//ABANCA
Presentation of results 2017
(data updated on 19-04-2018)
1. HIGHLIGHTS

Net profit reaches €367 million with a 10.3% profitability

- 367 million net profit
- 4.7% NPL ratio
- 15.0% CET 1
- 93.3% LTD
- +27.6% Mutual funds, pension plans and savings insurances
- +44.1% digital interactions with customers

Profitability
- Recurring revenues become a pillar of profitability (+17.6% of basic margin)
- Profitability stood at 10.3%; above the industry average

Quality of risk
- The NPL ratio is reduced to 4.7%, more than 250 basis points below the industry average
- The coverage of unproductive assets reaches 55.3% above the industry average

Solvency and liquidity
- The ECB reduces the capital requirements for ABANCA due to its business model and risk management. Only two Spanish entities got this reduction
- Healthy financing structure based on stable deposits from customers

Commercial dynamism
- ABANCA increases the pace of new credit production more than the industry
- Value-added products: mutual funds, pension plans and savings insurance grew by 27.6%; and general insurance 18.3%
- At the end of 2017, digital interactions with customers increased by 44.1%
1. HIGHLIGHTS

Customers support the digital business model of the bank, with a 44.1% increase in the number of interactions

TECHNOLOGY MILESTONES 2017

- ABANCA allows you to become a customer through a video call
- New app that allows companies to sign transactions from their mobile
- Pioneers in offering money transfers from mobile to ATM through voice
- Launch of the Wallet service in ABANCA Pay

Digital interactions - month taken alone (millions)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.0</td>
<td>38.9</td>
</tr>
</tbody>
</table>

+44.1% year on year
1. HIGHLIGHTS

ABANCA among the entities with the best asset quality

<table>
<thead>
<tr>
<th>Bank</th>
<th>NPL ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 1</td>
<td>1.9%</td>
</tr>
<tr>
<td>ABANCA</td>
<td>2.2%</td>
</tr>
<tr>
<td>Bank 3</td>
<td>3.3%</td>
</tr>
<tr>
<td>Bank 4</td>
<td>3.4%</td>
</tr>
<tr>
<td>Bank 5</td>
<td>3.4%</td>
</tr>
<tr>
<td>Bank 6</td>
<td>3.4%</td>
</tr>
<tr>
<td>Bank 7</td>
<td>3.6%</td>
</tr>
<tr>
<td>Bank 8</td>
<td>3.7%</td>
</tr>
<tr>
<td>Bank 9</td>
<td>3.8%</td>
</tr>
<tr>
<td>Bank 10</td>
<td>4.1%</td>
</tr>
<tr>
<td>Bank 11</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Source: Information reported by entities in presentations of results December'17

![NPL ratio evolution graph]

Source: Banco de España December 17
1. HIGHLIGHTS

ABANCA is solidly positioned to face the opportunities of the industry

![Diagram showing solvency and non-performing assets coverage for various banks, with ABANCA in the upper right quadrant.]

Source: Information reported by entities in presentations of results December'17
1. HIGHLIGHTS

The ECB recognises the good performance of ABANCA by lowering its capital requirements

Variation of Requirements Pillar 2R (%)
Specific capital requirement SREP

<table>
<thead>
<tr>
<th>Bank</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABANCA</td>
<td>-0.25%</td>
</tr>
<tr>
<td>Bank 2</td>
<td>-0.05%</td>
</tr>
<tr>
<td>Bank 3</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bank 4</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bank 5</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bank 6</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bank 7</td>
<td>0.00%</td>
</tr>
<tr>
<td>Bank 8</td>
<td>0.25%</td>
</tr>
<tr>
<td>Bank 9</td>
<td>0.25%</td>
</tr>
<tr>
<td>Bank 10</td>
<td>0.25%</td>
</tr>
<tr>
<td>Bank 11</td>
<td>n.d</td>
</tr>
</tbody>
</table>

Capital surcharge fixed to each entity according to its specific characteristics in four categories: business model, risk management, capital adequacy and liquidity profile.
2. RESULTS

