CaixaBank posts profit of €726 million and reinforces capital position and liquidity

- **Profit down 42.6% following extraordinary loan-loss charges of €1.16 billion posted in the first nine months of the year** to cover the future impact that COVID-19 could have on the economy.

- **Bank liquidity rises to €110.7 billion**, up €21.3 billion in the year due to the generation and contribution of collateral to the credit facility of the European Central Bank.

- **High capital ratios, well clear of the regulatory minimum.** The Common Equity Tier 1 (CET1) ratio climbs to 12.7%, expressed pro-forma to include the partial sale of Comercia at the start of the fourth quarter. The Tier 1 ratio reaches 14.7% pro-forma due to the Comercia sale and the issuance of €750 million in AT1 instruments completed in early October. As for the MREL requirement (22.7% of RWAs as of 31 December 2020), Caixa-Bank has an RWA ratio of 24.4% at 30 September expressed pro-forma.

- **Notable growth in customer funds (+5.2%) and loans (+6.4%)** Customer funds stand at €404.4 billion (+5.2% in the year), driven by strong growth in demand deposits. Gross loans and advances to customers amount to €241.9 billion, up 6.4% in the year, largely due to the increase in business lending (+17.6%).

- **The non-performing loan (NPL) ratio stands at 3.5% (-10 basis points in the year)**, while the coverage ratio rises to 65% (+10 percentage points in the year) after the Bank posts additional loan-loss charges.

- **Core revenues remain virtually unchanged (€6.16 billion),** despite the prevailing economic difficulties**.**

- **Reduction in recurring administrative expenses, depreciation and amortisation (-3.1%)** following the generation of savings under the 2019 labour agreement, coupled with sound cost management, with costs falling more rapidly than the decline in core revenues.

- **Supporting the financing needs of the business sector and social commitment.** CaixaBank approved a total of 383,768 moratorium requests from its customers in Spain through to 30 September, concerning a portfolio worth €11 billion. Since the announcement of the state of alarm, CaixaBank has granted €51.5 billion in financing to the business sector, without counting the ICO (Spanish Official Credit Institute) credit lines, and has granted loans linked to the ICO COVID-19 credit facilities for a total amount of €11.9 billon.

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Barcelona, 30 October 2020. The CaixaBank Group, with Jordi Gual as chairman and Gonzalo Gortázar as CEO, reported a net attributable profit of €726 million in the first nine months of the year, down 42.6% year-on-year after posting extraordinary loan-loss charges of €1.16 billion in the first nine months to protect against the future impact of the economic effects of COVID-19.

This provision was virtually unchanged in the third quarter (€1.15 billion at the end of June) since the Group used the same method as at the end of the previous quarter and relied on the same weighting of updated macroeconomic scenarios.

Also affecting the year-on-year performance was the recognition of €109 million in the first quarter of 2020 in connection with early retirements. It is also worth noting that 2019 earnings were affected by the labour agreement (€978 million).

These results do not include the €420 million in capital gains recognised upon the sale of the 29% stake in Comercia, which was completed at the start of the fourth quarter of 2020.

Core revenues remain virtually unchanged

Despite the troubling economic landscape, core revenues remained practically stable in the year at €6.16 billion (-0.7%).

Net interest income amounted to €3.6 billion, down 2.0% year-on-year. This can largely be explained by the decrease in loan income in response to the reduction in interest rates, partly owing to an increase in the granting of ICO credit facilities, a drop in consumer loan income and the fact that the interest rate curve has also fallen. This has been partially offset by an increase in lending volume.

Fee and commission income remained stable year-on-year at €1.9 billion. The slump in economic activity and prevailing market conditions have affected the performance when compared with the same quarter of the previous year (-2.7%), although fee and commission income did see an improvement on the second quarter of 2020 (+4.9%).

Income from the life-risk insurance business stood at €441 million, showing solid growth of 8.5% versus the same period of 2019 and up 6% on the previous quarter (+4.7% compared with the same quarter of the previous year).

The change in gross income (-5.3%) was largely down to a reduction in trading income and income from investees. Trading income amounted to €182 million (-36.3%). The change here is partly down to the materialisation of capital gains on fixed-income assets in the previous year.

With regards to income from investees, dividend income included €50 million from Telefónica in the second quarter and €40 million from BFA (€104 million and €46 million, respectively, in 2019). Income from investees was down 36.4% year-on-year as current economic conditions have led to a reduction in attributable earnings.

