

CaixaBank reports a net profit of €1,768 million in the first nine months of 2018, an 18.8% increase

- **The Group's results are based on revenue growth**, with gross income up 6.3% to €6,901 million, driven by strong performance of the core banking business revenue (€6,183 million, up 4.5%).
- **Net interest income rose 3.4%, to €3,671 million**; fee and commission income stood at €1,938 million (up 3.8%); and income and expenses related to insurance and reinsurance contracts climbed 18.2% to €419 million.
- **Non-performing loans are down €2,189 million in the year** (€598 million in the quarter) **with the NPL ratio falling to 5.1%** (6.4% in September 2017). The coverage ratio rises to 54%.
- **Customer funds grow to €363,621 million (€14,163 million in 2018, up 4.1%)**; total loans and advances to customers stand at €223,465 million and remains stable, while the performing loan portfolio grows 0.8% (up €1,676 million).
- **CaixaBank strengthens its leadership in mutual funds, with a market share of 17%**, and grows its assets under management in the quarter to €99,338 million.

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- **Profitability of the CaixaBank Group (ROTE) climbed to 9.4%** – within the 9%-11% target range envisioned in the Strategic Plan for 2018, while recurring ROTE from the banking and insurance business segment was 12.2%, yielding a result of €1,913 million.
 - The contribution of **BPI's domestic business to the results amounted to €168 million**. The total contribution by BPI, including its investees, was €399 million.
 - **The income statement of the third quarter includes a loss of €453 million** from the sale agreement of CaixaBank's stake in Repsol. On 30 September, this stake stands at 4.59%.
 - **Loan loss provisions risk and other charges dropped 74.1%** to €377 million, compared to the same period in 2017, which included a number of one-off impacts in connection with early retirements and write-downs on the Sareb exposure.
 - **The CaixaBank Group reported a fully-loaded Common Equity Tier 1 capital (CET1) ratio of 11.4%**, despite the extraordinary impact of the repurchase of minority interests in BPI and a 51% of Servihabitat. After the expected sale of 80% of the real estate business and the disposal of the remaining stake in Repsol, the CET1 ratio would stand at 11.7%.

Valencia, 26 October 2018.- The CaixaBank Group, the number one retail bank in Spain with Jordi Gual as Chairman and Gonzalo Gortázar as CEO, reported a net attributable profit of €1,768 million in the first nine months of 2018 (+18.8% year-on-year).

Driving this growth were strong core revenues, increased earnings at BPI, lower provisions and cost discipline.

Strong performance of the core revenues (up 4.5% to €6,183 million)

Core revenues (net interest income, fees, insurance business revenues, equity accounting of SegurCaixa Adeslas and the stake in BPI Bancaseguros) increased by 4.5%, with total revenues up 6.3%.

Figures for <u>CaixaBank Group</u> in €M	9M-18	YoY	
Net interest income	3,671	3.4%	CABK Group Core revenues¹ +4.5% <ul style="list-style-type: none"> ▪ +2.7% business volume growth²
Net fees and commissions	1,938	3.8%	
Income and exp. from insurance	419	18.2%	Other revenues: extraordinary impacts <ul style="list-style-type: none"> ▪ BFA: negative impact in 2017 and positive in 2018 ▪ Viacer disposal in 2018
Other revenues	873	21.5%	
Dividends and equity accounted	847	38.0%	
Trading income	323	13.0%	
Other operating income & expenses	(297)	63.9%	
Gross income	6,901	6.3%	

NOTE: 9M18, includes 9 months of BPI vs. 9M17 that only included 8 months (February-September)

⁽¹⁾ Net interest income + net fees and commissions + income and expenses from insurance + equity accounted income from SCA + other bancassurance BPI associates

⁽²⁾ Customer funds + performing loans (excluding NPLs). YoY (September 2018 vs. September 2017)

Recurring administrative expenses, depreciation and amortisation grew by 3.7%, but were outpaced by core income growth.

BPI's business in Portugal contributed to the results a total of €168 million (€59 million in the first nine months of 2017). Including BPI's investees, the total contribution by the Portuguese bank stood at €399 million.

Profitability at the CaixaBank Group (ROTE) improved to 9.4% – within the 9%-11% target range envisioned in the Strategic Plan for 2018, while recurring ROTE from the banking and insurance business segment was 12.2%, yielding a result of €1,913 million.

Net interest income climbs to €3,671 million (up 3.4%)

The Group's net interest income has increased to €3,671 million (up 3.4% year-on-year) driven by a higher return on lending activity, intensive management of retail financing and cost savings on institutional financing.

