2Q 2021 RESULTS

ABANCA made a 157 million profit, up 18.0%

- The entity faces the recovery stage from a position of financial strength
- Recurring revenues from products and banking services increased by 10.4%
- With a year-on-year growth of 21.2%, the business volume is above 107,000 million
- Commercial activity begins to show signs of normalisation and exceeds the levels of the first half of 2019 with regard to mortgages (+30.4%) and SMEs and the self-employees (+2.1%)
- The entity is leader in asset quality with the lowest NPL ratio (1.9%) and the highest coverage of non-performing loans (83.8%) of the sector
- Moody's is the third rating agency that grants investment grade to ABANCA, thus acknowledging the soundness of its business
- The Action Plan for Responsible and Sustainable Banking 2021-2024 advances with the launch of sustainable funds and obtaining the Zero Waste Certificate

22.07.2021. ABANCA has obtained in the first half of 2021 an attributable profit of 157.0 million euros, 18.0% more than in the same period of the previous year.

This good evolution is based on the strength of its recurring revenues, complemented by the cost control and the measures to restrain the cost of risk.

ABANCA is now facing the exit from the crisis in a position of high financial strength. The keystones of this strength are the good quality of its portfolio (NPL ratio of 1.9% and foreclosed assets on balance sheet of 0.3%), the high level coverage (83.8% in non-performing loans), its high capitalisation (total capital ratio of 17.3% and 1.573 million excess over regulatory
requirements) and its comfortable liquidity position (LTD ratio of 97.4% and 13.287 million euro in liquid assets).

The recovery of commercial activity has stood out this half year, which has exceeded the levels of the same period of 2019 in lines such as the formalisation of mortgages (+30.4%) and financing transactions with SMEs and the self-employees (+2.1%).

Another notable milestone of the period was the strong increase in insurance activity, which doubled in car insurance after the launch of the first products of the new own company created in alliance with Credit Agricole Assurances.

The same positive trend can be noticed in the last acquired entities, Bankoa and the Spanish Novo Banco network, where the businesses of both are evolving favourably and the incorporation processes are progressing according to the planned schedule.

The good performance of ABANCA has been supported by rating agencies, as evidenced by the investment grade granted by three of the four agencies after the Moody's upgrading in recent days.

In the field of sustainability and social commitment, the entity has launched new actions to continue with the development of its responsible banking model. The entity is already working on the implementation of its 2021-2024 Action Plan for Responsible and Sustainable Banking, with the aim of achieving carbon neutrality in its activity and having a sustainable alternative for its financial products in 2024, among other objectives.

**Strength of recurring revenues**

The entity's income statement certifies its capacity to generate recurring revenues. In year-on-year terms, the basic margin grew by 10.4% thanks to the good evolution of the net interest income, which grew by 11.1%, and the revenues from banking services provided, which did so by 8.5%.

The growth in the basic margin along with the reduction in operating expenses, which fell by 3.8%, allowed the recurring margin to increase to 124.3 million euro, almost double that of a year ago. Discounting the effect of the incorporation of Bankoa, recurrent expenses decreased by 7.6% thanks to the effect of the streamlining projects and the synergies obtained, which exceed the objectives set for the incorporations.

Despite the signs of recovery, the bank continues to be prudent in terms of provisions, as shown by its cost of risk of 36 bp, which allows coverage (83.8%) to be maintained at the highest levels in the Spanish financial system despite having the best NPL ratio (1.9%).
More than 107,000 million business volume

With a year-on-year growth of 16.4%, the business volume has reached 103.236 million euro. If the business of the Spanish Novo Banco network is taken into account, this figure exceeds 107,000 million (+ 21.2% year-on-year). This significant growth has been achieved by maintaining a balance between lending and customer funds.

The performing loans portfolio grew by 17.1% year on year (12.4% without Bankoa, which was incorporated at the beginning of 2021), up to 44,426 million euro. Financing to enterprises and households, which make up 77% of the total, constitutes its majority component.

Customer funds received a 16.9% boost compared to the same period of the previous year (11.3% not including the effect of Bankoa) to reach 50,040 million. Within this area, the deposits from customers grew by 15.0% (11.0% not including the effect of Bankoa), with a total amount of 46,393 million euro.

The off-balance sheet funds grew by 25.0% (12.2% not including the effect of Bankoa). This boost allowed the bank to increase its market share both in investment funds (7 bp) and in pension plans (5 bp). In Spain, ABANCA received 3.4% of the total net subscriptions of investment funds during the six-month period.

