

//ABANCA

Investor Presentation - September 2018

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2. Combining a Profitable Business Model...

3. ...With a Strong Balance Sheet

A. Appendix



Retail Domestic Bank with Low Risk Profile and a Leading Position in the Northwest of Spain

ABANCA is a flagship **retail and SME banking group** in the Northwest of Spain combined with targeted expansion in the most industrial regions in Iberia ...

... delivering an **attractive and diversified growth** profile with increasing recurring revenues **(+8.1% growth year-on-year)** and growth potential in insurance and asset gathering businesses ...

... executing a digital project that seeks to accelerate its transformation to reinforce its technological leadership in order to offer a fully-fledged multi-channel and innovative service ...

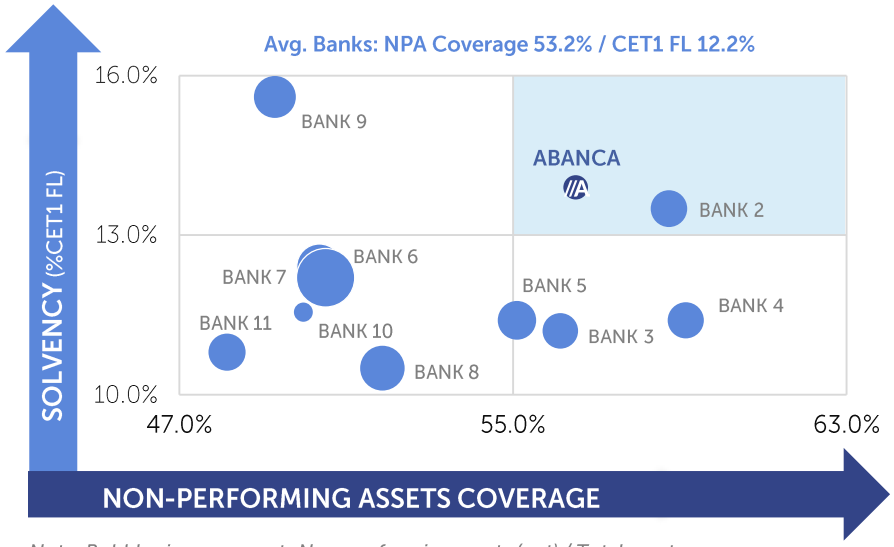
...with a sound financial position, on the back of one of the **soundest solvency positions (CET1 Fully Loaded 13.9%)** combined with one of the highest NPA Coverage (56.6%) in the Spanish sector...

...with a strong performance during 2015-2017 that has allowed ABANCA to be one of the two Spanish Banks to have its **Pilar 2 Requirements reduced for 2018**...

...implementing a tailored and **disciplined risk management** culture and a detailed RAF, leading to a well diversified retail portfolio under an overall medium-low risk appetite...

... and with a **strong corporate governance** with a Board of Directors formed by professionals with broad experience in the Financial Sector and with a majority of independent members.

Spanish Banks NPA Coverage / Solvency Benchmarking



Note: Bubble size represents Non-performing assets (net) / Total assets

ABANCA Group's Key Metrics (1H18)

Total Assets *#10 in Spain*	CET1 FL *#2 in Spain*	RoE	Asset Quality *#2 and #3 in Spain- NPA ratio and coverage*	Retail LTD
€49.8bn	13.9%	11.8%	7.4% / 56.6%	93.6%

NPA ratio / NPA Coverage

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank (for which foreclosed assets information appears as of FY2017).

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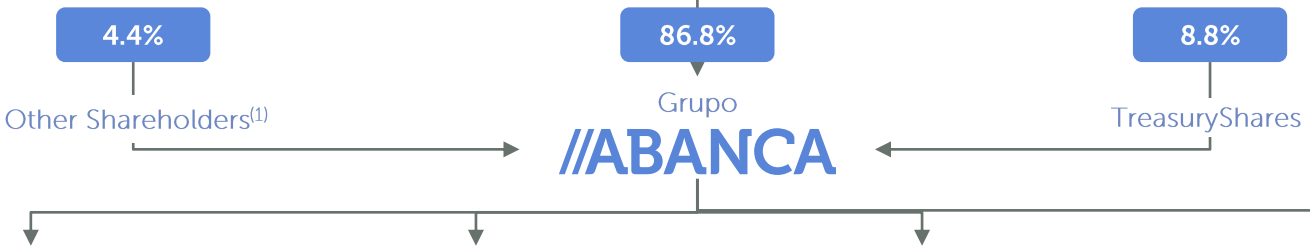
Group Structure

> Juan Carlos Escotet as controlling shareholder (c.90%) acquired ABANCA's seeds in 2014, NCG Banco a clean bank that had already been restructured by the FROB

ABANCA Holding Financiero
Shareholding company which main and "key" asset is the 86.8% stake in ABANCA Group

Balance Sheet key items as of FY17 (€m)

