

## CaixaBank posts a net profit of €514 million in the first quarter, excluding the extraordinary impacts arising from the Bankia merger

- **The CaixaBank Group has over €663 billion in assets and serves 21.1 million customers in Spain and Portugal**, having completed the merger with Bankia in late March and consolidated its leadership in the Spanish financial system as a result.
- **Attributable net profit in the first quarter stands at €4.79 billion**, including the extraordinary impacts arising from the merger with Bankia in the form of negative goodwill worth €4.3 billion.
- **Gonzalo Gortázar, CEO of CaixaBank, explains that with the merger with Bankia “we reinforce our leadership in the financial system**, reaching market shares of around 25%, and exhibiting the best solvency, liquidity and credit quality ratios among the largest banks in Spain. This is allowing us to firmly support families and companies to overcome this crisis and lead the economic recovery”.
- **Core revenues at CaixaBank —which do not include Bankia's earnings in the period— reach €2.07 billion at the close of the first quarter**, up 1% year on year. Against a backdrop of negative interest rates, net interest income falls 0.7% to €1.19 billion, though offset by revenue from insurance contracts (+9.3%), earnings from insurance investees (+39.2%) and growth of fee and commission income (+0.2%).
- **Recurring administrative expenses, depreciation and amortisation are down 3.3% year on year to €1.15 billion**, following the savings achieved from the early retirements in 2020, coupled with sound management of the cost base and lower expenses incurred amid the COVID-19 pandemic.
- **CaixaBank strengthens its market shares following the merger**, with 25.3% in the loans segment, 25.2% in household and company deposits, and 24.9% in mutual funds.
- **The Bank maintains a strong solvency and liquidity position, well above the regulatory requirements**. The Common Equity Tier 1 (CET1) ratio is 14.1% and the Liquidity Coverage Ratio (LCR) stands at 309%, revealing an ample liquidity position which is well above the minimum requirement of 100%.
- **The NPL ratio is 3.6% while the coverage ratio stays at 67%**. Meanwhile, the cost of risk (last 12 months) is 0.61%.

**Valencia, 6 May 2021.** The CaixaBank Group, chaired by José Ignacio Goirigolzarri and led by Gonzalo Gortázar, posted a net attributable profit without extraordinary items relating to the Bankia merger of €514 million, compared with €90 million reported in the same period a year earlier affected by the provisions made to anticipate the future impacts of COVID-19.

In late March, the Bank completed the merger with Bankia, thus cementing its leadership within the Spanish financial system as, following the merger, the Bank has more than €663 billion in assets and serves 21.1 million customers across Spain and Portugal.

CaixaBank's income statement for the first quarter does not include the earnings generated by Bankia during the period, since the merger was completed at the end of March, meaning it had no impact on CaixaBank's business segments. However, the balance sheet does show the incorporation of Bankia's assets and liabilities at their fair value as at 31 March, which is the date taken as a reference for accounting purposes.

Following the inclusion of Bankia's equity, the CaixaBank Group's accounts show an extraordinary item associated with the merger (badwill) of €4.3 billion, which, together with the extraordinary expenses associated with the integration and the ordinary earnings, resulted in attributable net profit of €4.79 billion in the first quarter.

The badwill is equivalent to Bankia's equity (€13.1 billion) less the purchase price paid by CaixaBank (€5.31 billion) and a number of accounting adjustments which were required to measure various assets and liabilities at fair value (€3.47 billion).

Net profit, without counting the extraordinary items resulting from the integration of Bankia, came to €514 million, of which €444 million come from banking and insurance activities, €58 million from Portuguese bank BPI, and €12 million from investees.

### **Firm support for families and companies**

Gonzalo Gortázar, CEO of CaixaBank, has explained that with the merger with Bankia “we reinforce our leadership in the financial system, reaching market shares of around 25%, and exhibiting the best solvency, liquidity and credit quality ratios among the largest banks in Spain. This is allowing us to firmly support families and companies to overcome this crisis and lead the economic recovery”.

Gortázar has highlighted that “we closed this first quarter with a recurring net profit of 514 million euros, a figure that already shows a clear path towards normality”.

The Bank's CEO has added that “we are aware of the enormous structural challenges facing the banking sector, derived mainly from the digitalisation of the economy and negative interest rates. That is why we have foreseen this situation by completing a merger that will allow us to substantially improve our competitive position”.

## Increase in core revenues and cost reduction

Core revenues at CaixaBank —without including Bankia's earnings in the period— totalled €2.07 billion at the close of the first quarter, up 1% year on year. In a negative interest rates scenario, net interest income was down 0.7% to €1.19 billion, offset by revenue from insurance contracts (+9.3%), earnings from insurance investees (+39.2%) and growth of fee and commission income (+0.2%).