General insurance and life-risk insurance premiums grew 11.6%, with a very homogeneous behaviour in the different segments. Payment protection insurance grew 17%, life-risk grew 13%, health 13% and car insurance by 9%.

Quality of the portfolio: at the top of the sector

ABANCA posts a significant decrease in its non-performing balances compared to June last year. This reduction of 18.5% (23.0% exclusive of Bankoa) places the bank's NPL ratio at 1.9%, the lowest figure in the Spanish financial sector and less than half the average.

The bank also has the best coverage ratio, with 83.8%. Texas ratio stands at 27.2%, also at the top of the sector. All of the above makes ABANCA to be the best bank in the sector with regard to the quality of the portfolio and coverage.

An essential part of this good evolution has been the provision of financial support to enterprises and households most affected by the crisis. In total, the bank has formalised transactions guaranteed by the ICO for an amount of 3,321 million euro and 1,280 million in flexibility transactions (moratoria) for households. 52% of the applied moratoria have already expired, but only less than 2% of these have been reclassified to non-performing.
Solvency and liquidity

As regards solvency, the ABANCA's capital ratio moved into 17.3% (13.2% CET1 maximum quality capital). Due to the effect of a more diversified capital structure, the bank has comfortable buffers on regulatory requirements: 504 bp (1,573 millions) in total capital and 522 bp (1,629 million euro) in CET1.

ABANCA has a financing structure based mainly on retail deposits, which account for 71%. The bank has a ratio of retail loans to deposits (retail LTD) of 97.4% and has 18,843 million euro between liquid assets (13.287 million) and covered bond issuing capacity (€ 5,556 million). With this, the bank covers four times the total of its expected maturities of issues.

The net stable financing ratio -NSFR- and liquidity coverage ratio -LCR- stand, respectively, at 131% and 258%, levels that comply easily with the Basel III regulatory requirements.

Moody's is the third rating agency that grants investment grade

The improvement in the rating reported by Moody's is due to the agency's new methodology and its recognition of ABANCA's financial profile, which it considers stable in the current economic scenario. Moody's highlights in its rating the ABANCA's resilience, asset quality, solvency and profitability expectations.

In 2021, ABANCA's track record is being valued positively by rating agencies. Three of the four agencies that rate the entity have reported assessment of ABANCA during this year. Of these, two (DBRS and Standard and Poor's) have improved the outlook, while the third (Moody's) has announced a rating upgrade.

Sustainability and social commitment

ABANCA recently presented its 2021-2024 Action Plan for Responsible and Sustainable Banking, which places sustainability at the centre of the entity's corporate strategy and brings forward actions along three main lines: environmental, socio-economic and good governance.

Throughout the first half of the year, the first actions aimed at meeting the objectives of this plan have been launched, among which are being neutral in emissions and having a sustainable alternative for its products. With an eye on these objectives, in the last quarter the bank obtained the Zero Waste certificate from AENOR for its corporate headquarters, and has expanded its catalogue of responsible investment products with two new funds for discretionary portfolio management.
On the other hand, through the specialised units ABANCA Agro and ABANCA Mar (agriculture and fisheries), the bank signed collaboration agreements with groups and entities in the agriculture & food and fishing sectors to promote energy efficiency, improve water resources, promote the consumption of local products and renew the fishing fleet.

In the field of promoting energy efficiency in the productive fabric, the entity has joined the EnergyLab board, thus joining the governing body of one of the leading technology centres in the development of sustainable technologies. The renewal of the collaboration agreement between both entities gives a new boost to the financing of this type of investment through loans with long repayment terms, low interest rates and the possibility of introducing exclusion periods.

The bank has also developed extensive activity in the social and voluntary fields. Through a new series of the 'Cubertos' program, the third since the summer of last year, Afundación and ABANCA will collaborate with municipalities and welfare organisations to provide 44,000 healthy meals, 1,000 daily, to minors at risk of poverty or social exclusion during school holidays.

The circular economy, also included in ABANCA's sustainability strategy, is the concept around which the ‘Redes Vivas’ program revolves, through which the bank has collaborated with the “redeiras” group (female fishing net makers) to reuse abandoned fishing nets. ‘Redes vivas’ has as its centre a traditional and artisan trade carried out mainly by women, and is connected with the ABANCA Sports Base program by placing the recovered nets in the fields and pitches of the sports clubs that belong to it.

The environmental volunteer activities promoted by ABANCA and Afundación removed more than six tons of waste from the Galician coastline under the PLANCTON program of Afundación.