2020 RESULTS

ABANCA makes €160 million after allocating €273 million to reinforcing provisions and increasing coverage up 81.2%

- The bank gives priority to the anticipation of provisions and leads the sector due to the maximum quality of its balance sheet and a coverage of non-performing loans up 81.2%
- It is also the leader due to its lowest NPL ratio in the sector (2.0%), reducing its non-performing loans by 22%
- Financial support: more than €3,100 million ICO loans formalised for enterprises and more than €1,200 million in financial flexibility measures for households
- Successful AT1 issuance, opening the European market and placing €375 million among more than 200 international investors
- Total capital ratio of 17.9%, exceeding regulatory requirements by €1,710 million
- Recurring revenues from products and banking services increased by +12.4%
- ABANCA increases its business volume above 95,000 million, which represents a growth of 12.7% in the year
- Mobile banking exceeds one million users thanks to the functionalities that make it one of the apps with the highest ratings on the market
- First Spanish bank to join the Principles for Responsible Investment and the United Nations Principles for a Sustainable Ocean.

03.02.2021. ABANCA obtained a €160 million attributable profit in 2020 after allocating €273 million aimed at advancing provisions in order to face 2021 from a sound stance.

With a 2.0% NPL ratio and 81.2% coverage, ABANCA has ranked itself as the leader in asset quality in the Spanish financial sector. The 22.4% reduction in non-performing loans in the year placed the NPL ratio practically half that of the Spanish average (3.9%) and clearly below the European average (2.9%).

The income statement for the year as a whole reflects important growth in the financial margin (+11.9%) and in revenues from services provided (+14.0%), resulting in a 12.4% increase in the basic
margin.

On the contrary, expenses experienced a much lower growth, i.e. 3.9%, driven by the implementation of efficiency measures and the synergies from the business incorporations carried out.

In 2020, the bank continued to increase its business volume, which already stands at over € 95,000 million if we take into account the incorporation of Bankoa.

Leader in asset quality

ABANCA continues to be firmly positioned at the forefront of the Spanish financial sector in terms of portfolio quality. The 22.4% reduction in non-performing loans in the year placed the NPL ratio at 2.0%, practically half that of the Spanish average (3.9%) and clearly below the European average (2.9%). The latest portfolio sale carried out by the bank, amounting to about € 250 million, has contributed to this improvement.

This high credit quality is reinforced by two additional strengths: the diversification and channelling of the portfolio to the best performing sectors during this crisis, and the resilience of the Galician economy, ABANCA’s main market.

The non-performing asset coverage ratio has been placed at 72.1%, the highest in the sector. The coverage of non-performing loans is 81.2% (especially highlighting the coverage ratio of 101.7% in SMEs and corporations), while that corresponding to the foreclosed assets is 61.8%.

All this enables ABANCA to present itself as the leading Spanish financial institution in terms of financial soundness, as evidenced by its Texas ratio, which with 27.7% falls below the 30% threshold.

Financial support to companies and household

ABANCA’s strategy of comprehensive support to society to face the effects of COVID-19 resulted in the formalisation of financing transactions with ICO guarantee for an amount of € 3,128 million (€1,754 million for SMEs and the self-employed and € 1,374 million for corporations). The formalisations of ICO transactions accounted for 19.3% of ABANCA’s total lending to SMEs and corporations.

ABANCA also implemented moratorium payment measures amounting to € 1,257 million, of which € 802 million correspond to mortgages and € 455 million to other financing transactions. This means that 5.6% of the mortgage portfolio and 5.8% of the consumer loan portfolio have been given support in these difficult times.

Capitalisation and liquidity

ABANCA is still showing a sound capital position. By the end of 2020, the capital ratio increased to
17.9%, 570 b.p. (€ 1,710 million) on the total capital requirements. The highest quality capital ratio, CET1, rose up to 13.7%, with an excess of 572 b.p. (€ 1,716 million) on requirements.

In the first days of 2021, ABANCA carried out an AT1 issuance, the first of the year in the sector, with a demand equivalent to 5.7 times its offer and an amount issued of € 375 million. Following this issuance, ABANCA fulfilled the debt requirements classified as AT1 and Tier2 and has expanded its buffer on regulatory requirements.