Net profit stood at 367 million euros, reaching a return of 10.3%

<table>
<thead>
<tr>
<th></th>
<th>Dec-17</th>
<th>Var Dec17/ Dec-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INTEREST INCOME</strong></td>
<td>488.5</td>
<td>19.8%</td>
</tr>
<tr>
<td>Net fees and commissions</td>
<td>169.8</td>
<td>11.8%</td>
</tr>
<tr>
<td><strong>BASIC MARGIN</strong></td>
<td>658.3</td>
<td>17.6%</td>
</tr>
<tr>
<td>Results of entities through equity method</td>
<td>7.4</td>
<td>15.6%</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>10.7</td>
<td>-45.3%</td>
</tr>
<tr>
<td>Gains or losses on financial assets and liabilities (net).</td>
<td>202.2</td>
<td>-</td>
</tr>
<tr>
<td>Others (net)</td>
<td>-67.4</td>
<td>-</td>
</tr>
<tr>
<td><strong>GROSS MARGIN</strong></td>
<td>811.1</td>
<td>23.8%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>558.6</td>
<td>7.6%</td>
</tr>
<tr>
<td>Provisions and allocations</td>
<td>-53.9</td>
<td>-65.0%</td>
</tr>
<tr>
<td>Ordinary loan provisions</td>
<td>63.8</td>
<td>-13.3%</td>
</tr>
<tr>
<td>Other gains / losses</td>
<td>61.7</td>
<td>-10.3%</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>368.2</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>NET PROFIT</strong></td>
<td>367.1</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

*Note: The data for Dec’17 include the accounting incorporation of ABANCA Servicios Financieros (ASF)*

**Net interest income** grew 19.8% due to the continuous improvement in the commercial margin

**The basic margin, which** reflects recurring revenues, grows 17.6%

**Expenses** include the incorporation of ASF with efficiency improvement

**Business profitability (ROTE)** reaches 10.3%
Continuous improvement of the interest margin based on the activity with retail clients

**Evolution of net interest income**
- **Margin (million euros)**
- **Spread (%)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Margin</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2016</td>
<td>108.5</td>
<td>0.8%</td>
</tr>
<tr>
<td>1Q 2017</td>
<td>111.2</td>
<td>0.9%</td>
</tr>
<tr>
<td>2Q 2017</td>
<td>121.2</td>
<td>0.9%</td>
</tr>
<tr>
<td>3Q 2017</td>
<td>126.0</td>
<td>0.9%</td>
</tr>
<tr>
<td>4Q 2017</td>
<td>130.1</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

**Causal interest margin increase (million euros)**

- Interest margin 2016: 407.9
- Retail activity: 59.8
- Wholesale activity: 23.5
- Other: -2.7
- Interest margin 2017: 488.5
2. RESULTS

Continuous increase in the contribution of the commercial margin to the income statement

<table>
<thead>
<tr>
<th>Commercial margin evolution (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2016</td>
</tr>
<tr>
<td>1Q 2017</td>
</tr>
<tr>
<td>2Q 2017</td>
</tr>
<tr>
<td>3Q 2017</td>
</tr>
<tr>
<td>4Q 2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evolution of commercial margin (ratios)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2016</td>
</tr>
<tr>
<td>1Q 2017</td>
</tr>
<tr>
<td>2Q 2017</td>
</tr>
<tr>
<td>3Q 2017</td>
</tr>
<tr>
<td>4Q 2017</td>
</tr>
</tbody>
</table>

* Contribution of ASF distributed in the months in which it has been accrued
2. RESULTS

Revenues from services rendered increased by 11.8% driven by the sale of value-added products

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues from services rendered (million euros)</th>
<th>Revenues from insurance sales, pension plans and mutual funds (million euros)</th>
<th>Revenue from collection and payment services (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-16</td>
<td>151.8</td>
<td>43.3</td>
<td>58.9</td>
</tr>
<tr>
<td>Dec-17</td>
<td>169.8</td>
<td>52.1</td>
<td>68.1</td>
</tr>
</tbody>
</table>

+11.8% year on year

+20.5% year on year

+15.7% year on year
2. RESULTS

The increase in productivity allows to improve the efficiency of ABANCA by 13%
2. RESULTS

The cost of the risk is 0.22%

Allocations and provisions (million euros)

- Allocations: 63.8
- Singular recoveries & others: -117.7
- Total provisions & allocations: -53.9

Cost of risk evolution (million euros)

- Dec-16: 73.6
- Dec-17: 63.8

COR 0.22%

-13.3% year on year
The increase in business with customers reflects the success of a customer-centric model.

