ABANCA
Presentation of results
1Q 2019
comunicacion.abanca.com
1. Key messages

Net profit reaches €156 million with a 13.5% profitability

**Profitability**
- The bank continues to be one of the most profitable in the Spanish sector (13.5% ROE)
- Improvement of 7.1% in revenue based on the commercial margin and services rendered

**Risk Quality**
- The non-performing loan ratio falls to 3.5% after 21 consecutive quarters of reduction of non-performing balances
- Soundness in non-performing asset coverage ratio that reaches 59.2%

**Solvency and Liquidity**
- Capital levels far exceed regulatory requirements
- Sound financing structure based on stable deposits from customers

**Commercial Dynamism**
- 6.5% business volume accretion driven by the rise both in credit and deposits
- Funding to SMEs and self-employed workers remains a pillar of credit growth, formalising 525M€ within the quarter
- The formalisation of insurance grew 59.8%; value-added products: investment funds, pension plans and savings insurance did it in the same way 3.4%

**Numbers**
- **156 M€** net profit
- **3.5%** NPL ratio
- **59.2%** NPA coverage
- **14.8%** CET 1
- **604 bp** exceeding CET1 capital requirements
- **91.0%** LTD
- **525 M€** credit granted to SMEs & self-employed within the quarter
- **+6.5%** business volume with customers
1. Key messages

The investment in service capability improved 48% the degree of customers’ loyalty and commitment

**Evolution of the Net Promoter Score (NPS)**

- Global NPS
- % Fans

<table>
<thead>
<tr>
<th>Year</th>
<th>NPS</th>
<th>% Fans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2018</td>
<td>44%</td>
<td>23</td>
</tr>
<tr>
<td>1Q 2019</td>
<td>52%</td>
<td>34</td>
</tr>
</tbody>
</table>

**44 NPS**

“Young” customer segment (18-25 yo)

**58%** of young customers, recommend ABANCA (score between 9-10)

**59 NPS**

As to contracting of products

**68%** of new customers, recommend ABANCA (score between 9-10)

**Innovative products**
- ABANCA card
- Insurance Flat Rate
- Alavuelta

**Focusing on customers**
- ABANCA Escucha Program

**The highest quality technology platform**
- Mobile App among the best rated
Fitch raised to "investment grade" the ABANCA’s rating
### 2. Results

**Net profit got up to 156 million euros based on recurrent margin soundness**

<table>
<thead>
<tr>
<th>(millions)</th>
<th>1Q 2019</th>
<th>Var. 1Q 2019 /1Q 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INTEREST INCOME</strong></td>
<td>132.4</td>
<td>3.7%</td>
</tr>
<tr>
<td>Net fees and commissions</td>
<td>46.1</td>
<td>8.2%</td>
</tr>
<tr>
<td><strong>BASIC MARGIN</strong></td>
<td>178.5</td>
<td>4.8%</td>
</tr>
<tr>
<td>Results of entities through equity method</td>
<td>-3.7</td>
<td>-</td>
</tr>
<tr>
<td>Dividend income</td>
<td>4.3</td>
<td>28.0%</td>
</tr>
<tr>
<td>Gains/losses on financial assets and liabilities (net)</td>
<td>91.9</td>
<td>14.9%</td>
</tr>
<tr>
<td>Others (net)</td>
<td>13.5</td>
<td>24.5%</td>
</tr>
<tr>
<td><strong>GROSS MARGIN</strong></td>
<td>284.4</td>
<td>7.1%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>148.0</td>
<td>9.5%</td>
</tr>
<tr>
<td>Provisions and allocations</td>
<td>-7.2</td>
<td>-44.4%</td>
</tr>
<tr>
<td>Ordinary loan provisions</td>
<td>6.5</td>
<td>1.3%</td>
</tr>
<tr>
<td>Other gains/losses</td>
<td>20.8</td>
<td>66.7%</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>164.5</td>
<td>5.6%</td>
</tr>
<tr>
<td>Tax</td>
<td>8.3</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET PROFIT</strong></td>
<td>156.2</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

The basic margin grew 4.8%, strengthening the capability of generation of recurring revenues of the entity.

The gross margin improved 7.1%, with a growing contribution to both the net interest income and fees.

