ABANCA
Interim Results 2017
1. HIGHLIGHTS

Net profit grows until 229 millions driven by the recurrent business improvement (+16.2% of basic margin)

- **229 million net profit**
- **11.4% ROE**
- **5.6% NPL ratio**
- **55.0% coverage**
- **14.5% CET 1**
- **1,845 million capital excess**
- **94.5% LTD**
- **61% SMEs & enterprises financing**
- **+37% year on year**
- **+6.8% Direct payroll and pension deposits**
- **+21.8% insurance production**

**Profitability**
- The basic margin increased by 16.2%, tanking profitability to a 11.4%
- Operating costs remain stable while productivity increases

**Risk quality**
- The NPL ratio was reduced by 18.1% in the first half, standing at 5.6%
- The coverage of unproductive assets stood at 55.0%

**Solvency and liquidity**
- Comfortable position of more than 1,800 millions over the ECB capital requirements
- Sound financing structure based on customer deposits

**Commercial dynamism with enterprises**
- Financing to SMEs and freelancers increased 37% and already represents 61% of the total funding granted during the first half of the year
- 21.8% increase in insurance sales, with growth in all categories
- Direct payroll and pension deposits grew 6.8%
1. HIGHLIGHTS

Continued improvement in recurring income, reflected in the growth of 16.2% of the basic margin

Net interest income (million euros)

- Jun-16: 198.8
- Jun-17: 232.3
  +16.9% year on year

Fees (million euros)

- Jun-16: 76.5
- Jun-17: 87.6
  +14.5% year on year

Basic margin (million euros)

- Jun-16: 275.3
- Jun-17: 319.9
  +16.2% year on year

Net interest income
Revenues from services rendered
Increase in recurrent profitability
1. HIGHLIGHTS

Customer loyalty consolidates ABANCA as a destination for saving to families and businesses

Households and businesses funds (million euros)

- Jun-16: 32,561
- Jun-17: 34,226 (+5.1% year on year)

Households & Businesses funds = deposits + mutual funds, pensions and savings insurances

- 41% OF CUSTOMERS ACTIVELY RECOMMEND ABANCA
- 57% OF CUSTOMERS RATE ABANCA OVER 9
1. HIGHLIGHTS

Acquisition of new value-added customers is accelerated, as well as their rapid loyalty with the bank

Nº of direct payroll and pension deposits (thousands)

<table>
<thead>
<tr>
<th></th>
<th>Jun-16</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nº</td>
<td>1,139.9</td>
<td>1,217.3</td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td>+6.8%</td>
</tr>
</tbody>
</table>

With the payroll campaign, ABANCA has achieved 60 thousand new direct payroll deposits
1. HIGHLIGHTS
Increased volume of transactions with greater weight of the digital platform

Transactions evolution by channel (millions)

- Branches
- Digital

Jun-16
- 1,472.8
- 599.3
- 873.5

Jun-17
- 1,872.1
- 842.2
- 1,029.8

+27.1%

+14.4%
ACTIVE DIGITAL CUSTOMERS year on year

BEST USER-VALUED APPLICATION

2017 Interim Results
1. HIGHLIGHTS

ABANCA is well positioned to face the new regulatory environment

*SOLVENCY (%CET1)

*COVERAGE O/IMPRODUCTIVE ASSETS

*Latest data available from banks
### 2. RESULTS

Net profit stood at **229.1 M€** thanks to the improvement of recurrent revenues

<table>
<thead>
<tr>
<th>(million euros)</th>
<th>Jun-17</th>
<th>Var Jun-17/ Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INTEREST INCOME</strong></td>
<td>232.3</td>
<td>16.9%</td>
</tr>
<tr>
<td>Net fees and commissions</td>
<td>87.6</td>
<td>14.5%</td>
</tr>
<tr>
<td><strong>BASIC MARGIN</strong></td>
<td>319.9</td>
<td>16.2%</td>
</tr>
<tr>
<td>Portfolio income and other</td>
<td>154.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>GROSS MARGIN</strong></td>
<td>473.9</td>
<td>57.0%</td>
</tr>
<tr>
<td>Operating expenditure</td>
<td>263.8</td>
<td>0.6%</td>
</tr>
<tr>
<td>Provisions and allocations</td>
<td>-34.3</td>
<td>-69.2%</td>
</tr>
<tr>
<td>Ordinary loan provisions</td>
<td>25.8</td>
<td>-22.2%</td>
</tr>
<tr>
<td>Other gains / losses</td>
<td>19.9</td>
<td>-70.6%</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>264.4</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>NET PROFIT</strong></td>
<td>229.1</td>
<td>23.1%</td>
</tr>
</tbody>
</table>

**Net interest income** grew 16.9% driven by the continuous improvement of the commercial margin and cost reduction in issues.

