RESULTS OF THIRD QUARTER 2018

ABANCA obtains 398 million and increases profitability to 12.6%

- The entity remains as one of the most profitable in the industry
- Recurring revenues increase by 10% thanks to the good price management, greater commercial dynamism and higher income generation from services rendered
- The business volume grows 5.1% and is close to 70,000 million, with increases in both credit and deposits
- Enterprises and self-employed receive more than 800 million more credit than in the same period of 2017
- The entity continues to advance in the improvement of asset quality (-23.5% NPLs), lowering the non-performing loan ratio to 4.5% and maintaining a sound level of coverage
- The performance of the entity is endorsed by rating agencies with new improvements in its ratings
- ABANCA participated for the first time in the European capital markets with a successful AT1 issue with an amount of 250 millions
- After receiving the approval of the Federal Reserve, the entity will open an operative branch in Miami that will allow ABANCA to diversify its business

30.10.2018 ABANCA obtained between January and September 2018 a net profit of 398 million euros. The entity recorded a 10% growth in recurring revenues (basic margin), which continue to increase their contribution to the income statement. ROE profitability stood at 12.6% one of the highest levels in the industry.

The good commercial evolution of the entity stands out with a business volume with customers that has increased by 5.1% to be very close to 70,000 million. All customer segments contribute to this growth, although it is worth to mention the granting of credit to SMEs and self-employed, which increased more than 800 millions over the previous year.

ABANCA remains as one of the best entities in the industry in terms of asset quality thanks to the constant reduction of its non-performing assets, which has been taking place for nineteen consecutive quarters and leads the NPL ratio to stand at 4.5%, more than 100 basis points below the industry average.
Among the most profitable entities

The income statement for the first nine months of the year reflects the increasing contribution of recurring revenues (basic margin), which grew 10% compared to the same period of the previous year.

The margin of interest registered an increase of 12.6% year-on-year and reached 403.5 million euros, mainly due to the improvement in the commercial margin, which is growing steadily based on good price management and commercial dynamism.

Revenues from the provision of services reached 130.7 million euros, representing an year-on-year growth of 2.9% The business contribution of value-added products take a priority over revenues for administrative fees.

Operating expenses have been influenced by the reinforcement of the investment in digitalisation and the improvement of commercial capability, implementing a very conservative expenditure recognition policy.

In addition, the entity has significantly increased the allocation for Corporate Social Responsibility activities, implemented through Afundación.

Finally, the cost of risk (CoR) registered a decrease of 17% year-on-year thanks to the reduction of non-performing loans, which limits the need for provisions and allocations.

Productivity increases while improving efficiency

The entity continues to increase its productivity levels thanks, among other reasons, to the increasing use of digital channels. The weight of digital transactions, which has grown by 24.4% between September 2017 and the same month this year, is already 54.6% of the total.

This advance in digitalisation has led to growth both in business volume per employee and in productivity per employee.

More business volume

The business volume with clients advanced 5.1% year-on-year to stand at 69,147 million euros.

After increasing 4.5% year-on-year, customer loans stood at 28,975 million euros. Individuals have the leading role in the structure of the portfolio, recipients of 49% of total credit, although enterprises continue to increase their weight and already receive 39%.

Within the enterprise sector, the entity pays special attention to SMEs and the self-employed. The amount of the credit granted to this segment was more than 800 million euros higher than that granted in the same period of 2017. On the other hand, households registered significant growth in mortgages for first homes (+ 17.2% year-on-year) and consumer credit transactions (+ 8.3% year-on-year).
This strong impulse to lending has occurred while maintaining a high level of quality in the new production, NPL ratio of which is lower than 0.5% well below than that of the whole portfolio of the entity. ABANCA remains among the best entities in the market, with a cost of risk of 0.1%

**Improvement in customer funds and loyalty**

On the other hand, the attraction of customer funds shared this upward trend, registering a year-on-year growth of 6.4% to reach 39,210 million euros.

The entity pays special attention to deposits as a means of customers’ engagement and the main funding base. Thus, the stable deposits of customers grew by 5.2% remarking important advances in the main customer loyalty metrics: the increase in direct salary deposits has reached 4.8%, that of number of cards 16.8% and that corresponding to OPS devices 12.3%.

On the other hand, the commercialisation of off-balance sheet products (pension plans, mutual funds, savings insurance) experienced an increase of 12.3% clearly contributing to the improvement of service revenues.

Likewise, it is worth mentioning the good performance in the sale of general insurance, which is one of the strategic axes of the Bank. The volume of premiums of the new production increased by 4.3% and the total number of new policies grew by 14% The Flat Rate of ABANCA Seguros, the flagship product of the Bank in the insurance segment, produced 15,522 enrolments more than in the same period of the previous year.

Within this line of business, ABANCA launched in October ‘Júbilo’, a new personalised counselling service aimed at saving for retirement. With it, ABANCA offers its customers personalised information on the actual saving possibilities, as well as simulations on the different scenarios of salary, pension, savings, profitability, etc. to make their decision making easier.

**Portfolio quality improvement**

ABANCA has experienced 19 consecutive quarters of decline in non-performing loans, which were reduced by 23.5% between September 2017 and September 2018 to bring the NPL ratio to 4.5% clearly below the overall industry.

These low levels of non-performing assets complement with a high coverage ratio (57.2%) that, together with the high levels of capital, place ABANCA as the entity with the best Texas ratio in the industry (40.6%), hence endorsing the solid financial profile of the entity.

**Soundness in capitalisation and liquidity**

The entity presents a broad compliance with the liquidity requirements established by the regulator. The NSFR, net stable funding ratio, stands at 127% while the LCR, liquidity coverage ratio, is 216% levels that demonstrate the compliance with the Basel III requirements for 2018.

ABANCA has a very healthy liquidity profile, as shown by the LTD ratio of 91.7% The liquidity position
stands at 10,646 million euros resulting from the issuing capability of bonds and liquid assets, allowing the latter to cover more than twice the expected maturity of issuances.

The entity has one of the highest levels of capitalisation in the industry, with a CET1 Phase In ratio of 14.9% and an excess of capital over the requirements of the ECB of 1,882 million euros.

Other highlights of the period

Another fundamental milestone of the period is the issue of AT1 amounting to 250 million euros with which ABANCA inaugurated its participation in the European capital markets in September. The success of the transaction, closed with a large level of oversubscription, allows ABANCA to optimise and strengthen its capital structure.

The agencies that assess ABANCA continue to transfer to their ratings the good evolution of the entity. Standard and Poor's announced in October an improvement in the entity's long-term issuer rating, which went from BB to BB + with a stable outlook.

In October, the mandatory license of the FED was also granted to ABANCA to begin operating in the United States through an operative branch in Miami. This new branch and the incorporation of the business of Deutsche Bank's Private & Commercial Client Portugal are the main projects that ABANCA develops at the moment to boost its international business, thus expanding its sources of income generation.