ABANCA has a comfortable liquidity position based on retail deposits, the main component of its financing structure, which accounts for 72% of the total. ABANCA has a ratio of loans to retail deposits (retail LTD) of 91.9% and has € 18,750 million between covered bond issuing capacity (€ 5,288 million) and liquid assets (€ 13,462 million). With this, the bank covers more than four times its expected maturities of issues.

The net stable financing ratio -NSFR- and liquidity coverage ratio -LCR- stand, respectively, at 132% and 291%, levels that comply easily with the Basel III regulatory requirements.

Recurring income and efficiency

The income statement for the year as a whole reflects important growth in the financial margin (+11.9%) and in revenues from services provided (+14.0%), resulting in a 12.4% increase in the basic margin. On the contrary, expenses experienced a much lower growth, i.e. 3.9%, thanks to the implementation of efficiency measures and the synergies from the business incorporations carried out.

The € 273 million provisions made during the year places the cost of risk at 0.70%.

Business volume increased by 7.5% thanks to the balanced growth of credit (6.6% year-on-year) and customer funds (8.5%) to stand at € 91,480 million. Considering the incorporation of Bankoa, ABANCA already exceeds € 95,000 million in business volume, 12.7% more than a year ago.

The performing loan portfolio, focused on financing to enterprises and households, grew by 6.6%. Customer funds reached € 52,380 million after growing 8.5% in the year. Deposits from customers, the main component of the bank’s financing structure, grew by 11.3% and reached € 42,541 million.

Insurance and off-balance sheet funds showed the same upward trend. The off-balance volume grew by 10.1%, which allowed to increase market shares in investment funds (16 b.p.), pension plans (11 b.p.) and life/savings insurance (4 b.p.).

General insurance and life casualty insurance premiums grew 14.4%, with a very homogeneous behaviour in the different segments: +17% in the health and business branches; and +16% in the home and life casualty lines.

2020, a year of great challenges

The reinforcement of the technological infrastructure allowed the workforce to operate teleworking
from the beginning. Thanks to the empowerment of remote channels and remote contracting, companies and individuals were able to access the most demanded financial products and services without the need to go to their branches.

Other milestones of the year were the incorporation of Banco Caixa Geral and the acquisition of Bankoa, which give continuity to the bank’s growth strategy. In addition, the activity of ABANCA Seguros Generales began, 50% constituted with Crédit Agricole Assurances to operate in the Spanish general insurance market, and the implementation of Google Suite as a workforce platform, which has allowed progress in the implementation of a more dynamic and collaborative model.

Growth and digitalisation

The acquisition of Bankoa reinforces ABANCA’s position in one of the most dynamic areas of Spain in economic terms, strengthens the enterprises and asset management segments, and opens up growth potential in business lines such as enterprises, working capital, consumer credit and insurance.

Another of the bank’s priorities, digitalisation, experienced a strong boost last year. Digital transactions increased 50.0% and now account for almost two thirds of the total (63.3%). The number of customers connected to mobile banking grew by 22%. The new habits of consumers are reflected in a 27% decrease in the use of cash, while digital payment methods gain prominence, as reflected in the increase in cards in circulation and POS terminals, which grew 11% and 13% respectively.

Sustainability and social commitment

ABANCA’s commitment to sustainability continues to lead to new environmental, social and corporate governance (ESG) actions. In 2020, the bank reached an agreement with the electricity sector for the use of electric power 100% renewable (of solar, wind or hydraulic origin), and it became the first Spanish bank to adhere to both the Principles of Responsible Investment and the Principles for a United Nations Sustainable Ocean.

In addition to those actions directly linked to its financial activity, the bank undertook various social actions in 2020 to alleviate the consequences of COVID-19, such as the donation of health and protection material (514 health equipment and 82,000 protection units), the support for health professionals through the creation of collective insurance, and the distribution of healthy meals for vulnerable children (80,000 through the ‘Cubertos’ program and 16,500 others through ‘Cubertos Nadal’).