2020 1Q RESULTS

ABANCA achieves a profit of €127 million, after reinforcing provisions with €78 million

- ABANCA has executed a response plan to COVID-19 based on financial support for customers, remote transactions, protection of people and community welfare initiatives
- Through the Anticipar Plan, ABANCA makes available to the main economic agents €7,900 million in financing
- With a 15.6% total capital ratio and a 1,221 million surplus over CET1, capitalisation exceeds regulatory requirements
- The result means a 10.9% return (ROE)
- The bank is among the first in the industry in terms of coverage rate of non-performing assets (61.1%)
- The NPL ratio is at 2.7%, a figure much lower than the Spanish average
- Recurrent revenues are still improving (+17.4% basic margin) and remain as profitability pillar
- The bank continues to increase its business volume, which exceeds €85,500 million
- ABANCA maintains a sound financing structure based on customer deposits, with a LTD ratio of 98%
- Excluding the one-off provisions derived from COVID-19, net profit improves 0.5%

05.05.2020 ABANCA achieved a net profit of €127 million in the first quarter of 2020, a figure that means a 10.9% ROE return.

Recurring revenues, with a basic margin that grew by 17.4%, continued to improve and remain the cornerstone of the profit obtained. The bank has maintained this profitability level, among the highest in the Spanish financial industry, at the same time that it has strengthened its loan portfolio provisions with €78 million. The objective is to face the foreseeable economic impairment due to the impact of the health emergency.

Thanks to its prudent and long-term policy, the bank faces the COVID scenario from a very solid financial position: the level of capitalisation far exceeds regulatory requirements (total capital ratio of 15.6% and a €1,221 million surplus on CET1); the coverage of non-performing assets (61.1%) is one of the highest in the industry; the NPL ratio (2.7%) is lower than the Spanish average; and the
financing structure is mainly based on customer deposits (LTD ratio of 98%). The business volume continues to grow and exceeds €85,500 million.

The bank is developing a comprehensive action plan aimed at financially supporting its customers, maintaining the continuity of transactions through remote channels, protection against COVID-19 in branches and work centres, and contributing to the overall society’s effort in its fight against the pandemic. ABANCA, as part of these initiatives, has made €7,900 million available for financing corporates, SMEs, the self-employed and businesses. In addition, it has been one of the banks that has consumed the most quota of the loans guaranteed by the ICO (Instituto de Crédito Oficial) with 9,469 transactions processed for SMEs and the self-employed amounting to €893 million and 364 cases managed for corporates totalling €547 million.

Another important milestone of the quarter has been the culmination of the incorporation of Banco Caixa Geral, which was successfully completed in March. This corporate transaction complements ABANCA’s model and strategy, since it offers a high potential for generating value, expanding its commercial network to new territories and reinforcing its presence in others in which it has already been operating.

The bank is assessing the possible acquisition of the Portuguese bank Eurobic, currently pending the completion of the due diligence process. This transaction is part of the strategic commitment to Portugal as an expansion road, an attractive market due to the country’s economic performance and in which the bank has extensive experience.

**High liquidity and capitalisation**

Retail deposits constitute the basis of ABANCA’s financing structure, loan to deposit ratio of which is 98.0%. The bank has a comfortable liquidity position of €13,505 million made up of the covered bond issue capability and liquid assets, allowing the bank to cover more than twice the expected maturity of issuances.

The net stable financing ratio -NSFR- and liquidity coverage ratio -LCR- stood, respectively, at 127% and 210%, levels that demonstrate early compliance with the Basel III regulatory requirements.

The bank has a robust solvency position. The total capital ratio by March-end was 15.6%, with an excess of 335 bp on requirements. The highest quality capital ratio, CET1, stood at 12.7%, with an excess of 394 bp, representing a buffer of more than €1,200 million above the minimum required. Following the issuance of October 2019, ABANCA has already fulfilled the required buffer of subordinated debt classified as Tier 2 (2% o/RWA)

**Profitability and maximum prudence**

The result attained by the bank in the first quarter shows the good performance of its business with retail customers, which continues to gain weight in the income statement. Interest margin and income from services provided grew at double-digit rates in both cases.

The first of them improved 13.8% year-on-year thanks to the dynamism of the business and good
price management. Income from services provided grew 27.7% year-on-year, driven by value-added services for customers.