Recurring administrative expenses, depreciation and amortisation was down 3.1% following efforts made to manage the cost base. Staff expenses were down 4.6%, with the 2019 labour agreement and the early retirements in 2020 both generating savings and offsetting the organic increase. General expenses were also down, falling 1.7% in the year.

The increase in depreciation and amortisation (+1.6%) was partly down to the investments made in the Bank's transformation projects.

The cost savings measures deployed generated a year-on-year reduction of 3.1% —outpacing the drop in core revenues (-0.7%)— and yielded an improvement in the core cost-to-income ratio of 1.6 percentage points.

Total loans and deposits at an all-time high

Total loans and deposits in the first nine months of the year amounted to €646.3 billion, an all-time high for CaixaBank. Gross loans and advances to customers came to €241.9 billion, up 6.4% in the year, mainly due to an increase in business lending (+17.6%).

Customer funds totalled €404.4 billion at 30 September 2020 (+5.2% in the year and +0.9% in the quarter), driven by strong growth in demand deposits (+12.6% and +2.0% in the year and in the quarter, respectively) as households and businesses alike look to manage their liquidity needs.

Assets under management were down in the year to €100.8 billion, largely due to the negative performance of the markets in the second quarter, with a partial recovery of sorts over the following months. The quarterly growth of 2.3% is down to the positive market performance and positive net subscriptions in both the year-to-date and the quarter.

Assets under management in mutual funds, portfolios and SICAVs amounted to €67.2 billion (-2.1% in the year and +2.4% in the quarter), while pension plans stood at €33.7 billion (-0.2% in the year and +2.1% in the quarter).

More than 7 million customers across all digital channels

At the close of September, CaixaBank had a total of 7.07 million digital customers, marking an all-time high for the Bank and giving it the largest base of digital customers of any bank in Spain. This figure is up 8.6% on the same month of the previous year. Figures for September reveal that 66.1% of the Bank's customers aged between 20 and 74 use its mobile apps.

The increase in digital customers has been driven by sharp growth in the mobile channel, which ended September with 6.2 million users of CaixaBank apps, up 13.7% on the figure for September 2019.

Liquidity and solvency, at optimal levels

Total liquid assets amounted to €110.7 billion, marking an all-time high for the Bank, up €21.3 billion in the year, largely due to the generation and provision of collateral to the ECB facility.

The Group's Liquidity Coverage Ratio (LCR) was 280% at 30 September 2020, revealing a comfortable liquidity position (LCR 12-month average: 224%) that is well clear of the minimum requirement of 100%.

In the third quarter, CaixaBank issued a social bond worth €1 billion in a bid to mitigate the impact of COVID-19 by financing SMEs and micro-enterprises located in the most underprivileged areas of Spain.

As for capital management, the Common Equity Tier 1 (CET1) ratio stands at 12.7%, expressed pro-forma to include the partial sale of Comercia (12.5% excluding the sale).

The ratio rose by 32 basis points in the first nine months of the year due to the extraordinary impact of the decision to lower the dividend against 2019 earnings, and gained a further 51 basis points due to the application of the transitional period under IFRS 9, plus a further 20 basis points from the partial sale of Comercia. The remaining factors influencing the performance through to September had a net effect of -38 basis points (+45 basis points from organic growth, -21 basis points from the forecast for dividends payable in the year, and -62 basis points due to market conditions and other factors).

Regarding the MREL requirement (22.7% of RWAs as of 31 December 2020), CaixaBank had an RWA ratio of 24.4% at 30 September, expressed pro-forma.

The Tier 1 ratio stood at 14.2% at 30 September, expressed pro-forma to include the partial sale of Comercia. Including the new AT1 issue of €750 million subscribed in October, the pro-forma ratio would be 14.7%. Following this issue, the Group completely covers the AT1 bucket, in terms of both Pillar 1 requirements (1.5%) and the corresponding part of the P2R requirements (0.28%).

Containment of the NPL ratio through sound risk management

The NPL ratio has fallen to 3.5% in the year-to-date (-10 basis points), while the coverage ratio has climbed to 65% (+10 percentage points in the year following further loan-loss charges posted by the Bank). Cost of risk at 12 months was 0.67%.

Non-performing loans are up €284 million in the year-to-date, partially due to muted recovery activity during the state of alarm, although the decrease of €141 million in the quarter was a particular highlight, with a reduction across all risk segments.

The portfolio of net foreclosed real estate assets available for sale in Spain amounted to €973 million, with a coverage ratio of 40%. Total sales of real estate assets stand at €254 million in the year-to-date.

