3Q 2020 RESULTS

ABANCA obtains a profit of 143 million euros after allocating 211 to reinforce provisions

- Recurring revenues from products and banking services increased by 12.5%
- The bank improves its efficiency thanks to the costs streamlining and the synergies attained in latest incorporations
- ABANCA is the leader in asset quality thanks to the lowest NPL ratio (2.6%) and the highest non-performing asset coverage of the sector (64%)
- The lending portfolio has a greater weight of less vulnerable sectors and its scope is in Galicia, one of the regions with the greatest resilience to the crisis
- With a total capital of 16.3%, ABANCA far exceeds the regulatory solvency requirements
- The business volume exceeds 93,000 million euros, taking into account the contribution of Bankoa
- ABANCA attracts more than 40,000 new customers supported by digitalisation
- The business of means of payment registers higher growth than those of the market both in the issuance and acquisition business
- The proactive strategy of channelling support measures to enterprises and households results in more than 2,700 million euros in ICO loans and more than 1,100 million in financial flexibility for individuals

03.11.2020 ABANCA obtained an attributable profit of 143.4 million euros in the first nine months of the year, after allocating 210.8 million to strengthen its financial position in the face of the COVID-19 crisis.

The bank faces the current environment with sound capitalisation levels (16.3% of total capital and 1,214 million euro excess on requirements), a comfortable liquidity position (retail LTD ratio of 96.3% and 10,905 million euros in liquid assets), high coverage levels (66.0% ratio for non-performing loans and Texas ratio of 31.0%) and high asset quality (NPL ratio of 2.6% and level of foreclosures on balance sheet of 0.4%).

The lending portfolio of the bank is well positioned in order to face the consequences of the pandemic. In addition to the low NPL ratio and high coverage, ABANCA presents a wide diversification by sectors of economic activity and shows a lower exposure to those most vulnerable to the effects of the COVID-19 pandemic. This comes on top of the greater resilience of the Galician economy, which contributes positively to the strength and quality of the bank’s business.
Over the last few quarters, the bank has implemented proactive strategies for comprehensive support to society to overcome the impact of the crisis. On an economic front, the bank has formalised financing state-guaranteed transactions for an amount of 2,753 million euros. In addition, the bank has also implemented financial facilities to mortgages for a total of 798 million euros and 381 million to other types of financing. Finally, the bank has made 450,000 pension advances and managed 3,171 benefit advances from layoffs.

At the healthcare level, since the start of the COVID-19 crisis, the bank has donated 521 healthcare equipment to SERGAS (Galician Health Service), all of which are operational in the different healthcare areas of Galicia, of which more than 150 are ICUs. Also, the bank has provided near 80,000 meals for schoolchildren in vulnerable situation in collaboration with Afundación.

The last few quarters have also provided a strong boost to the digitalisation of the bank’s activity. As of September 30, the bank registered a 52.2% increase in the number of digital transactions and has continued to increase its productivity per employee. Additionally, the specialisation and client-centric approach have allowed us to attract more than 40,000 new customers since January.

During the first nine months of the year, the business of means of payment has also experienced differential progress. Only in Spain, ABANCA has registered an increase of 12.4% in credit cards and 22.2% in POS terminals, figures that have also been accompanied by the large increase in transactions made with ABANCA cards and POS.

Focus on recurring revenues and provisions

At the end of the third quarter, the bank’s income statement shows sound growth in recurring items, i.e., the core of its capacity to generate income.

Net interest income grew 10.3%, while revenues from services provided increased 19.1%, resulting in a 12.5% growth in the basic margin. The pre-provision profit improved 16.6%, discounting the result of financial transactions. Attributable profit was 143.4 million euros despite the effect on the income statement of the reinforcement of provisions.

Thanks to revenue growth and effective cost control, the efficiency ratio stood at 59.0%. Key to this were both the synergies attained in the latest incorporations and the reduction in ordinary costs thanks to the streamlining projects.

