

CaixaBank earns €1.57 billion in the first half of the year, up 17.1% on a like-for-like basis, following a sharp increase in commercial activity and synergies arising from the merger

- **Revenues from services offset the 3.6% decline in net interest income thanks to a strong commercial performance**, keeping overall revenues stable.
- **Earnings growth comes on the back of** a 5.6% reduction in recurring expenses due to the **synergies unlocked from the merger** and a 16.8% reduction in **loan-loss provisions**.
- As a result, **ROTE is 7.9%**, in line with that of the same period of 2021 (8%).
- **Performing loans rise 3.2% in the year to date**, following a significant increase in new loan production. **Mortgage production grows 58%** year on year to reach €5.93 billion. **In the companies segment, the portfolio climbs 5% in the year and the market share widens to 23.9%**.
- **Customer funds remain stable at €624.09 billion (+0.7%)**, despite the value losses incurred from the prevailing market volatility. **Highlights in the first half of the year include net sales of €19.98 billion in deposits, savings insurance and assets under management**. The market share in mutual funds climbs 27 basis points in the year to reach 24.8%.
- **In the insurance market, protection solutions for customers continue to perform well**. The *MyBox* offering accounts for the new production in the first half of the year, with growth of 25% in life-risk premiums and 44% in non-life policies.
- **Gonzalo Gortazar, CEO of CaixaBank**, highlights that “we are extremely pleased by the strong growth of our commercial activity, which reflects our ability and willingness to support the financing needs of families and enterprises.”
- **The NPL ratio falls sharply in the year to date** to reach just 3.2%, its lowest level since December 2008 (3.6% at 31 December 2021), with NPL coverage ratio improving to 65%. In addition, non-performing loans fall by 8.9%.
- **Comfortable levels of capital and liquidity**. The **CET1 ratio stands at 12.4%, well above the minimum requirement**, after deducting the full impact of the share buyback programme, which is currently under way and could reach up to a maximum of €1.8 billion. Meanwhile, **total liquid assets** amount to €162.85 billion.

Valencia, 29 July 2022. The CaixaBank Group posted an attributable net profit of €1.57 billion in the first half of 2022, up 17.1%, on a like-for-like basis, on the same period of the previous year. Reported profit increased 23.1%, excluding the extraordinary effects arisen from the Bankia merger.

The earnings growth comes in response to strong commercial activity. The decline in net interest income was offset by revenues from services, coupled with a reduction in costs thanks to the synergies arising from the merger and lower provisions.

When taking into account the impacts generated by the merger, profit fell by 62.4% year-on-year, as profit for the first half of 2021 stood at €4.18 billion, which included a net positive contribution for accounting purposes of €4.3 billion from negative goodwill.

At 30 June 2022, the CaixaBank Group had total assets of €704.51 billion, thus reinforcing its leadership in the domestic market with strong balance sheet and financial and commercial performances. In this context, profitability (ROTE, trailing 12 months, excluding extraordinary merger items) stood at 7.9%, while the cost-to-income ratio ended the period at 56.1%.

Gonzalo Gortazar, CEO of CaixaBank, highlighted that “we have concluded a very positive first half of the year, finalizing the integration process with Bankia while at the same time delivering strong growth in our commercial activities” and stressed that “this strength is evident in the new production of mortgages, where we have seen growth of 58%, in consumer lending, where we have seen an increase of 21% and in the production on new loans to companies and corporate banking, where we have achieved an increase of 57%. Furthermore, when it comes to customer funds, we have attracted €20 billion in net sales across insurance, asset management and deposits, despite market volatility”.

“We are extremely pleased by the strong growth of our commercial activity, which reflects our ability and willingness to support the financing needs of families and enterprises. This is particularly critical in the current uncertain economic environment, so we will remain close to our clients whenever they need us”, added CaixaBank’s CEO.

Income statement (on a “like-for-like” basis)

Earnings for the first half of the year, which are comparable with the pro-forma results of Bankia and CaixaBank in the same period of the previous year, excluding the extraordinary items arising from the merger, revealed stable revenues despite the decline in net interest income (-3.6%) due to the negative interest rate environment until midway through the period.

Dividend income fell by 13.5% to €131 million and includes, most notably, dividends paid by Telefónica and BFA amounting to €38 million and €87 million, respectively (€51 million and €98 million in 2021). Equity-accounted earnings were down 48.4% following the sale of Erste Group Bank, while trading income increased.

