

BBVA Group lost 1,157 million of euros in the first half due to COVID-19

Affected by its USA subsidiary

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USPA NEWS - The BBVA Group generated a negative attributable result of 1,157 million euros in the first half of 2020. The good performance of the net margin was offset, on the one hand, by a greater deterioration of financial assets, mainly due to the deterioration of the macroeconomic scenario derived from the COVID-19 and higher allocations to provisions and, on the other hand, due to the deterioration in goodwill of the United States carried out in the first quarter of 2020 for an amount of 2,084 million euros, also motivated by the pandemic. The comparison with respect to the same period of the previous year is influenced by these two factors.

Without taking into account the impairment of goodwill in the United States, the attributable result stood at 928 million euros, 62.0% below that achieved in the first half of 2019. In the second quarter of the year, the result attributable stood at 636 million euros, 118.0% above that reached in the first quarter excluding the deterioration in goodwill in the United States.

The appearance of the COVID-19 virus in China and its global expansion to a large number of countries, has caused the viral outbreak to be classified as a global pandemic by the World Health Organization since March 11, 2020. The global economy is being strongly affected by the pandemic, which is gradually affecting the economies of all the countries in which the BBVA Group is present, mainly due to confinement measures that restrict activity and a drop in confidence. from consumers and businesses.

Although the situation seems to have eased in many of the countries of East Asia and Europe, which have begun to revitalize their economies again, much of the American continent is still in a phase of viral expansion. The governments of the different countries in which the Group operates have adopted different measures that have conditioned the evolution of the semester.

The result of the above is reflected in a growth of the net margin of 7.6% in the semester (+ 19.2% at constant exchange rates) driven by the result of financial operations (ROF) and by the significant decrease in the operating expenses, as a result of containment plans and lower expenses derived from confinement. Which translates into a remarkable improvement in the efficiency ratio. In addition, the impairment of financial assets increased mainly due to the deterioration of the macroeconomic scenario, mainly derived from the COVID-19 impacts.

As a result of the valuation of the goodwill of its subsidiaries, the Group estimated that there was an impairment in the United States, which was recorded under "Other results"^[2] in the consolidated income statement as of March 31, 2020. Such impairment it represented an impact on the attributable result of -2,084 million euros, mainly due to the negative impact of the update of the macroeconomic scenario affected by the COVID-19 pandemic. This impact does not affect the tangible net worth, the capital, or the liquidity of the BBVA Group.

Finally, the accumulated attributable result at the end of June 2020 stood at -1,157 million euros. If the impairment in goodwill of the United States is excluded from the year-on-year comparison, the attributable result of the Group decreased in the first half of 2020 by 62.0% compared to the same period in 2019, reaching 928 million euros. In the second quarter of the year, the attributable result was 636 million euros, 118.0% higher than that achieved in the first quarter, excluding the deterioration in goodwill in the United States.

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