Fee and commission income climbed to €1,938 million, up 3.8% with respect to the same period in the previous year. While banking services, securities and other fees were down 4%, fees on mutual funds continued to grow (+16.3%), as did fees on pension plans (+7.4%) and fees on sales of insurance products (+23.4%) following a steady increase in commercial activity and assets under management.

Extraordinary impacts on the results of equity investments

The equity investment business added €69 million to the Group's profit (this includes negative earnings of €453 million from the sale of the stake in Repsol and does not include the results of the stakes included in the banking and insurance business).

Income from the total investee portfolio stands at €847 million. This includes dividend income, mainly at Telefónica, and earnings at entities accounted using the equity method, such as Erste Bank, SegurCaixa Adeslas, BFA and Repsol (not including the impact of the sale of stake in the latter).

Trading income climbed to €323 million following the materialisation of unrealised capital gains on financial assets available for sale, and the adjustments made to the selling price of BPI's stake in Viacer, among other impacts.

Other operating income and expense (-€297 million) includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and levies and taxes. Year-on-year comparison with 2017 includes earnings of €115 million from the agreement with Cecabank in the second quarter of 2017.

Agreement to sell the stake in Repsol

Gains/(losses) on disposal of assets and others essentially comprises the results of completed one-off transactions and proceeds on asset sales and write-downs mainly relating to the real estate portfolio.

This quarter includes negative impact of €453 million from the agreement to sale CaixaBank's stake of 9.36% in Repsol, following early settlement of two *equity swaps* and recording the remaining entry as "Financial assets designated at fair value through other global profit or loss". Therefore, after the entry into force of the standard IFRS9 and in accordance with the Group's accounting policy, the oscillations in the contribution of financial investments recorded under this heading will be recorded in assets (Other Comprehensive Income) and they will not have an effect on the income statement.

The sale agreement, announced on 20 September, also included a schedule for the sale of the remaining position in Repsol of 4.75%, with completion expected before the close of the first quarter of 2019. The sales will have a daily limit of a maximum of 15% of the trading volume during the day. On 30 September, this stake stands at 4.59%.

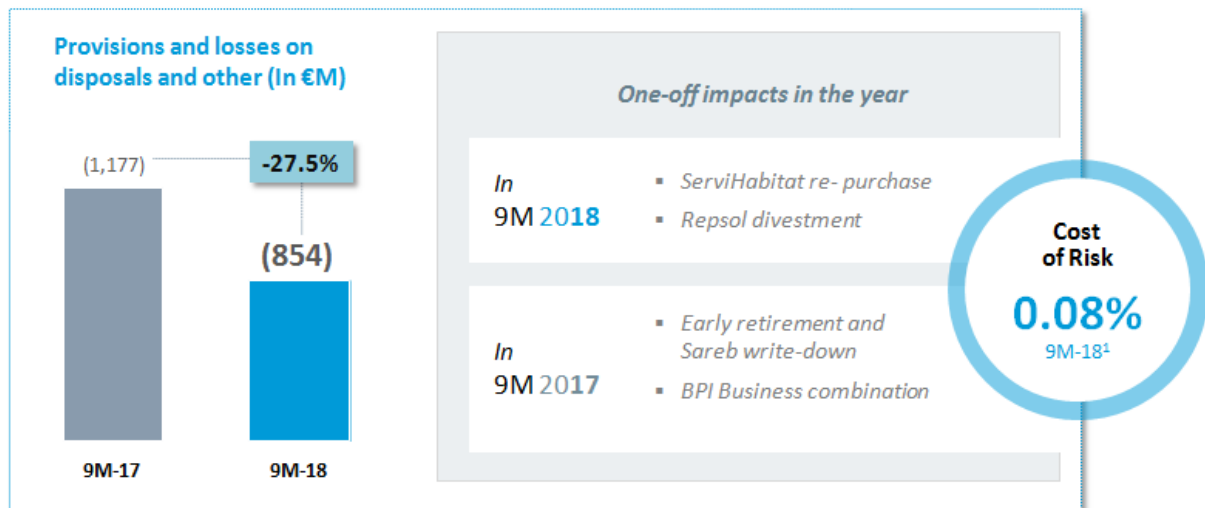
Reduction in insolvency allowances

During the process of normalisation of asset activity indicators, loan loss provisions risk and other charges dropped 74.1% with respect to the same period in 2017, to €377 million.

This heading includes impairment losses on financial assets, which decreased to €50 million, down 92.5% year-on-year, including one-off incomes.