Strong commitment to customers and society to continue supporting the economy

CaixaBank has remained fully operational since mid-March as a supplier of essential services and has remained firmly committed to society and its customers thanks to the dedication of the Group's more than 35,000 employees. The Bank has continued to lend to businesses and individuals and continues to support those sectors most affected by the pandemic.

In the period up to 30 September, the Bank approved a total of 383,768 moratorium requests from its customers in Spain, with a significant reduction in the third quarter. The moratoriums affect a portfolio worth €11 billion, representing 5% of CaixaBank's total loan portfolio. As a bank affiliated to CECA, CaixaBank has ratified the mortgage and loan moratoria enacted by the Government and has supported the banking sector moratoria by granting an additional repayment period beyond the new legal requirement and extending the scope of the scheme to include segments other than the vulnerable customers envisioned in the Royal Decree-Law.

Since the announcement of the state of alarm through to 30 September, CaixaBank awarded €51.5 billion in loans to businesses, without counting ICO credit facilities, thus helping large companies, SMEs, self-employed workers and entrepreneurs to cope with the economic impact that the pandemic is having on the productive sector. Since the commercial launch of the ICO COVID-19 credit facilities, CaixaBank has granted 162,175 loan applications for a total of €11.9 billion, and notably demand has slowed in the last quarter. Of the total amount disbursed, 76% was granted to self-employed workers and SMEs.

Since the onset of the COVID-19 crisis, CaixaBank has rolled out a raft of measures under the hashtag #ContigoMásQueNunca (#ByYourSideNowMoreThanEver) in a bid to cushion the economic and social impact of the crisis and thus support the needs of the most affected segments of society. These measures include advance payments of unemployment benefits and furlough pay to 3.6 million people; granting rental payment holiday to tenants of the properties it owns, with 4,800 families benefiting from the relief; collaboration with "la Caixa" Banking Foundation on the volunteering programme among CaixaBank employees, and the activities undertaken by Decentralised Welfare Projects.

Increase in customer loyalty

During the state of alarm, the Bank kept the vast majority of its branches open (between 85-90%) across 97% of the more than 2,000 towns and cities in which CaixaBank is present. Today, 99% of its network is operational and open for business. It also has the largest network of ATMs in Spain, with 8,852 terminals.

Despite the complex landscape, levels of activity steadily recovered during the months of July, August and September, showing an improved performance on the same quarter of 2019 and also an increase in customer loyalty, which has risen by 1.8 percentage points over the last year to reach 63.3% of total customers. As a result, total loans and deposits have grown €34.6 billion in the year-to-date (€2.7 billion in the third quarter) to reach €646.3 billion (+5.7%).

Key Group figures

€ million / %	January - September 2020	January - September 2019	Change	3Q20	Quarter-on-quarter
INCOME STATEMENT					
Net interest income	3,647	3,720	(2.0%)	1,222	(0.2%)
Net fee and commission income	1,905	1,904	0.0%	638	4.9%
Core income	6,158	6,201	(0.7%)	2,094	3.7%
Gross income	6,260	6,610	(5.3%)	2,143	0.4%
Recurring administrative expenses, depreciation and amortisation	(3,485)	(3,597)	(3.1%)	(1,140)	(1.5%)
Pre-impairment income	2,776	2,035	36.4%	1,004	2.8%
Pre-impairment income stripping out extraordinary expenses	2,776	3,013	(7.9%)	1,004	2.8%
Profit/(loss) attributable to the Group	726	1,266	(42.6%)	522	-
INDICATORS OF PROFITABILITY (Last 12 months)					
Cost-to-income ratio	56.4%	67.9%	(11.5)	56.4%	(0.4)
Cost-to-income ratio stripping out extraordinary expenses	56.4%	56.2%	0.2	56.4%	(0.4)
ROE	4.2%	5.5%	(1.3)	4.2%	(0.5)
ROTE	5.0%	6.7%	(1.7)	5.0%	(0.6)
ROA	0.2%	0.3%	(0.1)	0.2%	(0.1)
RORWA	0.7%	0.9%	(0.2)	0.7%	(0.1)

