RESULTS 2019

ABANCA obtains 405 million, with a 10% profitability

- ABANCA remains one of the most profitable entities of the Spanish system in the last five years
- Recurrent revenues increased by 5.8% and remain as the pillar of profitability
- Business volume with customers exceeded 85,000 million, 23% more than last year.
- Successful incorporation of Deutsche Bank PCB Portugal and Banco Caixa Geral, improving therefore the commercial targets set in the acquisition
- General Insurance increased by 18.7% supported by the commercialisation of innovative products and customer experience
- The NPL ratio stands at well reduced levels (2.8%), while maintaining the non-performing asset coverage as the highest in the sector (58.8%).
- The four rating agencies assessing ABANCA have improved their rating during 2019
- The bank launches its new sustainability policy to promote the creation of a new socially responsible economic model

04.02.2020 ABANCA closed 2019 with a net result of 405.0 million euros, 6.7% more than in 2018. This result represents a 10.0% return, which still keeps ABANCA among the most profitable entities of the Spanish financial system.

The year 2019 was characterized by a significant increase in business volume, which has already exceeded 85,000 million euros. This milestone was achieved thanks to the combination of organic growth generated by commercial dynamism, especially in the segment of financing for SMEs and self-employees, as well as the business contribution generated by the acquisitions of Deutsche Bank PCB Portugal and Banco Caixa Geral.

During 2019 the digital channels experienced a great advance both in terms of transactions and business generation. ABANCA ranks in the top 3 of the banks with the best digital experience according to the latest survey by the independent firm D-Rating.

With the aim of promoting the development of its insurance business, ABANCA carried out two major corporate deals that led to the redefinition of its model for the coming years. On the one hand, it addressed the internalisation of its life and pension business, which became fully managed within the group. On the other hand, it signed a long-term alliance with the first European insurance
bank, Crédit Agricole Assurances, to operate in the general insurance segment in Spain and Portugal. In addition, the quality of its portfolio continued to improve thanks to a NPL ratio already below 3% (2.8%) and a non-performing asset coverage ratio of 58.8%, which is ranked as the highest in the sector. The high level of capitalization, which far exceeds regulatory requirements, and its sound financing structure are other key elements that place ABANCA as one of the most wealthy entities in the Spanish financial system, as evidenced by its 33.6% Texas ratio.

2019 is the first year in which the reverse takeover between ABANCA Corporación Bancaria (absorbing) and ABANCA Holding Financiero (absorbed) takes effect. This reverse takeover improves the group’s capital position and simplifies its organisational structure. In comparable terms, ABANCA obtained in 2019 a result 6.7% higher than the previous year and improved its capital position by 116 b.p.

Profitability based on recurring revenue
The result recorded in 2019 reflects the good evolution of ABANCA’s business with customers. The margin of interest increased by 2.4% thanks precisely to this retail activity The commercial margin grew steadily due to the dynamism of the business and good price management.

It is worth to mention the income from services provided, which increased by 16.6% thanks to those products that offer greater value to customers. Income from off-balance sheet resources grew by 27.9%, income from collection and payment services increased by 10.5% and income from banking services by 11.8%.

As a result of this good evolution, ABANCA managed to improve its basic margin by 5.8%, i.e., the main line in obtaining recurring income for the income statement.

Costs remained stable despite recent incorporations and strong investment in technology, estimated at 91.5 million euros, made by the bank to improve its technological and business capabilities.

The cost of risk stood at 0.24%, below the market average thanks to the prudence applied in the granting of funding.

Technological investments are decisively driving the process of digitalisation of the bank. In the last three years the number of customers connected to mobile banking increased by 43% and interactions in mobile banking multiplied by more than two. The digital channel improved as a source of commercial transactions and recorded a 43% growth in the number of contracts in the last two years.

