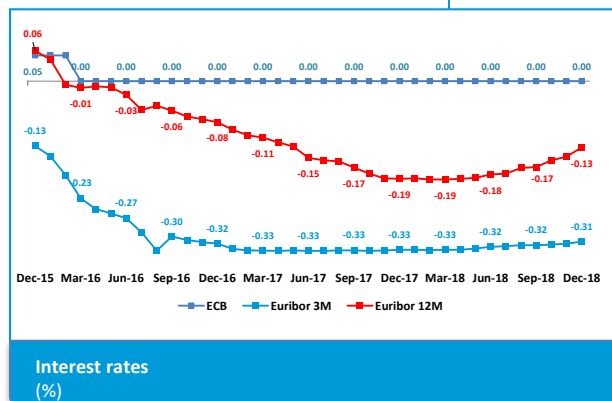
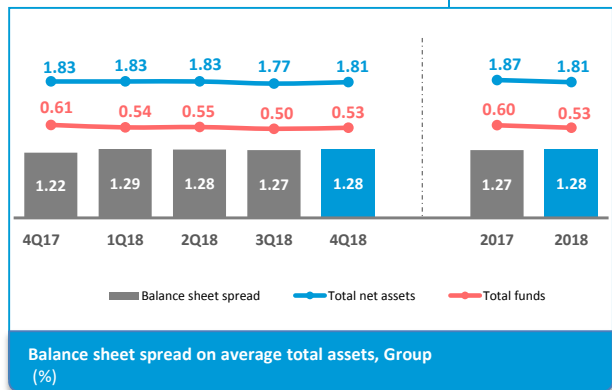
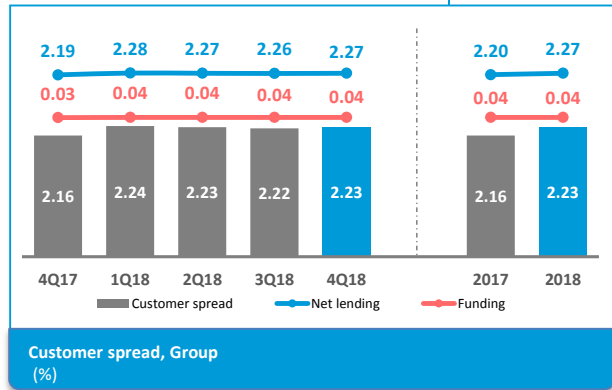
- Increase of 7 basis points on the return on lending activity, due to the fact that new loans have been arranged at higher rates than the existing portfolio, as well as the shift in the product mix towards more profitable segments, all of which has helped offset the still negative repricings on the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

- Net interest income was down 0.2% **quarter on quarter** due to:

- Reduction in the net amount of other assets with return and other liabilities with cost, mainly because of the update of a positive impact in previous quarters (relating to long-term Social Security obligations associated with early retirements), although this impact is offset by a reduction in charges to other provisions.

The impact just described exceeds the increased income on the loan portfolio following the larger contribution made by the credit subsidiaries operating in the consumer financing segment, as well as new loans arranged at slightly higher rates than the existing loan portfolio.

The **customer spread** gained 1 basis point to **2.23%** in the fourth quarter thanks to an increase in the return on lending activity. The balance sheet spread was up 1 basis point on the previous quarter, largely in response to a reduction in volume due to lower excess liquidity remunerated at -0.40%, which reflects the sale of foreclosed assets and the decline in retail funds.



Quarterly cost and income

€ million	4Q18			3Q18			2Q18		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	20,980	45	0.85	23,981	45	0.74	22,360	43	0.76
Loans and advances (a)	208,608	1,195	2.27	208,805	1,190	2.26	208,857	1,182	2.27
Fixed income securities portfolio	36,067	90	1.00	35,261	92	1.03	34,365	98	1.14
Other assets with returns	54,478	416	3.03	54,667	393	2.85	55,369	431	3.12
Other assets	64,367	8		65,562	8		64,204	5	
Total average assets (b)	384,500	1,754	1.81	388,276	1,728	1.77	385,155	1,759	1.83
Financial Institutions	41,475	(51)	0.49	43,893	(51)	0.46	44,052	(48)	0.44
Retail customer funds (c)	203,366	(20)	0.04	204,189	(18)	0.04	198,910	(18)	0.04
Demand deposits	171,236	(11)	0.03	170,106	(9)	0.02	164,979	(9)	0.02
Maturity deposits	32,130	(9)	0.12	34,083	(9)	0.11	33,931	(9)	0.11
Time deposits	29,343	(9)	0.13	31,022	(9)	0.12	31,849	(9)	0.11
Retail repurchase agreements and marketable debt securities	2,787			3,061			2,082		
Wholesale marketable debt securities & other	25,935	(62)	0.95	25,941	(65)	1.00	27,200	(66)	0.97
Subordinated liabilities	5,723	(21)	1.44	6,150	(24)	1.55	7,404	(33)	1.77
Other funds with cost	63,100	(352)	2.21	63,557	(320)	2.00	63,780	(356)	2.24
Other funds	44,901	(12)		44,546	(11)		43,809	(9)	
Total average funds (d)	384,500	(518)	0.53	388,276	(489)	0.50	385,155	(530)	0.55
Net interest income		1,236			1,239			1,229	
Customer spread (%) (a-c)		2.23			2.22			2.23	
Balance sheet spread (%) (b-d)		1.28			1.27			1.28	

€ million	1Q18			4Q17		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	17,577	43	1.00	25,142	48	0.75
Loans and advances (a)	207,592	1,169	2.28	209,451	1,158	2.19
Fixed income securities portfolio	33,160	85	1.04	32,617	81	0.98
Other assets with returns	52,152	400	3.11	50,777	494	3.86
Other assets	66,662	8		69,313	10	
Total average assets (b)	377,143	1,705	1.83	387,300	1,791	1.83
Financial Institutions	45,019	(45)	0.40	59,416	(51)	0.34
Retail customer funds (c)	190,216	(17)	0.04	187,178	(16)	0.03
Demand deposits	155,860	(9)	0.02	151,289	(10)	0.03
Maturity deposits	34,357	(8)	0.09	35,889	(6)	0.06
Time deposits	32,859	(7)	0.09	34,629	(6)	0.06
Retail repurchase agreements and marketable debt securities	1,497	(1)		1,260		
Wholesale marketable debt securities & other	28,246	(69)	0.99	27,069	(72)	1.06
Subordinated liabilities	6,114	(32)	2.14	6,005	(34)	2.27
Other funds with cost	63,023	(328)	2.11	61,252	(411)	2.66
Other funds	44,525	(11)		46,380	(11)	
Total average funds (d)	377,143	(502)	0.54	387,300	(595)	0.61
Net interest income		1,203			1,196	
Customer spread (%) (a-c)		2.24			2.16	
Balance sheet spread (%) (b-d)		1.29			1.22	

To help readers interpret the information contained in this report, the following aspects should be taken into account:

- According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being TLTRO II income. Conversely, the heading financial intermediaries on the liabilities side shows the negative interest on the balances of financial intermediaries on the assets side. Only the net amount between income and expense for both headings has economic significance.
- Other assets with returns and Other funds with cost relate largely to the Group's life insurance activity.

Fees and commissions

- **Fee and commission income grew to €2,583 million**, up 3.4% year on year:

- **Banking services, securities and other fees** amounted to €1,488 million and includes income on securities transactions and fees on other transactions, as well as fees relating to risk activities, deposit management, payment methods and investment banking.

The change on 2017 (-2.2%) was partly down to the increase in fees and commissions paid on distribution agreements associated with consumer financing and also the reduction in fees and commissions from investment banking activity.

The heading was up 3.4% when compared with the same quarter of the previous year.

- **Commissions from mutual funds, managed accounts and SICAVs** came to €552 million (+12.6%) following the steady increase in assets under management during the first nine months of the year, although market volatility had a negative impact on these assets the fourth quarter, in which commissions fell by 2.8.

Compared with the same quarter of the previous year, commissions from mutual funds were up 2.9%, thanks largely to changes in the product mix.

- **Growth of 2.0% in pension plan management fees** to reach €217 million due to the wide range of products on offer. Fees and commissions were up 1.4% on the third quarter of 2018.
- **Fees on insurance sales increased** to €326 million (+19.0% in the year and +6.7% on the same quarter of the previous year).

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
Banking services, securities and other fees	1,488	1,521	(2.2)	375	371	389	353	363
Mutual funds, managed accounts and SICAVs	552	491	12.6	137	141	142	132	134
Pension plans	217	213	2.0	56	54	50	57	62
Sale of insurance products	326	274	19.0	77	79	87	83	73
Net fee and commission income	2,583	2,499	3.4	645	645	668	625	632

Income from equity investments

- **Income from equity investments totalled €972 million.** This heading shows earnings at entities accounted for using the equity method, as well as dividend income.

- Share of profit/(loss) of entities accounted for using the equity method was up 57.0% year on year thanks to the healthy performance of the investees and, in particular, because of the increased contribution made by BFA following a number of extraordinary impacts in both years:

- Recognition in January 2017 (prior to CaixaBank's takeover of BPI) of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.

Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.

- In 2018, a total of €155 million was recognised to cover the extraordinary impacts of the devaluation of Angola's currency, among other factors.

Net attributable profit from BFA¹ in 2018, after deducting the impact of the accounting reclassification, taxes and non-controlling interests, came to €51 million.

Attributable profit in the fourth quarter fell to €101 million, largely due to the positive seasonal factors typically seen at SegurcaixaAdeslas in the previous quarter of the year, as well as the reduction in positive extraordinary impacts at BFA and the fact that profit from Repsol was not attributed to the Group in the fourth quarter.

- Dividend income included €104 million from Telefónica in the second quarter of both years. CaixaBank's remaining stake in Repsol generated a dividend of €23 million in the fourth quarter of 2018.

(1) See section titled 'Results for the Equity Investments business segment'.

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
Dividend income	146	127	15.1	24	1	116	5	1
Share of profit/(loss) of entities accounted for using the equity method	826	526	57.0	101	222	237	266	38
Income from equity investments	972	653	48.8	125	223	353	271	39

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

- **Gains/(losses) on financial assets and liabilities and others** amounted to €278 million (-1.7%) and includes the materialisation of unrealised capital gains on financial assets available for sale, among other factors.

The fourth quarter included, among other factors, the negative market performance. The second quarter also included the result of the hedging transactions in connection with the subordinated bonds redeemed ahead of maturity, while results for the first quarter show the repricing of BPI's stake in Viacer following its sale.

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
Gains/(losses) on financial assets and liabilities	278	282	(1.7)	(45)	30	157	136	(5)

Income and expense under insurance and reinsurance contracts

- Sustained growth in income under life risk insurance contracts to reach €551 million (+16.7% in the year and 12.3% on the same quarter of 2017).

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
Income/expense under insurance or reinsurance	551	472	16.7	132	137	144	138	118

Other operating income and expense

- The year-on-year change in **Other operating income and expense** was impacted by a reduction in real estate expenses and by the recognition in 2017 of €115 million in income resulting from the agreement reached with Cecabank.

At year-end 2018, Other operating income and expense came to €-524 million and includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred from managing foreclosed real estate assets and contributions, as well as charges and taxes, the timing of which generates a seasonal impact on the quarterly performance under this heading:

- Contribution to the Deposit Guarantee Fund (DGF) of €228 million reported in the fourth quarter of 2018 (€214 million in 2017).
- The second quarter of 2018 included the contribution of €97 million to the Single Resolution Fund (SRF)¹.
- Recognition in the first quarter of each year of an estimation of the Spanish property tax that will likely accrue (estimated at €48 million for 2018).

Following the acquisition of Servihabitat and through to completion of the sale of the real estate business, portfolio management and administration costs were eliminated from the consolidated statements and reflected at the net amount of income and expense on the discontinued operations line.

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

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
SRF / DGF	(325)	(304)	6.9	(228)		(97)		(214)
Other real estate operating income and expense (including Spanish property tax)	(147)	(200)	(26.7)	(29)	3	(34)	(87)	(46)
Other	(52)	74		30	(30)	(28)	(24)	11
Other operating income and expense	(524)	(430)	21.8	(227)	(27)	(159)	(111)	(249)

Administrative expenses, depreciation and amortisation

- Recurring administrative expenses, depreciation and amortisation stood at €4,634 million (+3.7%). Costs have been growing at a slower pace than total income (gross income up 6.6%), and core income (+4.2%).

General expenses were up year on year, mainly due to the transformation of the distribution model ("store" branches, InTouch), increased spending on technology and new regulatory requirements.

Amortisation was down, partly because of the write-downs of intangible assets carried out in the fourth quarter of 2017.

- The extraordinary expenses are associated with the integration of BPI (€24 million in 2018 and €110 million in 2017).

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
Gross income	8,767	8,222	6.6	1,866	2,247	2,392	2,262	1,731
Personnel expenses	(2,937)	(2,875)	2.2	(733)	(741)	(732)	(731)	(729)
General expenses	(1,292)	(1,165)	10.9	(331)	(320)	(324)	(317)	(298)
Depreciation and amortisation	(405)	(427)	(5.3)	(104)	(101)	(99)	(101)	(97)
Recurring administrative expenses, depreciation and amortisation	(4,634)	(4,467)	3.7	(1,168)	(1,162)	(1,155)	(1,149)	(1,124)
Extraordinary expenses	(24)	(110)	(78.1)	(13)	(3)	(5)	(3)	(1)

	4Q18	3Q18	2Q18	1Q18	4Q17
Cost-to-income ratio					
Cost-to-income stripping out extraordinary expenses (%) ²	52.9	53.2	53.0	52.7	54.3
Cost-to-income ratio (%) ²	53.1	53.3	53.1	53.9	55.7

(2) Last 12 months.

Allowances for insolvency risk and other charges to provisions

- Reduction in **insolvency allowances** (-87.9%) due to the ongoing process of normalising asset quality indicators and also because of various one-off impacts, notably the reversal of some €275 million in provisions in the third quarter to update the recoverable value of the Group's exposure to a large borrower.

The cost of risk (12 months) fell to 0.04% (0.16% stripping out the reversal just mentioned).

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

This heading includes the recognition of €-152 million in the second quarter of 2018 as the difference between the price of repurchasing the 51% stake in the real estate servicer from TPG and the estimated fair value of that stake. In the fourth quarter, it includes the recognition of €-53 million in connection with early retirements and, among other impacts, impairment due to the adjustments made to the recoverable value of certain assets.

In 2017, it included €-455 million in connection with the early retirements and €-154 million in write-downs on exposure to the Sareb.

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18	4Q17
Allowances for insolvency risk	(97)	(799)	(87.9)	(47)	198	(109)	(139)	(141)
Other charges to provisions	(470)	(912)	(48.4)	(143)	(44)	(233)	(50)	(112)
Allowances for insolvency risk and other charges to provisions	(567)	(1,711)	(66.8)	(190)	154	(342)	(189)	(253)

Gains/(losses) on disposal of assets and others

- Gains/(losses) on disposal of assets and others** essentially comprises the results of completed one-off transactions and proceeds on asset sales and write-downs. The change here was a result of:

- Profit/(loss) from real estate transactions was impacted in 2018 by the deal to sell the real estate business. An impact of €-60 million was reported in the fourth quarter following completion of the deal (including expenses, taxes and other costs), while in the second quarter a total of €-52 million was reported in impairment of 49% of the stake previously held in Servihabitat so as to bring its carrying amount in line with the new fair value.
- In the final quarter of the year, the Others heading included the result of €-154 million deriving from the change in the accounting classification of the stake in BFA.