**The basic margin** increased 16.2% due to recurrent revenues.

**Operating costs remain stable** while recurring revenues increase.
2. RESULTS

The growth of the commercial margin along with the reduction in wholesale costs explain the continuous improvement of the financial margin.

- **Commercial margin evolution (million euros):**
  - 2Q 2016: 95.1
  - 3Q 2016: 97.2
  - 4Q 2016: 101.6
  - 1Q 2017: 103.7
  - 2Q 2017: 109.4

- **Wholesale cost reduction (million euros):**
  - 2Q 2016: 35
  - 3Q 2016: 33
  - 4Q 2016: 31
  - 1Q 2017: 30
  - 2Q 2017: 29

- **Evolution of net interest income:**
  - 2Q 2016: 101.4
  - 3Q 2016: 100.7
  - 4Q 2016: 108.5
  - 1Q 2017: 111.2
  - 2Q 2017: 121.2

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2017 Interim Results
2. RESULTS

Income from services rendered increased by 14.5% driven by the sale of value-added products

Revenues from services rendered (million euros)

- Jun-16: 76.5
- Jun-17: 87.6

+14.5% year on year

+21.8%
PREMIUMS OF NEW PRODUCTION INSURANCE

6.1%
NATIONAL SHARE OF NET SUBSCRIPTIONS OF MUTUAL FUNDS IN 2017

ABANCA accelerates growth in service revenues
2. RESULTS

Strong increase in productivity, keeping the cost base stable thanks to the investment in digitalisation

**Operating expenditure** (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Jun-16</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>262.1</td>
<td>263.7</td>
</tr>
</tbody>
</table>

**Retail volume by employee** (thousand euros)

<table>
<thead>
<tr>
<th></th>
<th>Jun-16</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15,024</td>
<td>15,940</td>
</tr>
</tbody>
</table>

+6.1% year on year
2. RESULTS

The reduction of non-performing assets implies lower provisions, which stand lower than 0.3% of the credit.

Allocations and provisions (million euros)

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Singular recoveries and others</th>
<th>Total provisions &amp; allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.8</td>
<td>-60.1</td>
<td>-34.3</td>
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</tbody>
</table>

Cost of risk evolution (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Jun-16</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>allocations</td>
<td>33.2</td>
<td>25.8</td>
</tr>
<tr>
<td>-22.2% year on year</td>
<td></td>
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</tbody>
</table>
3. BUSINESS EVOLUTION

The commercial dynamism is reflected in the increase of the loan portfolio and the funds attracted

**Key figures** (million euros)

- **Credit to customers**: 26,884
  - +6.0% year on year
- **Customer funds**: 36,204
  - +6.4% year on year
3. BUSINESS EVOLUTION

New financing focused on freelance and SME segments

Structure of new financing (%)

- SMEs & freelancers: 61% (+37% year on year)
- Other enterprises: 22%
- Households: 7%
- Public sector: 7%
3. BUSINESS EVOLUTION

Credit growth translates into higher contribution to results from new formalisations

**Credit to customers** (million euros)

- Jun-16: 25,364
- Jun-17: 26,884 (+6.0% year on year)

**New production interest rates vs portfolio (%)**

- Back Book: 1.77
- 2Q Front Book: 2.01 (+24 b.p)

Jun-17 without atypical movements

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15 2017 Interim Results
Demand deposits and value-added products gained weight in the customer fund structure

Customer funds (million euros)

- Jun-16: 34,024
- Jun-17: 36,204

+6.4% year on year

76% of the growth comes from households and businesses

+60,000 direct payroll deposits in 2017

The launch of the payroll campaign has got a favourable reception
Strong breakthrough in off-balance product sales supported by the improvement of the catalogue and the commercial procedures

Mutual funds, pension plans and insurance (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Jun-16</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,378</td>
<td>5,562</td>
<td></td>
</tr>
</tbody>
</table>

+27.0% year on year

+1,184M€
CUSTOMER FUNDS IN MUTUAL FUNDS, PENSION PLANS AND SAVINGS INSURANCE

+53.2% YEAR-ON-YEAR INCREASE OF MUTUAL FUNDS

2017 Interim Results
3. BUSINESS EVOLUTION

21.8% increase in insurance sales, boosting revenue diversification

Premiums for new insurance production (thousand euros)

<table>
<thead>
<tr>
<th>Month</th>
<th>Premiums (thousand euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-16</td>
<td>18,644</td>
</tr>
<tr>
<td>Jun-17</td>
<td>22,707 (21.8% increase)</td>
</tr>
</tbody>
</table>

Variation of new production by categories (%)