	September 2020	December 2019	Change	June 2020	Quarter-on-quarter
BALANCE SHEET					
Total assets	449,310	391,414	14.8%	445,572	0.8%
Equity	24,551	25,151	(2.4%)	24,393	0.6%
Customer funds	404,422	384,286	5.2%	400,675	0.9%
Loans and advances to customers, gross	241,877	227,406	6.4%	242,956	(0.4%)
RISK MANAGEMENT					
Non-performing loans (NPL)	9,078	8,794	284	9,220	(141)
Non-performing loan ratio	3.5%	3.6%	(0.1)	3.5%	0.0
Cost of risk (last 12 months)	0.67%	0.15%	0.52	0.61%	0.06
Provisions for insolvency risk	5,883	4,863	1,020	5,786	97
NPL coverage ratio	65%	55%	10	63%	2
Net foreclosed available for sale real estate assets[1]	973	958	15	973	0
Foreclosed available for sale real estate assets coverage ratio	40%	39%	1	40%	0
LIQUIDITY					
Total Liquid Assets	110,729	89,427	21,302	106,609	4,120
Liquidity Coverage Ratio (last 12 months)	224%	186%	38	198%	26
Net Stable Funding Ratio (NSFR)	141%	129%	12	140%	1
Loan to deposits	98%	100%	(2)	99%	(1)
CAPITAL ADEQUACY[2]					
Common Equity Tier 1 (CET1)	12.7%	12.0%	0.7	12.3%	0.4
Tier 1	14.7%	13.5%	1.2	13.8%	0.9
Total capital	17.0%	15.7%	1.3	16.0%	1.0
MREL[3]	24.4%	21.8%	2.6	23.3%	1.1
Risk-Weighted Assets (RWAs)	145,603	147,880	(2,277)	147,499	(1,896)
Leverage ratio	5.3%	5.9%	(0.6)	5.1%	0.2
SHARE INFORMATION					
Share price (€/share)	1.813	2.798	(0.985)	1.901	(0.088)
Market capitalisation	10,837	16,727	(5,890)	11,360	(523)
Book value per share (€/share)	4.10	4.20	(0.10)	4.08	0.02
Tangible book value per share (€/share)	3.38	3.49	(0.11)	3.36	0.02
Net income attributable per share (€/share) (12 months)	0.17	0.26	(0.09)	0.19	(0.02)
PER (Price/Profit)	10.49	10.64	(0.15)	9.83	0.66
Tangible PBV (Market value/ book value of tangible assets)	0.54	0.80	(0.26)	0.57	(0.03)
OTHER DATA (units)					
Employees	35,617	35,736	(119)	35,589	28
Branches[4]	4,315	4,595	(280)	4,460	(145)
of which: retail branches in Spain	3,672	3,918	(246)	3,797	(125)

(1) Exposure in Spain.
(2) Pro-forma ratios at 30 September 2020 considering the partial sale of Comercia and the AT1 issue of €750 million completed at the beginning of the fourth quarter.
(3) Pro-forma ratio at June 2020 including the new issue of the social bond carried out in July for €1,000 million in Senior preferred debt (22.6 % excluding this issue).
(4) Does not include branches outside Spain and Portugal or representative offices.

Results

The Group's Income Statement

Year-on-year performance

€ million	9M20	9M19	Change	Chg. %
Net interest income	**3,647**	**3,720**	**(73)**	**(2.0)**
Dividend income	96	161	(65)	(40.7)
Share of profit/(loss) of entities accounted for using the equity method	218	344	(126)	(36.4)
Net fee and commission income	1,905	1,904	1	0.0
Trading income	182	285	(103)	(36.3)
Income and expense under insurance or reinsurance contracts	441	407	34	8.5
Other operating income and expense	(229)	(211)	(18)	8.3
Gross income	**6,260**	**6,610**	**(350)**	**(5.3)**
Recurring administrative expenses, depreciation and amortisation	(3,485)	(3,597)	112	(3.1)
Extraordinary expenses		(978)	978	
Pre-impairment income	**2,776**	**2,035**	**741**	**36.4**
Pre-impairment income stripping out extraordinary expenses	**2,776**	**3,013**	**(237)**	**(7.9)**
Allowances for insolvency risk	(1,594)	(288)	(1,306)	
Other charges to provisions	(207)	(151)	(56)	36.7
Gains/(losses) on disposal of assets and others	(92)	(82)	(10)	11.9
Profit/(loss) before tax	**883**	**1,514**	**(631)**	**(41.7)**
Income tax expense	(157)	(246)	89	(36.2)
Profit/(loss) after tax	**726**	**1,268**	**(542)**	**(42.8)**
Profit/(loss) attributable to minority interest and others	(1)	2	(3)	
Profit/(loss) attributable to the Group	**726**	**1,266**	**(540)**	**(42.6)**