In the previous quarter, it included the negative result arising from the agreement to sell the Repsol stake (€-453 million) and also the profit from the sale of the acquiring business (point of sale terminals) from BPI to Comercia Global Payments (€+58 million).

In 2017, highlights included the gains obtained from the business combination with BPI in the first quarter (€+256 million) and write-downs of obsolete assets in the fourth quarter.

€ million	2018	2017	4Q18	3Q18	2Q18	1Q18	4Q17
Real estate results	(117)	6	(64)	(2)	(53)	2	(41)
Others	(618)	158	(194)	(405)	(15)	(4)	(76)
Gains/(losses) on disposal of assets and others	(735)	164	(258)	(407)	(68)	(2)	(117)

Business activity

Balance sheet

The Group's total assets amounted to €386,622 million at 31 December 2018, down 0.3% in the quarter (+1.0% on the opening balance sheet following the adoption of IFRS 9 on 1 January 2018):

€ million	Dec 31, 2018	Sep 30, 2018	Change %	Jan 1, 2018	Change %
- Cash and cash balances at central banks and other demand deposits	19,158	19,750	(3.0)	20,155	(4.9)
- Financial assets held for trading	9,810	9,068	8.2	9,641	1.8
- Financial assets not designated for trading compulsorily measured at fair value through profit or loss	704	739	(4.7)	822	(14.4)
<i>Equity instruments</i>	232	239	(2.9)	284	(18.3)
<i>Debt securities</i>	145	147	(1.4)	148	(2.0)
<i>Loans and advances</i>	327	353	(7.4)	390	(16.2)
- Financial assets at fair value with changes in other comprehensive income	21,888	20,685	5.8	19,857	10.2
- Financial assets at amortised cost	242,582	240,826	0.7	234,978	3.2
<i>Credit institutions</i>	7,555	7,908	(4.5)	7,091	6.5
<i>Customers</i>	217,967	215,972	0.9	215,090	1.3
<i>Debt securities</i>	17,060	16,946	0.7	12,797	33.3
- Derivatives - Hedge accounting	2,056	1,993	3.2	2,597	(20.8)
- Investments in joint ventures and associates	3,879	3,445	12.6	6,224	(37.7)
- Assets under the insurance business ¹	61,688	61,938	(0.4)	58,194	6.0
- Tangible assets	6,022	6,288	(4.2)	6,480	(7.1)
- Intangible assets	3,848	3,820	0.7	3,805	1.1
- Non-current assets and disposal groups classified as held for sale	1,239	5,501	(77.5)	6,069	(79.6)
- Other assets	13,748	13,698	0.4	13,816	(0.5)
Total assets	386,622	387,751	(0.3)	382,638	1.0
Liabilities	362,564	363,398	(0.2)	358,511	1.1
- Financial liabilities held for trading	9,015	8,618	4.6	8,605	4.8
- Financial liabilities at amortised cost	282,460	284,104	(0.6)	280,897	0.6
<i>Deposits from central banks and credit institutions</i>	37,440	41,004	(8.7)	43,196	(13.3)
<i>Customer deposits</i>	210,200	209,788	0.2	203,608	3.2
<i>Debt securities issued</i>	29,244	29,327	(0.3)	29,919	(2.3)
<i>Other financial liabilities</i>	5,576	3,985	39.9	4,174	33.6
- Liabilities under the insurance business ¹	60,452	60,314	0.2	57,991	4.2
- Provisions	4,610	4,669	(1.3)	5,009	(8.0)
- Other liabilities	6,027	5,693	5.9	6,009	0.3
Equity	24,058	24,353	(1.2)	24,127	(0.3)
- Shareholders' equity	24,836	25,104	(1.1)	23,665	4.9
- Minority interest	29	183	(84.2)	439	(93.4)
- Accumulated other comprehensive income	(807)	(934)	(13.6)	23	
Total liabilities and equity	386,622	387,751	(0.3)	382,638	1.0

NOTE: the balance sheet presented for comparative purposes at 1 January and 30 September 2018 following the adoption of IFRS 9 has been drawn up on the basis of the accounting policies in force at the date of this financial report. Total assets and equity on the balance sheet at 31 December 2017 (i.e. prior to the adoption of IFRS 9) were €383,186 and €24,683 million, respectively.

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

Loans and advances to customers using management criteria

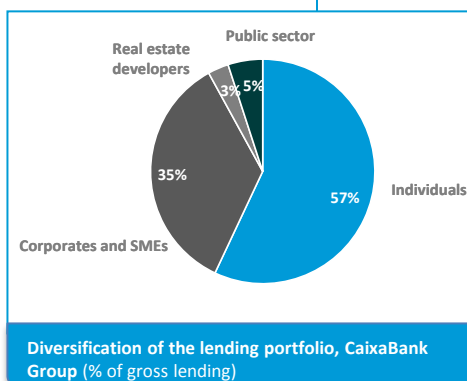
Loans and advances to customers, gross, stood at **€224,693 million**, up 0.3% in the year and up 0.5% in the quarter, with the **performing loan portfolio** gaining 1.8% in 2018 (+1.0% in the quarter).

Highlight changes by segment include:

- **Loans for home purchases** (-2.7% in the year and -0.9% in the quarter) continue to feel the effects of the ongoing household deleveraging process and the seasonal effect in the fourth quarter of end-of-year loan repayments, although indicators for 2018 showed positive growth in new loans.
- **Loans to individuals - other** was up 3.2% in the year and 0.7% in the quarter, largely on the back of consumer lending activity in Spain (+18.7% in the year and 2.7% in the quarter).
- **Financing to the productive sector ex-real estate developers** was up 3.4% in the year (+2.6% in the fourth quarter, which includes the positive seasonal impact associated with the funding of working capital).

The CaixaBank market share¹ for loans to businesses came to 15.0%.

- **Lending to real estate developers** was down 3.8% in the year (-1.2% in the quarter). This type of funding accounted for 3.0% of total lending at 31 December 2018.
- Exposure to the **public sector** fell slightly in the year and in the quarter (-1.1%), although the change was affected by various one-off transactions.



€ million	Dec 31, 2018	Sep 30, 2018	Change %	Dec 31, 2017	Change %
Loans to individuals	127,046	127,601	(0.4)	128,490	(1.1)
Home purchases	91,642	92,456	(0.9)	94,187	(2.7)
Other	35,404	35,145	0.7	34,303	3.2
<i>Of which: Consumer lending in Spain</i>	<i>11,786</i>	<i>11,472</i>	<i>2.7</i>	<i>9,929</i>	<i>18.7</i>
Loans to business	85,785	83,872	2.3	83,463	2.8
Corporates and SMEs	78,956	76,963	2.6	76,362	3.4
Real estate developers	6,829	6,909	(1.2)	7,101	(3.8)
Public sector	11,862	11,992	(1.1)	11,998	(1.1)
Loans and advances to customers, gross²	224,693	223,465	0.5	223,951	0.3
<i>Of which:</i>					
<i>Performing loans</i>	<i>213,962</i>	<i>211,830</i>	<i>1.0</i>	<i>210,154</i>	<i>1.8</i>
Provisions for insolvency risk	(5,728)	(6,296)	(9.0)	(6,832)	(16.2)
Loans and advances to customers, net	218,965	217,169	0.8	217,119	0.9
Contingent Liabilities	14,588	13,787	5.8	13,983	4.3

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

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

Customer funds using management criteria

Customer funds came to **€358,482 million**, up 2.6% in the year despite the effects of the negative market performance, particularly in the fourth quarter (-1.4%).

- On-balance sheet funds totalled €259,423 million (+4.8% in 2018 and +0.3% in the quarter).
 - Demand deposits** were up 9.8% to €174,256 million. The change in the fourth quarter (+1.3%) was partly down to the seasonal effect of year-end double salary payments.
 - Term deposits** totalled €30,724 million (-14.2% in the year and -2.4% in the quarter), against a backdrop of rock-bottom interest rates on renewal of maturities.
 - Liabilities under insurance contracts¹** were up (+4.8% in the year and +0.7% in the quarter) in response to the Bank's intensive commercial efforts.

CaixaBank has cemented its leadership of the savings insurance market, with a share² of 27.3%.

- Assets under management** amounted to €93,951 million. The change here (-2.7% in the year and -5.4% in the quarter) was largely down to the change in market value, especially in the fourth quarter.
 - Assets under management in **mutual funds, managed accounts and SICAVs** stood at €64,542 million (-3.5% in 2018 and -6.3% in the quarter).
 - Pension plans** came to €29,409 million (-0.9% in the year and -3.3% in the quarter).

Stripping out the impact of market performance, assets under management were up 2.4% in the year (-0.6% in the quarter).

CaixaBank has a market share² of 17.0% in investment funds and of 24.1% in pension plans.

- Other accounts includes, among other items, transitional funds associated with transfers and collections.

€ million	Dec 31, 2018	Sep 30, 2018	Change %	Dec 31, 2017	Change %
Customer funds	204,980	203,473	0.7	196,611	4.3
Demand deposits	174,256	172,002	1.3	158,772	9.8
Term deposits ³	30,724	31,471	(2.4)	35,793	(14.2)
Subordinated retail liabilities ⁴				2,046	
Insurance contract liabilities	52,383	52,032	0.7	49,965	4.8
Reverse repurchase agreements and other	2,060	3,263	(36.9)	968	
On-balance sheet funds	259,423	258,768	0.3	247,544	4.8
Mutual funds, managed accounts and SICAVs	64,542	68,912	(6.3)	66,882	(3.5)
Pension plans	29,409	30,426	(3.3)	29,669	(0.9)
Assets under management	93,951	99,338	(5.4)	96,551	(2.7)
Other accounts	5,108	5,515	(7.4)	5,363	(4.8)
Total customer funds⁵	358,482	363,621	(1.4)	349,458	2.6

(3) Includes retail debt securities amounting to €743 million at 31 December 2018.

(4) Full early redemption of the issuance of series I/2012 subordinated bonds in the second quarter of 2018. See section on 'Significant Events in 2018'.

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

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

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

Risk management

Credit risk quality

Non-performing loans

- The **NPL ratio fell to 4.7%** (6.0% at December 2017).
- Non-performing loans fell to €11,195 million in response to the Bank's active management of its NPL's, the normalisation of asset quality indicators and asset portfolio sales in the period. **Non-performing loans were down €3,110 million in the year (€-921 million in the quarter).**



(1) Figures include loans and contingent liabilities.

NPL ratio by segment

	4Q17	1Q18	2Q18	3Q18	4Q18
Loans to individuals	5.2%	5.3%	5.0%	4.9%	4.7%
Home purchases	4.2%	4.2%	4.1%	3.9%	3.8%
Other	7.9%	8.0%	7.4%	7.5%	7.2%
<i>of which: Consumer lending in Spain</i>	4.2%	4.4%	4.1%	4.3%	3.9%
Loans to business	8.3%	7.7%	6.8%	6.3%	5.4%
Corporates and SMEs	7.1%	6.5%	5.8%	5.4%	4.7%
Real estate developers	21.7%	21.1%	17.4%	16.7%	13.7%
Public sector	1.4%	0.8%	0.6%	0.6%	0.4%
NPL Ratio (loans and contingent liabilities)	6.0%	5.8%	5.3%	5.1%	4.7%

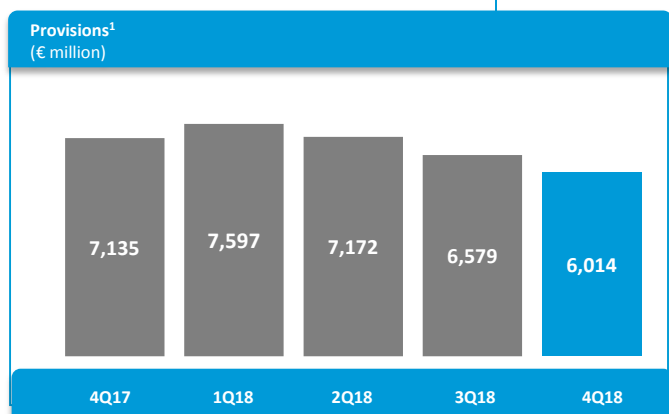
In the second quarter, the NPL ratio was impacted by pension prepayments (pushing up and then decreasing the volume of lending activity in the second and third quarters, respectively). Stripping out this effect, the NPL ratio for "Other" in 2Q18 would have been 7.7%.

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

€ million	4Q17	1Q18	2Q18	3Q18	4Q18
Opening balance	15,286	14,305	13,695	12,714	12,116
Exposures recognized as non-performing (NPL-inflows)	1,235	834	806	886	996
Derecognitions from non-performing exposures	(2,216)	(1,444)	(1,787)	(1,484)	(1,917)
of which written off	(222)	(266)	(201)	(100)	(354)
Closing balance	14,305	13,695	12,714	12,116	11,195

Provisions for insolvency risk

- The Group's provisions for insolvency risk at 31 December totalled €6,014 million.
- Provisions for insolvency risk reflects the entry into force of IFRS 9 on 1 January 2018, which has had the effect of pushing up provisions for credit risks by a total of €791 million. Meanwhile, the change in provisions in the period is largely down to the adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs.



(1) Includes loans and contingent liabilities.

Changes in provisions for insolvency risk

€ million	4Q17	1Q18	2Q18	3Q18	4Q18
Opening balance	7,630	7,135	7,597	7,172	6,579
Charges to provisions	141	139	109	(198)	47
Amounts used	(576)	(399)	(489)	(367)	(584)
Transfers and other changes	(60)	(69)	(45)	(28)	(28)
Application of IFRS 9		791			
Closing balance	7,135	7,597	7,172	6,579	6,014

Classification by stages of gross lending and provisions

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

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

September 30, 2018 € million	Loan book exposure				Provisions			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
Loans and advances	195,836	15,994	11,635	223,465	(1,049)	(690)	(4,557)	(6,296)
Contingent Liabilities	12,693	613	481	13,787	(86)	(21)	(176)	(283)
Total loans and advances and contingent liabilities	208,529	16,607	12,116	237,252	(1,135)	(711)	(4,733)	(6,579)

Refinancing

€ million	Dec 31, 2018		Sep 30, 2018	
	Total	of which: NPL	Total	of which: NPL
Individuals	5,557	3,444	5,692	3,689
Corporates and SMEs	3,371	2,085	3,683	2,262
Real estate developers	1,017	649	1,111	740
Public sector	218	21	219	22
Total	10,163	6,199	10,705	6,713
Provisions	2,501	2,321	2,508	2,308

Foreclosed real estate assets in Spain

- Following completion of the deal to sell the real estate business¹ in the fourth quarter and thanks also to the intensive commercial efforts in the year:
 - The portfolio of net **foreclosed real estate assets available for sale**² came to €740 million (€-5,138 million and €-4,606 million in the year and in the quarter, respectively). **The coverage ratio³ was 39%**, while the coverage ratio with accounting provisions³ was 28%.
 - Meanwhile, the portfolio of **rental property** amounted to €2,479 million, net of provisions, down €551 million in the year, which included the sale of a portfolio of rental real estate assets worth €226 million in the second quarter.
- **Total real estate sales⁴ came to €2,060 million in 2018**, up 28% on the same period of 2017 (+14% stripping out the aforementioned sale of rental assets).

(1) See section on 'Significant Events in 2018'.

(2) Excludes real estate assets in the process of foreclosure (€213 and €275 million, net, at 31 December and 30 September 2018, respectively).

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

(4) At sale price. Exclude the transfer of real estate assets to Lone Star on completion of the deal.