Key figures (million euros)

- Loans to customers: €27,571, +7.8% year on year
- Customer funds: €36,862, +6.2% year on year

65,531 BUSINESS VOLUME
3. BUSINESS EVOLUTION

The performing credit portfolio increases by 8% with a diversified structure

Performing Loans
(million euros)

Dec-16  25,571
Dec-17  27,571
+7.8% year on year

Credit investment by type of customer (%)

- Individuals 51%
- Enterprises 38%
- Real Estate 2%
- Public Administration 9%
3. BUSINESS EVOLUTION

Thanks to dynamism and good risk management, growth exceeds the industry average

1st new home mortgages (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>701</td>
<td>826</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>+17.8%</td>
</tr>
</tbody>
</table>

+26 bp FORMALISATION SHARE* Dec-17 vs Dec-16

Consumer formalisations (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>150</td>
<td>231</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>+54.0%</td>
</tr>
</tbody>
</table>

+19 bp FORMALISATION SHARE* Dec-17 vs Dec-16

Formalisations from SMEs and self-employed (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>632</td>
<td>1,107</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>+75.2%</td>
</tr>
</tbody>
</table>

+22 bp FORMALISATION SHARE* Dec-17 vs Dec-16

*Source: Latest information available (Statement I-2 Industry December 17)

Results 2017 #ABANCAresultados
3. BUSINESS EVOLUTION

The funds raised from customers increased by 6%, with a leading role in demand balances and investment funds.

Customer funds (million euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Customer Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-16</td>
<td>34,715</td>
</tr>
<tr>
<td>Dec-17</td>
<td>36,862</td>
</tr>
</tbody>
</table>

+6.2% year on year

Customer funds structure (%)

- Balance of demand deposits: 56%
- Balance of term deposits: 27%
- Mutual funds, pension plans and savings insurance: 17%
3. BUSINESS EVOLUTION

Retail deposits increased by 3% while maintaining a healthy deposit structure

- Retail deposits increased by 2.7% year on year.
- New customers increased by 8.5%.
- Credit/debit cards increased by 8.2%.
- New direct salary deposits increased by 41,000.
- POS devices increased by 8.8%.
3. BUSINESS EVOLUTION

Strong growth in the sale of off-balance sheet products, portfolio of which already exceeds 6,000 million

<table>
<thead>
<tr>
<th>Mutual funds, pension plans and savings insurance (million euros)</th>
<th>Premiums new production of general insurance (million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NATIONAL SHARES</strong></td>
<td><strong>NEW PRODUCTION</strong></td>
</tr>
<tr>
<td><strong>6bp PENSION PLANS</strong></td>
<td><strong>+89% BUSINESS INSURANCES</strong></td>
</tr>
<tr>
<td><strong>32bp MUTUAL FUNDS</strong></td>
<td><strong>+32% LIFE-RISK INSURANCES</strong></td>
</tr>
<tr>
<td><strong>4.4% NET SUBSCRIPTIONS OF MUTUAL FUNDS IN 2017</strong></td>
<td><strong>+19% HEALTH</strong></td>
</tr>
<tr>
<td><strong>+27.6% year on year</strong></td>
<td><strong>+12% HOME</strong></td>
</tr>
</tbody>
</table>

*Source: Latest available data INVERCO (December’17)
The continuous reduction of the non-performing loans widens the competitive difference of ABANCA with the industry in terms of quality of risk.