In recent months, the bank has been making a determined effort to reinforce its response capacity to the effects of the COVID-19 crisis, which results in credit allocations amounting to 210.8 million euros. In doing this, the cost of risk stands at 0.63%. Since the outbreak of the pandemic, ABANCA raised the coverage of non-performing loans by 446 basis points to 66.0%, one of the highest figures in the sector, while the NPL ratio continued to fall to 2.6%, the best of the Spanish financial sector.

More than 93,000 million business volume

As a result of balanced growth in lending and customer funds, the business volume increased 5.7%
in year-on-year terms, reaching 89,583 million euros. If the contribution corresponding to the acquisition of Bankoa is included, the ABANCA group reaches a business volume of more than 93,000 million euros.

Performing loans portfolio grew by 7.6% up to 38,503 million euros. The core of the portfolio is made up of financing households and enterprises, which represent 45% and 38% respectively.

ABANCA already manages a total of 50,266 million euros in customer funds, which has experienced a 4.9% growth since September 2019. In the same period, deposits from customers registered an increase of 7.3%, reaching 40,812 million euros.

The commercialisation of insurance and off-balance sheet products, essential in the bank’s income diversification strategy, maintains its dynamism.

General insurance and life-risk premiums grew 7.0% year-on-year. The performance of the new production of protected payment insurance stands out, with a 17% growth, funeral insurance, which increased by 12%, life-risk insurance, which did so by 8%, and car insurance, also by 5%.

On the other hand, off-balance sheet funds increased 5.8% between March and September. As an outstanding milestone in the last quarter, ABANCA achieved 7% of the market’s net investment fund subscriptions. This good evolution results in a new increase in market shares, both in investment funds (16 basis points) and in pension plans (12 bp) and in life savings insurance (7 bp).

At the head of the sector by asset quality

ABANCA ranks first in Spain with regard to asset quality. After a further decrease in the volume of non-performing loans (-17.4% year-on-year), the non-performing loan ratio stood at 2.6% by September 30, in line with the European average and well below the Spanish average.

This good quality of assets can be seen in all the bank’s business lines. Regarding loans to SMEs and corporates, ABANCA presents a wide diversification by sectors of economic activity and shows a lower exposure to those most vulnerable to the effects of the COVID-19 pandemic. Added to the aforementioned, the greater resilience of the Galician economy also contributes positively to the strength and quality of the bank’s business.

Since the outbreak of the pandemic, ABANCA has provided support to 17% of its loan portfolio of individuals and enterprises, thus strengthening the financial capacity of those customers most exposed to the current difficult economic environment. 28.8% of ABANCA’s business with SMEs and corporates, that is, loans worth 4,560 million euros have benefited from state guarantees to ensure their stability. As for households, 5.5% of the total ABANCA mortgage portfolio has benefited from the financial facilities implemented.

ABANCA is the Spanish bank with the highest level of coverage of non-performing assets, with a 64.0% total coverage ratio. The NPL ratio stands at 66.0%, while the coverage of foreclosed assets stands at 61.2%. The Texas ratio (non-performing assets on coverage plus equity) of the bank was 31.0% by the end of September.
Liquidity and capitalisation

In terms of solvency, the bank complements the reinforcement of its capital through organic generation with the accountable debt issues carried out within its Strategic Plan. At the end of September, the total capital stood at 16.3%. This position means 407bp. (1,214 millions) above the required level. The highest quality capital ratio, CET1, rose up to 13.3%, with an excess of 532 bp. (1,587 million euros) on requirements.

The application of a strict policy of prudence and management focused on long-term financial sustainability is also reflected in liquidity. With a comfortable liquidity position based on retail deposits, which make up 73% of its financing structure, ABANCA has a ratio of loans to retail deposits (retail LTD) of 96.3% and has 16,238 million euros between covered bond issuing capacity (5,333 million) and liquid assets (10,905 million). Taking into account the all of the above, the bank has more than triple its expected maturities of issues covered.

The net stable financing ratio -NSFR- and liquidity coverage ratio -LCR- stand, respectively, at 134% and 261%, levels that demonstrate compliance with the Basel III regulatory requirements.