CaixaBank posts an adjusted net profit of €1.28 billion in the first half of 2021 and raises its synergy targets

- **The CaixaBank Group consolidates its growth, with business volumes** (customer funds, and gross loans and advances to customers) **exceeding €964 billion** and total assets of more than €674 billion. The Bank's market shares for the main products, such as mutual funds, deposits and loans to households and companies, remain at around 25% in Spain.

- **Gonzalo Gortázar**, CEO of CaixaBank, announces that "after four intense and fruitful months working on the integration, **we have decided to improve our cost synergy targets to €940 million per year"**.

- **The Board of Directors approved the 2021 Dividend Policy yesterday**, which envisions the distribution of a cash dividend of 50% of consolidated net profit adjusted to reflect the extraordinary impacts arising from the merger.

- **Attributable net profit in the first half of the year stands at €4.2 billion**, including the extraordinary impacts arising from the merger (€4.3 billion in negative goodwill, plus a cost of €1.4 billion from the labour restructuring process and other expenses associated with the integration, both figures net of taxes).

- **In like-for-like terms under the pro-forma vision, core revenues reach €5.64 billion after gaining 1.2%.** Recurring administrative expenses, depreciation and amortisation drop slightly (-0.6%), showing sound management of the cost base.

- **Assets under management stand at €151.46 billion.** The change (+3.8% in the quarter and +10.3% organically in the year) is a result of increased sales and favourable market performance through to June.

- **Solid capital and liquidity position.** The Common Equity Tier 1 (CET1) ratio is 12.9%, exceeding post-merger estimates, while total liquid assets amount to €162.73 billion.

- **Stable NPL ratio** of 3.6%, with a coverage ratio of 64%. Meanwhile, the cost of risk (last 12 months, including Bankia in the second quarter of 2021) is 0.31%.

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Valencia, 30 July 2021. The CaixaBank Group posted an adjusted net attributable profit without extraordinary items relating to the Bankia merger of €1.28 billion, compared with €205 million reported in the same period a year earlier, which was affected by the significant provisions made to anticipate the future impacts of COVID-19.

Attributable net profit, which includes Bankia's contribution only from the second quarter onward, came to €4.2 billion, including the extraordinary impacts arising from the merger. The integration involves a net positive contribution for accounting purposes of €4.3 billion in the form of negative goodwill, and a negative impact of €1.4 billion due to the cost of the workforce restructuring process and other expenses associated with the integration.

Gonzalo Gortázar, CEO of CaixaBank, highlighted that the Bank "has successfully concluded the first phase of the merger, after reporting good half-year results and the closing of the labour agreement for the restructuring of the Bank".

He also announced that "after four intense and fruitful months working on the integration, we have decided to raise our synergy targets to €940 million per year", compared with the €770 million initially estimated.

Gortázar added that "in a still complex environment and in the midst of the integration process, we have managed to maintain our strong balance sheet, with the best NPL ratio among the big banks in Spain, and an excellent pace in commercial activity".

The CEO welcomed the end of the ECB's restrictions on bank dividends and pointed out that CaixaBank has "very comfortable levels of capital and an excellent risk management, making it a priority to resume an adequate remuneration policy for our shareholders".

He also noted that the bank maintains market shares of around 25% in Spain for the main products, such as mutual funds, deposits, and loans to households and businesses.

Pro-forma income statement (like-for-like perimeters)

Based on the pro-forma statement that combines the results of CaixaBank and Bankia, both in the first half of 2020 and 2021, and without considering the extraordinary aspects arising from the merger, profit stood at €1.34 billion, compared to €347 million in 2020. On a like-for-like basis, core revenues were €5.64 billion, up 1.2%.

Net interest income amounted to €3.28 billion in the first half of the year (-2.3% year-on-year). This decline is due to a reduction in loan income amid falling interest rates and the change in the structure of the portfolio, with an increased weighting of ICO loans and lending to the public sector, and a lower contribution from consumer finance; an impact partially offset by greater recourse to the ECB subject to improved financial terms and conditions.

Dividend income (€152 million) includes dividends from Telefónica and BFA (Banco de Fomento Angola) totalling €51 million and €98 million, respectively (€50 million and €40 million in 2020).

Attributable profit of entities accounted for using the equity method (€217 million) has steadily recovered as the pandemic outlook improves (+79% with respect to the same half of the previous year and +45.1% on the first quarter of 2021).