Income from off-balance sheet resources grew by 50.2%, income from collection and payment services increased by 41.7%, while from banking services decreased by 9.8%. This all adds up to a 17.4% growth in the basic margin, which reached €208.7 million and constitutes the core of the income statement. The gross income registered a 26.7% year-on-year increase.

The expense base would remain stable if the investments made in the incorporation processes were deducted. In any case, the incorporations have provided a greater volume of income than expenses and the efficiency ratio stood at 48%.

The bank has taken advantage of the first quarter results to reinforce loan provisions, anticipating the impairment of the economic environment. Net profit improves 0.5%, excluding one-off provisions derived from COVID-19.

**New reduction of NPL ratio**

The bank continues to place emphasis on improving the quality of its portfolio. After a 1.6% year-on-year reduction in total non-performing balances, the NPL ratio registered an additional decrease and stood at 2.7%, well below the industry average.

ABANCA strengthens its position as the leading Spanish bank in terms of covering non-performing assets, with a total coverage ratio of 61.1%. The NPL ratio stands at 61.6%, while the coverage of foreclosed assets stands at 60.5%.

ABANCA’s sound financial profile confirms it as one of the soundest banks in the Spanish financial industry. Both in NPA ratio, with a 4.7% and Texas ratio, with a 30.9%, ABANCA is among the best banks in Spain.

**Continuity in business growth**

Following the first quarter closing, ABANCA managed a business volume of €85,537 million, 20.6% higher than in March 2019. The bank has achieved this growth with a balanced behaviour of its performing credit portfolio, which increased 25.3% up to €37,166 million, as well as of customer funds, which rose 18.4% to €47,621 million.

The incorporation of the acquired businesses has been key in these figures, although excluding their effect, the company would also record significant growth rates of 8.4% in the performing credit to customers and 3.8% in customer funds. The credit portfolio is increasingly diversified, while demand deposits gain weight in customer deposits.

On the other hand, premiums for general and life-accident insurance grew by 9.8% year-on-year. The performance of the new production of protected payment insurance stands out, with a 23% growth, funeral insurance, which increased by 13%, life-accident insurance, which did so by 10%,
and car insurance, by 7%.

**Action plan against COVID-19**

ABANCA is implementing a comprehensive action plan to deal with the consequences of the COVID-19 health emergency. The plan, which is focused on protection measures as well as financial and operational needs of individuals, has specific initiatives for three different groups: the employees who make up the bank’s team, customers, both corporates and individuals, and society as a whole.

Actions addressed at employees aim to provide them with a safe working environment, provide them with the necessary infrastructure for teleworking, and provide them with personal and financial support. The bank has made a significant effort to activate the necessary protection measures in its work and customer service spaces. More than 4,000 bank employees, and 800 from different providers, carry out their daily tasks by teleworking.

The actions aimed at customers are focused on guaranteeing their protection during their visits to branches, fulfilling their financial needs and offering them different remote channels to carry out their transactions. The bank has reinforced the functionality of its remote banking channels to carry out most of its transactions without the need of a face-to-face transaction in a branch and therefore it has increased its customer service resources.

Among the measures aimed at individuals, there are the launch of financing products for people in situations for Temporary and Non-Temporary Redundancy Processes, the financial moratorium for mortgage and personal loans, the automatic validation of terms of products and services for customers who had already complied with them, the writing off of three monthly letting payments to families residing in properties of the Social Housing Fund, and the advance of pensions and unemployment benefits.

For corporates and self-employed segments, the bank has launched, among other actions, the **Anticipar Plan**, endowed with €7,900 million in financing for the productive fabric. In addition, the bank is carrying out a large number of formalisations of financing transactions in collaboration with the **Instituto de Crédito Oficial** -ICO- and other official agencies and entities (IGAPE, Mutual Guarantee Societies -Sociedades de Garantía Recíproca, SGR in Spanish-, etc.) and is activating extensions, automatic renewals and increasing the ceilings on current financing transactions. Specifically, with the loans guaranteed by the ICO, it has managed 9,469 SME and self-employed transactions for an amount of €893 million and 364 Corporate banking transactions amounting to €547 million.

The third section of the ABANCA’s comprehensive response plan against COVID-19 concentrates to community welfare actions to contribute to the effort of society as a whole. The bank has donated 514 units of healthcare equipment (of which 150 are intensive care units for Galician hospitals) and 72,000 units of protection material in collaboration with Afundación. In collaboration with the insurance industry, it has participated in the creation of a collective insurance for healthcare workers. It has also promoted many other actions in the fields of awareness, education, culture and sports.