Gross income amounted to €2.06 billion, up 4%, thanks to an improvement in trading income, which reached €42 million and was mainly affected by the negative impact in 2020 of the assessment of credit risk in financial derivatives.

Income from the investee portfolio rose 34.4% year-on-year to €77 million, mainly due to an improvement in attributable earnings from SegurCaixa Adeslas, which was impacted by the asset valuation carried out in the same quarter of the previous year.

Meanwhile, recurring administrative expenses, depreciation and amortisation were down 3.3% year on year to €1.15 billion, as a result of the savings associated with the early retirements made in 2020, the sound management of the cost base and lower expenses incurred amid the COVID-19 pandemic. Between January and March, the Bank registered a total of €40 million in extraordinary expenses linked to the integration of Bankia.

Excluding extraordinary integration items, the Group's cost-to-income ratio was 53.5%, while ROTE came to 8%.

## Pro-forma income statement

Aggregating the income statements of both CaixaBank and Bankia, pro-forma earnings without extraordinary items associated with the merger would be €580 million, compared to €184 million in the first quarter of last year.

Net interest income would be €1.64 billion, down 1.3% year-on-year, while the pro-forma core revenues of both banks would be up 0.7% year on year to €2.81 billion. Specifically, fee and commission income would reach €941 million, showing an increase of 1.6%. Pro-forma gross income would be €2.8 billion (+0.5%), while recurring administrative expenses, depreciation and amortisation would fall 2.6% to €1.6 billion.

## Growth in customer funds

At the end of March, and following the merger with Bankia, the CaixaBank Group's total assets amounted to €663.6 billion (+47%), while equity was €35.55 billion (+40.6%).

Customer funds were up 39.6% year on year to €579.93 billion. Without counting the funds contributed by Bankia, customer funds gained 0.9% to reach €419.33 billion. Gross loans and advances to customers stood at €363.82 billion, up 49.2% in the quarter (-0.5% without counting Bankia's contribution).

By segment, loans and advances to individuals ended the quarter at €191.32 billion (+58.6%). Excluding Bankia, they were €119.31 billion (-1.1%), due to the ongoing household deleveraging process. In organic terms, loans for home purchases declined by 0.7%, while loans for other purposes were down 2%. Lending to companies grew 40.3% to reach €149.36 billion as a result of the integration, but remained flat in organic terms.

Meanwhile, assets under management in mutual funds gained 6.1% in organic terms and pension plans reported organic growth of 3.3% (41.2% and 28%, respectively, if we include Bankia).

Following completion of the merger, CaixaBank has strengthened its already solid market shares, reaching 25.3% in the loans segment, 25.2% in household and company deposits, and 24.9% in mutual funds.

### Customer experience and digital transformation

With a base of 19.3 million customers in Spain, CaixaBank offers a unique omnichannel distribution platform with multi-product capabilities that continuously evolves to anticipate the needs and preferences of its customers.

CaixaBank continues to strengthen its leadership of the digital banking market with a 70.5% percentage of digital customers. The Bank is firmly committed to digital transformation and accompanying innovative companies with growth potential.

Note that CaixaBank has been named Best Consumer Digital Bank in Spain for the fifth straight year by Global Finance.

### NPL and coverage ratios remain stable

Non-performing loans, excluding the integration of Bankia, remained virtually unchanged in the period at €8.65 billion. Taking into account the merged company's balance sheet, this figure climbs to €14.1 billion.

This brought the NPL ratio to 3.6% (3.3% excluding Bankia) and the coverage ratio to 67%. Meanwhile, the cost of risk (last 12 months) was 0.61%.

### Good management of the capital and liquidity position

The Bank managed to strengthen its liquidity and solvency position between January and March. Total liquid assets amounted to €147.15 billion, up €32.7 billion in the first quarter, largely due to the integration of Bankia.

The Liquidity Coverage Ratio (LCR) at 31 March 2021 was 309%, revealing a comfortable liquidity position (average LCR of 273%, last 12 months) well clear of the minimum requirement of 100%. The Bank also has a robust retail funding structure, with a loan-to-deposits ratio of 97%.

Elsewhere, a total of €81.16 billion in TLTRO III financing had been drawn under the European Central Bank (ECB) credit facilities at 31 March. Of this amount, €6.22 billion was drawn in the first quarter, and the total amount drawn increased by €25.21 billion as a consequence of the incorporation of Bankia.