Other operating income and expenses included, in the second quarter of 2021, the contribution of €181 million made to the Single Resolution Fund (SRF). A total of €171 million was contributed in the same quarter of 2020.

Gross income was down 0.6%, despite the increase in core revenues and income from the investee portfolio, mainly due to lower trading income (-68.4%) and an increase in expenses recorded under other operating income and expenses (+12.2%).

Recurring administrative expenses, depreciation and amortisation dropped slightly (-0.6%), showing sound management of the cost base and stable staff expenses (-0.2%). This drive to reduce costs coupled with the performance of core revenues (+1.2%) improved the core cost-to-income ratio by 2.1 percentage points to reach 54.6% in the last 12 months.

Meanwhile, insolvency allowances came to -€451 million, versus -€1.81 billion in the first half of 2020, which included the recognition of a provision of -€1.45 billion to anticipate the future impacts of COVID-19.

Further growth in customer funds

The CaixaBank Group has further strengthened its balance sheet, with business volumes (customer funds, and gross loans and advances to customers) exceeding €964 billion. Customer funds totalled €601 billion at 30 June 2021, up 44.7% following the integration of Bankia (+6% excluding this effect). In the second quarter alone, growth of 3.6% was recorded.

On-balance sheet funds amounted to €434.7 billion (+2.9% in the quarter and +3.3% organically in the year), while assets under management stood at €151.46 billion, up 3.8% in the quarter and 10.3% organically in the year, i.e. excluding the integration of Bankia. This growth is a product of increased sales plus favourable market performance. Assets under management in mutual funds, portfolios and SICAVs amounted to €105.04 billion (+4.3% in the quarter and +12.1% organically in the year), while pension plans came to €46.42 billion (+2.7% in the quarter and +6.7% organically in the year).

Gross loans and advances to customers totalled €363.01 billion, up 48.8% in the year following the integration of Bankia's balance.

Loans and advances to individuals grew by 59.6% in the year and 0.7% in the quarter. Lending to companies increased 37.5% in the first half of the year, revealing a light quarterly contraction of 2%, while financing to the public sector rose 42.9% in the year and 4% in the quarter.

The NPL ratio remained stable at 3.6%, while the coverage ratio was 64%. The cost of risk (last 12 months, incorporating Bankia in the second quarter of 2021) was 0.31%.

Good liquidity position and strong capital ratios

Total liquid assets stood at €162.73 billion at 30 June 2021, up €48.3 billion in the first half of the year, mainly due to the integration of Bankia. The Group's Liquidity Coverage Ratio (LCR) at 30 June 2021 was 333%, revealing a comfortable liquidity position well clear of the minimum requirement of 100%.

A total of €81.16 billion in TLTRO III financing had been drawn under the European Central Bank (ECB) credit facilities at 30 June 2021. Of this amount, €6.22 billion was drawn in the first quarter of 2021, and the total amount drawn increased by €25.21 billion as a consequence of the incorporation of Bankia.

Turning to capital, the CET1 ratio was 12.9%, exceeding the estimates initially made in relation to the integration process. In the first half of the year, the ratio dropped 77 basis points, mainly due to merger and regulatory impacts, with the organic performance in the first six months adding 64 basis points to the ratio.

New dividend policy

The Board of Directors approved the 2021 Dividend Policy at a meeting held yesterday. The policy envisions the distribution of a cash dividend of 50% of consolidated net profit adjusted to reflect the extraordinary impacts arising from the merger with Bankia. It will be paid in a single instalment in 2022.

Support for individuals and businesses

CaixaBank has continued to support retail customers and businesses alike during the pandemic. Total moratoria granted by the Group since the onset of COVID-19 amounts to €23.9 billion (617,212 transactions). In Spain, moratoria valued at €17.62 billion has been granted (502,499 transactions).

Of the total moratoria still in effect at 30 June (€6.8 billion), 25% will end during the third quarter of 2021 and virtually all will finish before the end of the year.