	ABANCA Holding Group	ABANCA Group		ABANCA Holding Group	ABANCA Group
			Equity[2]	4,010	4,105
Loans and advances	29,664	29,656	**Liabilities**	**47,046**	**46,679**
Securities Portfolio	13,533	13,524	Deposits from customers	35,731	35,648
Tax Assets	3,456	3,409	Debt securities issued [3]	995	790
Other Assets	4,403	4,196	Other Liabilities	10,320	10,242
Total Assets	**51,056**	**50,784**	**Total Equity and Liabilities**	**51,056**	**50,784**



ABANCA Seguros
(Bank-assurance & life insurance)

ABANCA offers bespoke solutions to its client base covering the whole spectrum of insurance products

ABANCA Corporación Bancaria
(Banking business)

ABANCA is focused on providing all-round coverage for the financial needs of its customers, with a multi-channel approach and specialised segments

ABANCA Servicios Financieros
(Consumer finance)

ABANCA focuses on point of sale and prescribers financing

ABANCA Corporación Industrial
(Industrial stakes)

ABANCA's Investees portfolio

Source: ABANCA Group information. Data refers to FY2017 from ABANCA Holding Group and ABANCA Group except Abanca Group ownership stakes which have been updated to 1H2018. Notes: (1) Includes 1.1% stake from E.C. Nominees Limited and 3.3% stake corresponding to other minorities. (2) Equity at ABANCA Holding Group lower (-€95m) than ABANCA Group due to: i) impact of PPA (€74m), ii) equity consolidation elimination process (-€169m). (3) Difference corresponds mainly to Senior bonds guaranteed with shares of ABANCA Corporación Bancaria S.A. and maturity in October 2019 (€195m) and impact of PPA (€10m).

ABANCA's Geographical Positioning

> Reference retail and SMEs banking group, with dominant positions in the Northwest of Spain (i.e. 41.2% deposits market share in Galicia)

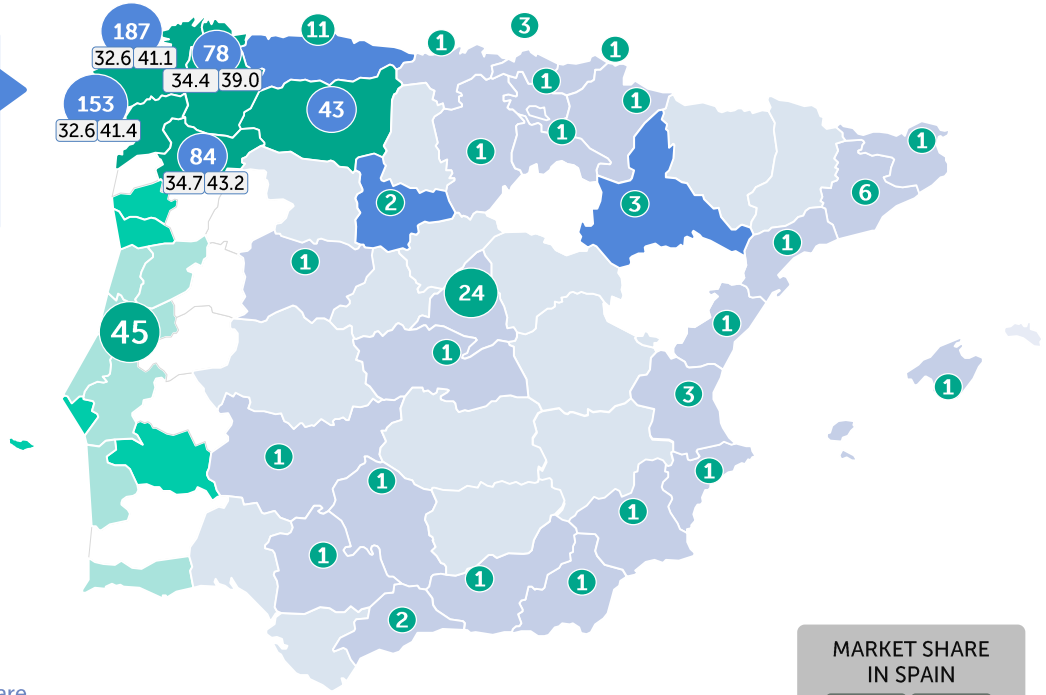
> Development and promotion of alternative channels

MARKET SHARE IN GALICIA

Loans	Deposits
32.9%	41.2%

41 DB Retail Business in Portugal (with a 0.9% market share)

Pending regulatory approvals



Market share in Portugal

- > 1.0% branches
- < 1.0% branches
- Not present

Market share in Spain

- > 7.0% loan market share
- 2.0% - 7.0% loan market share
- 2.0% - 0.1% loan market share
- < 0.1% loan market share
- Not present
- Number of branches (Jun–2018)

MARKET SHARE IN SPAIN

Loans	Deposits
2.2%	2.7%

Branches in Spain **622**

Strong position in ABANCA's core regions: La Coruña, Lugo, Pontevedra and Orense, with a deposits market share at around or above 40%. Also large presence in Leon and Asturias

Expanded operations through acquisition of DB Retail Business in Portugal

ABANCA has a dense capillary branch network in Galicia, and is deploying multichannel capabilities which multiply reach and effectiveness of its branch network and increase proximity to clients

With a multi-channel strategy in place...