Turning to capital, the Common Equity Tier 1 (CET1) ratio was 14.1%. The first quarter of the year includes the extraordinary impact of Bankia's integration of +77 basis points, with the Purchase Price Allocation (PPA) effect generating -89 basis points.

Organic growth in the quarter was +30 basis points, added to +32 basis points due to market impacts and other factors, such as the impact from the improvements related to the quality of the data used for the prudential calculation of credit risk. The impact of the IFRS9 transitional adjustments was -2 basis points. Without applying the IFRS9 transitional adjustments, the CET1 ratio is 13.6%.

The Tier 1 and Total Capital ratios were 16.1% and 18.9%, respectively. Meanwhile, in relation to the MREL requirement, the RWAs ratio was 26.3%, already reaching the 2024 requirement.

### **Socially responsible banking**

CaixaBank is a highly innovative financial group, offering the best customer service, and a benchmark in socially responsible banking. It is also firmly committed to being a key figure in helping lessen the impact of the COVID-19 health crisis by bringing all of its human, technological and financial resources to provide financing and to undertake other actions and initiatives to help households, companies and society as a whole.

In this context, the mortgage moratoria and ICO-guaranteed loans granted last year in Spain to cushion the effects of the COVID-19 pandemic on households and businesses alike performed well.

In 2020, more than €17 billion in loan moratoria were granted in Spain, of which €11.28 billion came from CaixaBank and €5.82 billion from Bankia. Half of the moratoria have since expired and, towards the end of April, a total of €8.5 billion remained in effect. In addition, non-performing loans represent 0.4% of the loan portfolio, 0.1% if excluding those that had incidents already before the granting of the moratorium.

At 31 March, the drawn balance on loans with ICO guarantees totalled €22 billion, of which €13.3 billion come from CaixaBank and €8.7 billion from Bankia. The Group has granted around 25% of all ICO-guaranteed loans within the industry.

## Key Group figures

€ million / %	January - March		Change
	2021	2020	
<b>PROFIT/(LOSS)</b>			
Net interest income	1,191	1,200	(0.7%)
Net fee and commission income	659	658	0.2%
Core income	2,066	2,045	1.0%
Gross income	2,063	1,983	4.0%
Recurring administrative expenses, depreciation and amortisation	(1,149)	(1,188)	(3.3%)
Pre-impairment income	874	796	9.8%
Pre-impairment income stripping out extraordinary expenses	914	796	14.9%
Profit/(loss) attributable to the Group	4,786	90	-
Profit/(loss) attributable to the Group stripping out merger impacts	514	90	-
<b>MAIN RATIOS (Last 12 months)</b>			
Cost-to-income ratio	54.0%	67.6%	(13.7)
Cost-to-income ratio stripping out extraordinary expenses	53.5%	56.1%	(2.6)
Cost of risk <sup>1</sup> (last 12 months)	0.61%	0.31%	0.29
ROE <sup>1</sup>	6.6%	4.5%	2.1
ROTE <sup>1</sup>	8.0%	5.4%	2.6
ROA <sup>1</sup>	0.4%	0.3%	0.1
RORWA <sup>1</sup>	1.1%	0.8%	0.4
<b>BALANCE SHEET</b>			
Total assets	663,569	451,520	47.0%
Equity	35,552	25,278	40.6%
<b>BUSINESS ACTIVITY</b>			
Customer funds	579,934	415,408	39.6%
<i>Customer funds, excluding the Bankia integration</i>	419,335	415,408	0.9%
Loans and advances to customers, gross	363,821	243,924	49.2%
<i>Loans and advances to customers, gross, excluding the Bankia integration</i>	242,805	243,924	(0.5%)
<b>RISK MANAGEMENT</b>			
Non-performing loans (NPL)	14,077	8,601	5,476
<i>Non-performing loans (NPL), excluding the Bankia integration</i>	8,650	8,601	49
Non-performing loan ratio	3.6%	3.3%	0.3
<i>Non-performing loan ratio, excluding the Bankia integration</i>	3.3%	3.3%	0
Provisions for insolvency risk	9,415	5,755	3,660
<i>Provisions for insolvency risk, excluding the Bankia integration</i>	5,797	5,755	42
NPL coverage ratio	67%	67%	-
<i>NPL coverage ratio, excluding the Bankia integration</i>	67%	67%	0
Net foreclosed available for sale real estate assets	2,469	930	1,539
<i>Foreclosed available for sale real estate assets, excluding the Bankia integration</i>	1,084	930	154
<b>LIQUIDITY</b>			
Total Liquid Assets	147,146	114,451	32,695
Liquidity Coverage Ratio (last 12 months)	273%	248%	25
Net Stable Funding Ratio (NSFR)	146%	145%	1
Loan to deposits	97%	97%	-
<b>CAPITAL ADEQUACY</b>			
Common Equity Tier 1 (CET1)	14.1%	13.6%	0.5
Tier 1	16.1%	15.7%	0.4
Total capital	18.9%	18.1%	0.8
MREL	26.3%	26.3%	-
Risk-Weighted Assets (RWAs)	208,498	144,073	64,425
<i>Risk-Weighted Assets (RWAs) excluding the Bankia integration</i>	142,333	144,073	(1,740)
Leverage ratio	5.5%	5.6%	(0.1)
<b>SHARE INFORMATION<sup>2</sup></b>			
Share price (€/share)	2.639	2.101	0.538
Market capitalisation	21,259	12,558	8,701
Book value per share (€/share)	4.41	4.22	0.19
Tangible book value per share (€/share)	3.78	3.49	0.28
Net income (ex M&A impacts) attributable per share (€/share) (12 months)	0.28	0.21	0.07
PER (Price/Profit, ex M&A impacts ; times)	9.43	10.14	(0.72)
Tangible PBV (Market value/ book value of tangible assets)	0.70	0.60	0.10
<b>OTHER DATA (units)</b>			
Employees <sup>3</sup>	51,227	35,434	15,793
Branches <sup>3</sup>	6,298	4,208	2,090
of which: retail branches in Spain	5,552	3,571	1,981
ATMs <sup>3</sup>	15,372	10,283	5,089