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Key Group figures

€ million / %	January - June 2021	January - June 2020	Change	2Q21	Quarter-on-quarter
PROFIT/(LOSS)					
Net interest income	2,827	2,425	16.6%	1,636	37.4%
Net fee and commission income	1,640	1,266	29.5%	981	48.9%
Core income	4,899	4,064	20.6%	2,833	37.1%
Gross income	4,883	4,117	18.6%	2,820	36.7%
Recurring administrative expenses, depreciation and amortisation	(2,747)	(2,345)	17.1%	(1,598)	39.1%
Pre-impairment income	166	1,772	(90.7%)	(708)	-
Pre-impairment income stripping out extraordinary expenses	2,136	1,772	20.5%	1,222	33.7%
Profit/(loss) attributable to the Group	4,181	205	-	(605)	-
Profit/(loss) attributable to the Group ex M&A impacts	1,278	205	-	764	48.6%
MAIN RATIOS (Last 12 months)					
Cost-to-income ratio	75.8%	56.9%	18.9	75.8%	21.8
Cost-to-income ratio stripping out extraordinary expenses	54.3%	56.9%	(2.6)	54.3%	0.8
Cost of risk[1] (last 12 months)	0.31%	0.61%	(0.30)	0.31%	(0.30)
ROE[1]	8.2%	4.7%	3.5	8.2%	1.6
ROTE[1]	9.8%	5.6%	4.2	9.8%	1.8
ROA[1]	0.5%	0.3%	0.2	0.5%	0.1
RORWA[1]	1.4%	0.8%	0.7	1.4%	0.3

	June 2021	December 2020	Change	March 2021	Quarter-on-quarter
BALANCE SHEET					
Total assets	674,088	451,520	49.3%	663,569	1.6%
Equity	34,571	25,278	36.8%	35,552	(2.8%)
BUSINESS ACTIVITY					
Customer funds	600,993	415,408	44.7%	579,934	3.6%
Customer funds, excluding the Bankia integration	*440,394*	*415,408*	*6.0%*	*419,335*	-
Loans and advances to customers, gross	363,012	243,924	48.8%	363,821	(0.2%)
Loans and advances to customers, gross, excluding the Bankia integration	*241,996*	*243,924*	*(0.8%)*	*242,805*	-
RISK MANAGEMENT					
Non-performing loans (NPL)	14,005	8,601	5,404	14,077	(72)
Non-performing loans (NPL), excluding the Bankia integration	*8,578*	*8,601*	*(23)*	*8,650*	-
Non-performing loan ratio	3.6%	3.3%	0.3	3.6%	0.0
Provisions for insolvency risk	9,001	5,755	3,246	9,415	(414)
Provisions for insolvency risk, excluding the Bankia integration	*5,383*	*5,755*	*(372)*	*5,797*	-
NPL coverage ratio	64%	67%	(3)	67%	(3)
Net foreclosed available for sale real estate assets	2,297	930	1,367	2,267	30
Foreclosed available for sale real estate assets, excl. the Bankia integration	*1,114*	930	*184*	*1,084*	-
LIQUIDITY					
Total Liquid Assets	162,731	114,451	48,280	147,146	15,585
Liquidity Coverage Ratio (last 12 months)	292%	248%	44	273%	19
Net Stable Funding Ratio (NSFR)	148%	145%	3	146%	2
Loan to deposits	94%	97%	(3)	97%	(3)
CAPITAL ADEQUACY					
Common Equity Tier 1 (CET1)	12.9%	13.6%	(0.7)	14.1%	(1.2)
Tier 1	14.8%	15.7%	(0.9)	16.2%	(1.4)
Total capital	17.4%	18.1%	(0.7)	19.0%	(1.6)
MREL	25.1%	26.3%	(1.2)	26.3%	(1.2)
Risk-Weighted Assets (RWAs)[2]	220,660	144,073	76,587	208,585	12,075
Leverage ratio	5.1%	5.6%	(0.5)	5.4%	(0.3)
SHARE INFORMATION[3]					
Share price (€/share)	2.594	2.101	0.493	2.639	(0.045)
Market capitalisation	20,890	12,558	8,332	21,259	(369)
Book value per share (€/share)	4.29	4.22	0.06	4.41	(0.12)
Tangible book value per share (€/share)	3.66	3.49	0.16	3.78	(0.12)
Net income (ex M&A impacts) attributable per share (€/share) (12 months)	0.34	0.21	0.13	0.28	0.06
PER (Price/Profit, ex M&A impacts ; times)	7.63	10.14	(2.52)	9.43	(1.80)
Tangible PBV (Market value/ book value of tangible assets)	0.71	0.60	0.11	0.70	0.01
OTHER DATA (units)					
Employees[4]	51,071	35,434	15,637	51,227	(156)
Branches[4]	6,160	4,208	1,952	6,298	(138)
of which: retail branches in Spain	5,433	3,571	1,862	5,552	(119)
ATMs[4]	15,285	10,283	5,002	15,372	(87)

(1) These 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 purposes, the contribution of the incorporated RWAs or balance items in the denominator. They neither consider the extraordinary impacts associated with the merger.