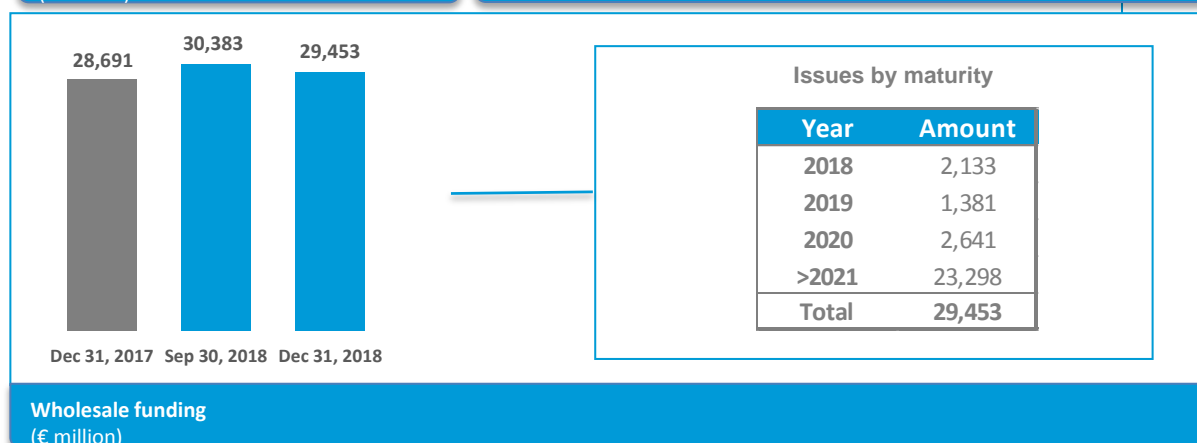
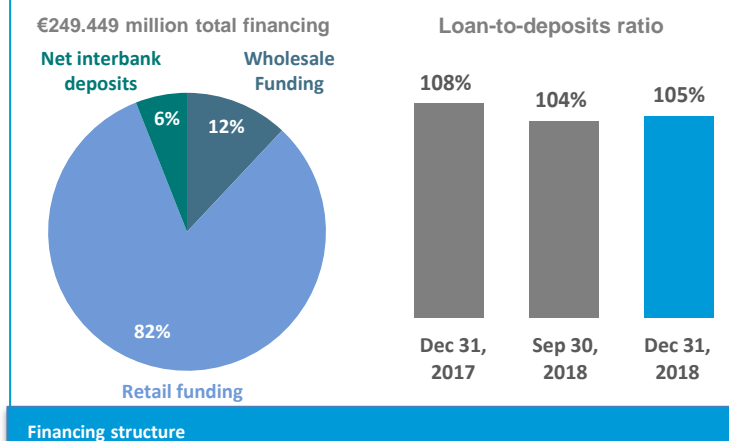
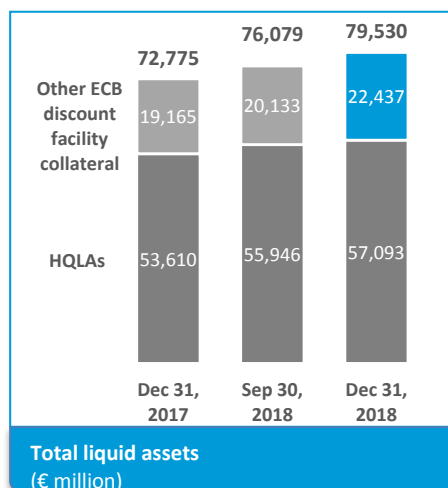
Foreclosed real estate assets available for sale and associated coverage

€ million	Dec 31, 2018				
	Net carrying amount	Coverage	Coverage ³ %	Accounting provisions	Coverage with accounting provisions ³ %
Property acquired related to loans to construction companies and real estate developments	172	(152)	47	(88)	34
Completed buildings	113	(71)	39	(47)	29
Homes	87	(52)	37	(31)	26
Other	26	(19)	42	(16)	38
Buildings under construction	9	(17)	65	(15)	63
Homes	4	(5)	56	(7)	64
Other	5	(12)	71	(8)	62
Land	50	(64)	56	(26)	34
Developed land	33	(39)	54	(12)	27
Other	17	(25)	60	(14)	45
Property acquired related to mortgage loans to homebuyers	414	(238)	37	(134)	24
Other	154	(79)	34	(63)	29
Total	740	(469)	39	(285)	28

€ million	Sep 30, 2018				
	Net carrying amount	Coverage	Coverage ³ %	Accounting provisions	Coverage with accounting provisions ³ %
Property acquired related to loans to construction companies and real estate developments	2,998	(5,721)	66	(3,944)	57
Completed buildings	1,541	(1,629)	51	(1,303)	46
Homes	1,191	(1,145)	49	(939)	44
Other	350	(484)	58	(364)	51
Buildings under construction	325	(537)	62	(446)	58
Homes	256	(411)	62	(355)	58
Other	69	(126)	65	(91)	57
Land	1,132	(3,555)	76	(2,195)	66
Developed land	606	(1,509)	71	(940)	61
Other	526	(2,046)	80	(1,255)	70
Property acquired related to mortgage loans to homebuyers	1,560	(1,236)	44	(907)	37
Other	788	(775)	50	(645)	45
Total	5,346	(7,732)	59	(5,496)	51

Net foreclosed real estate assets at BPI amounted to €27 million at 31 December 2018 (€35 million at 30 September 2018).

Liquidity and financing structure



- **Total liquid assets amounted to €79,530 million** at 31 December 2018, up €6,755 million in the year.
- The Group's average **liquidity coverage ratio (LCR)¹** at 31 December 2018 was **196%**, well clear of the period-end minimum requirement of 100% applicable from 1 January 2018 onward.
- Robust retail lending structure, with a **loan-to-deposits (LTD) ratio** of **105%**.
- The **drawn balance** under the ECB facility at 31 December 2018 was **€28,183 million**, all relating to TLTRO II funding (€-637 million in the year relating to a TLTRO I maturity at BPI in 2018).
- **Institutional financing²** totalled €29,453 million, **with CaixaBank making successful use** of the markets in 2018 to place various debt issuances.
- Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to €2,288 million at 31 December 2018.

(1) Average for the last 12 months.

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

Information on the Group's issuances in 2018

€ million						
Issue	Total amount	Amount	Maturity	Cost ¹	Demand	Issuer
Mortgage covered bonds	1,785	1,000	10 years	1.116 % (midswap +0.22 %)	1,350	CaixaBank
		125	14 years	1.747 % (midswap +0.31%)	Private	CaixaBank
		50	14 years	1.744 % (midswap +0.31%)	Private	CaixaBank
		75	14 years	1.754 % (midswap +0.30%)	Private	CaixaBank
		375	14 years	1.559 % (midswap +0.32 %)	400	CaixaBank
		160	15 years	1.64 % (midswap +0.35%)	Private	CaixaBank
Senior debt	1,000	1,000	5 years and 3 months	0.836 % (midswap +0.48 %)	2,200	CaixaBank
Additional Tier 1	1,250	1,250	Perpetual	5.354 %	3,500	CaixaBank
Subordinate debt issue (Tier 2)	1,000	1,000	12 years	2.323 % (midswap +1.68%)	2,299	CaixaBank
Obrigações hipotecárias	550	250	7 years	Euribor 6 months +0.30%	Private	BPI
		300	4 years	Euribor 6 months +0.30%	Private	BPI
Senior debt non-preferred	1,000	1,000	5 years	1.83 % (midswap +1.45%)	2,250	CaixaBank

(1) Meaning the yield on the issuance.

Following the close of 2018, CaixaBank completed an issuance of €1,000 million in senior non-preferred debt maturing in five years and paying an annual coupon of 2.47% (equivalent to the midswap + 225bp). Demand for the issue has been close to €2,200 million.

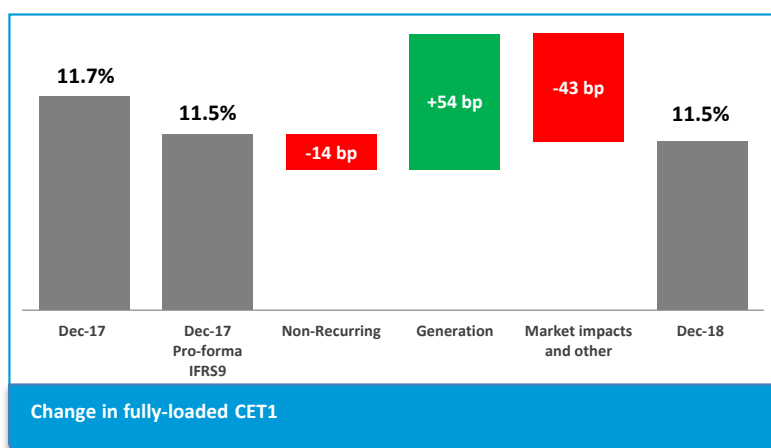
Collateralisation of mortgage covered bonds of CaixaBank, S.A.

€ million		Dec 31, 2018
Mortgage covered bonds issued	a	52,997
Loans and credits (collateral for mortgage covered bonds)	b	90,070
Collateralisation	b/a	170%
Overcollateralisation	b/a -1	70%
Mortgage covered bond issuance capacity²		1,137

(2) CaixaBank S.A. is also able to issue €1,151 million in regional public-sector covered bonds.

Capital management

- The **fully-loaded Common Equity Tier 1 (CET1) stands at 11.5%** at 31 December 2018. If we exclude the negative impact of 14 basis points deriving from extraordinary impacts in the year (acquisition of non-controlling interests at BPI and sale of 80% of the real estate business), the ratio gained 54 basis points from capital generation, but shed 43 basis points due mainly to market volatility and other factors, notably the adjustment made in the third quarter to meet credit risk requirements for the non-performing mortgage portfolio under the TRIM¹ process of the European Central Bank.



- The **fully-loaded Tier 1 ratio was 13.0%**. The Group maintains, since the first quarter of the year, the 1.5% target of AT1 instruments envisioned in Pillar 1 of the capital regulations, which were previously covered totally or in part with CET1.
- Fully-loaded **total capital** came to **15.2%**, following the issuance of €1,000 million in Tier 2 instruments in April 2018, the redemption of an issuance of Tier 2 instruments worth €2,072 million in May (of which €1,574 million are eligible) and the redemption of a further issuance of Tier 2 instruments worth €750 million completed in November (of which €738 million are eligible).
- Meanwhile, the fully-loaded leverage ratio was 5.5%.
- In relation to the subordinated elements and to comply with future MREL requirements, a total of €1,000 million in senior non-preferred debt was issued in October. The ratio of subordinated instruments to RWA, mainly including total capital and senior non-preferred, is 16.8% fully loaded ².
- According to the criteria in force in 2018 for phased-in implementation, regulatory capital and leverage were: **11.7% CET1, 13.3% Tier 1, 15.5% total capital and 5.6 leverage ratio**.
- CaixaBank is also subject to minimum capital requirements** on a non-consolidated basis. The regulatory CET1 ratio under this perimeter is 13.3%, with risk-weighted assets (RWAs) totalling €133,063 million.
- Banco BPI is also compliant with its minimum capital requirements. The bank's regulatory and fully-loaded CET1 ratios have converged in 2018 at a sub-consolidated level, standing at 13.2% at the end of 2018.

(1) Targeted Review of Internal Models.

(2) Expressed pro-forma to include the January 2019 issuance of €1,000 million in senior non-preferred debt, the ratio would be 17.4%.

- 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 31 December 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.

Looking ahead to 2019, these regulatory requirements converge with fully loaded.

- The Group's current ratios show that the requirements imposed on the Group will not trigger any of the automatic restrictions envisaged in applicable capital adequacy regulations relating to payouts of dividends, variable remuneration and interest to holders of Additional Tier 1 capital instruments (there is a margin of 367 basis points, equivalent to €5,389 million, before triggering the Group's regulatory MDA¹).
- CaixaBank's dividend policy satisfies the conditions established by the ECB in its recommendation of 10 January 2019, meaning that it does not limit or confine the Bank in any way.

(1) See definition in Appendices - Glossary.

Performance and key capital adequacy indicators

€ million	BIS III (Regulatory)					
	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Quarter-on-quarter
CET1 Instruments	23,921	23,495	23,302	23,241	23,260	19
Shareholders' equity	24,204	24,374	24,658	25,104	24,836	(268)
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	1,684	704	1,298	1,768	1,985	217
Reserves and other	16,539	17,689	17,379	17,355	16,870	(485)
Other CET1 Instruments ¹	(283)	(879)	(1,356)	(1,863)	(1,576)	287
Deductions from CET	(4,960)	(5,975)	(6,101)	(5,955)	(6,040)	(85)
CET1	18,961	17,520	17,201	17,286	17,220	(66)
AT1 Instruments	999	2,231	2,232	2,233	2,233	
AT1 Deductions	(891)					
TIER 1	19,069	19,751	19,433	19,519	19,453	(66)
T2 Instruments	5,023	4,472	4,153	3,382	3,293	(89)
T2 Deductions	(50)					
TIER 2	4,973	4,472	4,153	3,382	3,293	(89)
TOTAL CAPITAL	24,042	24,223	23,586	22,901	22,746	(155)
<i>Risk-weighted assets</i>	148,872	148,472	147,898	148,969	146,736	(2,233)
<i>CET1 Ratio</i>	12.7%	11.8%	11.6%	11.6%	11.7%	0.1%
<i>Tier 1 Ratio</i>	12.8%	13.3%	13.1%	13.1%	13.3%	0.2%
<i>Total Capital Ratio</i>	16.1%	16.3%	15.9%	15.4%	15.5%	0.1%
<i>MDA Buffer²</i>	5,857	5,549	5,276	5,273	5,389	116
<i>MREL Ratio, subordinated</i>	17.2%	17.5%	16.8%	16.2%	17.0%	0.8%
<i>Leverage Ratio</i>	5.5%	5.8%	5.5%	5.6%	5.6%	(0.0%)
<i>CET1 Ratio - CABK (non consolidated basis)</i>	13.6%	13.2%	12.8%	12.6%	13.3%	0.5%
<i>Tier 1 Ratio CABK (non consolidated basis)</i>	14.1%	14.8%	14.4%	14.2%	15.0%	0.6%
<i>Total Capital Ratio - CABK (non consolidated basis)</i>	17.4%	18.1%	17.5%	16.7%	17.5%	(0.0%)
<i>Risk-weighted assets (non consolidated basis)</i>	138,781	135,660	136,794	137,723	133,063	(3,731)
<i>Profit/loss (non consolidated basis)</i>	1,428	118	510	780	1,163	652
<i>ADIs³</i>	2,235	1,852	1,715	1,972	1,909	194
<i>MDA Buffer² - CABK (non consolidated basis)</i>	9,373	8,944	8,549	8,305	8,960	411
<i>Leverage Ratio - CABK (non consolidated basis)</i>	6.1%	6.4%	6.1%	6.1%	6.2%	0.1%

€ million	BIS III (Fully-loaded)					
	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Quarter-on-quarter
CET1 Instruments	23,967	23,517	23,312	23,250	23,260	10
Shareholders' equity	24,204	24,374	24,658	25,104	24,836	(268)
Capital	5,981	5,981	5,981	5,981	5,981	
Profit attributable to the Group	1,684	704	1,298	1,768	1,985	217
Reserves and other	16,539	17,689	17,379	17,355	16,870	(485)
Other CET1 Instruments ¹	(237)	(857)	(1,346)	(1,854)	(1,576)	278
Deductions from CET	(6,649)	(6,356)	(6,490)	(6,312)	(6,457)	(145)
CET1	17,318	17,161	16,822	16,938	16,803	(135)
AT1 Instruments	999	2,231	2,232	2,233	2,233	
AT1 Deductions						
TIER 1	18,317	19,392	19,055	19,171	19,036	(135)
T2 Instruments	5,023	4,472	4,153	3,382	3,293	(89)
T2 Deductions						
TIER 2	5,023	4,472	4,153	3,382	3,293	(89)
TOTAL CAPITAL	23,340	23,864	23,208	22,553	22,329	(224)
<i>Risk-weighted assets</i>	148,626	148,328	147,754	148,826	146,524	(2,301)
<i>CET1 Ratio</i>	11.7%	11.6%	11.4%	11.4%	11.5%	0.1%
<i>Tier 1 Ratio</i>	12.3%	13.1%	12.9%	12.9%	13.0%	0.1%
<i>Total Capital Ratio</i>	15.7%	16.1%	15.7%	15.2%	15.2%	0.0%
<i>MREL Ratio, subordinated</i>	16.8%	17.2%	16.6%	16.0%	16.8%	0.8%
<i>Leverage Ratio</i>	5.3%	5.7%	5.4%	5.6%	5.5%	(0.0%)

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

(2) The relevant MDA buffer is either the non-consolidated or the consolidated, whichever is lower. The individual MDA figures published in the reports for the first and second quarters of 2018 were re-estimated in the report for the third quarter.