Source: ABANCA internal Group information (branches per province in Spain) and Statement FI 132.E of the Bank of Spain (commercial market shares in Spain, as of March 2018). Portuguese Banking Association (branches and commercial market shares in Portugal, as of June 2017). Unless otherwise stated, data refers to 1H2018 from ABANCA Group.

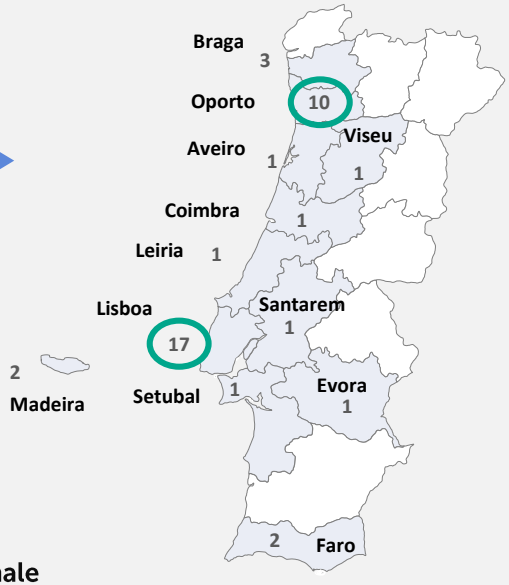
ABANCA's Acquisition of DB's Portuguese Retail Business

> On 27th March 2018 ABANCA entered into an agreement to acquire DB's retail business in Portugal, a business focused on personal and private banking

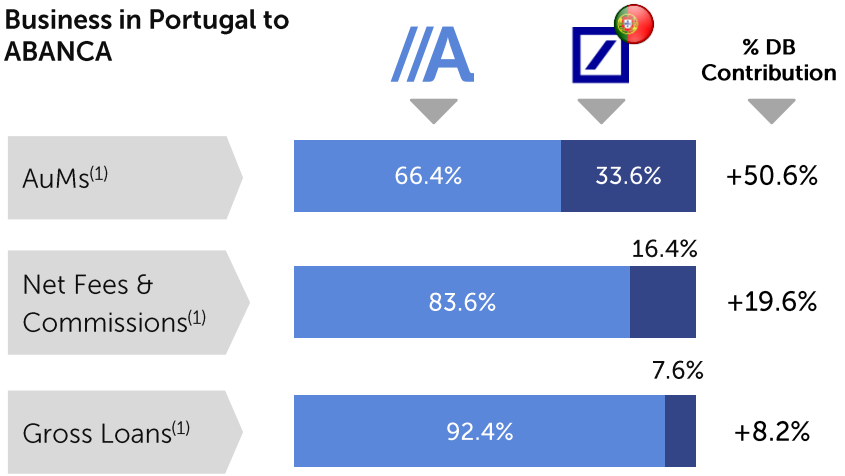
> Transaction is expected to close during 1H19

DB retail business in Portugal Footprint

Branch network with presence in the wealthiest regions



Contribution of DB Retail Business in Portugal to ABANCA



Transaction Rationale

- DB's Portuguese Retail Business represents an excellent opportunity to develop ABANCA's organic growth strategy in the personal and private banking business in Portugal
- Attractive profitability in the medium term
- Limited size and negligible impact on liquidity and capital

- Portugal is a natural choice for geographical expansion given the existing border links
- Growing private and personal clients positively contributing to fees potential
- Reinforce DB's business generation capacity with corporates leveraging on ABANCA's know how

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) Information as of December 2017.

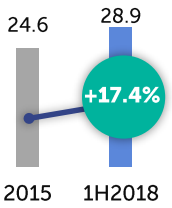
Strong Commercial Dynamics and Levers to Support Profitability

> Strong fundamentals supporting an RoE above 8% during last years...

Growing Portfolio

Performing Credit Portfolio[1]

€bn

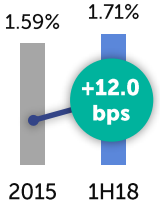


- ✓ Supportive macro fundamentals
- ✓ Strong commercial dynamics, with a clear focus on SMEs while focusing on high quality credit origination

Improving Customer Spread

Customer Spread

%

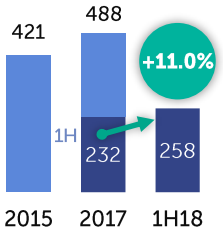


- ✓ Credit growth has enabled to maintain income level despite Euribor reduction
- ✓ Reduction in the cost of funding along with an increase in credit volume

Sustainable revenue growth

Net Interest Income

€m

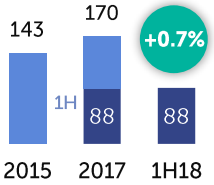


- ✓ Sustainable recurrent net interest income expansion driven by retail activity
- ✓ Also positively impacted by expensive legacy covered bonds maturities

Significant commissions level

Net Fees and Commissions

€m

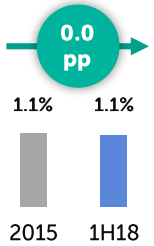


- ✓ Strong growth coming from value added products (+7.7% ex. one-offs[2])
- ✓ Going forward significant potential income expansion from business acquisition in Portugal

