ABANCA
3Q 2018  Results presentation
1. HIGHLIGHTS

The net profit reaches 398 million, making ROE to stand at 12.6%

**Profitability**
- Recurring revenues remain as pillar of profitability (+10.0% of basic margin)
- The entity remains as one of the most profitable in the industry

**Quality of risk**
- The NPL ratio is reduced to 4.5%, more than 100 basis points, better than industry
- Robust coverage rate that reaches 57.2%

**Solvency and liquidity**
- 1,882 million of capital excess that allows ABANCA to face future business opportunities
- Comfortable position as to compliance with liquidity regulatory requirements LCR 216%

**Commercial dynamism**
- 5.1% business volume accretion driven by the rise both in credit and deposits
- Funding to enterprises and self-employed stays as the pillar of credit growth
- Value-added products: mutual funds, pension plans and savings insurance grew by 12.3%; and general insurance 4.3%

- **398 million net profit**
- **4.5%** NPL ratio
- **57.2%** NPA coverage
- **14.9%** CET 1
- **1,882 million capital excess**
- **216%** LCR
- **+800M€** credit granted to SMEs & self-employed
- **+12.3%** mutual funds, pension plans and savings insurances
The opening of the operative branch in Miami will reinforce the internationalisation of the entity

1. APPROVAL OF REGULATORS
   - Authorisation of the FED after an exhaustive supervisory process
   - ECB approval

2. VOCATION
   - Servicing Spanish and Portuguese communities living in Miami
   - Servicing companies with international activities

3. CONTRIBUTION
   - Diversification of income thanks to the attraction of business originated in the USA
   - Greater resistance to economic cycles when operating in different locations
1. HIGHLIGHTS

Excellent reception of the first ABANCA issuance in the market

On September 24, ABANCA participated for the first time in the European capital markets with an inaugural AT1 issue, with an amount of €250 million.

The issue got a favourable reception according to a demand that doubled the volume of the issue and according to the granularity of the registered investors. Thanks to the above, the coupon stood at 7.5%.

The issue, which was disbursed on October 2, allows ABANCA to optimize and strengthen its capital structure.
Rating agencies acknowledge the good evolution of the entity

**Standard & Poor's**
Long Term rating Outlook: BB Positive, Stable

**DBRS**
Long Term rating Outlook: BBB (low) Positive

**Fitch Ratings**
Long Term rating Outlook: BB+ Positive

**Moody's**
Long Term rating Outlook: Ba2 Positive

**S&P has improved the ABANCA rating for the 2nd time this year, confirming the perspective it gave to its rating.**
# 1. HIGHLIGHTS

Net profit reaches 398 million euros

<table>
<thead>
<tr>
<th>(millions)</th>
<th>Sep-18</th>
<th>Var Sep-18/ Sep-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INTEREST INCOME</strong></td>
<td>403.5</td>
<td>12.6%</td>
</tr>
<tr>
<td>Net fees and commissions</td>
<td>130.7</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>BASIC MARGIN</strong></td>
<td>534.2</td>
<td>10.0%</td>
</tr>
<tr>
<td>Results of entities through equity method</td>
<td>6.5</td>
<td>1.3%</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>10.3</td>
<td>13.5%</td>
</tr>
<tr>
<td>Gains/losses on financial assets and liabilities (net)</td>
<td>293.8</td>
<td>52.6%</td>
</tr>
<tr>
<td>Others (net)</td>
<td>-23.5</td>
<td>-57.0%</td>
</tr>
<tr>
<td><strong>GROSS MARGIN</strong></td>
<td>821.2</td>
<td>28.6%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>440.0</td>
<td>8.8%</td>
</tr>
<tr>
<td>Provisions and allocations</td>
<td>19.3</td>
<td>-</td>
</tr>
<tr>
<td>Ordinary loan provisions</td>
<td>29.4</td>
<td>-17.0%</td>
</tr>
<tr>
<td>Other gains / losses</td>
<td>38.0</td>
<td>28.8%</td>
</tr>
<tr>
<td>PBT</td>
<td>399.9</td>
<td>32.8%</td>
</tr>
<tr>
<td><strong>NET PROFIT</strong></td>
<td>398.3</td>
<td>44.1%</td>
</tr>
</tbody>
</table>

- **The net interest income** grew by **12.6%** mainly due to the improvement of the commercial margin.
- **The basic margin** improves **10.0%** thanks to the higher contribution of both margin and fees.
- **Itínere impact** included