(2) At 31 March 2021, Euros 66.165 million have been integrated from Bankia.

(3) See the methodology used in the calculation and breakdown in 'The CaixaBank share' and 'Appendices'.

(4) 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 accounting performance

€ million	1H21	M&A one offs [1]	1H21 ex M&A	1H20	Change	Chg. %
Net interest income	**2,827**		**2,827**	**2,425**	**402**	**16.6**
Dividend income	152		152	94	58	61.3
Share of profit/(loss) of entities accounted for using the equity method	205		205	97	109	112.2
Net fee and commission income	1,640		1,640	1,266	374	29.5
Trading income	80		80	142	(62)	(43.8)
Income and expense under insurance or reinsurance contracts	318		318	292	26	9.0
Other operating income and expense	(339)		(339)	(199)	(140)	70.5
Gross income	**4,883**		**4,883**	**4,117**	**766**	**18.6**
Recurring administrative expenses, depreciation and amortisation	(2,747)		(2,747)	(2,345)	(402)	17.1
Extraordinary expenses	(1,970)	(1,969)	(1)		(1)	
Pre-impairment income	**166**	**(1,969)**	**2,135**	**1,772**	**363**	**20.5**
Pre-impairment income stripping out extraordinary expenses	**2,136**		**2,136**	**1,772**	**364**	**20.5**
Allowances for insolvency risk	(328)		(328)	(1,334)	1,006	(75.4)
Other charges to provisions	(155)	(26)	(129)	(184)	55	(30.0)
Gains/(losses) on disposal of assets and others	4,284	4,300	(16)	(49)	34	(68.2)
Profit/(loss) before tax	**3,966**	**2,304**	**1,662**	**204**	**1,458**	
Income tax expense	214	599	(384)	(1)	(384)	
Profit/(loss) after tax	**4,180**	**2,903**	**1,277**	**203**	**1,074**	
Profit/(loss) attributable to minority interest and others	(0)		(0)	(1)	1	(79.7)
Profit/(loss) attributable to the Group	**4,181**	**2,903**	**1,278**	**205**	**1,073**	

Year-on-year proforma performance

€ million	1H21	1H20	Change	Chg. %
Net interest income	**3,275**	**3,352**	**(78)**	**(2.3)**
Dividend income	152	95	57	60.7
Share of profit/(loss) of entities accounted for using the equity method	217	121	96	79.0
Net fee and commission income	1,922	1,822	100	5.5
Trading income	90	285	(195)	(68.4)
Income and expense under insurance or reinsurance contracts	318	292	26	9.0
Other operating income and expense	(380)	(339)	(41)	12.2
Gross income	**5,593**	**5,628**	**(35)**	**(0.6)**
Recurring administrative expenses, depreciation and amortisation	(3,191)	(3,208)	18	(0.6)
Extraordinary expenses	(1)		(1)	
Pre-impairment income	**2,402**	**2,420**	**(18)**	**(0.8)**
Pre-impairment income stripping out extraordinary expenses	**2,403**	**2,420**	**(17)**	**(0.7)**
Allowances for insolvency risk	(451)	(1,814)	1,363	(75.1)
Other charges to provisions	(152)	(209)	57	(27.1)
Gains/(losses) on disposal of assets and others	(38)	(66)	28	(42.1)
Profit/(loss) before tax	**1,760**	**331**	**1,429**	
Income tax expense	(417)	15	(432)	
Profit/(loss) after tax	**1,343**	**346**	**997**	
Profit/(loss) attributable to minority interest and others	(0)	(1)	1	(79.7)
Comparative proforma Profit/(loss)	**1,343**	**347**	**996**	
- Profit/(loss) Bankia stripping out extraordinary expenses, net	*(65)*	*(142)*	*77*	
+ M&A impacts, net	*2,903*		*2,903*	
Profit/(loss) attributable to the Group (accounting profit/(loss))	***4,181***	***205***	***3,976***	