(3) Does not include the share premium.

Segment reporting

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

- **Banking and insurance:** includes all revenues from banking, insurance and asset management within the group, mainly in Spain, as well as liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate centre. It also includes the businesses that CaixaBank acquired from BPI in recent quarters (insurance, asset management and cards).
- **Non-core real estate:** shows the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:
 - Loans to real estate developers classified as non-core.
 - All foreclosed real estate assets (available for sale and rental), most of which are owned by real estate subsidiary BuildingCenter.
 - Other real estate assets and interests.
- **Equity investments:** essentially shows income from dividends and/or profit accounted for using the equity method, net of financing costs, from the Group's interests, as well as gains/(losses) on the financial assets and liabilities held at Erste Group Bank, Repsol, Telefónica, BFA, BCI and Viacer. It also includes the significant impacts on income of other relevant stakes across sectors, incorporated to the Group through recent acquisitions in Spain, as well as the stakes consolidated through BPI.

The results contributed by BPI to the consolidated income statement under the equity method are included through to the effective takeover in February 2017, whereupon a new business segment was created. Meanwhile, the stake in Repsol, following the agreement to sell, and the stake in BFA, after re-estimating the significant influence at year-end 2018, are classified as Financial assets designated at fair value through other comprehensive income.

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

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

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

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

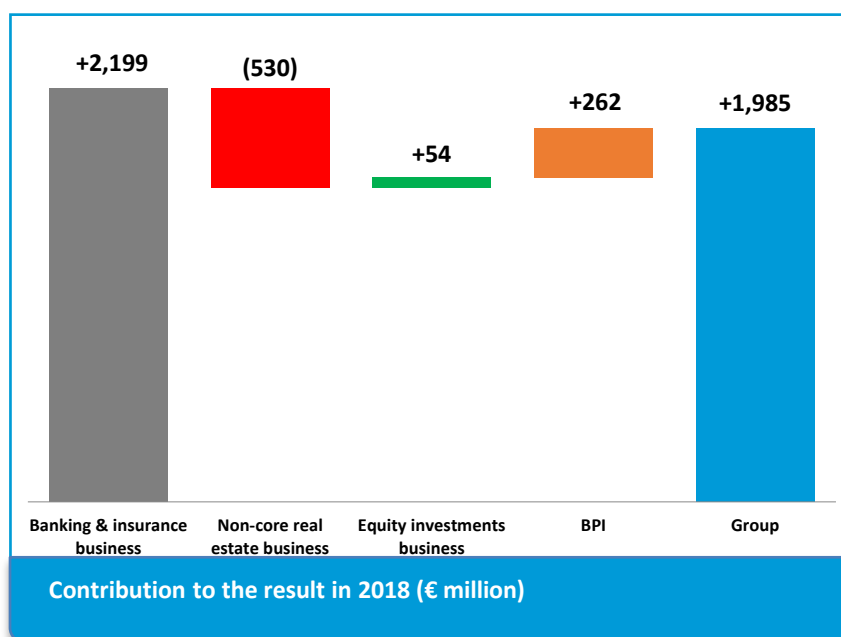
The difference between the Group's total own funds and the capital assigned to the other businesses is attributed to the banking and insurance business, which includes the Group's corporate centre.

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

- Allocation to the equity investments business of BFA, BCI and Viacer mainly, which were previously shown in the BPI business segment.
- Analytical income at the banking and insurance business is no longer charged to the non-core real estate business, in connection with the marketing and sale of assets¹.

The capital gains generated by BPI on selling its asset management and card businesses to CaixaBank have had no impact on the results of the different business segments since they qualify as intragroup operations and are eliminated from consolidated earnings.

Results for 2018 by business segment are as follows:



(1) The gross analytical income charged to the non-core real estate business amounted to €132 million registered in 2017.

€ million	Banking & insurance business	Non-core real estate business	Equity investments	BPI	Group
Net interest income	4,682	(23)	(149)	397	4,907
Dividends and share of profit/(loss) of entities accounted for using the equity method	217	3	746	6	972
Net fee and commission income	2,310	(7)		280	2,583
Gains/(losses) on financial assets and liabilities and others	225	(6)	11	48	278
Income and expense under insurance or reinsurance contracts	551				551
Other operating income and expense	(351)	(147)		(26)	(524)
Gross income	7,634	(180)	608	705	8,767
Recurring administrative expenses, depreciation and amortisation	(4,063)	(118)	(4)	(449)	(4,634)
Extraordinary expenses				(24)	(24)
Pre-impairment income	3,571	(298)	604	232	4,109
Pre-impairment income stripping out extraordinary expenses	3,571	(298)	604	256	4,133
Allowances for insolvency risk	(264)	65		102	(97)
Other charges to provisions	(234)	(240)		4	(470)
Gains/(losses) on disposal of assets and others	(62)	(117)	(607)	51	(735)
Profit/(loss) before tax	3,011	(590)	(3)	389	2,807
Income tax expense	(810)	115	90	(107)	(712)
Profit/(loss) after tax	2,201	(475)	87	282	2,095
Profit/(loss) attributable to minority interest and others	2	55	33	20	110
Profit/(loss) attributable to the Group	2,199	(530)	54	262	1,985

Banking and insurance business

Profit came to €2,199 million, up 32.8% on 2017.

ROTE for the business, stripping out extraordinary impacts, came to 12.3%.

€ million	2018	2017	Change %	4Q18	3Q18	2Q18	1Q18	4Q17
INCOME STATEMENT								
Net interest income	4,682	4,603	1.6	1,179	1,181	1,175	1,147	1,148
Dividend income and share of profit/(loss) of entities accounted for using the equity method	217	191	13.5	36	74	55	52	35
Net fee and commission income	2,310	2,222	4.0	575	583	601	551	549
Gains/(losses) on financial assets and liabilities and others	225	303	(25.8)	(46)	26	186	59	18
Income and expense under insurance or reinsurance contracts	551	472	16.7	132	137	144	138	118
Other operating income and expense	(351)	(212)	65.9	(198)	(25)	(107)	(21)	(202)
Gross income	7,634	7,579	0.7	1,678	1,976	2,054	1,926	1,666
Recurring administrative expenses, depreciation and amortisation	(4,063)	(3,926)	3.5	(1,033)	(1,017)	(1,012)	(1,001)	(981)
Extraordinary expenses		(4)						(1)
Pre-impairment income	3,571	3,649	(2.1)	645	959	1,042	925	684
Pre-impairment income stripping out extraordinary expenses	3,571	3,653	(2.2)	645	959	1,042	925	685
Allowances for insolvency risk	(264)	(865)	(69.5)	(145)	183	(142)	(160)	(185)
Other charges to provisions	(234)	(741)	(68.3)	(99)	(38)	(52)	(45)	(117)
Gains/(losses) on disposal of assets and others	(62)	154		(34)	(9)	(15)	(4)	(80)
Profit/(loss) before tax	3,011	2,197	37.1	367	1,095	833	716	302
Income tax expense	(810)	(536)	50.7	(81)	(302)	(231)	(196)	(74)
Profit/(loss) after tax	2,201	1,661	32.5	286	793	602	520	228
Profit/(loss) attributable to minority interest and others	2	6	(40.9)		1	1		1
Profit/(loss) attributable to the Group	2,199	1,655	32.8	286	792	601	520	227
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%) ¹	2.28	2.19	0.09	2.28	2.27	2.28	2.29	2.19
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	1,328	1,352	(1.8)	334	335	348	311	314
Mutual funds, managed accounts and SICAVs	506	446	13.9	126	131	133	116	119
Pension plans	216	206	5.5	55	54	50	57	60
Sale of insurance products	260	218	18.7	60	63	70	67	56
Net fee and commission income	2,310	2,222	4.0	575	583	601	551	549
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(2,658)	(2,598)	2.3	(663)	(670)	(665)	(660)	(656)
General expenses	(1,104)	(1,000)	10.5	(290)	(273)	(274)	(267)	(258)
Depreciation and amortisation	(301)	(328)	(8.2)	(80)	(74)	(73)	(74)	(67)
Recurring administrative expenses, depreciation and amortisation	(4,063)	(3,926)	3.5	(1,033)	(1,017)	(1,012)	(1,001)	(981)
Extraordinary expenses		(4)						(1)
OTHER INDICATORS								
ROTE ²	12.3%	10.6%	1.7	12.3%	12.2%	12.0%	12.0%	10.6%
Cost-to-income ratio stripping out extraordinary expenses	53.2%	51.8%	1.4	53.2%	52.6%	52.3%	51.6%	51.8%
Cost of risk ³	0.13%	0.41%	(0.3)	0.13%	0.14%	0.32%	0.36%	0.41%
Customers	13.7	13.8	(0.6)	13.7	13.7	13.8	13.8	13.8
Employees ¹	32,552	32,041	1.6	32,552	32,613	32,443	32,210	32,041
Branches ^{1/4}	4,608	4,874	(5.5)	4,608	4,681	4,742	4,815	4,874
of which retail	4,409	4,681	(5.8)	4,409	4,482	4,543	4,618	4,681
ATMs	9,425	9,427	(0.0)	9,425	9,422	9,411	9,394	9,427

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

(2) The 2018 ratio excludes the extraordinary release of provisions in the third quarter (€+193 million, net of tax). Meanwhile, the ratio for 2017 excludes: the result of the business combination with BPI in the first quarter of 2017 (€+256 million), early retirements in the second quarter of 2017 (€-212 million, net of tax) and extraordinary expenses net of tax. The coupon for the part of the AT1 issue assigned to this business has also been deducted.

(3) 0.26% stripping out the extraordinary release of provisions in the third quarter of 2018 (some €+275 million).

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

The following highlights shaped the year-on-year performance of the banking and insurance business (+32.8%):

- **Gross income came to €7,634 million (+0.7%)**, driven by the increase in core income (+3.5%), which offset the positive income reported in 2017 due to the agreement reached with Cecabank and Gains/(losses) on financial assets and liabilities.
 - **Net interest income gained 1.6% to reach €4,682 million**, supported, among other factors, by an improving return on loans, a lower cost of retail deposits and a reduction in income from funding other businesses. The customer spread improved by 9 basis points to 2.28%.
 - **Fee and commission income** climbed to **€2,310 million, up 4.0%** on 2017.
 - **Gains/(losses) on financial assets and liabilities and others** was down 25.8% on 2017.
 - **Income and expense under insurance or reinsurance contracts** gained 16.7% to reach €551 million on the back of intensive sales activity.
- **Other operating income and expense** includes, in both periods, the contributions paid to the Single Resolution Fund and to the Deposit Guarantee Fund. Meanwhile, 2017 includes the positive impact of the agreement reached with Cecabank (€+115 million).
- **Recurring administrative expenses, depreciation and amortisation** came to €4,063 million (+3.5% on 2017).
- **Allowances for insolvency risk** fell to €-264 million (-69.5%), partly in response to the extraordinary release of provisions in 2018 following an improvement in debt recoverability of some €275 million and also because of the one-off provisions posted in 2017.
- **Other charges to provisions** amounted to €-234 million. The year-on-year change was largely down to the fact that fewer early retirements were arranged in 2018.
- **Gains/(losses) on disposals of assets and others** included, in 2017, the result of the business combination with BPI (€256 million) since it derived from a corporate transaction, and also write-downs due to asset obsolescence in the fourth quarter.

The following aspects were largely behind the quarterly change:

- **Net interest income** remained stable (-0.2%) when compared with the third quarter of 2018.
- **Share of profit/(loss) of entities accounted for using the equity method** shows the typical seasonal factors affecting third-quarter earnings at SegurcaixaAdeslas, resulting from a lower accident rate at the health care business.
- **Fees and commissions** were down 1.4% in a quarter that also saw a reduction in **Gains/(losses) on financial assets and liabilities** in response to negative market performance.
- **Other operating income and expense** included, in the fourth quarter, the contribution of €228 million paid to the Deposit Guarantee Fund (DGF).
- **Allowances for insolvency risk** came to €-145 million in the quarter. The third quarter of 2018 shows the extraordinary release of some €275 million in provisions.
- **Other charges to provisions** includes €53 million in connection with early retirements in the fourth quarter.

The following table shows business activity and asset quality indicators at 31 December 2018.

- **Loans and advances to customers, gross, stood at €200,397 million** (+0.2% in the year), while the performing portfolio gained 1.4% in 2018.
- **Customer funds were up 2.7% in the year** to €329,308 million.
- The **NPL ratio** fell to 4.4% (-110 bp), with a **coverage ratio of 51%**.

€ million	Dec 31, 2018	Sep 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets	345,122	342,423	0.8	335,945	2.7
Liabilities	325,497	322,982	0.8	316,427	2.9
Assigned capital	20,437	20,254	0.9	19,540	4.6
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	114,403	114,816	(0.4)	115,973	(1.4)
Home purchases	80,472	81,223	(0.9)	83,089	(3.1)
Other	33,931	33,593	1.0	32,884	3.2
Loans to business	75,793	73,687	2.9	73,476	3.2
Corporates and SMEs	70,688	68,679	2.9	68,377	3.4
Real estate developers	5,105	5,008	1.9	5,099	0.1
Public sector	10,201	10,314	(1.1)	10,541	(3.2)
Loans and advances to customers, gross	200,397	198,817	0.8	199,990	0.2
Of which performing loans	191,310	189,085	1.2	188,691	1.4
Of which non-performing loans	9,087	9,732	(6.6)	11,299	(19.6)
Provisions for insolvency risk	(4,629)	(4,972)	(6.9)	(5,274)	(12.2)
Loans and advances to customers, net	195,768	193,845	1.0	194,716	0.5
Contingent Liabilities	12,719	11,917	6.7	12,162	4.6
CUSTOMERS FUNDS					
Customer funds	182,862	181,934	0.5	175,850	4.0
Demand deposits	160,851	159,119	1.1	146,652	9.7
Term deposits	22,011	22,815	(3.5)	27,153	(18.9)
Subordinated retail liabilities				2,045	
Insurance contract liabilities	52,383	52,032	0.7	49,965	4.8
Reverse repurchase agreements and other	2,044	3,248	(37.1)	955	
On-balance sheet funds	237,289	237,214	0.0	226,770	4.6
Mutual funds, managed accounts and SICAVs	59,455	63,384	(6.2)	60,850	(2.3)
Pension plans	29,408	30,425	(3.3)	29,668	(0.9)
Assets under management	88,863	93,809	(5.3)	90,518	(1.8)
Other accounts	3,156	3,506	(10.0)	3,213	(1.8)
Total customer funds	329,308	334,529	(1.6)	320,501	2.7
ASSET QUALITY					
Non-performing loan ratio (%)	4.4%	4.7%	(0.3)	5.5%	(1.1)
Non-performing loan coverage ratio (%)	51%	51%	0.0	47%	4.0

Insurance activity

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

The following table shows the income statement of the Group's **insurance firms, which came to €663 million, up 4.5%** on the previous year.