(1) These ratios do not include in the numerator the results generated by Bankia in 1Q21 or, for consistency purposes, the contribution of the incorporated RWAs or balance items in the denominator. They neither consider the extraordinary impacts associated with the merger.

(2) See the methodology used in the calculation and breakdown in 'The CaixaBank share' and 'Glossary'.

(3) At 31 March 2021, 15,911 employees, 2,101 branches (of which 2,013 retail) and 5,156 ATMs have been integrated from Bankia. Does not include branches outside Spain and Portugal or representative offices.

# Results

## The Group's Income Statement

### Year-on-year and quarterly performance

€ million	2021	M&A one offs	2021 ex M&A	2020	Chg. %	4Q20	Chg. %
<b>Net interest income</b>	<b>1,191</b>		<b>1,191</b>	<b>1,200</b>	<b>(0.7)</b>	<b>1,253</b>	<b>(4.9)</b>
Dividend income				1	(75.0)	52	(99.5)
Share of profit/(loss) of entities accounted for using the equity method	77		77	56	36.5	88	(13.0)
Net fee and commission income	659		659	658	0.2	671	(1.8)
Trading income	42		42	(20)		56	(24.7)
Income and expense under insurance or reinsurance contracts	164		164	150	9.3	156	4.9
Other operating income and expense	(70)		(70)	(62)	13.1	(127)	(44.5)
<b>Gross income</b>	<b>2,063</b>		<b>2,063</b>	<b>1,983</b>	<b>4.0</b>	<b>2,149</b>	<b>(4.0)</b>
Recurring administrative expenses, depreciation and amortisation	(1,149)		(1,149)	(1,188)	(3.3)	(1,095)	5.0
Extraordinary expenses	(40)	(40)					
<b>Pre-impairment income</b>	<b>874</b>	<b>(40)</b>	<b>914</b>	<b>796</b>	<b>14.9</b>	<b>1,055</b>	<b>(13.3)</b>
<b>Pre-impairment income stripping out extraordinary expenses</b>	<b>914</b>		<b>914</b>	<b>796</b>	<b>14.9</b>	<b>1,055</b>	<b>(13.3)</b>
Allowances for insolvency risk	(174)		(174)	(515)	(66.3)	(321)	(45.9)
Other charges to provisions	(49)		(49)	(144)	(65.9)	(40)	22.9
Gains/(losses) on disposal of assets and others	4,303	4,300	3	(31)		25	(88.9)
<b>Profit/(loss) before tax</b>	<b>4,954</b>	<b>4,260</b>	<b>694</b>	<b>106</b>		<b>718</b>	<b>(3.4)</b>
Income tax expense	(168)	12	(180)	(16)		(62)	
<b>Profit/(loss) after tax</b>	<b>4,785</b>	<b>4,272</b>	<b>513</b>	<b>90</b>		<b>656</b>	<b>(21.7)</b>
Profit/(loss) attributable to minority interest and others						1	
<b>Profit/(loss) attributable to the Group</b>	<b>4,786</b>	<b>4,272</b>	<b>514</b>	<b>90</b>		<b>655</b>	<b>(21.6)</b>