RESULTS OF FIRST QUARTER 2018

ABANCA obtained a 155 million profit, with a 13.4% advance in recurring margin

- The bank is at the head of the industry in commercial revenue growth
- Its net profit grew by 1.5% with respect to the same period of the previous year, highlighting a higher contribution of the most recurring business lines (+14.9% in net interest income and +9.1% in net fees and commissions)
- The entity has been a pioneer in incorporating insurance management into its mobile application, which is the most widely used in the industry
- NPL ratio was reduced by 30.3% and stood at 4.6% maintaining a solid coverage ratio of 56.5%
- The CET1 capital ratio stands at 15.6% with a margin of 2,015 million, which allows the bank to face the challenges in the sector in a comfortable position
- The bank has maintained dynamism in its commercial activity, so that the volume of business has exceeded 66,000 million with a growth of 5.9% in the loan portfolio, 8.3% in customer funds and 6.6% in the sale of insurance
- The purchase of Deutsche Bank Portugal PCC strengthens the business model of ABANCA by reinforcing its positioning in the sale of investment products (funds, plans, insurance) and increasing its turnover by 6,500 million

09.05.2018 ABANCA has obtained in the first quarter of 2018 a net result of 155.3 million euros, 1.5% more than in the same period of the previous year. This result was supported by a significant increase in the recurring margin, which increased 13.4% and gained weight in the income statement.

The activity of the bank in the first three months of the year also led to new developments in essential aspects for the evolution of the entity. Among them, the improvement in the quality of the portfolio, with a 4.6% NPL ratio, the strengthening of solvency, with a capital ratio of 15.6% and a margin of 2,015 million over the requirements stand out, and the increase of the commercial activity, with a growth of the credit production above the industry and a good behaviour of the commercialisation of value products.

In the first three months of the year the entity continued to deepen its digitalisation process. ABANCA is a leader in the use of mobile banking with a usage rate of 59%, which is 18 p.p. above the industry average. In this first quarter, the incorporation of insurance management into its mobile banking APP stands out, which is a pioneering advance in the industry.
All this is reflecting the continuous improvement of the customer satisfaction indexes. According to the latest release of the "Estudio de emociones de clientes particulares en el sector bancario español" (survey of customers' emotions in the Spanish banking industry) of the consultancy firm EMO Insights International, ABANCA is the second entity that has grown the most in customer satisfaction in the last three years.

**Higher contribution to results of recurring business lines**

The margin of interest grew by 14.9% thanks to the continuous improvement of the commercial margin. This improvement is fundamentally based on the activity with retail customers, which make up the core of the entity's business.

Revenues from the provision of services increased by 9.1% This increase comes from the growth of the commercialisation of mutual funds, pension plans and general and savings insurance, contribution of which increased by 22.3% as well as the good performance of banking services, which generated a 10.5% more income.

Thanks to a differential management of the business, the entity is at the head of the industry in Spain in growth of recurring revenues, with an improvement in the basic margin of 13.4% compared to the same period of 2017.

**Boosting business with clients**

ABANCA registered a significant growth in its turnover between January and March, totalling 66,607 million euros, which confirms its model focused on customers.

Loans to customers grew by 5.9% up to 27,841 million euros. The structure of the portfolio, increasingly diversified, places households, with 51% of the total, and enterprises, with 37%, as the first recipients of the financing granted by the entity.

This credit growth has been accompanied by an increase in customer funds of 8.3%, thanks mainly to the boost of on demand balances and the contracting of off-balance sheet products, especially mutual funds.

Deposits, which make up the core of the entity's financing structure, grew by 6.4% thanks, among other factors, to the 4.6% increase recorded in the number of new customer registrations and the 63,000 new direct salary deposits from customers.

The entity also achieved strong growth in the sale of off-balance sheet products, portfolio of which now exceeds 6,300 million. The commercialisation of mutual funds, pension plans and savings insurance grew by 19.2% year-on-year and allowed the entity to increase its national market shares in the three products.

On the other hand, premiums for the new production of general insurance grew by 6.6% year-on-year. As to the type of insurance, enterprise insurance grew by 38% health insurance by 37% life-risk insurance by 9% and home insurance by 7%.
Among the best entities by asset quality

The entity registered at the end of March a year on year reduction of 30.3% in its NPL ratio, which in this way was placed at 4.6%.

The bank based in Galicia is one of the entities with the best asset quality in the Spanish financial industry. With a weight of only 2.2%, ABANCA is the second Spanish entity with the lowest weight of unproductive assets over its total assets. The proportion of foreclosed assets on its balance sheet is 0.8% practically half of the industry average.

The non-performing loan coverage ratio stood at 53.6% by the end of March, while the corresponding to foreclosed assets stood at 61.1%. With this, the total coverage presents a level of 56.5% of the non-performing assets and foreclosed assets.

This combination of portfolio quality and coverage, together with high levels of capital, place ABANCA firmly against the challenges facing the industry.

Strength in capitalisation and liquidity

The entity has one of the highest levels of capitalisation in the industry, with a CET1 Phase In ratio of 15.6% and has an excess of capital over the requirements of the ECB estimated at 2,015 million euros.

ABANCA continues to demonstrate its ability to generate organically capital despite the entry into force of IFRS 9 (which implies an impact of 18 bp in the CET1 ratio), as shown by the 132 bp increase in its CET1 Fully Loaded ratio with respect to March 2017.

ABANCA also presents a broad compliance with the liquidity requirements established by the regulator. The NSFR, net stable funding ratio, stands at 130% while the LCR, liquidity coverage ratio, is 269% levels above the Basel III requirements for 2018. The entity has a liquidity position estimated at 10,933 million euros between liquid assets and the covered bond issue capacity, a level that would allow the bank to cover more than twice the maturity of its issues.

The retail LTD ratio of ABANCA, 92.0%, compared to 110.6% of the industry average, reflects the entity's policy of prudence and sustainability. Its financing structure, clearly retail, puts the emphasis on retail deposits, which account for 75% of all its sources of funding, to the detriment of other options.

Other milestones of the quarter

In the first quarter of the year, ABANCA reached an agreement for the acquisition of the banking unit for individuals of Deutsche Bank's Private & Commercial Client ('PCC') Portugal. With this transaction, which is part of the strategy of ABANCA to grow in markets and complementary segments with its project, the entity increases its international business and gains presence in the personal and private banking segment, areas in which Deutsche Bank PCC Portugal is specialised.
The purchase of Deutsche Bank Portugal PCC strengthens the business model of ABANCA by reinforcing its positioning in the sale of funds, plans and insurance, investment products that generate income from services rendered. ABANCA will add 41 branches to its network and a total of 6,500 million euros in business volume.