Business growth
With an increase of 22.9% in 2019, ABANCA exceeded 85,000 million euros in business volume, with a balanced behaviour of loans to customers, which increased 22.8% up to 35,963 million, as well as
customer funds, which made it 23.7% up to 48,286 million euros. Discounting the effect of the latest corporate transactions, the bank also maintains its dynamism, registering 4.2% growth in performing credit to customers and 6.5% in customer funds.

Lending to the productive fabric continued to be one of the bank’s main priorities. Lending to SMEs and self-employees in 2019 amounted to 2,200 million euros, growing 6.6% compared to last year. This dynamism has allowed ABANCA to increase its market shares in both Spain and Portugal, reinforcing the ABANCA’s profile as an Iberian bank.

Income growth from off-balance sheet customer funds
The structure of customer funds, in turn, has an increasing weight of those off-balance, which increased by 57.9%, 11.4% without the effect of Portugal and Banco Caixa Geral. In terms of profitability for customers, it should be noted that 9 out of 10 funds sold remained above the level of ABANCA’s competitors.

The new production of general insurance grew by 18.7%. As to insurance categories, the premiums corresponding to payment protection insurances increased by 53%, those of health insurances by 36%, the insurances for enterprises by 19% and those of funeral insurances by 17%. The Insurance Flat Rate, the bank’s product landmark in insurance business, accounted a 15% grow in the number of clients with more than 5 policies contracted.

More than 425,000 new customers joined ABANCA in 2019, half of which did so through the incorporations of Deutsche Bank PCB Portugal and Banco Caixa Geral España. Other activity indicators that also grew significantly are the number of debit and credit cards (+19.3%) and point of sale terminals (+20.5%).

Continuity in improving portfolio quality
The bank registered a new decrease in its level of non-performing balances in 2019, which stands at 5.6%, thus placing the NPL ratio at 2.8%, 33% below the Spanish average.

ABANCA is the first bank as to non-performing assets coverage, with a total coverage ratio of 58.8%. The NPL ratio stands at 57.5%, while the coverage of foreclosed assets stands at 60.4%.

The combined action of both factors, that is, on the one hand, the reduction of non-performing assets, and on the other, the high levels of coverage and capital, place the bank as the entity with the best Texas ratio of the industry (33.6%). ABANCA is one of the soundest entities of the Spanish financial sector.

Liquidity and capitalisation
The bank maintains a lending structure based in retail deposits, with a loan to deposits ratio (LTD) of 96.3%. The bank has a liquidity of 14,590 million euros between the covered bond issue capability and liquid assets, allowing the bank to cover more than twice the expected maturity of issuances.
On the other hand, the net stable financing ratio NSFR and the liquidity coverage ratio LCR, respectively, stood at 127% and 217%, thus complying with the Basel III regulatory requirements.

ABANCA has a high level of capitalisation, with 1,267 million surplus over CET1 requirements. The total capital ratio was 15.8% by the end of 2019, with an excess of 353 bp on requirements. The highest quality capital ratio, CET1, stood at 12.9%, with an excess of 411 bp on requirements. Following the recent issuance of October 2019, ABANCA has already fulfilled the required buffer of subordinated debt classified as Tier 2 (2% o/RWA)

Commitment to sustainability

ABANCA continued to develop in 2019 its extensive program of actions focused on sustainability and commitment to society. Since 2014, the bank has made a social investment of 50 million euros in different programs to support culture, knowledge, the environment and education in values, among other priorities.

In 2019, ABANCA became one of the 130 banks worldwide that, as founding signatories, adhered to the Principles of Responsible Banking within the framework of the United Nations General Assembly. ABANCA was also part of the group of 31 entities that signed the Climate Action Collective Commitment, for which they commit to align their strategy and financial activity to fight against climate change.

These initiatives, together with commitment to the Sustainable Development Goals and its own Code of Ethics and Conduct, constitute the general principles of the ABANCA’s Sustainability Policy. This document, which entered into force in 2019, will guide the bank’s activities to help build a new sustainable economic model.