Lean organisation

Operating Expenditure[3] / ATA

%

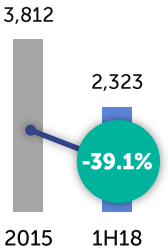


- ✓ Despite having achieved a 16.6% increase in recurring revenues for the period 2015-2017 costs have remained flat
- ✓ Flexibility to invest in innovation

Prudent risk management

NPAs reduction

€m

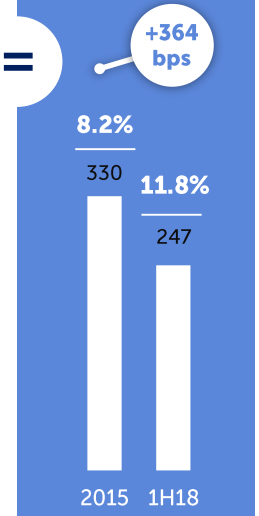


- ✓ Clear focus on risk management, with clear path to NPAs reduction
- ✓ Significant cost of risk reduction

Earnings resilience and RoE above 8%

RoE[3] and Net profit

€m



Having achieved strategic targets for 2017...

Commercial Dynamics (Credit Volume €bn)	Risk Management (NPL ratio[5])	Profitability (RoE)	Solvency position (CET1 Phased In)
Target 2017: >€27bn ✓	Target 2017: 5.3% - 6.0% ✓	Target 2017: >8% ✓	Target 2017: >14% ✓
Dec 2017: €27.6bn[4]	Dec 2017: 5.3%	Dec 2017: 9.1%	Dec 2017: 14.9%[6]

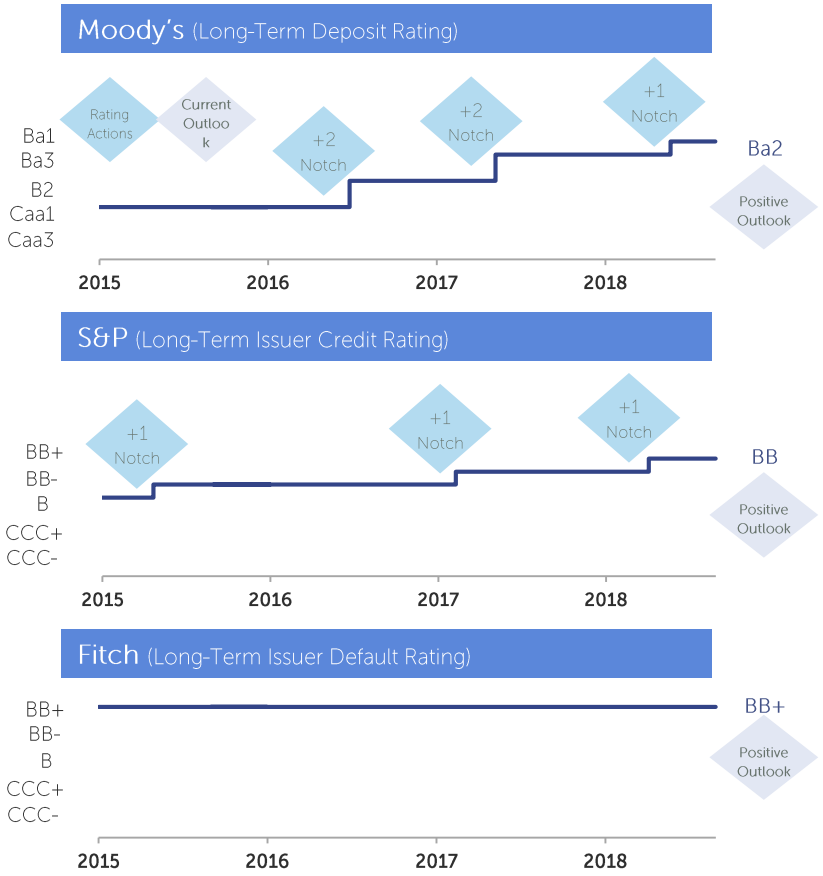
Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) Excludes the intraday credit granted to Social Security as of 30 June 2018. (2) Isolating the one-off impact of the CLH stake sale in 1H17. (3) Annualized figures for 1H18. (4) Performing credit portfolio. (5) According to IFRS9, which application implies the SAREB bond is no longer included in the denominator of the ratio. (6) CET1 Fully Loaded 14.3% FY17.

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Recent Rating Upgrades Underline Improvement in Performance Metrics

ABANCA's rating evolution

ABANCA's ratings
from three major rating agencies



Source: Moody's, S&P, Fitch. Unless otherwise stated, data refers to the ABANCA's rating on the date of publication of this presentation.