€ million	2018	2017	Year-on-year %	4Q18	3Q18	2Q18	1Q18
Net interest income	305	306	(0.2)	78	78	77	72
Dividend income and share of profit/(loss) of entities accounted for using the equity method	171	156	9.7	28	64	38	41
Net fee and commission income	(124)	(103)	20.1	(12)	(33)	(39)	(40)
Gains/(losses) on financial assets and liabilities and others	1	64	(98.4)				1
Income and expense under insurance or reinsurance contracts	551	472	16.7	132	137	144	138
Other operating income and expense	51	31	59.3	45	4		2
Gross income	955	926	3.2	271	250	220	214
Recurring administrative expenses, depreciation and amortisation	(108)	(114)	(5.6)	(27)	(26)	(28)	(27)
Pre-impairment income	847	812	4.4	244	224	192	187
Allowances for insolvency risk	1			1			
Other charges to provisions							
Gains/(losses) on disposal of assets and others	1			1			
Profit/(loss) before tax	849	812	4.7	246	224	192	187
Income tax expense	(186)	(178)	5.1	(50)	(47)	(46)	(43)
Profit/(loss) after tax	663	634	4.5	196	177	146	144
Profit/(loss) attributable to minority interest and others							
Profit/(loss) attributable to the Group	663	634	4.5	196	177	146	144

- **Net interest income** includes the margin on Life Savings products, which remained stable between both years.
- **Share of profit/(loss) of entities accounted for using the equity method** shows the contribution made by SegurcaixaAdeslas, 49.9% of which is owned by VidaCaixa. The heading was up 9.7% in the year. The quarterly change was partly down to the seasonal effects of the third quarter, which typically sees a lower loss experience in the health care business.
- **Fees and commissions¹** is the net result of:
 - The fees and commissions received by VidaCaixa from managing unit-linked products and pension plans.
 - The fees and commissions the Group's insurance firms pay the Group's banks for marketing their products.

The year-on-year change in this heading was largely down to the higher fees paid to the commercial network following the increase in business.
- **Gains/(losses) on financial assets and liabilities and others** included in 2017 the capital gains obtained from the sale of fixed-income instruments by VidaCaixa.
- **Income and expense under insurance contracts**, which shows the margin obtained from the difference between premia and claims on life-risk products, was up 16.7% on the same period of 2017, mainly on the back of an increase in volume of life-risk portfolios under management.

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

Non-core real estate business

The **non-core real estate business** generated losses of **€-530 million** in 2018, which saw various one-off impacts, particularly the repurchase of 51% of real estate servicer Servihabitat and completion of the sale of 80% of the real estate business to Lone Star.

€ million	2018	2017	Change %	4Q18	3Q18	2Q18	1Q18	4Q17
Net interest income	(23)	(71)	(67.7)	(10)	(6)	(6)	(1)	(20)
Dividend income and share of profit/(loss) of entities accounted for using the equity method	3	32	(90.2)	1	(8)	7	3	10
Net fee and commission income	(7)	1		(2)	(2)	(2)	(1)	1
Gains/(losses) on financial assets and liabilities and others	(6)			(6)				
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(147)	(200)	(26.7)	(29)	3	(34)	(87)	(46)
Gross income	(180)	(238)	(24.7)	(46)	(13)	(35)	(86)	(55)
Recurring administrative expenses, depreciation and amortisation	(118)	(105)	12.4	(28)	(31)	(30)	(29)	(28)
Extraordinary expenses								
Pre-impairment income	(298)	(343)	(13.4)	(74)	(44)	(65)	(115)	(83)
Pre-impairment income stripping out extraordinary expenses	(298)	(343)	(13.4)	(74)	(44)	(65)	(115)	(83)
Allowances for insolvency risk	65	34	92.0	10	4	30	21	37
Other charges to provisions	(240)	(172)	39.1	(47)	(7)	(181)	(5)	2
Gains/(losses) on disposal of assets and others	(117)	6		(64)	(2)	(53)	2	(41)
Profit/(loss) before tax	(590)	(475)	23.7	(175)	(49)	(269)	(97)	(85)
Income tax expense	115	155	(25.6)	51	12	22	30	33
Profit/(loss) after tax	(475)	(320)	64.8	(124)	(37)	(247)	(67)	(52)
Profit/(loss) attributable to minority interest and others	55			24	31			
Profit/(loss) attributable to the Group	(530)	(320)	64.8	(148)	(68)	(247)	(67)	(52)

- **Net interest income** shows the financial income obtained from loans to non-core real estate developers, net of the cost of financing real estate assets. The improvement in net interest income in 2018 was largely down to the lower cost of financing the real estate business, most of which is carried out through BuildingCenter.
- The change in **Share of profit/(loss) of entities accounted for using the equity method** can be partly explained by the fact that earnings at Servihabitat were recognised as a discontinued operation following the acquisition of 100% of the company through to the sale of the real estate business.
- The heading **Other operating income and expense** came to €-147 million, down 26.7% due to the elimination from consolidated earnings of the real estate portfolio management and administration costs following the takeover of Servihabitat.
- The positive year-on-year change in **Allowances for insolvency risk** was down to the impact of recoveries.
- **Other charges to provisions** shows the impact in the second quarter of 2018 of the acquisition of the real estate servicer, while in 2017 it shows the write-down on exposure to the Sareb.
- **Gains/(losses) on disposal of assets and others** (€-117 million) includes the proceeds obtained from the sale of real estate assets and the allowances associated with asset valuations. In the second quarter of 2018, it shows the write-down associated with the deal to repurchase Servihabitat, while in the fourth quarter it shows the recognition of the result (including expenses, taxes and other costs) following completion of the sale of the real estate business.
- **Profit/(loss) attributable to minority interest and others** (€-55 million) shows **profit/(loss) from discontinued operations** in relation to Servihabitat's contribution to the consolidated earnings.

The non-core real estate business was down 50.2% in the year:

- **Loans and advances to customers, net** fell by 36.3% in the year due to the ongoing active management of distressed assets.
- **The net portfolio of foreclosed real estate assets available for sale fell to €740 million** (€-5,138 million in 2018).
- **Net foreclosed real estate assets held for rent** came to €2,479 million (€-551 million in 2018), with an occupancy ratio of 88%.
- **Other assets** was up in the fourth quarter after recognising the fair value of 20% of the stake in Coral Homes, S.L., following completion of the deal to sell the real estate business.

€ million	Dec 31, 2018	Sep 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets	5,737	10,338	(44.5)	11,530	(50.2)
Loans and advances to customers, net	735	837	(12.2)	1,154	(36.3)
Other assets	5,002	9,501	(47.4)	10,376	(51.8)
Foreclosed available for sale real estate assets	740	5,346	(86.2)	5,878	(87.4)
Real estate assets held for rent	2,479	2,763	(10.3)	3,030	(18.2)
Other assets	1,783	1,392	28.1	1,468	21.5
Liabilities	5,057	9,250	(45.3)	10,199	(50.4)
Customers deposits	82	80	2.5	87	(5.7)
Other liabilities	719	850	(15.4)	404	78.0
Intra-group financing	4,256	8,320	(48.8)	9,708	(56.2)
Assigned capital	680	1,088	(37.5)	1,331	(48.9)
ACTIVITY					
Loans and advances to customers, gross	1,020	1,255	(18.7)	1,750	(41.7)
Customers funds	87	85	2.4	94	(7.4)
On-balance sheet funds	82	80	2.5	87	(5.7)
Assets under management	5	5		7	(28.6)
ASSET QUALITY					
Non-performing loan ratio (%)	66.0%	70.4%	(4.4)	76.2%	(10.2)
Non-performing loan coverage ratio (%)	41%	45%	(4.0)	42%	(1.0)

Equity investments business

The business contributed total profit of €54 million to Group earnings in 2018.

- Dividend income included €104 million from Telefónica in the second quarter of 2018 and 2017. In the fourth quarter of 2018, it shows a dividend of €23 million accruing on CaixaBank's remaining stake in Repsol.
- The year-on-year change in **Share of profit/(loss) of entities accounted for using the equity method** can be explained by the healthy performance of the investees and, in particular, because of the increased contribution made by BFA following a number of extraordinary impacts in both years:
 - Recognition in January 2017 (prior to CaixaBank's takeover of BPI) of the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), which was largely the result of valuation adjustments due to conversion differences on the income statement, when these had previously been reported in equity.
Recognition of €-68 million in the fourth quarter of 2017 (which included extraordinary impacts of €-119 million), partly because of the need to reflect (in accordance with IAS 29) the estimated impact of Angola's inflationary economy on BFA's financial statements.
 - In 2018, a total of €155 million was recognised to cover the extraordinary impacts of the devaluation of Angola's currency, among other factors.
 - Net attributable profit from BFA came to €51 million in 2018, after deducting the impact of the accounting reclassification, taxes and non-controlling interests.

Attributable profit in the fourth quarter fell to €72 million, largely due to the reduction in extraordinary impacts at BFA and because profit from Repsol was no longer attributed to the Bank.

- Gains/(losses) on financial assets and liabilities and others** includes the repricing of Viacer¹ in the first quarter of 2018 and the dividend pass-through committed under hedge contracts on associate investees in the second quarter.
- Gains/(losses) on disposal of assets and others** included a negative €154 million in the fourth quarter of 2018 due to the change of accounting classification of the stake in BFA.

The third quarter of 2018 included the negative result (€-453 million) due to the agreement to sell the stake in Repsol.

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

€ million	2018	2017	Change %	4Q18	3Q18	2Q18	1Q18	4Q17
Net interest income	(149)	(168)	(12.1)	(32)	(37)	(40)	(40)	(41)
Dividend income	127	106	19.4	23		104		
Share of profit/(loss) of entities accounted for using the equity method	619	310		72	151	182	214	(4)
Net fee and commission income								
Gains/(losses) on financial assets and liabilities and others	11	(44)		1	(7)	(43)	60	(24)
Income and expense under insurance or reinsurance contracts								
Other operating income and expense								
Gross income	608	204		64	107	203	234	(69)
Recurring administrative expenses, depreciation and amortisation	(4)	(4)		(1)	(1)	(1)	(1)	(1)
Extraordinary expenses								
Pre-impairment income	604	200		63	106	202	233	(70)
Pre-impairment income stripping out extraordinary expenses	604	200		63	106	202	233	(70)
Allowances for insolvency risk								
Other charges to provisions		4						4
Gains/(losses) on disposal of assets and others	(607)	5		(154)	(453)			5
Profit/(loss) before tax	(3)	209		(91)	(347)	202	233	(61)
Income tax expense	90	49	82.8	77	5	6	2	27
Profit/(loss) after tax	87	258	(65.8)	(14)	(342)	208	235	(34)
Profit/(loss) attributable to minority interest and others	33	13		1	4	4	24	(10)
Profit/(loss) attributable to the Group	54	245	(77.5)	(15)	(346)	204	211	(24)
ROTE ²	40.1%	15.7%	24.4	40.1%	35.7%	33.7%	30.2%	15.7%

(2) ROTE for 2018 excludes the impact of the agreement to sell Repsol.

€ million	Dec 31, 2018	Sep 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
BALANCE SHEET					
Assets					
Investments (FV with changes in OCI and associated) and other	4,685	4,942	(5.2)	6,894	(32.0)
Liabilities					
Intra-group financing and other liabilities	3,653	3,848	(5.1)	5,306	(31.2)
Assigned capital ¹	1,032	1,069	(3.5)	1,499	(31.2)

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

Further information on BFA

€ million	2018	2017	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Share of profit/(loss) of entities accounted for using the equity method	242	(3)	21	65	56	100	(68)	64	58	(57)
Stripping out extraordinary impacts ²	87	213	16	23	27	21	51	64	58	40
Extraordinary impacts ²	155	(216)	5	42	29	79	(119)			(97)
Gains/(losses) on disposal of assets and others	(154)		(154)							
Others	(7)		1	(2)		(6)				
Contribution by BFA before tax and minority interest	81	(3)	(132)	63	56	94	(68)	64	58	(57)
Attributable net contribution after tax and minority interest	51	(24)	(121)	54	46	72	(52)	49	44	(65)
Other impacts after tax on the equity of the Group ³	(85)	163	142	(61)	(34)	(132)	80			83

(2) The first quarter of 2017 (prior to the takeover of BPI) includes the attributable result deriving from BPI's sale of 2% of its stake in BFA (€-97 million), largely the result of valuation adjustments due to conversion differences, previously reported in equity.

The fourth quarter of 2017 includes, in accordance with IAS 29, an impact of €-76 million after applying the accumulative inflationary effects of the Angolan economy during the year to BFA's financial statements.

In 2018, the extraordinary result was largely a result of the devaluation of Angola's currency. The impact of inflation in 2018 is considered part of the non-extraordinary results generated by BFA.

(3) The amount in the first quarter of 2017 derives from valuation adjustments due to conversion differences, transferred to P&L at the time of the sale by BPI of the 2% stake in BFA.

The fourth quarter of 2017 included, among other effects, the impact of the inflationary situation in Angola (€76 million, gross).

In 2018, it included the impact of the devaluation of Angola's currency, among other factors.

In the fourth quarter of 2018, the Group's significant influence at BFA was restated giving place to the change in the accounting classification of the investee. Following the change, a total of €-142 million in valuation adjustments previously recognised in equity was taken to profit or loss.

BPI

BPI's banking business contributed a total of €262 million to total profit (€104 million in 2017 due to the recognition of certain extraordinary expenses).

The main impacts on earnings¹ were as follows:

- **Pre-impairment income stripping out extraordinary expenses** gained 4.1% year on year thanks to the 4.0% growth in gross income, which outpaced the 3.9% increase in **recurring administrative expenses, depreciation and amortisation**.
- **Allowances for insolvency risk** shows, in the fourth quarter of 2018, a positive impact of €78 million from reviewing the expected credit losses calculated at the time BPI was acquired in February 2017.
- **Gains/(losses) on disposal of assets** shows, in the third quarter of 2018, the result of the sale of the acquiring business (€+58 million), as discussed previously.

ROTE for the business, stripping out extraordinary impacts², was 7.8%.

(1) To ensure that readers fully understand the year-on-year change, please note that figures for 2017 include earnings since the bank's integration in February. Meanwhile, BPI has transferred various businesses to CaixaBank. Accordingly, the earnings of BPI Vida e Pensões are no longer recognised as of 1 January 2018; the earnings of BPI Gestao de Activos and of BPI Global Investment Fund are no longer recognised from April onward; and earnings from the card business are no longer recognised from November.