Recurring banking fees and commissions remained stable (+1.1% year-on-year), largely due to higher transactional activity and growth in payments, which offset the drop in revenues from the unification of Bankia and CaixaBank’s customer loyalty programmes (no fees charged on regular financial transactions).

The bank was also successful in reducing recurring administrative expenses, depreciation and amortisation by 5.6% year-on-year in the first six months of the year due to the synergies arising from the merger. Staff expenses were down 7.5% following the voluntary departure of employees under the Labour Agreement framework.

This stability in total revenues combined with cost reductions led to a 10% increase in pre-impairment income excluding extraordinary items. This growth rises to 17.1% in the case of net profit, after the 16.8% reduction in insolvency allowances to €376 million.

CaixaBank keeps a general provision for a total of €1.26 billion to cover the impacts of the current macroeconomic uncertainty, which is especially unfavourable due to the pandemic and Russia's invasion of Ukraine.

However, up until now, the quality of CaixaBank's balance sheet is improving quarter after quarter. The NPL ratio, which has fallen sharply in the year to date, ended the first half of the year at 3.2%, its lowest level since December 2008, compared to 3.6% at year-end 2021 and 3.5% at 30 March 2022. Loan-loss provisions stood at €8.13 billion at the end of June and the NPL coverage ratio increased to 65% (€8.63 billion and 63% at the end of 2021, respectively).

Non-performing loans fell to €12.42 billion, following an improvement in asset quality indicators and active management of NPLs. These have fallen by €1.21 billion in the year to date and by €937 million in the quarter. As a result, the cost of risk (trailing 12 months) was 0.23%.

Strong insurance and lending activity

In the commercial realm, a particular highlight was the positive performance of insurance production, supported by the *MyBox* offering, which led to year-on-year growth of 25% in life-risk insurance premiums and 44% in non-life policies.

New mortgage production also grew significantly (+58% year-on-year) to reach €5.93 billion, with a record volume of €3.81 billion in the last quarter. Moreover, new consumer lending climbed 21% to €5.14 billion and new lending to businesses and corporate banking increased 57% year-on-year.

With this boost in new lending, the stock of performing loans (that is, excluding NPLs) came to €351.01 billion, up 3.2% in the year and 3% in the quarter. A further highlight was the 0.4% growth in mortgages in the quarter; the first increase in at least ten years. Consumer lending was up 2.6% on December and 1.9% in the quarter. Lending to companies also delivered a strong performance (+5% and +4.2%, respectively).

At the end of June, the market share in loans to companies in Spain was 23.9%, 13 basis points higher than in December.

In addition, 23% of the total amount of ICO-backed loans and advances has now been repaid or cancelled. Of the remaining amount, 85% have ended their grace period. Of the total amount initially granted, 3.7% is classified as non-performing loans.

On the other hand, customer funds totalled €624.09 billion at 30 June 2022, up 0.7% in the year, impacted by the positive seasonal nature of demand deposits typically seen at the end of the second quarter, as well as market volatility affecting unit-linked products and assets under management.

Assets under management amounted to €145.32 billion. The performance here (-8% in the year and -4.9% in the quarter) was affected by the negative evolution of markets. Despite this, there were net sales totalling €19.98 billion in deposits, savings insurance and assets under management. The market share for mutual funds has grown 27 basis points in the year to 24.8%.

Comfortable liquidity and capital position

Total liquid assets amounted to €162.85 billion and the Group's Liquidity Coverage Ratio (LCR) at June 30 was 312%, displaying a comfortable liquidity position, well above the minimum regulatory requirement of 100%.

The CET1 capital adequacy ratio was 12.4% (12.2% without IFRS 9 transitional adjustments). This figure, while also above the minimum requirement, is below the 13.1% reported at year-end 2021 due to the full deduction of the ongoing share buyback programme, which could reach up to a maximum of €1.8 billion. Despite this, the ratio saw organic growth in the period of 62 basis points.

As published on 25 July, a total of 296,177,680 shares had been repurchased, totalling €947,492,930 of executed share buyback, equivalent to 52.6% of the maximum monetary amount authorised.