It also includes other charges to provisions, which fell by 58.9%, to €327 million. A provision of €152 million was posted for the second quarter, due to the repurchase of Servihabitat.

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



NOTE: 9M18, includes 9 months of BPI vs. 9M17 that only included 8 months (February-September)
⁽¹⁾ Calculated as allowances in last 12 months on loan portfolio average. Includes a provision release (~ € 275 M) derived from the adjustment to fair value of a single large exposure. Excluding such one-off release, the cost of risk would be 0.20%

The NPL ratio of the Group falls to 5.1%

The NPL ratio of the CaixaBank Group fell to 5.1% (6.4% in September 2017 and 6% in December 2017). Non-performing loans dropped to €12,116 million (- €598 and - €2,189 million in the quarter and from December, respectively), after active management that includes the sale of portfolios.

The coverage ratio increased to 54% (+ 4pp in the year due to various impacts, including the adoption of IFRS 9, which required the Bank to post €791 million in credit risk provisions).

Deconsolidation of the real estate business

During the second quarter of 2018, CaixaBank agreed to sell its real estate business (for the most part, this includes the portfolio of real estate assets available for the sale on 31 October 2017, as well as 100% of the share capital of Servihabitat) to a newly created company, of which 80% is owned by Lone Star and 20% by CaixaBank. The close of this operation will actively deconsolidate the real estate business and the expected impact on the income statement is expected to be neutral.

The estimated net book value of the real estate assets portfolio available for the sale on 30 September 2018, excluding the properties included in the perimeter of the operation, is €608 million.

Total real estate sales amount to €1,572 million (+50%)

Total real estate sales in 2018 came to €1,572 million (+50% versus the same period of 2017), and includes the sale of a rental portfolio for €226 million (+28% excluding the latter). Net foreclosed assets held for rent fell to €2,763 million.

The non-core real estate business generated a negative impact of €382 million in the first nine months due to the repurchase of 51% of Servihabitat (- €204 million). Third quarter losses have been reduced to €68 million.

Solid solvency standing

The CaixaBank Group obtained a fully-loaded Common Equity Tier 1 capital (CET1) ratio of 11.4% at 30 September, within the target band set for the Strategic Plan 2015-2018 (11%-12%).

NPLs		Liquidity		Solvency (Fully-loaded ratios)		
- € 2.2 Bn	5.1%	€ 76.1 Bn	193%		SEP-18	Proforma ²
NPL stock ytd	NPL Ratio	Liquid Assets	LCR Ratio ¹ (100% minimum)	CET1	11.4%	11.7%
				Capital Total	15.2%	15.6%

Figures for CaixaBank Group

⁽¹⁾ Average 12 months

⁽²⁾ Proforma RE sale and total Repsol divestment.

Excluding the impact of -38 basis points due to extraordinary movements during the first nine months (first-time adoption of IFRS 9, the repurchase of 51% of Servihabitat and purchase of minority interests in BPI), growth up until September has been +54 basis points due to organic generation of capital and -43 basis points mostly caused by market volatility and other impacts, among which adjustment to credit risk requirements of the non-performing mortgage portfolio are included in the third quarter, derived from the TRIM (Targeted Review of Internal Models) process of the European Central Bank.

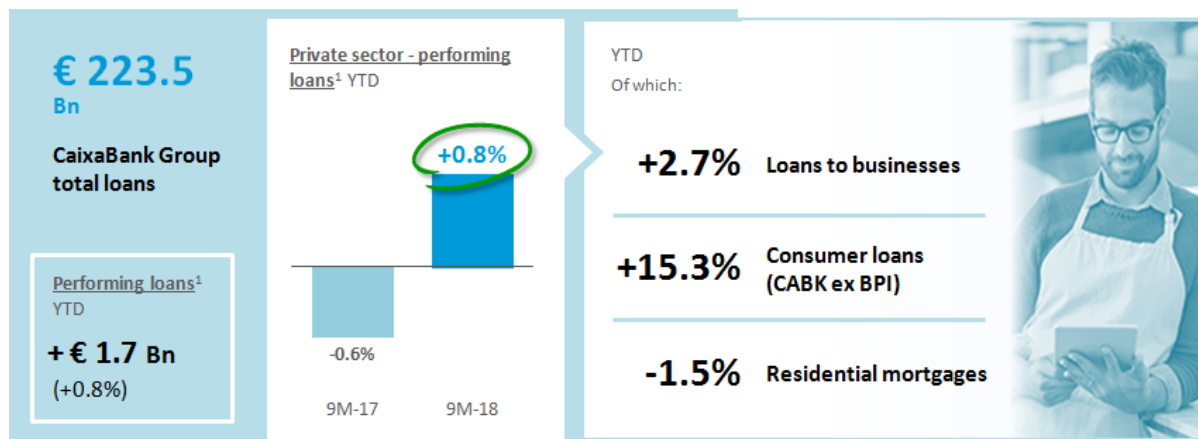
After the expected sale of 80% of the real estate business and the disinvestment of the remaining stake in Repsol, the CET1 ratio would stand at 11.7%.