€ million	2018	2017	Change %	4Q18	3Q18	2Q18	1Q18	4Q17
INCOME STATEMENT								
Net interest income	397	382	4.2	99	101	100	97	109
Dividend income and share of profit/(loss) of entities accounted for using the equity method	6	14	(57.5)	(7)	6	5	2	(2)
Net fee and commission income	280	276	1.7	72	64	69	75	82
Gains/(losses) on financial assets and liabilities and others	48	23		6	11	14	17	1
Income and expense under insurance or reinsurance contracts								
Other operating income and expense	(26)	(18)	43.9		(5)	(18)	(3)	(1)
Gross income	705	677	4.0	170	177	170	188	189
Recurring administrative expenses, depreciation and amortisation	(449)	(432)	3.9	(106)	(113)	(112)	(118)	(114)
Extraordinary expenses	(24)	(106)		(13)	(3)	(5)	(3)	
Pre-impairment income	232	139	65.7	51	61	53	67	75
Pre-impairment income stripping out extraordinary expenses	256	245	4.1	64	64	58	70	75
Allowances for insolvency risk	102	32		88	11	3		7
Other charges to provisions	4	(3)		3	1			(1)
Gains/(losses) on disposal of assets and others	51	(1)		(6)	57			(1)
Profit/(loss) before tax	389	167		136	130	56	67	80
Income tax expense	(107)	(46)		(39)	(34)	(16)	(18)	(28)
Profit/(loss) after tax	282	121		97	96	40	49	52
Profit/(loss) attributable to minority interest and others	20	17	17.6	3	4	4	9	7
Profit/(loss) attributable to the Group	262	104		94	92	36	40	45
INCOME STATEMENT BREAKDOWN								
NET INTEREST INCOME								
Customer spread (%)	1.82	1.84	(0.02)	1.79	1.84	1.84	1.83	1.84
FEE AND COMMISSION INCOME								
Banking services, securities and other fees	167	168	0.2	43	38	43	43	48
Mutual funds, managed accounts and SICAVs	46	45	0.4	11	10	9	16	15
Pension plans	1	7	(90.5)	1				2
Sale of insurance products	66	56	20.0	17	16	17	16	17
Net fee and commission income	280	276	1.7	72	64	69	75	82
ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTISATION								
Personnel expenses	(254)	(245)	4.0	(71)	(62)	(58)	(63)	(66)
General expenses	(158)	(151)	4.6	(26)	(41)	(44)	(47)	(38)
Depreciation and amortisation	(37)	(36)	1.0	(9)	(10)	(10)	(8)	(10)
Recurring administrative expenses, depreciation and amortisation	(449)	(432)	3.9	(106)	(113)	(112)	(118)	(114)
Extraordinary expenses	(24)	(106)		(13)	(3)	(5)	(3)	
OTHER INDICATORS								
ROTE ²	7.8%	9.8%	(2.0)	7.8%	8.2%	9.0%	9.5%	9.8%
Cost-to-income ratio stripping out extraordinary expenses	63.7%	63.8%	(0.1)	63.7%	63.1%	62.5%	63.4%	63.8%
Customers	1.9	1.9	(0.8)	1.9	1.9	1.9	1.9	1.9
Employees	4,888	4,931	(0.9)	4,888	4,898	4,843	4,897	4,931
Branches	495	505	(2.0)	495	495	497	503	505

(2) RoTE 12 months excludes the following net attributable one-off impacts: result on the sale of BPI's acquiring business to Comercia Global Payments (€40 million); the review carried out in the fourth quarter of 2018 (due to the passing of time) in relation to the expected credit losses originally calculated at the time BPI was acquired in February 2017 (€57 million); and the extraordinary expenses and net result of the businesses that CaixaBank has acquired (€2 million).

BPI's balance sheet was up 3.4% in the quarter (+7.8% in the year):

- Loans and advances to customers, gross, came to €23,276 million, down 0.5% in the quarter, impacted by the sale of its card business to CaixaBank (€154 million).
- Customer funds came to €29,087 million**, up 0.3% on the previous quarter on the back of on-balance sheet funds (+2.7%), whereas assets under management were impacted by prevailing market conditions (-8.0% in the quarter).
- BPI's **NPL ratio** fell to 4.2% in the period (-0.9pp in the year), as per the CaixaBank Group's NPL classification criteria.
- The NPL coverage ratio, including the provisions posted by CaixaBank due to business combination, came to 87%. The quarterly change (-5pp) came in response to the aforementioned review of provisions in relation to the business combination.

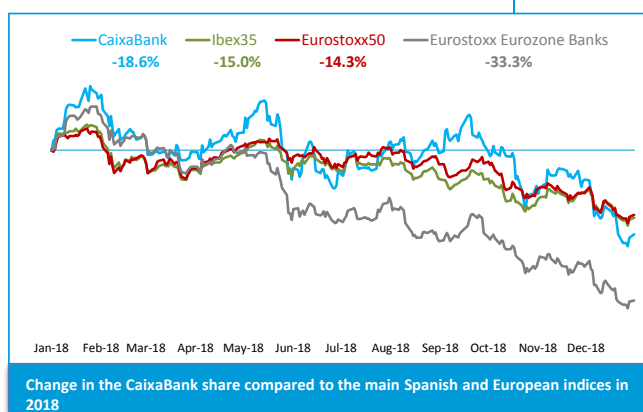
€ million	Dec 31, 18	Sep 30, 18	Quarter-on-quarter %	Dec 31, 17	Year-to-date %
BALANCE SHEET					
Assets	31,078	30,048	3.4	28,817	7.8
Liabilities	28,357	27,318	3.8	26,571	6.7
Assigned capital	2,687	2,693	(0.2)	1,834	46.5
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	12,643	12,785	(1.1)	12,517	1.0
Home purchases	11,170	11,233	(0.6)	11,098	0.6
Other	1,473	1,552	(5.1)	1,419	3.8
Loans to business	8,972	8,930	0.5	8,237	8.9
Corporates and SMEs	8,268	8,284	(0.2)	7,985	3.5
Real estate developers	704	646	9.0	252	
Public sector	1,661	1,678	(1.0)	1,457	14.0
Loans and advances to customers, gross	23,276	23,393	(0.5)	22,211	4.8
Of which performing loans	22,326	22,404	(0.3)	21,095	5.8
Of which non-performing loans	950	989	(3.9)	1,116	(14.9)
Provisions for insolvency risk	(814)	(906)	(10.2)	(962)	(15.4)
Loans and advances to customers, net	22,462	22,487	(0.1)	21,249	5.7
Contingent Liabilities	1,636	1,628	0.5	1,573	4.0
CUSTOMERS FUNDS					
Customer funds	22,036	21,459	2.7	20,674	6.6
Demand deposits	13,334	12,823	4.0	12,054	10.6
Term deposits	8,702	8,636	0.8	8,619	1.0
Subordinated retail liabilities				1	
Reverse repurchase agreements and other	16	15	6.7	13	23.1
On-balance sheet funds	22,052	21,474	2.7	20,687	6.6
Mutual funds, managed accounts and SICAVs ¹	5,083	5,524	(8.0)	6,026	(15.6)
Assets under management	5,083	5,524	(8.0)	6,026	(15.6)
Other accounts	1,952	2,009	(2.8)	2,150	(9.2)
Total customer funds	29,087	29,007	0.3	28,863	0.8
Memorandum items					
Insurance contracts sold ²	4,120	4,162	(1.0)	4,124	(0.1)
ASSET QUALITY					
Non-performing loan ratio (%)	4.2%	4.3%	(0.1)	5.1%	(0.9)
Non-performing loan coverage ratio (%)	87%	92%	(5.0)	87%	

(1) This heading includes the balance of mutual funds managed by BPI Gestao de Activos and BPI Global Investment Fund, which are now owned by CaixaBank Asset Management, although the funds continue to be marketed by BPI.

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

The CaixaBank share

- The **CaixaBank share** ended 31 December 2018 at **€3.164 per share**, down 18.6% in the year, mainly as a result of the stock market slump seen in the last quarter of the year, which knocked 19.7% off the share price. However, the share fared considerably better over the year than the SX7E European banks index, which slid by 33.3% (-18.3% in the fourth quarter of 2018) and the Ibex Banks index, which fell 28.7% in the year (-14.2% in the fourth quarter). Both the Eurostoxx50 (-14.3% in 2018, -11.7% in the fourth quarter) and the Ibex 35 (-15.0% in 2018, -9.0% in the fourth quarter) were heavily impacted by the volatility of bank securities in the period.
- In the fourth quarter of 2018, the **trading volume of the CaixaBank share** in euros was 4.6% up on the previous quarter but 23.4% down on the volume of shares traded in the fourth quarter of 2017. Meanwhile, the number of shares traded was up 14.3% on the third quarter of 2018, but down 15.2% on the fourth quarter of 2017. In annual terms, traded volume in 2018 was down on the level reported in 2017: -17.1% in euros and -15.2% in number of shares.



Key performance indicators for the CaixaBank share

	Dec 31, 2018
Market capitalization (€ million)	18,916
Number of outstanding shares ¹	5,978,625
Share price (€/share)	
Share price at the beginning of the period (December 29, 2017)	3.889
Share price at closing of the period (December 31, 2018)	3.164
Maximum price ²	4.440
Minimum price ²	3.061
Trading volume in 2018 (number of shares, excluding non-recurring transactions, in thousands)	
Maximum daily trading volume	57,592
Minimum daily trading volume	4,569
Average daily trading volume	13,676
Stock market ratios	
Profit attributable to the Group (€ million) (12 months)	1,902
Average number of shares (12 months) ¹	5,978,527
Net income attributable per Share (EPS) (€/share)	0.32
Net equity excluding minority interest (€ million)	24,029
Number of shares at December 31, 2018 ¹	5,978,625
Book value per share (€/share)	4.02
Net equity excluding minority interest (tangible) (€ million)	19,755
Number of shares at December 31, 2018 ¹	5,978,625
Tangible book value per share (€/share)	3.30
PER (Price / Profit)	9.95
TangibleP/BV (Market value/ tangible book value)	0.96
Dividend Yield³	4.74%

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

(2) Share price at close of trading.

(3) Calculated by dividing the yield for the past 12 months (€0.15/share) by the closing price at the end of the period (€3.164/share).

Shareholder remuneration for 2018

- On 22 February 2018, CaixaBank's Board of Directors announced its intention, in accordance with the dividend policy, of remunerating shareholders by paying out at least 50% of net consolidated profit in the form of two cash dividends, payable half-yearly.
- A cash payout of €0.07 per share was made on 5 November 2018, corresponding to the first dividend payment charged to profit for 2018.
- On 31 January 2019, the Board of Directors announced its intention to propose to the Annual General Meeting the payment of an extra cash dividend of €0.10 per share against profit for 2018.
- These two payments would account for 51% of total profit for 2018, in line with the Strategic Plan.

Significant events in 2018

Acquisition of shares in Banco BPI

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

On that same date, CaixaBank announced its intention to request a general shareholders' meeting at Banco BPI to decide on the delisting of the Portuguese bank. CaixaBank offered to buy the shares of all shareholders who voted against the delisting at a price of €1.45 per share. The general meeting approved the delisting on 29 June 2018.

The Portuguese stock market regulator (Comissão do Mercado de Valores Mobiliários, or CMVM for short) then decided that the price should be reviewed by an independent auditor. The independent auditor set the minimum price for CaixaBank's tender offer at €1.47 per share. On 14 December, the CMVM approved the delisting of Banco BPI.

On 27 December, CaixaBank exercised its squeeze-out right to acquire all the shares it did not already own. The consolidated stake in Banco BPI appearing on CaixaBank's financial statements at year-end was 100%.

Early redemption of subordinated bonds

CaixaBank published a significant corporate event on 4 June 2018, announcing that on 8 June 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of Subordinated Bonds Series 1/2012", with a balance amounting to €2,072.3 million. The redemption price was 100% of the nominal outstanding balance, plus any accrued and unpaid coupon.

CaixaBank also filed a significant corporate event on 14 September 2018 to announce that on 14 November 2018 it would effect the full early redemption of the nominal outstanding balance on the "Issuance of subordinated bonds of CaixaBank, S.A., Series 1/2013", for the nominal sum of €750 million. The redemption price was 100% of the nominal outstanding balance of the issuance, plus any accrued and unpaid coupon.

Acquisition of 51% of the share capital of Servihabitat

On 8 June 2018, CaixaBank announced that it had reached an agreement with the company SH Findel, SARL (controlled by TPG Sixth Street Partners) to acquire 51% of the share capital of Servihabitat Servicios Inmobiliarios, S.L. at a price of €176.5 million. The deal was cleared by the authorities and completed on 13 July 2018.

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

Agreement to sell 80% of the real estate business

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

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

CaixaBank conveyed its real estate business to a newco, 80% of which it then sold to Lone Star, while retaining the remaining 20% stake. Under the arrangement, the entire real estate business was valued at roughly €7,000 million.

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

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

After securing the necessary clearance from the corresponding authorities, the deal was completed on 20 December 2018.

The initial purchase price for the 80% stake in the newco (Coral Homes, S.L.) was €3,974 million, giving a valuation for the whole company of €4,967.5 million. The initial price may be raised or lowered in the coming months, depending on a series of variables that are commonly used in this kind of arrangement.

Meanwhile, CaixaBank and other Group companies have entered into an agreement with Servihabitat whereby the latter is to service their present and future real estate assets over a five-year period.

The final overall impact of the transaction (including expenses, taxes and other costs) turned out to be €-48 million, net of tax, while adding 14 basis points to the fully-loaded CET1 ratio.

Agreement to sell the stake in Repsol

On 20 September 2018, the Board of Directors agreed to sell CaixaBank's stake in Repsol, S.A. through a series of sales structured as follows:

- a) Early settlement in September 2018 of the two existing equity swap agreements over 30,547,921 (1.91%) and 43,074,196 (2.70%) shares at €15.39 and €15.55, respectively.
- b) The remaining position of 75,789,715 shares (4.75%) was recognised as Financial assets designated at fair value through other comprehensive income, with all changes and fluctuations to be shown under this heading.

The divestment programme for these shares is expected to be completed by the first quarter of 2019. Selling will be subject to a daily cap of 15% of the volume traded during the day. The number of shares ultimately sold will depend on market conditions and on fetching a share price that ensures that the income obtained represents a fair value for CaixaBank shareholders, among other considerations.

The income statement for the third quarter of 2018 includes a negative result of €-453 million stemming from the deal. Once completed, the divestment programme is expected to have a neutral impact on CET1 fully loaded.

Modification of the agreement to merge with Banca Cívica

On 29 October 2018, CaixaBank announced that all parties had signed a series of amendments to the Merger Agreement between CaixaBank and Banca Cívica, S.A. and to the CaixaBank Shareholders' Agreement, the first of which was signed on 26 March 2012 by Caja de Ahorros y Pensiones de Barcelona, "la Caixa", CaixaBank, S.A., Banca Cívica, S.A. and the savings banks that previously made up Banca Cívica, S.A., and the second on 1 August 2012 between Caja de Ahorros y Pensiones de Barcelona, "la Caixa" and the savings banks that made up Banca Cívica, S.A.

The amendments to these agreements mainly seek to clarify their terms of certain commitments assumed by Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona "la Caixa" to comply with the requirements ratified in March 2016 by the Supervisory Board of the European Central Bank to bring about the prudential deconsolidation of Critería Caixa S.A.U. from CaixaBank. These requirements have effectively led to a reduction in the stake held by Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona "la Caixa" and the ensuing relinquishment of control of CaixaBank.

Results of the stress test on the European banking sector

The CaixaBank Group has taken part in the stress test exercise conducted on the European banking sector in 2018, a process coordinated by the European Banking Authority and supervised by the European Central Bank. The exercise relies on data taken at 31 December 2017 and runs for three years (2018-2020) under two scenarios: baseline and adverse. The following results were obtained:

- Under the adverse scenario, fully-loaded CET1 at 31 December 2020 falls 239 basis points to 9.11%, down from 11.50%, following the first-time adoption of IFRS 9 at 31 December 2017. Under this same scenario, regulatory CET1 is also 9.11%, down from an initial 12.54% following the first-time adoption of IFRS 9 and revealing a reduction of 343 basis points.
- In the baseline scenario, fully-loaded CET1 at 31 December 2020 gains 210 basis points to reach 13.60%, while regulatory CET1 adds 106 basis points.