Potential for further rating upgrade

- Recent rating upgrades have been underpinned by:
  - ABANCA's strong capital position, improving profitability and low and decreasing NPAs
  - Improving credit profile of Spain
- Moody's, S&P, Fitch and DBRS have positive rating outlook on ABANCA

ABANCA ratings	Moody's	S&P	Fitch	DBRS
	Positive	Positive	Positive	Positive
	Aa3	AA- Covered	AA-	AA (L)
	A1	A+	A+	A (H) Covered
	A2	A	A	A
	A3	A-	A- Covered	A (L)
	Baa1	BBB+	BBB+	BBB (H)
	Baa2	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB (L) Senior
	Ba1	BB+	BB+ Senior	BB (H)
	Ba2 Deposit	BB Senior	BB	BB
	Ba3	BB-	BB-	BB (L)
	B1	B+	B+	B (H)
	B2	B	B	B
	B3	B-	B-	B (L)
	Caa1	CCC+	CCC+	CCC, CC, C (H)
	Caa2	CCC	CCC	CCC, CC, C
	Caa3	CCC-	CCC-	CCC, CC, C (L)

Note: Range of ratings shown above does not represent full ratings scale of the rating agencies.

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A. Appendix



As of June 2018 Net Profit Reached €247m (11.8% RoE(1)), With a 13.9% CET1 Fully Loaded

PROFITABILITY

247
€m
NET PROFIT

+8.1%
RECURRING REVENUES

11.8%
RoE(1)

ASSET QUALITY

7.4%
NPA RATIO

-20.5%
NPA VOLUME YEAR ON YEAR DECREASE

56.6%
NPA COVERAGE RATIO

SOLVENCY AND LIQUIDITY

13.9%
CET 1 RATIO FULLY LOADED

125% / 225%
NSFR/ LCR

93.6%
RETAIL LTD

COMMERCIAL DYNAMISM

+6.3%
RETAIL BUSINESS VOLUME

+18.2%
ASSETS UNDER MANAGEMENT

+6.9%
GENERAL INSURANCE PREMIUMS

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. (1) Annualized figures for 1H18.

Sound Financial Dynamics, With Net Banking Income Increasing by 8.1% During 1H18

(€m)	Dec-17	Dec-16	Var Dec 17/ Dec-16	Jun-18
NET INTEREST INCOME	488.5	407.9	**19.8%**	**257.8**
Net fees and commissions	169.8	151.8	**11.8%**	**88.2**
NET BANKING INCOME	658.3	559.7	**17.6%**	**345.9**
Results from entities through equity method	7.4	6.4	**15.6%**	**5.0**
Dividend income	10.7	19.6	**-45.3%**	**8.6**
Gains or losses on financial assets and liabilities (net)	202.2	92.8	**117.9%**	**108.1**
Others (net)	-67.4	-23.5	**187.0%**	**15.6**
GROSS MARGIN	811.2	655.0	**23.8%**	**483.3**
Operating expenditure	558.6	519.1	**7.6%**	**277.5**
Credit and other provisions	-53.9	-154.0	**-65.0%**	**-2.3**
Normalised loan provisions	63.8	73.6	**-13.3%**	**14.7**
Other gains / losses	61.7	68.9	**-10.3%**	**39.3**
PROFIT BEFORE TAXES	368.2	358.8	**2.6%**	**247.4**
NET PROFIT	367.1	333.6	**10.0%**	**247.0**

Net interest income grew 11.0% due to the continuous improvement in the commercial margin

Income from services fees improved 7.7% isolating non-recurring items

Expenses impacted by

- Investment in projects that reinforce the commercial capacity and digitalization of the bank
- Integration of ASF
- Regulation adaption costs

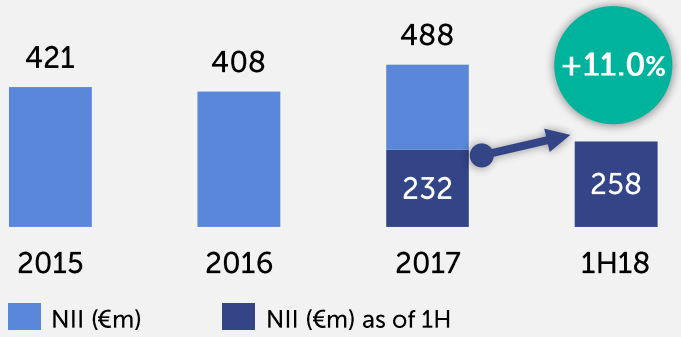
Business Profitability (RoE[(1)]) reached 11.8%

Source: ABANCA Group information. Unless otherwise stated, data refers to ABANCA Group. (1) Annualized figures for 1H18 .

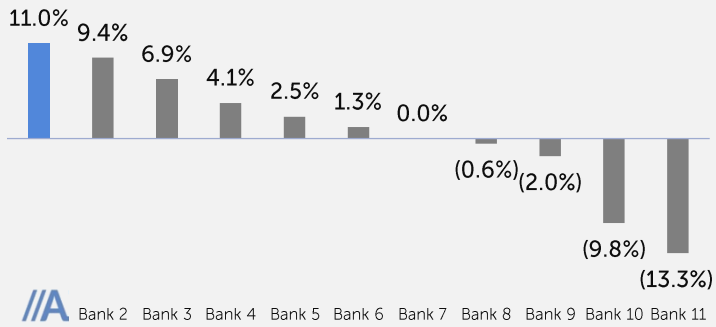
Consistent Improvement in NII Driven by Retail Client Activity

Net Interest Income (€m)