**ROE: 12.6%**

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/ Note: The data by Sep-18 include the accounting incorporation of ABANCA Servicios Financieros (ASF)
2. RESULTS

Retail activity contributes two thirds of the net interest margin growth

Evolution of net interest income

- **Margin (million euros)**
- **Total spread**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Margin (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q 2017</td>
<td>126.0</td>
</tr>
<tr>
<td>4Q 2017</td>
<td>130.1</td>
</tr>
<tr>
<td>1Q 2018</td>
<td>127.7</td>
</tr>
<tr>
<td>2Q 2018</td>
<td>130.1</td>
</tr>
<tr>
<td>3Q 2018*</td>
<td>137.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total spread (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q 2017</td>
<td>0.9%</td>
</tr>
<tr>
<td>4Q 2017</td>
<td>1.0%</td>
</tr>
<tr>
<td>1Q 2018</td>
<td>1.0%</td>
</tr>
<tr>
<td>2Q 2018</td>
<td>1.0%</td>
</tr>
<tr>
<td>3Q 2018*</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Causal interest margin increase (million euros)

- **Interest margin 3Q 2017**: 358.4 million euros
- **Retail activity**: 30.7 million euros
- **Wholesale activity**: 16.2 million euros
- **Others**: -1.9 million euros
- **Interest margin 3Q 2018**: 403.5 million euros

/* Excluding one-off transactions (8.2M€) */
2. RESULTS

Constant growth of the commercial margin based on good price management and commercial dynamism

**Commercial margin evolution (million euros)**

- 3Q 2017: 114.8
- 4Q 2017: 117.3
- 1Q 2018: 117.9
- 2Q 2018: 118.7
- 3Q 2018*: 122.2

**Evolution of commercial margin (rates)**

- Loans yield:
  - 3Q 2017: 1.76%
  - 4Q 2017: 1.76%
  - 1Q 2018: 1.78%
  - 2Q 2018: 1.79%
  - 3Q 2018*: 1.78%

- Deposit costs:
  - 3Q 2017: 0.07%
  - 4Q 2017: 0.07%
  - 1Q 2018: 0.08%
  - 2Q 2018: 0.08%
  - 3Q 2018*: 0.08%

- Customer spread:
  - 3Q 2017: 1.68%
  - 4Q 2017: 1.69%
  - 1Q 2018: 1.70%
  - 2Q 2018: 1.71%
  - 3Q 2018*: 1.70%

**Loans- new production vs portfolio (rates)**

- Back book 3Q*: 0.18%
- Front book 3Q*: 2.77%

**Term deposits - new production vs portfolio (rates)**

- Back book 3Q: 0.14%
- Front book 3Q: 0.18%
2. RESULTS
Revenue from services rendered got up to €130.7 millions, with a 2.9% growth

Accumulated revenues from services rendered (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Sep-17</th>
<th>Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added services revenues</td>
<td>127.0</td>
<td>130.7</td>
</tr>
<tr>
<td>Administrative services revenues</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

+2.9% yoy

Evolution of revenues from services rendered (million euros)

<table>
<thead>
<tr>
<th></th>
<th>3Q 2017</th>
<th>4Q 2017</th>
<th>1Q 2018</th>
<th>2Q 2018</th>
<th>3Q 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added services revenues</td>
<td>30.3</td>
<td>30.8</td>
<td>31.7</td>
<td>30.9</td>
<td>31.8</td>
</tr>
<tr>
<td>Administrative services revenues</td>
<td>9.2</td>
<td>11.9</td>
<td>10.9</td>
<td>14.6</td>
<td>10.7</td>
</tr>
</tbody>
</table>

TOTAL

39.5 42.7 42.6 45.6 42.5
2. RESULTS

The investment in digitalisation and the reinforcement of commercial capability generate a temporary increase in operating expenses

<table>
<thead>
<tr>
<th>Operating expenses</th>
<th>3Q 2017 Operating expenses</th>
<th>Increase of prices (CPI)</th>
<th>Higher CSR allocation</th>
<th>Digitalisation, higher commercial capability and M&amp;A</th>
<th>Increase of amortisation expenses</th>
<th>3Q 2018 Operating expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>(million euros)</td>
<td>404.4</td>
<td>6.4</td>
<td>5.7</td>
<td>21.0</td>
<td>2.5</td>
<td>440.0</td>
</tr>
</tbody>
</table>

ABANCA carries out **conservative procedures** as to expenditure recognition
2. RESULTS