**ROE: 13.5%**
2. Results

Retail activity boosts net interest income growth

Evolution of net interest income (million euros)

- Margin (million euros)
- Total spread

-3.7% year on year

1Q 2018: 127.7
1Q 2019: 132.4
1.01%
1.03%

Causal interest margin increase (million euros)

<table>
<thead>
<tr>
<th>1Q 2018 net interest income</th>
<th>Retail activity</th>
<th>Market activity</th>
<th>Others</th>
<th>1Q 2019 net interest income</th>
</tr>
</thead>
<tbody>
<tr>
<td>127.7</td>
<td>7.4</td>
<td>0.3</td>
<td>-3.1</td>
<td>132.4</td>
</tr>
</tbody>
</table>
2. Results

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

Commercial margin evolution (million euros)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2018</td>
<td>117.9</td>
</tr>
<tr>
<td>2Q 2018</td>
<td>118.7</td>
</tr>
<tr>
<td>3Q 2018*</td>
<td>122.2</td>
</tr>
<tr>
<td>4Q 2018</td>
<td>126.8</td>
</tr>
<tr>
<td>1Q 2019</td>
<td>125.4</td>
</tr>
</tbody>
</table>

Evolution of commercial margin (rates)

- Loans yield: 1.78% to 1.85%
- Deposit costs: 1.70% to 1.77%
- Customer spread: 0.08% to 0.09%

Loans - New production vs portfolio (rates)

- 1Q Back book: 1.85%
- 1Q Front book: 2.22%

Term deposits - New production vs portfolio (rates)

- 1Q Back book: 0.22%
- 1Q Front book: 0.14%

* Excluding one-off transactions (8.2M€)
Revenues from services rendered advanced 8.2%, with soundness in all lines

Revenues from services rendered (million euros)

Mar-18: 42.6
Mar-19: 46.1

+8.2% year on year

Revenues from banking services (million euros)

Mar-18: 13.1
Mar-19: 14.9

+13.4% year on year

Revenue from collection and payment services (million euros)

Mar-18: 15.4
Mar-19: 16.9

+9.7% year on year

Revenues from sales of insurance, pension plans and investment funds (million euros)

Mar-18: 14.1
Mar-19: 14.3

+1.8% year on year
The cost to income ratio stands at 52.0% driven by the improvement in revenues and cost optimisation.

Operating expenses (million euros)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2018</td>
<td>135.2</td>
</tr>
<tr>
<td>2Q 2018</td>
<td>142.3</td>
</tr>
<tr>
<td>3Q 2018</td>
<td>162.5</td>
</tr>
<tr>
<td>4Q 2018</td>
<td>153.3</td>
</tr>
<tr>
<td>1Q 2019</td>
<td>148.0</td>
</tr>
</tbody>
</table>

7.4M€ investment in new projects and incorporations during the quarter.

52.0% COST TO INCOME RATIO

+7.1% GROSS MARGIN
2. Results

Profitability metrics and productivity improved thanks to digital capabilities

Digital transactions (month) (millions)

<table>
<thead>
<tr>
<th></th>
<th>Mar-18</th>
<th>Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>56.4%</td>
<td>193.7</td>
<td>218.3</td>
</tr>
</tbody>
</table>

+12.7% year on year

Business volume per employee (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Mar-18</th>
<th>Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.6</td>
<td></td>
<td>15.0</td>
</tr>
</tbody>
</table>

Productivity per employee (Units/day*)

<table>
<thead>
<tr>
<th></th>
<th>Mar-18</th>
<th>Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.90</td>
<td></td>
<td>0.97</td>
</tr>
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</table>

/ * Product sales for the quarter per management agent and per day
The cost of risk remains among the lowest in the sector thanks to the reduction of NPLs

Provisions and allocations (million euros)

<table>
<thead>
<tr>
<th></th>
<th>Mar-18</th>
<th>Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>One-off recoveries and others</td>
<td>6.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Total provisions and allocations</td>
<td>13.7</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Cost of risk evolution (million euros)

-1.3% year on year
The business volume exceeds the barrier of 70,000 million thanks to a balanced increase of credit and customer funds.

Key figures (million euros):
- Performing loans: 29,642 (+6.5% year on year)
- Customer funds: 40,231
- Business volume: 70,917 (+6.5% year on year)
The performing credit portfolio increased 6.5% with the outstanding performance of enterprise financing

Performing loans (million euros)

27,841
1Q 2018

29,642
1Q 2019

+6.5% year on year

Credit investment by type of customer

525M€ Credit formalised with companies and self-employed workers within the quarter

- Individuals 47%
- Enterprises 40%
- Public Administration 10%
- Real Estate 3%
The funds raised from customers increased by 6.7%, with a leading role in sight balances and investment funds.