European benchmark in sustainability

As part of its new 2022-2024 Strategic Plan, CaixaBank has set itself the strategic priority of becoming a European benchmark in sustainability. To this end, the bank is aiming to mobilise €64 billion in sustainable financing to drive the transition of companies and society as a whole.

Notably, CaixaBank was the leading bank in sustainable financing in Europe in the first half of the year, according to the Refinitiv ranking, while also taking top spot on the EMEA *Top Tier Green & ESG-Linked Loans* league table. CaixaBank also claimed first place in green financing in Europe in the first half of 2022, according to the *League Table Green Use of Proceeds – Top Tier Lender* by Bloomberg, one of the most prestigious financial news agencies.

Key Group figures

€ million / %	January - June		Change	2Q22	Quarter-on-quarter
	2022	2021			
PROFIT/(LOSS)					
Net interest income	3,156	2,827	11.6%	1,606	3.6%
Net fee and commission income	1,994	1,640	21.6%	1,026	5.9%
Core income	5,649	4,899	15.3%	2,888	4.6%
Gross income	5,655	4,883	15.8%	2,880	3.8%
Recurring administrative expenses, depreciation and amortisation	(3,011)	(2,747)	9.6%	(1,488)	(2.3%)
Pre-impairment income	2,621	166	-	1,376	10.6%
Pre-impairment income stripping out extraordinary expenses	2,644	2,136	23.8%	1,392	11.2%
Profit/(loss) attributable to the Group	1,573	4,181	(62.4%)	866	22.5%
Profit/(loss) attributable to the Group ex M&A impacts in 2021	1,573	1,278	23.1%	-	-
MAIN RATIOS (Last 12 months)					
Cost-to-income ratio	57.6%	75.8%	(18.1)	57.6%	(18.7)
Cost-to-income ratio stripping out extraordinary expenses	56.1%	54.3%	1.8	56.1%	(1.3)
Cost of risk ¹ (last 12 months)	0.23%	0.30%	(0.07)	0.23%	-
ROE ¹	6.8%	8.2%	(1.5)	6.8%	0.3
ROTE ¹	7.9%	9.8%	(1.9)	7.9%	0.4
ROA ¹	0.3%	0.5%	(0.1)	0.3%	0.0
RORWA ¹	1.1%	1.4%	(0.3)	1.1%	0.1
	June 2022	December 2021	Change	March 2022	Quarter-on-quarter
BALANCE SHEET					
Total assets	704,505	680,036	3.6%	689,217	2.2%
Equity	34,843	35,425	(1.6%)	35,916	(3.0%)
BUSINESS ACTIVITY					
Customer funds	624,087	619,971	0.7%	619,892	0.7%
Loans and advances to customers, gross	362,770	352,951	2.8%	353,404	2.7%
RISK MANAGEMENT					
Non-performing loans (NPL)	12,424	13,634	(1,209)	13,361	(937)
Non-performing loan ratio	3.2%	3.6%	(0.4)	3.5%	(0.3)
Provisions for insolvency risk	8,126	8,625	(498)	8,648	(522)
NPL coverage ratio	65%	63%	2	65%	-
Net foreclosed available for sale real estate assets	2,110	2,279	(169)	2,223	(113)
LIQUIDITY					
Total Liquid Assets	162,847	168,349	(5,502)	171,202	(8,355)
Liquidity Coverage Ratio (last 12 months)	323%	320%	3	325%	(2)
Net Stable Funding Ratio (NSFR)	150%	154%	(4)	154%	(4)
Loan to deposits	88%	89%	(1)	89%	(1)
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	12.4%	13.1%	(0.7)	13.4%	(1.0)
Tier 1	14.4%	15.5%	(1.1)	15.7%	(1.3)
Total capital	16.6%	17.9%	(1.3)	17.9%	(1.3)
MREL	24.6%	25.7%	(1.1)	25.7%	(1.1)
Risk-Weighted Assets (RWAs)	215,521	215,651	(130)	214,249	1,272
Leverage ratio	4.6%	5.3%	(0.7)	5.2%	(0.6)
SHARE INFORMATION					
Share price (€/share)	3.317	2.414	0.903	3.077	0.240
Market capitalisation	26,079	19,441	6,638	24,779	1,300
Book value per share (€/share)	4.43	4.39	0.03	4.46	(0.03)
Tangible book value per share (€/share)	3.75	3.73	0.01	3.80	(0.05)
Net income (ex M&A impacts) attributable per share (€/share) (12 months)	0.30	0.28	0.02	0.28	0.01
PER (Price/Profit, ex M&A impacts; times)	11.21	8.65	2.56	10.85	0.35
Tangible PBV (Market value/ book value of tangible assets)	0.88	0.65	0.24	0.81	0.07
OTHER DATA (units)					
Employees	45,022	49,762	(4,740)	46,480	(1,458)
Branches ²	4,543	5,317	(774)	4,824	(281)
of which: retail branches in Spain	3,934	4,615	(681)	4,213	(279)
ATMs	13,095	14,426	(1,331)	13,568	(473)