Growth in lending and customer resources

Gross loans and advances to customers for the Group stand at €223,465 million and remains stable (-0.2% in the year) and the private-sector performing portfolio has grown 0.8% in 2018 (vs. -0.6% in the first nine months of 2017).

Performing loans for home purchases (-1.5% year to date, and -0.6% in the quarter) continue to feel the effects of the household deleveraging process in a quarter marked by the usual seasonal nature of August, although the outstanding balance is falling at a slower pace. In fact, new production of mortgage loans improved 9% with respect to the same period of 2017.

Consumer loans in Spain grew throughout the year (up 4.2% in the quarter and + 15.3% in the year), as well as financing to companies – productive sectors (excluding real estate developers), which increased by 1.8% in the quarter (up 2.7% in the year).



⁽¹⁾ Gross loans – Non performing loans

Customer funds grew to €363,621 million at the close of September 2018, up 4.1% (€14,163 million), with an increase of 4.5% in on-balance sheet funds.

Total funds for the quarter fell (-0.7%) due to the usual seasonal nature of the previous quarter and double salary payments, among others. Demand deposits fell by 2.2% while time deposits dropped by 3.7% against a backdrop of rock-bottom interest rates.

On the other hand, assets under management increased to €99,338 million (2.9% in the year and 1% in the quarter), despite market volatility from the beginning of the year.

Continuing the trend in recent quarters, there was a significant increase in assets under management in mutual funds, portfolios and SICAVS, amounting to €68,912 million (up 0.9% in the quarter), mostly due to new subscriptions. Pension plans stand at €30,426 million (+ 1.3% in the quarter). CaixaBank continues to lead in the mutual funds market, with a share of 17%, and in pension plans, with a share of 24.2%.

Digital performance benchmark: the largest base of digital customers in Spain; 6.1 million

The company continues to strengthen its leadership in digital banking, boasting the largest base of digital customers in Spain: market share of 32%; 6.1 million digital customers (58% of total CaixaBank customers in Spain) and 5.2 million customers in mobile banking.

Digitalisation lets the Bank continue to focus on providing quality advice, with 13,170 qualified advisor-managers. To give an example, some 70% of premier banking and private banking customers now have an advisory services contract.



Throughout the year, the company has distributed SmartPc among all its employees and has attained 100% of digitalised processes.

At the end of March, CaixaBank launched the digital advisory service in investments, which is integrated in its online banking service, Smart Money. This service proposes investment portfolios starting from 500 euros according to customer risk profiles and objectives. Currently, 4,750 clients have contracted these fund portfolios, with an average investment of 5,500 euros and a total of €26 million.

CaixaBank was recently named Best Digital Bank in Western Europe by the British magazine *Euromoney*, and it has been awarded a prize by The Banker and by the Bank Administration Institute (BAI) for its mobile application, 'CaixaBank Now App', which recognises digital transformation and commitment to technological innovation.