The greater use of digital channels allows to increase productivity levels

- **Weight of digital transactions over total (month taken alone) (%)**
  - Sep-17: 51.5%
  - Sep-18: 54.6%

- **% Digital transactions**
  - Sep-17: 15.9
  - Sep-18: 16.0

- **Productivity per employee (units)**
  - Sep-17: 0.81
  - Sep-18: 0.93

**+24.4%**

Nº Digital Transactions
2. RESULTS

The cost of risk remains at the best market levels thanks to the reduction of NPLs

**Provisions and allocations (million euros)**

- **Allocations**: 29.4
- **Singular recoveries and others**: -10.1
- **Total provisions and allocations**: 19.3

**Cost of risk evolution (million euros)**

- **Sep-17**: 35.4
- **Sep-18**: 29.4

-17.0% yoy
5.1% business volume accretion driven by the rise both in credit and deposits

Key figures (million euros)

- Loans to customers: 28,975 (+4.5% yoy)
- Customer funds: 39,210 (+6.4% yoy)

69,147 BUSINESS VOLUME (+5.1% yoy)
3. BUSINESS EVOLUTION

The performing credit portfolio increased 4.5% with a diversified structure

Performing loans
(million euros)

<table>
<thead>
<tr>
<th>Sep-17</th>
<th>27,717</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-18</td>
<td>28,975</td>
</tr>
</tbody>
</table>

+4.5% yoy

Credit portfolio by type of customer (%)

- Individuals: 49%
- Enterprises: 39%
- Real Estate: 2%
- Public Administration: 10%
3. BUSINESS EVOLUTION

Dynamism in the generation of business, focusing on SMEs & self-employed, along with good risk management

1st home mortgages (million euros)
- 3Q 2017: 542
- 3Q 2018: 636
  +17.2% yoy

Consumer formalisations (million euros)
- 3Q 2017: 152
- 3Q 2018: 164
  +8.3% yoy

Formalisations from SMEs and self-employed (million euros)
- 3Q 2017: 508
- 3Q 2018: 1,354
  >800M€ yoy

→ The levels of delinquency in the new production are well below those of the portfolio (less than 0.5%)

→ ABANCA has formalised more than 800 million euros more than last year in transactions with SMEs and self-employed segments
3. BUSINESS EVOLUTION

The funds raised from customers increased by 6.4%, with a leading role in demand balances and investment funds.

Customer funds (million euros)

- Sep-17: 36,868
- Sep-18: 39,210

Customer funds structure (%)

- Demand deposits: 59%
- Term deposits: 24%
- Mutual funds, pension plans and savings insurance: 17%
3. BUSINESS EVOLUTION

Retail deposits increased by 5.2% strengthening the bank's funding base

- +5.2% yoy
- 32,651
- 31,025

- +10,377
  VAR.CUSTOMERS IN 2018

- +16.8%
  CREDIT/DEBIT CARDS

- +4.8%
  DIRECT SALARY DEPOSITS

- +12.3%
  POS DEVICES
3. BUSINESS EVOLUTION

Sales growth in out-of-balance products with innovative services

Mutual funds, pension plans and savings insurance (million euros)

- Sep-17: 5,843
- Sep-18: 6,559
  +12.3% yoy

New production premiums of general insurance (million euros)

- Sep-17: 38.1
- Sep-18: 39.7
  +4.3% yoy

+13 bp MUTUAL FUNDS
+6 bp LIFE-SAVINGS INSURANCES
+3 bp PENSION PLANS
+15,522 NEW PRODUCTION OF FLAT RATE
+14% NEW PRODUCTION POLICIES

//ABANCA

18 3Q 2018 Results / *Source: ICEA, INVERCO and VDOS: Sep-18
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

The entity accumulates 19 quarters improving the NPL ratio, which stands at 4.5%

Non-performing loans evolution (million euros)

-23.5% yoy

1,777
1,541
1,500
1,401
1,360

19 consecutive quarters of non-performing loans fall

NPL ratio evolution (%)

- ABANCA
- Industry

<table>
<thead>
<tr>
<th>Month</th>
<th>ABANCA</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-17</td>
<td>7.7%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Dec-17</td>
<td>6.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Mar-18</td>
<td>5.3%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Jun-18</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>Sep-18</td>
<td>4.5%</td>
<td></td>
</tr>
</tbody>
</table>

* Estimated NPL ratio. Last date available according to BdE data: Jul-18
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