(1) The 2021 ratios do not include in the numerator the results generated by Bankia before 31 March 2021, which is the recognition date of the merger for accounting purposes or, for consistency, the contribution of the incorporated RWAs or balance items in the denominator, they neither consider the extraordinary impacts associated with the merger.

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

Results

The Group's Income Statement

Year-on-year accounting performance

€ million	1H22	1H21	Chg, %	ex M&A one offs	
				1H21	Chg, %
Net interest income	3,156	2,827	11.6	2,827	11.6
Dividend income	131	152	(13.4)	152	(13.4)
Share of profit/(loss) of entities accounted for using the equity method	112	205	(45.5)	205	(45.5)
Net fee and commission income	1,994	1,640	21.6	1,640	21.6
Trading income	247	80		80	
Income and expense under insurance or reinsurance contracts	411	318	29.3	318	29.3
Other operating income and expense	(397)	(339)	17.0	(339)	17.0
Gross income	5,655	4,883	15.8	4,883	15.8
Recurring administrative expenses, depreciation and amortisation	(3,011)	(2,747)	9.6	(2,747)	9.6
Extraordinary expenses	(23)	(1,970)	(98.8)	(1)	
Pre-impairment income	2,621	166		2,135	22.8
Pre-impairment income stripping out extraordinary expenses	2,644	2,136	23.8	2,136	23.8
Allowances for insolvency risk	(376)	(328)	14.3	(328)	14.3
Other charges to provisions	(90)	(155)	(42.2)	(129)	(30.5)
Gains/(losses) on disposal of assets and others	(36)	4,284		(16)	
Profit/(loss) before tax	2,120	3,966	(46.6)	1,662	27.6
Income tax expense	(546)	214		(384)	42.0
Profit/(loss) after tax	1,574	4,180	(62.4)	1,277	23.2
Profit/(loss) attributable to minority interest and others	1	(0)		(0)	
Profit/(loss) attributable to the Group	1,573	4,181	(62.4)	1,278	23.1

Year-on-year proforma performance

€ million	1H22	1H21	Change	Chg. %
Net interest income	3,156	3,275	(119)	(3.6)
Dividend income	131	152	(21)	(13.5)
Share of profit/(loss) of entities accounted for using the equity method	112	217	(105)	(48.4)
Net fee and commission income	1,994	1,922	72	3.8
Trading income	247	90	157	
Income and expense under insurance or reinsurance contracts	411	318	93	29.3
Other operating income and expense	(397)	(380)	(16)	4.3
Gross income	5,655	5,593	62	1.1
Recurring administrative expenses, depreciation and amortisation	(3,011)	(3,191)	179	(5.6)
Extraordinary expenses	(23)	(1)	(22)	
Pre-impairment income	2,621	2,402	219	9.1
Pre-impairment income stripping out extraordinary expenses	2,644	2,403	241	10.0
Allowances for insolvency risk	(376)	(451)	76	(16.8)
Other charges to provisions	(90)	(152)	63	(41.2)
Gains/(losses) on disposal of assets and others	(36)	(38)	3	(6.8)
Profit/(loss) before tax	2,120	1,760	360	20.5
Income tax expense	(546)	(417)	(129)	31.0
Profit/(loss) after tax	1,574	1,343	231	17.2
Profit/(loss) attributable to minority interest and others	1	(0)	1	
Net attributable profit/(loss)	1,573	1,343	229	17.1
- Profit/(loss) Bankia pre-merger stripping out extraordinary expenses, net		(65)	65	
+ M&A impacts, net		2,903	(2,903)	
Profit/(loss) attributable to the Group (accounting profit/(loss))	1,573	4,181	(2,608)	(62.4)