RESULTS 1Q 2019

ABANCA earns 156 million and continues to increase its recurring revenues

- With a ROE of 13.5%, the entity is one of the most profitable in the Spanish financial sector
- The gross margin moved forward 7.1% based on recurring revenues
- For the first time, the business volume breaks the barrier of 70,000 million (+ 6.5%), thanks to increases in both credit and deposits
- The level of customer satisfaction increased by 48%, thanks to investments in greater service capability and innovation in products
- The financing to the SME and self-employed worker segments, which were granted 525 million euros in the quarter, remains the pillar of credit growth
- The new production of insurance grew 59.8% while investment funds, pension plans and savings insurance did it in the same way 3.4%
- The non-performing loan ratio fell to 3.5% after 21 consecutive quarters of reduction of non-performing loans and coverage remains at 59%
- The CET1 capital ratio stands at 14.8%, 604 basis points above the regulatory requirements
- In the first quarter of the year, Fitch Ratings has upgraded ABANCA’s rating to investment grade

29.04.2019 ABANCA closed the first quarter of 2019 with a net profit of 156 million euros. With a ROE of 13.5%, the entity remains firmly positioned among the most profitable in the sector.

The result obtained is based on its growing income generation capacity, as reflected in the 7.1% increase of its gross margin. Within this improvement, that registered in the commercial margin and the income from services stands out.

All this has been accompanied by a significant improvement in asset quality. The non-performing balances, which were reduced by 28.9% with respect to the same period of the previous year, have already amounted 21 consecutive quarters of decline. The NPL ratio has thus been placed at 3.5%.
Increased revenue

ABANCA continues to ramp up its income-generating capacity through the development of its retail activity. The gross margin of the first quarter reached 284.4 million euros, which is 7.1% more than in the same period of the previous year.

The commercial margin maintains the trend of the last quarters and is the main source of growth of the net interest income. This result has been achieved thanks to the good price management, which allows optimising the spread with customers, and to the commercial dynamism, which generates a new production with better ratios in both assets and term deposits.

With regard to recurring revenues, the increase in revenues from services rendered stands out, which grew by 8.2%. All these items share a positive evolution: revenues from banking services grew by 13.4%, revenues from collecting and payment services by 9.7% and those generated by insurance, plans and funds sales by 1.8%.

Efficient growth

ABANCA continues with its commitment to strategic projects to strengthen its financial profile and income generation in an efficient manner.

By the end of March, its cost to income ratio stood at 52%, in line with industry best practices.

The good performance of this ratio contributed to both the optimisation of non-strategic expenses and the improvement of revenues: gross margin advanced 7.1%.

The improvement of the digital capability constitutes one of the levers of fundamental transformation of the entity, as much in the type of transactions as in productivity. Digital channels already generate 56.4% of total transactions, with a year-on-year growth of 12.7%, and are decisive for increasing both the volume of business and productivity per employee.

Business turnover above 70,000 million

The volume of business was for the first time above the level of 70,000 million euros after registering a year-on-year increase of 6.5% at the end of the first quarter. This growth is the result of balanced increments in headings both of loans to customers and customer funds.

The performing credit portfolio to customers experienced a 6.5% growth. In this portfolio, the credit granted to companies and self-employed workers is becoming more important. They received 525 million euros in the first quarter of the year and now account for 40% of total credit investment.

This evolution of the business is linked to the entity’s commitment to boost the levels of customer satisfaction, which is reflected in the NPS increase (Net Promoter Score) from 23 to 34 points.

Especially the levels of recommendation provided by the younger segments (a 58% of them actively recommended ABANCA). In addition, 68% of new customers of ABANCA recommend the bank and the NPS after contracting new products stands at 59 points.
Customer funds increased by 6.7%, with growing prominence of demand balances, investment funds, pension plans and savings insurance.

The new production of insurance increased 59.8%, where health insurance (+59%), business insurance (+37%), and life insurance (+19%) stood out. The Insurance Flat Rate, the flagship service of ABANCA in this market, accounted more than 16,000 new registrations within the quarter.

Taking the lead in the portfolio quality ranking

After a new drop registered in the first three months of 2019, ABANCA has been accumulating 21 consecutive quarters of reduction of non-performing balances. Between March 2018 and March 2019 these assets were reduced by 28.9%, which has made it possible to place the NPL ratio at 3.5%, widely below the average of the Spanish financial system.

ABANCA is the Spanish entity with the smallest portfolio of non-performing loans, along with the reduced amount of foreclosed assets in its balance sheet. Seen as an ensemble, and considering the level of non-performing loans and foreclosed assets on total assets, ABANCA is, with a ratio of 1.6%, the leader in the Spanish ranking.

The cost of risk (CoR), standing at 0.1%, remains among the best in the market thanks to the reduction of non-performing assets.

ABANCA leads the way in coverage of non-performing assets, with a total ratio that increased 7 tenths from December, reaching 59.2%. The reduction of non-performing assets together with the high levels of coverage and capital continues to place ABANCA, for a further quarter, as the entity with the best Texas ratio in the sector (32.8%).

Liquidity and capitalisation

The entity has a comfortable liquidity position of 12,344 million euros between liquid assets and the covered bond issue capability. Liquid assets cover more than twice the maturity of issuances. The NSFR (net stable funding ratio) and the LCR (liquidity coverage ratio), which are 127% and 235% respectively, meet the regulatory requirements established in Basel III.

The total capital ratio advances in the diversification of its structure and stands at 17.0% phase-in (16.2% fully loaded). The highest quality capital (CET1) has been placed at 14.8% phase-in (14.0% fully loaded), among the highest in the Spanish sector, with 604 basis points above the regulatory requirements.

Rating improvements from the rating agencies

In this first quarter, the rating agency Fitch Ratings has revised the rating granted to ABANCA, upgrading it to the category of Investment Grade.

At the time of making this decision, the agency has emphasized the substantial improvement in the quality of the entity’s assets, as well as the strengthening of its franchise, the solid capital position,
the stability of the financing and liquidity profile, and the improvement of recurring profitability.
Likewise, Standard & Poor’s places the ABANCA’s rating as close as one notch to the investment grade category, while Moody’s gives a positive outlook to the entity’s rating.