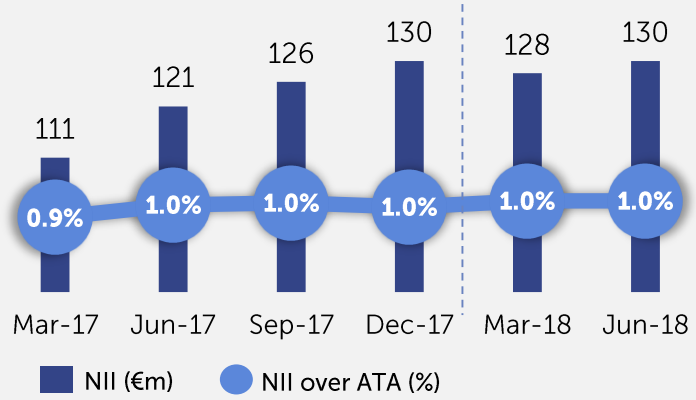
A 200bps increase in interest rates would imply c.€207m growth in NII



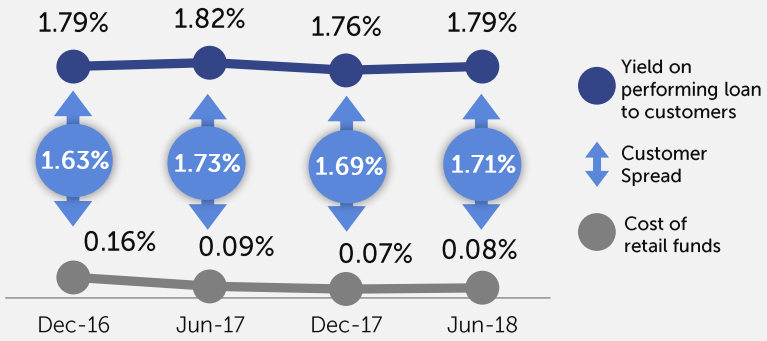
Net Interest Income YoY Change (1H17-1H18)(1)



Net Interest Income Quarterly Evolution (€m)



Customer Spread (rate)

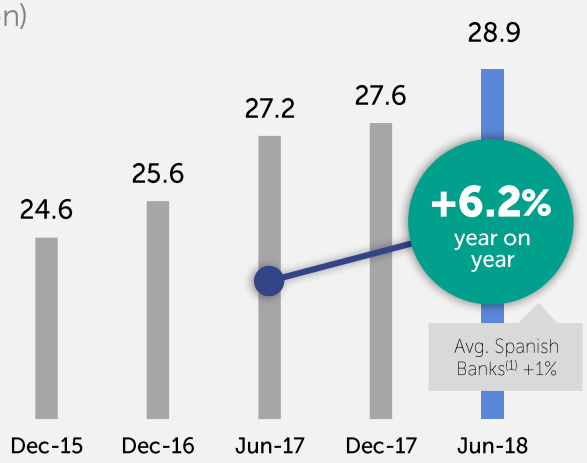


Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank.

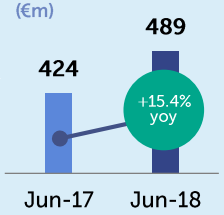
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Strong Commercial Dynamics that Have Supported Growth in Net Banking Income

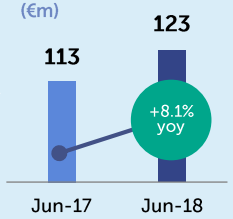
Performing Credit Portfolio (€bn)



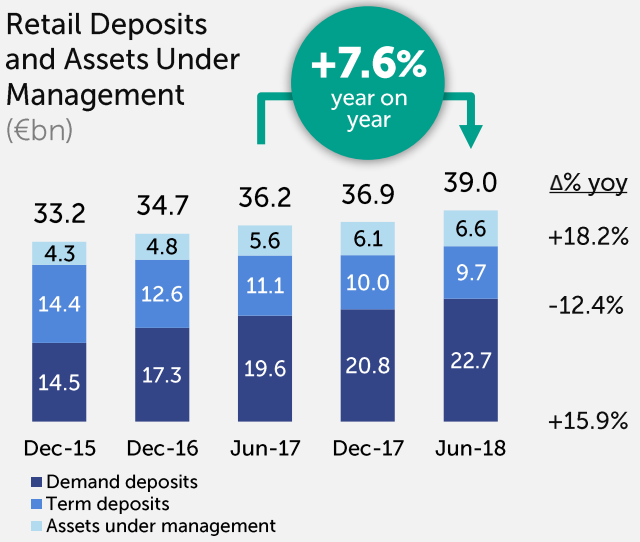
New mortgage credit production (€m)