Customer funds (million euros)

- Retail deposits
- Investment funds, pension plans and savings insurance
- Total

3Q 2018: 31,407
1Q 2019: 33,713

+6.7% year on year

1Q 2018: 6,302
1Q 2019: 6,518

Customer funds structure (%)

- Sight balances: 60%
- Term balances: 24%
- Investment funds, pension plans and savings insurance: 16%
3. Business Evolution

The insurance production increases 59.8%, and off-balance products 3.4%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (million euros)</th>
<th>Growth (year on year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2018</td>
<td>6,302</td>
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<tr>
<td>1Q 2019</td>
<td>6,518</td>
<td>+3.4%</td>
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</table>

New insurance production (million euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (million euros)</th>
<th>Growth (year on year)</th>
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</thead>
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<tr>
<td>1Q 2018</td>
<td>59.7</td>
<td></td>
</tr>
<tr>
<td>1Q 2019</td>
<td>95.4</td>
<td>+59.8%</td>
</tr>
</tbody>
</table>

NEW PRODUCTION

- +59% HEALTH INSURANCE
- +37% BUSINESS INSURANCES
- +19% LIFE-RISK INSURANCES
- >16,000 FLAT RATES CONTRACTED IN THE QUARTER

*Source: Latest available data INVERCO, ICEA and V2 (December 18). The new production of insurance includes general and life (risk and savings) insurance.
4. Risk quality, solvency and liquidity

The entity accumulates 21 consecutive quarters improving the NPL ratio, which stands at 3.5%

Non-performing loans evolution
(million euros)

1,500

-28.9%
year on year

1,066

Mar-18

Mar-19

NPL ratio evolution (%)

6.2%

5.8%

5.5%

5.2%

5.2%

5.1%

4.6%

4.5%

3.6%

3.5%

Mar-18

Jun-18

Sep-18

Dec-18

Mar-19

21 consecutive quarters of non-performing loans fall

/ Estimated NPL ratio for the system: Last data available according to BdE: Feb'19.
4. Risk quality, solvency and liquidity

**ABANCA at the head of the sector by asset quality**

- **Lowest non-performing loan portfolio of the sector**
  - Bank 1
  - Bank 2
  - Bank 3
  - Bank 4
  - Bank 5
  - Bank 6
  - Bank 7
  - Bank 8
  - Bank 9
  - Bank 10
  - Bank 11

- **Size of foreclosed asset portfolio**
  - Bank 1
  - Bank 2
  - Bank 4
  - Bank 5
  - Bank 6
  - Bank 7
  - Bank 8
  - Bank 9
  - Bank 10
  - Bank 11

- **(Non-performing loans + foreclosed assets) / Total assets**
  - Bank 1: 1.4%
  - Bank 2: 1.5%
  - Bank 4: 1.6%
  - Bank 5: 1.8%
  - Bank 6: 2.2%
  - Bank 7: 2.6%
  - Bank 8: 2.7%
  - Bank 9: 2.7%
  - Bank 10: 2.8%
  - Bank 11: 3.6%

*Comparative source: Latest information available reported by banks*
First entity in coverage of non-performing assets

NPL Coverage: 56.9%
Total Coverage: 59.2%
Foreclosed Assets Coverage: 62.1%

Texas Ratio
Non-performing assets / (Coverage + Capital)

ABANCA: 32.8%
Bank 2: 38.5%
Bank 3: 38.9%
Bank 4: 39.5%
Bank 5: 48.2%
Bank 6: 56.9%
Bank 7: 60.0%
Bank 8: 65.9%
Bank 9: 68.0%
Bank 10: 84.7%
Bank 11: n.a.

/ Comparative source: Latest information available reported by banks
4. Risk quality, solvency and liquidity

Comfortable position as to liquidity

Wholesale funding position (million euros)

12,344

2,389

Total maturities
Liquid assets + Coverage Bond issue capacity

x2.6 Liquid assets o/ issue maturities

127% NSFR
NET STABLE FUNDING RATIO
Complying with Basel III

235% LCR
LIQUIDITY COVERAGE RATIO
Complying with Basel III
The capital ratio reaches 17.0% and advances in the diversification of its structure.
7. Key conclusions

Financial summary

1. RESULTS

156M€ of Net Profit
The bank continues to be one of the most profitable in the Spanish sector (13.5% ROE)
The technological effort allows ABANCA to increase the generation capability of recurring revenue and improve efficiency

2. BUSINESS

Performing loans: 29,642 M€, +6.5% vs 1Q 2018
525M€ of credit granted to SMEs and self-employed workers
Customer funds: 40,231 M€, +6.7% vs 1Q 2018
Investment funds, pension plans and savings insurance: 6,518 M€, +3.4% vs 1Q 2018
Insurance: +59.8% registered in new production policies

3. RISK QUALITY

NPL ratio: 3.5%, amounting 21 consecutive quarters of reduction of non-performing loans
1.6% non-performing assets over total assets with a 59.2% coverage
Best Texas Ratio of the sector (Texas Ratio 32.8%)

4. CAPITAL

14.8% CET1 (phase-in) strengthening the leadership of ABANCA in terms of capital
14.0% CET1 (fully loaded)

5. LIQUIDITY

Clearly retail liquidity profile
x2.6 liquid assets on issue maturities
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