Appendices

Investment portfolio

Main investees at 31 December 2018:

CaixaBank	%	Business segment
Telefónica	5.00%	Equity investments
Erste Group Bank	9.92%	Equity investments
Repsol ¹	3.66%	Equity investments
SegurCaixa Adeslas	49.92%	Banking and insurance
Comercia Global Payments	49.00%	Banking and insurance
Coral Homes	20.00%	Non-core real estate
Sareb	12.24%	Non-core real estate
BPI	100.00%	BPI
BFA	48.10%	Equity investments
Banco Comercial e de Investimentos (BCI)	35.67%	Equity investments

(1) 3.59% in January 2019 after completing the last scrip dividend payable in cash.

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

Change in Financing for home purchases

Financing for home purchases

€ million	Dec 31, 2017	Sep 30, 2018	Dec 31, 2018
Without mortgage collateral	762	768	751
of which: non-performing	10	7	7
With mortgage collateral	82,327	80,455	79,721
of which: non-performing	3,465	3,185	3,045
Total	83,089	81,223	80,472

Loan-to-value breakdown²

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

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

Loans to real estate developers

Changes in loans to real estate developers¹

€ million	Dec 31, 2018	Weight %	Sep 30, 2018	Weight %	Dec 31, 2017	Weight %
Without mortgage collateral	477	7.9	580	9.3	813	11.9
With mortgage collateral	5,527	92.1	5,662	90.7	6,016	88.1
Completed buildings	3,774	62.9	3,878	62.1	4,336	63.5
Homes	2,556	42.6	2,672	42.8	2,811	41.2
Other	1,218	20.3	1,206	19.3	1,525	22.3
Buildings under construction	1,185	19.7	1,156	18.5	931	13.6
Homes	1,056	17.6	1,037	16.6	840	12.3
Other	129	2.1	119	1.9	91	1.2
Land	568	9.5	628	10.1	749	11.0
Developed land	346	5.8	378	6.1	422	6.2
Other	222	3.7	250	4.0	326	4.7
Total	6,004	100.0	6,242	100.0	6,830	100.0

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

NPLs and coverage for real estate development risk²

€ million	Dec 31, 2018		Sep 30, 2018		Dec 31, 2017	
	Non-performing	Coverage % ³	Non-performing	Coverage % ³	Non-performing	Coverage % ³
Without mortgage collateral	88	85	105	83	137	83
With mortgage collateral	775	44	969	44	1,344	40
Completed buildings	639	37	736	36	970	31
Homes	353	37	403	32	529	29
Other	286	38	333	41	441	34
Buildings under construction	42	79	41	64	43	45
Homes	35	88	33	72	33	51
Other	7	35	8	34	10	23
Land	94	77	192	72	331	64
Developed land	55	59	118	73	185	70
Other	39	103	74	70	146	55
Total	863	48	1,074	48	1,481	44

(2) The surplus value of mortgage collateral to the non-performing real estate developer portfolio at 31 December 2018, 30 September 2018 and 31 December 2017 amounts to €354 million, €482 million and €602 million, respectively.

(3) Total impairment allowances for the real estate developer segment divided by non-performing loans for that segment.

Ratings

Agency	Long-Term ⁴	Short-Term	Outlook	Last review	Rating of covered bonds
S&P Global	BBB+	A-2	Stable	6 April 2018	AA-
Fitch	BBB+	F2	Stable	8 October 2018	
Moody's	Baa1	P-2	Stable	1 August 2018	Aa1
DBRS	A	R-1 (low)	Stable	12 April 2018	AAA

(4) Relates to the rating assigned to the senior preferred long-term debt of CaixaBank.

Glossary

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

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

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

Alternative Performance Measures used by the Group

1. Profitability and cost-to-income:

a) Customer spread

Explanation: difference between:

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

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

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Annualised quarterly income from loans and advances to customers	4,594	4,741	4,741	4,721	4,741
Denominator	Net average balance of loans and advances to customers	209,451	207,592	208,857	208,805	208,608
(a)	Average yield rate on loans (%)	2.19	2.28	2.27	2.26	2.27
Numerator	Annualised quarterly cost of on-balance sheet customers funds	63	69	72	71	79
Denominator	Average balance of on-balance sheet retail customers funds	187,178	190,216	198,910	204,189	203,366
(b)	Average cost rate of retail deposits (%)	0.03	0.04	0.04	0.04	0.04
	Customer spread (%) (a - b)	2.16	2.24	2.23	2.22	2.23

b) Balance sheet spread

Explanation: difference between:

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

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

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Annualised quarterly interest income	7,106	6,915	7,055	6,856	6,959
Denominator	Average total assets for the quarter	387,300	377,143	385,155	388,276	384,500
(a)	Average return rate on assets (%)	1.83	1.83	1.83	1.77	1.81
Numerator	Annualised quarterly interest expenses	2,361	2,036	2,126	1,940	2,055
Denominator	Average total liabilities for the quarter	387,300	377,143	385,155	388,276	384,500
(b)	Average cost of fund rate (%)	0.61	0.54	0.55	0.50	0.53
	Balance sheet spread (%) (a - b)	1.22	1.29	1.28	1.27	1.28

c) ROE

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

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

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Adjusted profit attributable to the Group 12M	1,658	1,946	2,083	1,893	1,902
Denominator	Average equity 12M	23,897	24,058	24,230	24,428	24,600
	ROE (%)	6.9%	8.1%	8.6%	7.7%	7.7%

d) ROTE

Explanation: Quotient between:

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

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

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Adjusted profit attributable to the Group 12M	1,658	1,946	2,083	1,893	1,902
Denominator	Average equity excluding intangible assets 12M	19,679	19,805	19,985	20,187	20,356
	ROTE (%)	8.4%	9.8%	10.4%	9.4%	9.3%

e) ROA

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

Purpose: measures the level of return relative to assets.

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Adjusted net profit 12M	1,693	2,004	2,144	1,942	1,957
Denominator	Average total assets 12M	372,905	377,313	381,431	384,507	383,801
	ROA (%)	0.5%	0.5%	0.6%	0.5%	0.5%

f) RORWA

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

Purpose: measures the return based on risk weighted assets.

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Adjusted net profit 12M	1,693	2,004	2,144	1,942	1,957
Denominator	Regulatory risk-weighted assets 12M	149,060	150,211	149,189	148,644	148,284
	RORWA (%)	1.1%	1.3%	1.4%	1.3%	1.3%

g) Cost-to-income ratio

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

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

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

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Administrative expenses + depreciation and amortisation 12M	4,577	4,628	4,566	4,602	4,658
Denominator	Gross income 12M	8,222	8,591	8,595	8,632	8,767
	Cost-to-income ratio	55.7%	53.9%	53.1%	53.3%	53.1%

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Administrative expenses + depreciation and amortisation stripping out extraordinary expenses	4,467	4,525	4,555	4,590	4,634
Denominator	Gross income 12M	8,222	8,591	8,595	8,632	8,767
	Cost-to-income ratio stripping out extraordinary expenses	54.3%	52.7%	53.0%	53.2%	52.9%

2. Risk management:

a) Cost of risk

Explanation: total allowances for insolvency risk (12 months) divided by average lending, gross, plus contingent liabilities, using management criteria.

Purpose: indicator used to monitor and track the cost of insolvency allowances on the loan book.

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Total allowances for insolvency risk 12M	799	689	575	191	97
Denominator	Average of gross loans + contingent liabilities 12M	236,772	237,648	237,292	237,202	237,253
	Cost of risk (%)	0.34%	0.29%	0.24%	0.08%	0.04%

The ratio for 4Q18 and 3Q18, if we strip out the extraordinary release of €275 million in provisions carried out in the third quarter of 2018, would be 0.16% and 0.20%, respectively.

b) Non-performing loan ratio

Explanation: quotient between:

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

Purpose: indicator used to monitor and track the change and quality of the loan portfolio.

		4Q17	1Q18	2Q18	3Q18	4Q18
Numerator	Non-performing loans and advances to customers + contingent liabilities	14,305	13,695	12,714	12,116	11,195
Denominator	Total gross loans to customers + contingent liabilities	237,934	236,218	239,180	237,252	239,281
	Non-performing loan ratio (%)	6.0%	5.8%	5.3%	5.1%	4.7%

c) Coverage ratio

Explanation: quotient between:

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

Purpose: indicator used to monitor NPL coverage via provisions.

	4Q17	1Q18	2Q18	3Q18	4Q18
Numerator Provisions on loans to customers + contingent liabilities	7,135	7,597	7,172	6,579	6,014
Denominator Non-performing loans and advances to customers + contingent liabilities	14,305	13,695	12,714	12,116	11,195
Coverage ratio (%)	50%	55%	56%	54%	54%

d) Real estate available for sale coverage ratio

Explanation: quotient between:

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

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

	4Q17	1Q18	2Q18	3Q18	4Q18
(a) Gross debt cancelled at the foreclosure	14,112	13,999	13,480	13,078	1,209
(b) Net book value of the foreclosed asset	5,878	5,810	5,553	5,346	740
Numerator Total coverage of the foreclosed asset (a - b)	8,234	8,189	7,927	7,732	469
Denominator Gross debt cancelled at the foreclosure	14,112	13,999	13,480	13,078	1,209
Real estate available for sale coverage ratio (%)	58%	58%	59%	59%	39%

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

Explanation: quotient between:

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

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

	4Q17	1Q18	2Q18	3Q18	4Q18
Numerator Accounting provisions of the foreclosed assets	5,811	5,780	5,612	5,496	285
(a) Net book value of the foreclosed asset	5,878	5,810	5,553	5,346	740
(b) Accounting provisions of the foreclosed assets	5,811	5,780	5,612	5,496	285
Denominator Gross book value of the foreclosed asset (a + b)	11,689	11,590	11,165	10,842	1,025
Real estate available for sale accounting coverage (%)	50%	50%	50%	51%	28%

3. Liquidity:

a) Total liquid assets

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

Purpose: shows the Bank's liquidity position.

	4Q17	1Q18	2Q18	3Q18	4Q18
(a) High Quality Liquid Assets (HQLAs)	53,610	54,026	61,940	55,946	57,093
(b) Available balance under the ECB facility (non- HQLAs)	19,165	19,190	17,952	20,133	22,437
Total liquid assets (a + b)	72,775	73,216	79,892	76,079	79,530

b) Loan-to-deposits:

Explanation: quotient between:

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

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

	4Q17	1Q18	2Q18	3Q18	4Q18
Numerator Loans and advances to customers, net (a-b-c)	211,769	210,789	213,782	212,445	214,370
(a) Loans and advances to customers, gross	223,951	223,249	225,744	223,465	224,693
(b) Provisions for insolvency risk	6,832	7,299	6,878	6,296	5,728
(c) Brokered loans	5,350	5,161	5,084	4,724	4,595
Denominator On-balance sheet customers funds	196,611	197,296	208,654	203,473	204,980
Loan to Deposits (%)	108%	107%	102%	104%	105%

Other relevant indicators:

EPS (Earnings per share): profit attributable to the Group¹ for the last 12 months divided by the average number of shares outstanding.

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

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

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

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

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

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

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

P/BV: share price divided by book value.

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

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

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

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

OCI: other comprehensive income.

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

Adapting the layout of the public income statement to management format

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

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

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

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

Operating expenses. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Pre-impairment income.

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

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

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

of which: Allowances for insolvency risk.

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

of which: Other charges to provisions.

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

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

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

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

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

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross

December 2018	
€ million	
Financial assets at amortised cost - Customers (Public Balance Sheet)	217,967
Reverse repurchase agreements (public and private sector)	(320)
Clearing Houses	(1,003)
Other, non-retail, financial assets	(475)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	327
Other, non-retail, financial assets	(273)
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	2,096
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	646
Provisions for insolvency risk	5,728
Loans and advances to customers (gross) using management criteria	224,693

Liabilities under the insurance business

December 2018	
€ million	
Liabilities under the insurance business (Public Balance Sheet)	60,452
Capital gains/(losses) under the insurance business (excluding unit linked)	(8,069)
Liabilities under the insurance business, using management criteria	52,383

Customer funds

December 2018	
€ million	
Financial liabilities at amortised cost - Customers deposits (Public Balance Sheet)	210,200
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customers deposits)	(3,903)
Multi-issuer covered bonds and subordinated deposits	(2,987)
Counterparties and other	(916)
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	743
Retail issues and other	743
Liabilities under insurance contracts, using management criteria	52,383
Total on-balance sheet customer funds	259,423
Assets under management	93,951
Other accounts ¹	5,108
Total customer funds	358,482

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

Institutional issuances for banking liquidity purposes

December 2018	
€ million	
Financial liabilities at amortised cost - Debt securities (Public Balance Sheet)	29,244
Institutional financing not considered for the purpose of managing bank liquidity	(2,777)
Securitised bonds	(1,820)
Value adjustments	(331)
Retail	(743)
Issues acquired by companies within the group and other	117
Customer deposits for the purpose of managing bank liquidity²	2,986
Institutional financing for the purpose of managing bank liquidity	29,453

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

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

December 2018

€ million

Non-current assets and disposal groups classified as held for sale (Public Balance Sheet)	1,239
Other assets	(514)
Inventories in the heading - Other assets (Public Balance Sheet)	15
Foreclosed available for sale real estate assets	740
Tangible assets (Public Balance Sheet)	6,022
Tangible assets for own use	(3,209)
Other assets	(334)
Foreclosed rental real estate assets	2,479

Reconciliation with the financial information released by BPI:

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

December 2018 € million	Published by BPI	Attributable to Group	Business	
			BPI	Equity Investments
Net interest income	423	391	397	(6)
Dividend income	2	2	2	
Share of profit/(loss) of entities accounted for using the equity method	272	269	4	265
Net fee and commission income	278	280	280	
Gains/(losses) on financial assets and liabilities and others	77	106	48	58
Other operating income and expense	(14)	(26)	(26)	
Gross income	1,038	1,022	705	317
Recurring administrative expenses, depreciation and amortisation	(435)	(449)	(449)	
Extraordinary expenses	(24)	(24)	(24)	
Pre-impairment income	579	549	232	317
Pre-impairment income stripping out extraordinary expenses	603	573	256	317
Allowances for insolvency risk	45	102	102	
Other charges to provisions	3	4	4	
Gains/(losses) on disposal of assets and others	(69)	(103)	51	(154)
Profit/(loss) before tax	558	552	389	163
Income tax expense	(131)	(118)	(107)	(11)
Profit/(loss) from discontinued operations (net)	64			
Profit/(loss) after tax	491	434	282	152
Profit/(loss) attributable to minority interest and others		54	20	34
Profit/(loss) attributable to the Group	491	380	262	118

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

Meanwhile, the earnings attributable to the Group are presented in the BPI business segment and the equity investments business, the latter including the contribution by BFA and BCI.

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

December 2018			
€ million	Published by BPI	Adjustments	BPI segment
Total customer funds	33,195	(4,108)	29,087

The difference between the funds reported by BPI and those reported by CaixaBank for the BPI business can largely be explained by the fact that the liabilities under insurance contracts and their fair value adjustments at 31 December 2018, as generated by the business combination, have been reported in the banking and insurance business following the sale of BPI Vida to VidaCaixa de Seguros y Reaseguros.