Key Group figures

€ million / %	January - September		Year-on-year	3Q18	Quarter-on-quarter
	2018	2017			
INCOME STATEMENT					
Net interest income	3,671	3,550	3.4%	1,239	0.7%
Net fee and commission income	1,938	1,867	3.8%	645	(3.3%)
Gross income	6,901	6,491	6.3%	2,247	(6.0%)
Recurring administrative expenses, depreciation and amortisation	(3,466)	(3,343)	3.7%	(1,162)	0.6%
Pre-impairment income stripping out extraordinary expenses	3,435	3,148	9.1%	1,085	(12.2%)
Pre-impairment income	3,424	3,039	12.7%	1,082	(12.1%)
Profit/(loss) attributable to the Group	1,768	1,488	18.8%	470	(20.8%)
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	53.3%	53.1%	0.2	53.3%	0.2
Cost-to-income ratio stripping out extraordinary expenses	53.2%	51.8%	1.4	53.2%	0.2
ROE	7.7%	6.6%	1.1	7.7%	(0.9)
ROTE	9.4%	8.0%	1.4	9.4%	(1.0)
ROA	0.5%	0.4%	0.1	0.5%	(0.1)
RORWA	1.3%	1.1%	0.2	1.3%	(0.1)
OTHER INDICATORS					
BALANCE SHEET					
Total assets	387,751	383,186	1.2%	396,117	(2.1%)
Equity	24,353	24,683	(1.3%)	24,099	1.1%
Customer funds	363,621	349,458	4.1%	366,163	(0.7%)
Loans and advances to customers, gross	223,465	223,951	(0.2%)	225,744	(1.0%)
RISK MANAGEMENT					
Non-performing loans (NPL)	12,116	14,305	(2,189)	12,714	(598)
Non-performing loan ratio	5.1%	6.0%	(0.9)	5.3%	(0.2)
Cost of risk (last 12 months)	0.08%	0.34%	(0.26)	0.24%	(0.16)
Provisions for insolvency risk	6,579	7,135	(556)	7,172	(593)
NPL coverage ratio	54%	50%	4	56%	(2)
Net foreclosed available for sale real estate assets ¹	5,346	5,878	(532)	5,553	(207)
Foreclosed available for sale real estate assets coverage ratio	59%	58%	1	59%	-
LIQUIDITY					
Total Liquid Assets	76,079	72,775	3,304	79,892	(3,813)
Loan to deposits	104%	108%	(4)	102%	2
Liquidity Coverage Ratio (last 12 months)	193%	185%	8	199%	(6)
CAPITAL ADEQUACY					
Fully-loaded Common Equity Tier 1 (CET1) ²	11.4%	11.7%	(0.3)	11.4%	-
Fully-loaded Tier 1	12.9%	12.3%	0.6	12.9%	-
Fully-loaded total capital	15.2%	15.7%	(0.5)	15.7%	(0.5)
Fully-loaded Risk-Weighted Assets (RWAs)	148,826	148,626	200	147,754	1,072
Fully-loaded leverage ratio	5.6%	5.3%	0.3	5.4%	0.2
SHARE INFORMATION					
Share price (€/share)	3.938	3.889	0.049	3.706	0.232
Market capitalization	23,544	23,248	296	22,157	1,387
Book value per share (€/share)	4.04	4.06	(0.02)	4.00	0.04
Tangible book value per share (€/share)	3.33	3.35	(0.02)	3.29	0.04
Net income attributable per share (€/share) (12 months)	0.32	0.28	0.04	0.35	(0.03)
PER (Price/Profit)	12.44	14.02	(1.58)	10.64	1.80
Tangible PBV (Market value/ book value of tangible assets)	1.18	1.16	0.02	1.13	0.05
OTHER DATA (units)					
Employees	37,511	36,972	539	37,286	225
Branches ³	5,176	5,379	(203)	5,239	(63)

(1) Exposure in Spain. Excluding the real estate assets to be sold off with the real estate business, the portfolio would amount to €608 million at 30 September 2018.

(2) The pro-forma ratio including the sale of the real estate business and the remaining divestment at Repsol would come to 11.7%.

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

Results

The Group's Income statement

Year-on-year performance

€ million	9M18	9M17	Change	%
Net interest income	3,671	3,550	121	3.4
Dividend income	122	126	(4)	(3.8)
Share of profit/(loss) of entities accounted for using the equity method	725	488	237	48.8
Net fee and commission income	1,938	1,867	71	3.8
Gains/(losses) on financial assets and liabilities and others	323	287	36	13.0
Income and expense under insurance or reinsurance contracts	419	354	65	18.2
Other operating income and expense	(297)	(181)	(116)	63.9
Gross income	6,901	6,491	410	6.3
Recurring administrative expenses, depreciation and amortisation	(3,466)	(3,343)	(123)	3.7
Extraordinary expenses	(11)	(109)	98	(90.3)
Pre-impairment income	3,424	3,039	385	12.7
Pre-impairment income stripping out extraordinary expenses	3,435	3,148	287	9.1
Allowances for insolvency risk	(50)	(658)	608	(92.5)
Other charges to provisions	(327)	(800)	473	(58.9)
Gains/(losses) on disposal of assets and others	(477)	281	(758)	
Profit/(loss) before tax	2,570	1,862	708	38.1
Income tax expense	(720)	(336)	(384)	
Profit/(loss) after tax	1,850	1,526	324	21.3
Profit/(loss) attributable to minority interest and others	82	38	44	
Profit/(loss) attributable to the Group	1,768	1,488	280	18.8