- Car: 5%
- Home: 9%
- Funeral: 29%
- Life-Risk: 38%
- Businesses: 83%
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

The quality of the assets improves intensely and already exceeds in more than two points the industry

NPL ratio evolution (%)

- Jun-16: 8.71%
- Sep-16: 8.51%
- Dec-16: 8.41%
- Mar-17: 8.13%
- Jun-17: 8.05%*

**ABANCA NPL ratio**

2,445M€ NPL BALANCE

7.62%

-109bp

6.99%

6.84%

6.54%

5.61%

1,865M€ NPL BALANCE

* Estimated NPL ratio for last available date according to BdE data: May 17
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

High coverage of problematic assets

- **51.5%** NPL coverage
- **55.0%** Total coverage
- **61.1%** coverage for foreclosed assets

The weight of foreclosed assets stands at only 1% of the balance sheet, one of the lowest of the market.
1,845 million capital excess makes ABANCA the third most capitalised bank in the industry

<table>
<thead>
<tr>
<th>Bank</th>
<th>Surplus over ECB requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 1</td>
<td>8.22%</td>
</tr>
<tr>
<td>Bank 2</td>
<td>7.49%</td>
</tr>
<tr>
<td>ABANCA</td>
<td>6.96%</td>
</tr>
<tr>
<td>Bank 4</td>
<td>6.45%</td>
</tr>
<tr>
<td>Bank 5</td>
<td>5.12%</td>
</tr>
<tr>
<td>Bank 6</td>
<td>4.57%</td>
</tr>
<tr>
<td>Bank 7</td>
<td>4.53%</td>
</tr>
<tr>
<td>Bank 8</td>
<td>4.37%</td>
</tr>
<tr>
<td>Bank 9</td>
<td>4.02%</td>
</tr>
<tr>
<td>Bank 10</td>
<td>3.75%</td>
</tr>
<tr>
<td>Bank 11</td>
<td>3.75%</td>
</tr>
<tr>
<td>Bank 12</td>
<td>3.09%</td>
</tr>
<tr>
<td>Bank 13</td>
<td>2.15%</td>
</tr>
</tbody>
</table>

*Latest data available from banks
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Comfortable position as to liquidity

Retail liquidity ratio* (%)

- Bank 1: 84%
- Bank 2: 87%
- Bank 3: 94%
- ABANCA: 94%
- Bank 5: 107%
- Bank 6: 108%
- Bank 7: 110%
- Bank 8: 110%
- Bank 9: 111%
- Bank 10: 115%
- Bank 11: 119%

Evolution of deposits from households and businesses (million euros)

- Jun-16: 28,184
- Jun-17: 28,664 (+1.7% year on year)

ABANCA maintains a sound financing structure based on deposits

The growth of deposits is based on individuals and businesses

* Latest data available from banks
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Comfortable position as to liquidity

Liquid assets and issue capability (million euros)

<table>
<thead>
<tr>
<th></th>
<th>5,034</th>
<th>4,453</th>
<th>9,487</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue capability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Jun-17</td>
<td></td>
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</tbody>
</table>

Comfortable structure of wholesale financing, with an excess over issue maturities

ABANCA broadly meets long and short term liquidity requirements established by the ECB for 2018
5. MAIN MILESTONES

Advances in specialisation and innovation

**BUSINESS**
- Launching of ABANCA Personal
- New branch of ABANCA Privada
- Acquisition of Popular Servicios Financieros
- Brazil branch opening

**TECHNOLOGY & INNOVATION**
- Launching and first projects of ABANCA Innova
- Enterprises: signing of transactions through mobile phone
- 1st Spanish entity offering money transfer from mobile phone to ATMs by voice
5. MAIN MILESTONES

Supported by rating agencies

- **DBRS**
  - Bank's LT rating
  - Covered bonds rating

- **Standard & Poor's Ratings Services**
  - Bank's LT rating
  - Covered bonds rating

- **Fitch Ratings**
  - Bank's LT rating
  - Covered bonds rating

- **Moody's**
  - Bank's LT rating
  - Covered bonds rating

**Investment grade**

**4 Positive rating actions during this period**
6. STRATEGIC PLAN

Capacity for execution: strategic goals attained

- Profitability: 9-10%
- Capital: >14%
- NPL ratio: 4.5-5.5%
- NSI: 70
- Credit: 27,000 million euros
7. SUMMARY

Key findings

We get one of the **best returns in the industry**, consolidated by the **growth in recurring business**

Well positioned in **quality of assets and capitalisation** to meet the challenges of the environment

Intense growth in **loyal customers (direct payroll deposit)**, with positive impact in attracting customer resources

ABANCA maintains a **sound financing structure based on customer deposits**
ABANCA
Sentir común
Thank you
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