ABANCA at the head of the sector by asset quality

Lowest non-performing loans portfolio of the industry

- Bank 2
- Bank 3
- Bank 4
- Bank 5
- Bank 6
- Bank 7
- Bank 8
- Bank 9
- Bank 10
- Bank 11

Weight of foreclosed assets in balance sheet less than 1%
Well below the industry

0.7%
ABANCA

1.2%
Industry

(Non-performing loans + foreclosed assets) / Total assets

- Bank 1: 1.5%
- Bank 2: 2.8%
- Bank 3: 2.8%
- Bank 4: 2.8%
- Bank 5: 2.8%
- Bank 6: 2.9%
- Bank 7: 3.2%
- Bank 8: 3.4%
- Bank 9: 3.4%
- Bank 10: 3.6%
- Bank 11: 4.7%

Comparative source: Latest information available reported by banks
### 4. RISK QUALITY, SOLVENCY AND LIQUIDITY

**First entity in coverage of non-performing assets**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Coverage Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 2</td>
<td>42.1%</td>
</tr>
<tr>
<td>Bank 3</td>
<td>55.3%</td>
</tr>
<tr>
<td>Bank 4</td>
<td>62.9%</td>
</tr>
<tr>
<td>Bank 5</td>
<td>64.4%</td>
</tr>
<tr>
<td>Bank 6</td>
<td>65.8%</td>
</tr>
<tr>
<td>Bank 7</td>
<td>69.1%</td>
</tr>
<tr>
<td>Bank 8</td>
<td>77.1%</td>
</tr>
<tr>
<td>Bank 9</td>
<td>83.3%</td>
</tr>
<tr>
<td>Bank 10</td>
<td>98.4%</td>
</tr>
<tr>
<td>Bank 11</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

**Texas Ratio**

(Non-performing assets / Coverage + Capital)

- **ABANCA**: 40.6%
  - **Bank 2**: 42.1%
  - **Bank 3**: 55.3%
  - **Bank 4**: 62.9%
  - **Bank 5**: 64.4%
  - **Bank 6**: 65.8%
  - **Bank 7**: 69.1%
  - **Bank 8**: 77.1%
  - **Bank 9**: 83.3%
  - **Bank 10**: 98.4%
  - **Bank 11**: n.a.
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Broad compliance with the liquidity requirements established by the regulator

Wholesale funding position (million euros)

- Total maturities: 2,797
- Liquid assets + CB issue capability: 10,646

Liquid assets o/ issue maturities \( \times 2.1 \)

127% NSFR
NET STABLE FUNDING RATIO
Complying with Basel III 2018

216% LCR
LIQUIDITY COVERAGE RATIO
Complying with Basel III 2018

91.7% LTD ratio

3Q 2018 Results
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Strong capital position, with an excess of 1,882 million euros over CET1

<table>
<thead>
<tr>
<th>TOTAL CAPITAL</th>
<th>CET1</th>
<th>CET1 EXCESS on ECB requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.9% PHASE IN</td>
<td>14.9%</td>
<td></td>
</tr>
<tr>
<td>14.0% FULLY LOADED</td>
<td>14.0%</td>
<td></td>
</tr>
<tr>
<td>1,882 million</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5. SUMMARY

Key findings

1. RESULTS
   Profitability of 12.6%, among the most outstanding in the industry
   Basic margin: +10.0% vs 3Q 2017 with increasing weight of the commercial margin
   The greater weight of digital transactions allows to increase productivity levels

2. BUSINESS
   Loans to customers: 28,975 M€, +4.5% vs 3Q 2017
   Focus on transactions with SMEs and self-employed
   Customer funds: 39,210 M€, +6.4% vs 3Q 2017
   Mutual funds, pension plans and savings insurance: 6,559 M€, +12.3% vs 3Q 2017
   General Insurance: +14% registered in new production policies

3. RISK QUALITY
   NPL ratio: 4.5%, amounting 19 consecutive quarters of reduction of non-performing loans
   1.9% non-performing assets over total assets with a 57.2% coverage
   Best Texas Ratio of the industry (Ratio Texas 40.6%)

4. CAPITAL
   14.9% CET1 (phase in) with 1,882 million surplus on ECB requirements (CET1)
   14.0% CET1 (fully loaded)

5. LIQUIDITY
   Loan-to-Deposit: 91.7%
   Broad compliance with regulatory requirements (LCR: 216%)
   X2.1 liquid assets on issue maturities
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