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

December 2018			
€ million	Published by BPI	Adjustments	BPI segment
Loans and advances to customers, net	22,952	(490)	22,462

The difference between loans and advances to customers, net, reported by BPI and those reported by CaixaBank for its BPI business is largely down to the associated fair value adjustments generated by the business combination at 31 December 2018.

Historical income statement figures for the CABK and BPI perimeters

a) Quarterly performance of the income statement and solvency ratios:

€ million	CABK				
	4Q18	3Q18	2Q18	1Q18	4Q17
Net interest income	1,138	1,139	1,131	1,108	1,088
Dividend income	24		115	5	
Share of profit/(loss) of entities accounted for using the equity method	77	147	175	158	107
Net fee and commission income	573	581	599	550	550
Gains/(losses) on financial assets and liabilities and others	(52)	22	143	59	(6)
Income and expense under insurance or reinsurance contracts	132	137	144	138	118
Other operating income and expense	(227)	(22)	(141)	(108)	(248)
Gross income	1,665	2,004	2,166	1,910	1,609
Recurring administrative expenses, depreciation and amortisation	(1,062)	(1,049)	(1,043)	(1,031)	(1,010)
Extraordinary expenses					(1)
Pre-impairment income	603	955	1,123	879	598
Pre-impairment income stripping out extraordinary expenses	603	955	1,123	879	599
Allowances for insolvency risk	(135)	187	(112)	(139)	(148)
Other charges to provisions	(146)	(45)	(233)	(50)	(111)
Gains/(losses) on disposal of assets and others	(98)	(464)	(68)	(2)	(116)
Profit/(loss) before tax	224	633	710	688	223
Income tax expense	35	(277)	(199)	(153)	(22)
Profit/(loss) after tax	259	356	511	535	201
Profit/(loss) attributable to minority interest and others	23	33			1
Profit/(loss) attributable to the Group	236	323	511	535	200
<i>Risk-weighted assets</i>	129,593	131,785	130,872	131,772	131,982
<i>Fully-loaded Common Equity Tier 1 (CET1)</i>	11.2%	11.2%	11.2%	11.6%	11.6%
<i>Fully-loaded total capital</i>	15.3%	15.2%	15.9%	16.4%	15.9%
<i>CET1</i>	11.5%	11.4%	11.5%	11.9%	12.7%

€ million	BPI				
	4Q18	3Q18	2Q18	1Q18	4Q17
Net interest income	98	100	98	95	108
Dividend income		1	1		1
Share of profit/(loss) of entities accounted for using the equity method	24	75	62	108	(69)
Net fee and commission income	72	64	69	75	82
Gains/(losses) on financial assets and liabilities and others	7	8	14	77	1
Income and expense under insurance or reinsurance contracts					
Other operating income and expense		(5)	(18)	(3)	(1)
Gross income	201	243	226	352	122
Recurring administrative expenses, depreciation and amortisation	(106)	(113)	(112)	(118)	(114)
Extraordinary expenses	(13)	(3)	(5)	(3)	
Pre-impairment income	82	127	109	231	8
Pre-impairment income stripping out extraordinary expenses	95	130	114	234	8
Allowances for insolvency risk	88	11	3		7
Other charges to provisions	3	1			(1)
Gains/(losses) on disposal of assets and others	(160)	57			(1)
Profit/(loss) before tax	13	196	112	231	13
Income tax expense	(27)	(42)	(20)	(29)	(20)
Profit/(loss) after tax	(14)	154	92	202	(7)
Profit/(loss) attributable to minority interest and others	5	7	9	33	(3)
Profit/(loss) attributable to the Group	(19)	147	83	169	(4)
<i>Risk-weighted assets</i>	16,931	17,041	16,882	16,556	16,644
<i>Fully-loaded Common Equity Tier 1 (CET1)¹</i>	13.2%	13.1%	12.8%	11.2%	12.3%
<i>Fully-loaded total capital¹</i>	15.0%	14.8%	14.6%	13.0%	14.0%
<i>CET1¹</i>	13.2%	13.1%	12.8%	11.2%	13.2%

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

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

€ million	CAIXABANK														
	4Q18			3Q18			2Q18			1Q18			4Q17		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	19,625	42	0.86	21,691	42	0.77	20,342	40	0.80	16,548	42	1.02	23,685	45	0.76
Loans and advances	(a) 187,960	1,096	2.31	188,222	1,089	2.30	188,518	1,084	2.31	187,589	1,075	2.32	189,587	1,061	2.22
Fixed income securities portfolio	31,421	85	1.08	30,178	85	1.12	29,533	90	1.23	28,511	79	1.12	27,283	78	1.13
Other assets with returns	54,478	416	3.03	54,667	393	2.85	55,369	431	3.12	52,152	400	3.11	50,777	494	3.86
Other assets	63,961	3		65,443	6		63,645	4		65,947	4		64,451	4	
Total average assets	(b) 357,445	1,642	1.82	360,201	1,615	1.78	357,407	1,649	1.85	350,747	1,600	1.85	355,783	1,682	1.88
Financial Institutions	37,596	(50)	0.53	38,690	(50)	0.51	39,194	(48)	0.49	40,746	(43)	0.43	55,628	(49)	0.35
Retail customer funds	(c) 182,176	(14)	0.03	183,070	(13)	0.03	177,878	(13)	0.03	170,204	(12)	0.03	166,878	(11)	0.03
Demand deposits	158,563	(11)	0.03	157,517	(9)	0.02	152,429	(9)	0.02	144,243	(9)	0.03	139,538	(10)	0.03
Maturity deposits	23,614	(3)	0.06	25,553	(4)	0.06	25,449	(4)	0.06	25,960	(3)	0.04	27,340	(1)	0.01
Time deposits	20,827	(3)	0.06	22,492	(4)	0.07	23,368	(4)	0.07	24,463	(3)	0.04	26,080	(1)	0.01
Retail repurchase agreements and marketable debt securities	2,786			3,061			2,081			1,498			1,260		
Wholesale marketable debt securities & other	25,415	(62)	0.97	25,666	(63)	0.97	26,926	(64)	0.95	27,785	(68)	0.99	26,375	(70)	1.05
Subordinated liabilities	5,723	(21)	1.44	6,150	(24)	1.55	7,404	(33)	1.77	6,113	(32)	2.14	5,946	(34)	2.28
Other funds with cost	63,100	(352)	2.21	63,557	(320)	2.00	63,780	(356)	2.24	63,023	(328)	2.11	57,122	(422)	2.93
Other funds	43,435	(5)		43,068	(6)		42,225	(4)		42,876	(9)		43,834	(8)	
Total average funds	(d) 357,445	(504)	0.56	360,201	(476)	0.53	357,407	(518)	0.58	350,747	(492)	0.57	355,783	(594)	0.67
Net interest income		1,138		1,139			1,131			1,108			1,088		
Customer spread (%)	(a-c)	2.28		2.27			2.28			2.29			2.19		
Balance sheet spread (%)	(b-d)	1.26		1.25			1.27			1.28			1.21		

€ million	BPI														
	4Q18			3Q18			2Q18			1Q18			4Q17		
	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %	Average balance	Income or expense	Rate %
Financial Institutions	1,942	3	0.63	2,304	3	0.46	2,053	2	0.42	1,041	2	0.69	1,471	3	0.75
Loans and advances	(a) 20,815	100	1.90	20,584	101	1.94	20,340	98	1.93	20,005	95	1.92	19,865	97	1.93
Fixed income securities portfolio	4,946	13	1.08	5,382	13	0.97	5,132	14	1.09	4,950	12	0.96	5,634	8	0.58
Other assets with returns															
Other assets	3,303	4		3,303	2		3,423	2		3,408	2		6,338	6	
Total average assets	(b) 31,006	120	1.54	31,573	119	1.50	30,948	116	1.51	29,404	111	1.53	33,308	114	1.36
Financial Institutions	4,065	(2)	0.15	5,217	(1)	0.06	4,894	(1)	0.05	4,285	(2)	0.15	3,877	(2)	0.22
Retail customer funds	(c) 21,756	(6)	0.11	21,510	(5)	0.10	21,404	(5)	0.09	20,494	(5)	0.09	20,304	(5)	0.09
Demand deposits	13,123			12,867			12,825			11,943			11,755		
Maturity deposits	8,633	(6)	0.28	8,644	(5)	0.25	8,579	(5)	0.23	8,551	(5)	0.22	8,549	(5)	0.22
Time deposits	8,633	(6)	0.28	8,644	(5)	0.25	8,579	(5)	0.23	8,551	(5)	0.22	8,549	(5)	0.22
Retail repurchase agreements and marketable debt securities				(1)											
Wholesale marketable debt securities & other	520	(4)	3.38	275	(4)	6.15	275	(4)	6.52	462	(2)	2.01	694	(3)	1.93
Subordinated liabilities	300	(4)	5.55	300	(4)	5.55	300	(4)	5.54	301	(4)	5.53	359	(4)	4.88
Other funds with cost													4,130	11	(1.06)
Other funds	4,365	(6)		4,271	(5)		4,075	(4)		3,862	(3)		3,944	(3)	
Total average funds	(d) 31,006	(22)	0.29	31,573	(19)	0.25	30,948	(18)	0.24	29,404	(16)	0.22	33,308	(6)	0.08
Net interest income		98		100			98			95			108		
Customer spread (%)	(a-c)	1.79		1.84			1.84			1.83			1.84		
Balance sheet spread (%)	(b-d)	1.25		1.25			1.27			1.31			1.28		

c) Quarterly change in fees and commissions:

€ million	CAIXABANK				
	4Q18	3Q18	2Q18	1Q18	4Q17
Banking services, securities and other fees	332	333	346	310	315
Mutual funds, managed accounts and SICAVs	126	131	133	116	119
Pension plans	55	54	50	57	60
Sale of insurance products	60	63	70	67	56
Net fee and commission income	573	581	599	550	550

€ million	BPI				
	4Q18	3Q18	2Q18	1Q18	4Q17
Banking services, securities and other fees	43	38	43	43	48
Mutual funds, managed accounts and SICAVs	11	10	9	16	15
Pension plans	1				2
Sale of insurance products	17	16	17	16	17
Net fee and commission income	72	64	69	75	82

d) Quarterly change in administrative expenses, depreciation and amortisation:

€ million	CAIXABANK				
	4Q18	3Q18	2Q18	1Q18	4Q17
Gross income	1,665	2,004	2,166	1,910	1,609
Personnel expenses	(673)	(679)	(674)	(668)	(663)
General expenses	(294)	(279)	(280)	(270)	(260)
Depreciation and amortisation	(95)	(91)	(89)	(93)	(87)
Recurring administrative expenses, depreciation and amortisation	(1,062)	(1,049)	(1,043)	(1,031)	(1,010)
Extraordinary expenses					(1)

€ million	BPI				
	4Q18	3Q18	2Q18	1Q18	4Q17
Gross income	201	243	226	352	122
Personnel expenses	(60)	(62)	(58)	(63)	(66)
General expenses	(37)	(41)	(44)	(47)	(38)
Depreciation and amortisation	(9)	(10)	(10)	(8)	(10)
Recurring administrative expenses, depreciation and amortisation	(106)	(113)	(112)	(118)	(114)
Extraordinary expenses	(13)	(3)	(5)	(3)	

e) Changes in the NPL ratio:

	CAIXABANK			BPI		
	Dec 31, 2018	Sep 30, 2018	Dec 31, 2017	Dec 31, 2018	Sep 30, 2018	Dec 31, 2017
Loans to individuals	4.8%	5.0%	5.3%	3.9%	4.0%	4.7%
Home purchases	3.8%	3.9%	4.2%	3.8%	3.9%	4.6%
Other	7.3%	7.6%	8.0%	4.2%	4.7%	5.6%
Loans to business	5.5%	6.4%	8.5%	5.1%	5.3%	6.4%
Corporates and SMEs	4.7%	5.5%	7.2%	4.6%	4.8%	5.9%
Real estate developers	14.1%	17.1%	21.6%	10.7%	12.1%	23.8%
Public sector	0.4%	0.7%	1.6%		0.1%	
NPL Ratio (loans and contingent liabilities)	4.7%	5.2%	6.1%	4.2%	4.3%	5.1%

Activity indicators by region

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

Spain

€ million	Dec 31, 2018	Sep 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	114,275	114,816	(0.5)	115,973	(1.5)
Home purchases	80,472	81,223	(0.9)	83,089	(3.1)
Other	33,803	33,593	0.6	32,884	2.8
Loans to business	76,141	74,310	2.5	74,442	2.3
Corporates and SMEs	70,016	68,047	2.9	67,593	3.6
Real estate developers	6,125	6,263	(2.2)	6,849	(10.6)
Public sector	10,201	10,314	(1.1)	10,541	(3.2)
Loans and advances to customers, gross	200,617	199,440	0.6	200,956	(0.2)
CUSTOMERS FUNDS					
Customer funds	183,558	182,400	0.6	176,468	4.0
Demand deposits	161,418	159,450	1.2	147,109	9.7
Term deposits	22,140	22,950	(3.5)	27,314	(18.9)
Subordinated retail liabilities				2,045	
Insurance contract liabilities	48,263	47,870	0.8	45,841	5.3
Reverse repurchase agreements and other	2,044	3,248	(37.1)	955	
On-balance sheet funds	233,865	233,518	0.1	223,264	4.7
Mutual funds, managed accounts and SICAVs	59,275	63,235	(6.3)	61,077	(3.0)
Pension plans	26,589	27,606	(3.7)	26,941	(1.3)
Assets under management	85,864	90,841	(5.5)	88,018	(2.4)
Other accounts	3,156	3,506	(10.0)	3,213	(1.8)
Total customer funds	322,885	327,865	(1.5)	314,495	2.7

Portugal

€ million	Dec 31, 2018	Sep 30, 2018	Quarter-on-quarter %	Dec 31, 2017	Year-to-date %
LOANS AND ADVANCES TO CUSTOMERS					
Loans to individuals	12,771	12,785	(0.1)	12,517	2.0
Home purchases	11,170	11,233	(0.6)	11,098	0.6
Other	1,601	1,552	3.2	1,419	12.8
Loans to business	9,644	9,562	0.9	9,021	6.9
Corporates and SMEs	8,940	8,916	0.3	8,769	2.0
Real estate developers	704	646	9.0	252	
Public sector	1,661	1,678	(1.0)	1,457	14.0
Loans and advances to customers, gross	24,076	24,025	0.2	22,995	4.7
CUSTOMERS FUNDS					
Customer funds	21,422	21,073	1.7	20,143	6.3
Demand deposits	12,838	12,552	2.3	11,663	10.1
Term deposits	8,584	8,521	0.7	8,479	1.2
Subordinated retail liabilities				1	
Insurance contract liabilities	4,120	4,162	(1.0)	4,124	(0.1)
Reverse repurchase agreements and other	16	15	6.7	13	23.1
On-balance sheet funds	25,558	25,250	1.2	24,280	5.3
Mutual funds, managed accounts and SICAVs	5,267	5,677	(7.2)	5,805	(9.3)
Pension plans	2,820	2,820		2,728	3.4
Assets under management	8,087	8,497	(4.8)	8,533	(5.2)
Other accounts	1,952	2,009	(2.8)	2,150	(9.2)
Total customer funds	35,597	35,756	(0.4)	34,963	1.8

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This report contains a number of the Alternative Performance Measures (APMs) set out in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) ("the ESMA Guidelines") so as to provide a clearer picture of the company's financial performance and situation. Please be advised that these APMs have not been audited. These measures constitute additional information and should be treated accordingly. In no event are they intended to replace the financial information drawn up in accordance with International Financial Reporting Standards (IFRS). 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. Please consult the report for further details of the APMs used. The report also provides a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

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