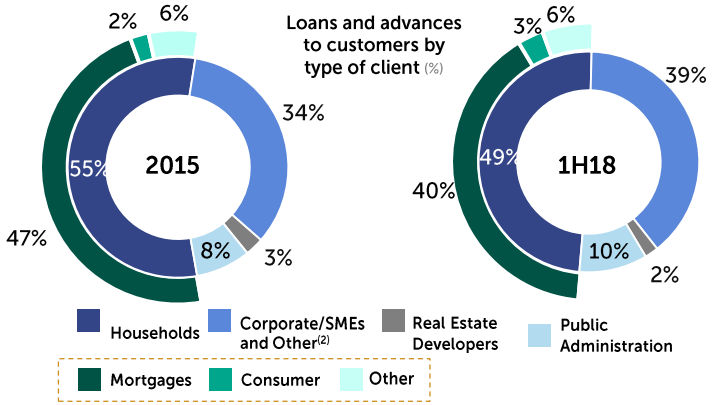
New consumer credit production (€m)



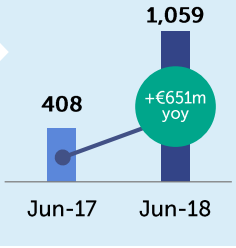
Retail Deposits and Assets Under Management (€bn)



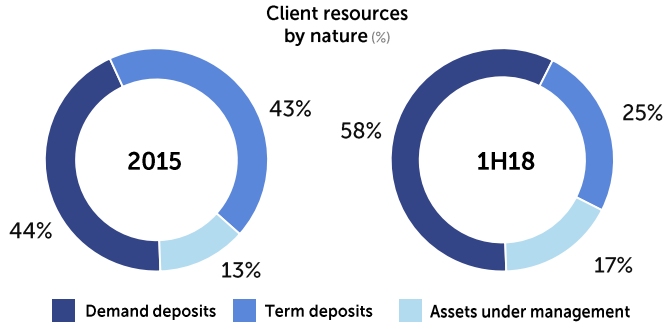
Loans and advances to customers by type of client (%)



New corporate and SMEs credit production (€m)



Client resources by nature (%)

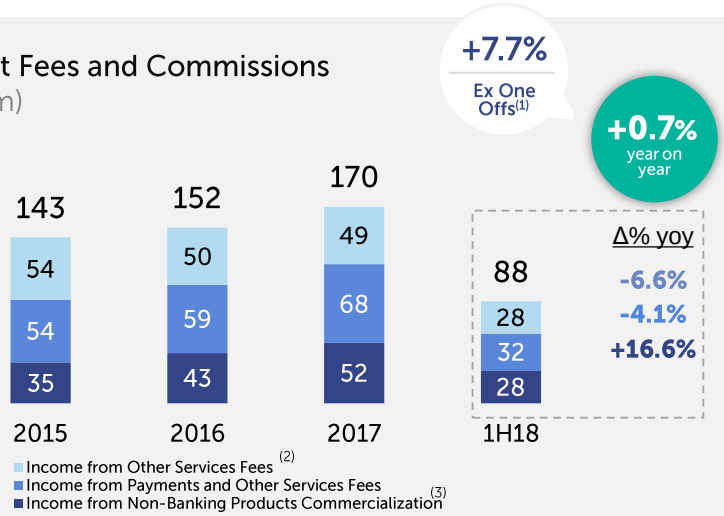


Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) According to data from Banco de España: Jun-18. (2) Other includes: Other Financial Entities.

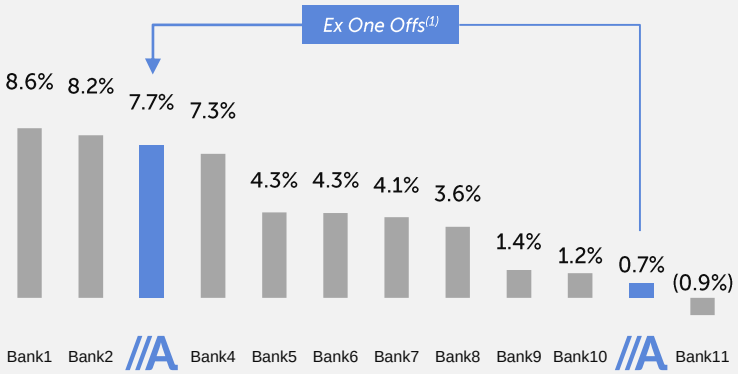
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Fees Reflect Focus on Asset Gathering and Insurance Business

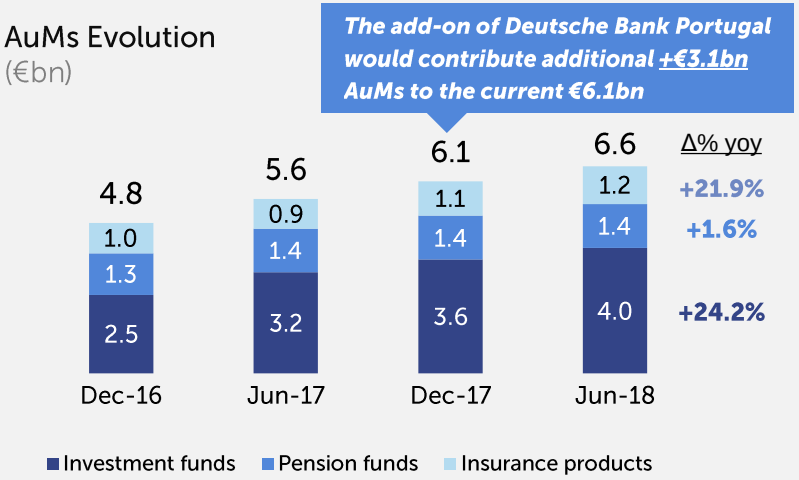
Net Fees and Commissions (€m)