16 consecutive quarters of non-performing loans fall

NPL ratio evolution (%)

<table>
<thead>
<tr>
<th></th>
<th>Dec-16</th>
<th>Mar-17</th>
<th>Jun-17</th>
<th>Sep-17</th>
<th>Dec-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABANCA</td>
<td>6.8%</td>
<td>6.5%</td>
<td>5.6%</td>
<td>5.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Industry</td>
<td>8.4%</td>
<td>8.3%</td>
<td>7.7%</td>
<td>7.7%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

*Source: Banco de España December 17
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

The dynamism in the sale of unproductive assets complements the organic management

Without impairment within coverage levels 55.3%

4 important transactions carried out

1,900M€ sale of unproductive assets, NPL and written-off loans

Without negative impact on income statement
ABANCA among the entities with the best asset quality

- **Lowest non-performing loans portfolio of the industry**
  - Bank 1
  - 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 the balance sheet is less than 1% Well below the industry**
  - 0.8% ABANCA
  - 1.9% Industry

- **(Non-performing loans + foreclosed assets) / Total assets**
  - Bank 1: 1.9%
  - Bank 2: 3.3%
  - Bank 3: 3.4%
  - Bank 4: 3.4%
  - Bank 5: 3.4%
  - Bank 6: 3.4%
  - Bank 7: 3.6%
  - Bank 8: 3.7%
  - Bank 9: 3.8%
  - Bank 10: 4.1%
  - Bank 11: 6.4%

**Source:** Information reported by entities in presentations of results December’17
ABANCA among the entities with greater coverage and less than 1% weight of foreclosed assets in the balance sheet

51.6% NPL COVERAGE

55.3% TOTAL COVERAGE

61.1% COVERAGE FOR FORECLOSED ASSETS
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Strength of capital as shown by the excess of 1,863 million over CET1

- **15.0%**
  - CET1 PHASE IN

- **14.3%**
  - CET1 FULLY LOADED

- **1,863 million**
  - CET1 EXCESS over ECB requirements
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Financing structure clearly retail

Financing structure (%)

- Retail deposits: 70%
- Interbank: 15%
- Central banks: 8%
- Issues: 7%

LTD ratio (%)(ABANCA vs Industry)

- ABANCA: 93.3%
- Industry*: 106.6%

*Latest available data (December’17)
4. RISK QUALITY, SOLVENCY AND LIQUIDITY

Broad compliance with the liquidity requirements established by the regulator

**Wholesale funding position (million euros)**

- Total maturities: 3,172
- Liquid assets + CB issue capacity: 10,522

\[ \times 1.9 \] Liquid assets o/ issue maturities

**129% NSFR**
Net Stable Funding Ratio
Complying with Basel III 2018

**229% LCR**
Liquidity Coverage Ratio
Complying with Basel III 2018
We have met the strategic targets defined 3 years ago

- **Profitability**: 10% (TARGET 2014-2017 >8%)
- **CET 1**: 15.0% (TARGET 2014-2017 >14%)
- **NPL ratio**: 4.7% (TARGET 2014-2017 4.5-5.5%)
- **NSI**: 70 (TARGET 2014-2017 70)
- **Business volume**: 65,531 million euros (TARGET 2014-2017 >65,000)
In the 18-20 three-year period we will focus on managing the environment to maintain high levels of profitability with a solid capital position.

- ROTE: ~10%
- CET 1: >13%
- NPL ratio: <3%
- Business volume: >75,000 million euros
Socially responsible
365 days a year
We promote education, culture and the development of our environment

- **ABANCA** organised the 'Campus ABANCA’ forum to support university entrepreneurship
- **ABANCA** promoted the restoration of the Lugris mural and the exhibition ‘Paredes soñadas’
- Gustavo Dudamel, major figure of the second edition of Palabras para Galicia ABANCA
- **ABANCA** set in motion measures to mitigate the damages of fires in Galicia
- Held in **III ABANCA Responsible Forum**, with the presence of Jesús Calleja
6. SOCIALLY RESPONSIBLE 365 DAYS A YEAR

We promote education, culture and the development of our environment

- More than 13,000 children and teenagers participated in the new edition of the Financial Education Program
- IESIDE has educated 5,347 students and 2,594 attendees to other activities
- The Corporate Volunteer Program mobilizes 4,413 hours of collaboration of employees of ABANCA
- 184 children participated in a new edition of ABANCA ReSuena
- 14 photo exhibitions organised by ABANCA and Afundación in different locations of Galicia
The investment in social welfare of ABANCA amounts to more than 30M€ since 2014

1,100,000 beneficiaries in Galicia

11 million euro INVESTMENT IN AFUNDACIÓN IN 2018
Thank you

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