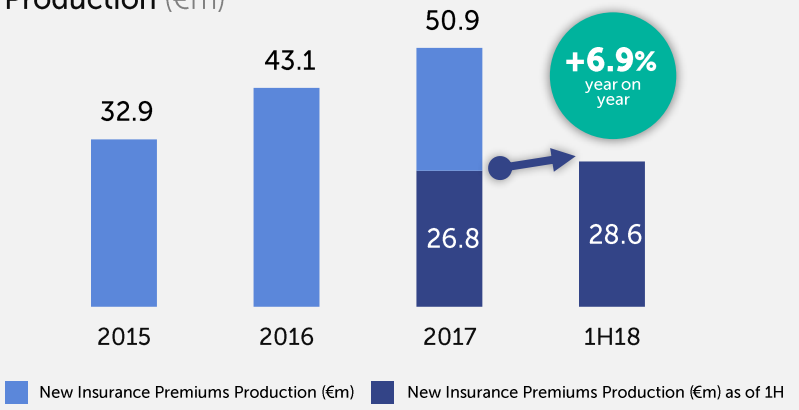
Banks Net Fees and Commissions YoY Change (1H17-1H18)(4)



AuMs Evolution (€bn)



New Insurance Premiums Production (€m)

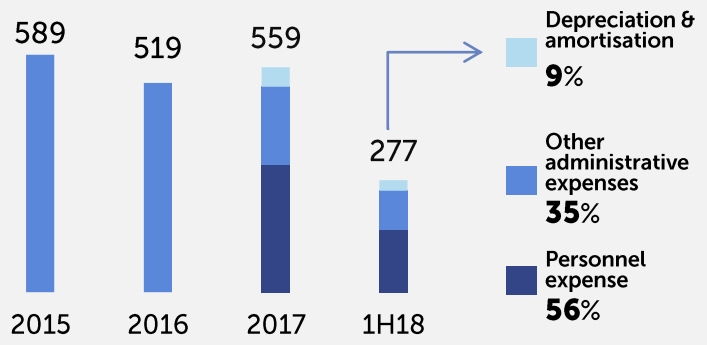


Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) Isolating the one-off impact of the CLH stake sale in 1H17. (2) Mainly includes commissions related to credit portfolio and contingent risks, as well as underwriting and recovery claims commissions. (3) Includes investment funds, pension funds and insurance products. (4) Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank.

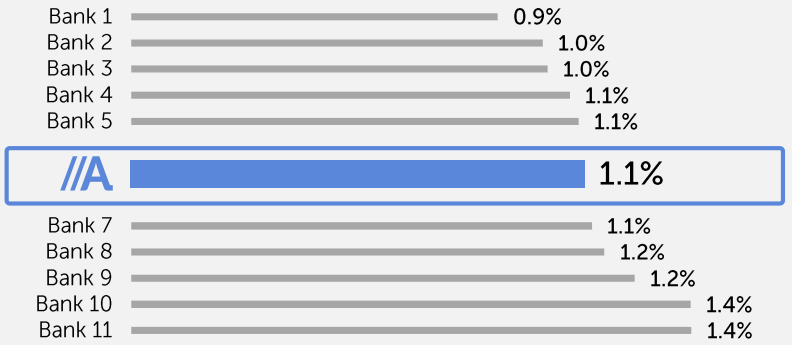
ABANCA

Positive Jaws with Revenues Growing Faster than Costs

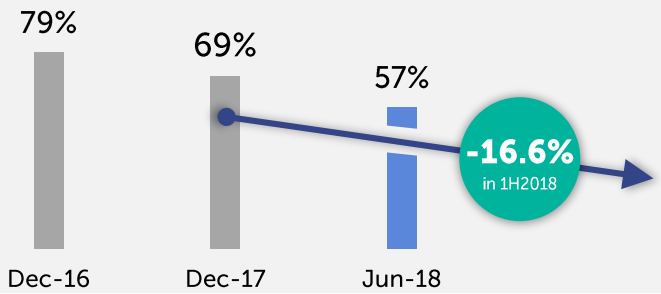
Operating Expenditure (€m)



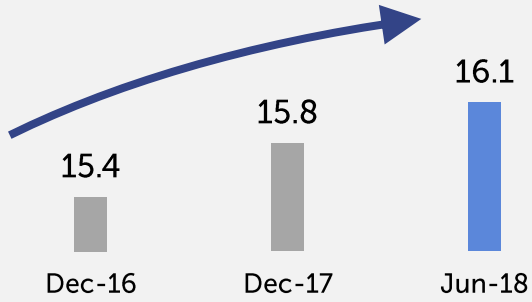
Operating Expenditure[1] / ATA (%)



Cost to Income Ratio (%)



Retail Business Volume per Employee (€m)



Positive jaws

Significant increase in productivity per employee

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank. Notes: (1) Annualized figures for 1H18.

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1. **ABANCA at a Glance**

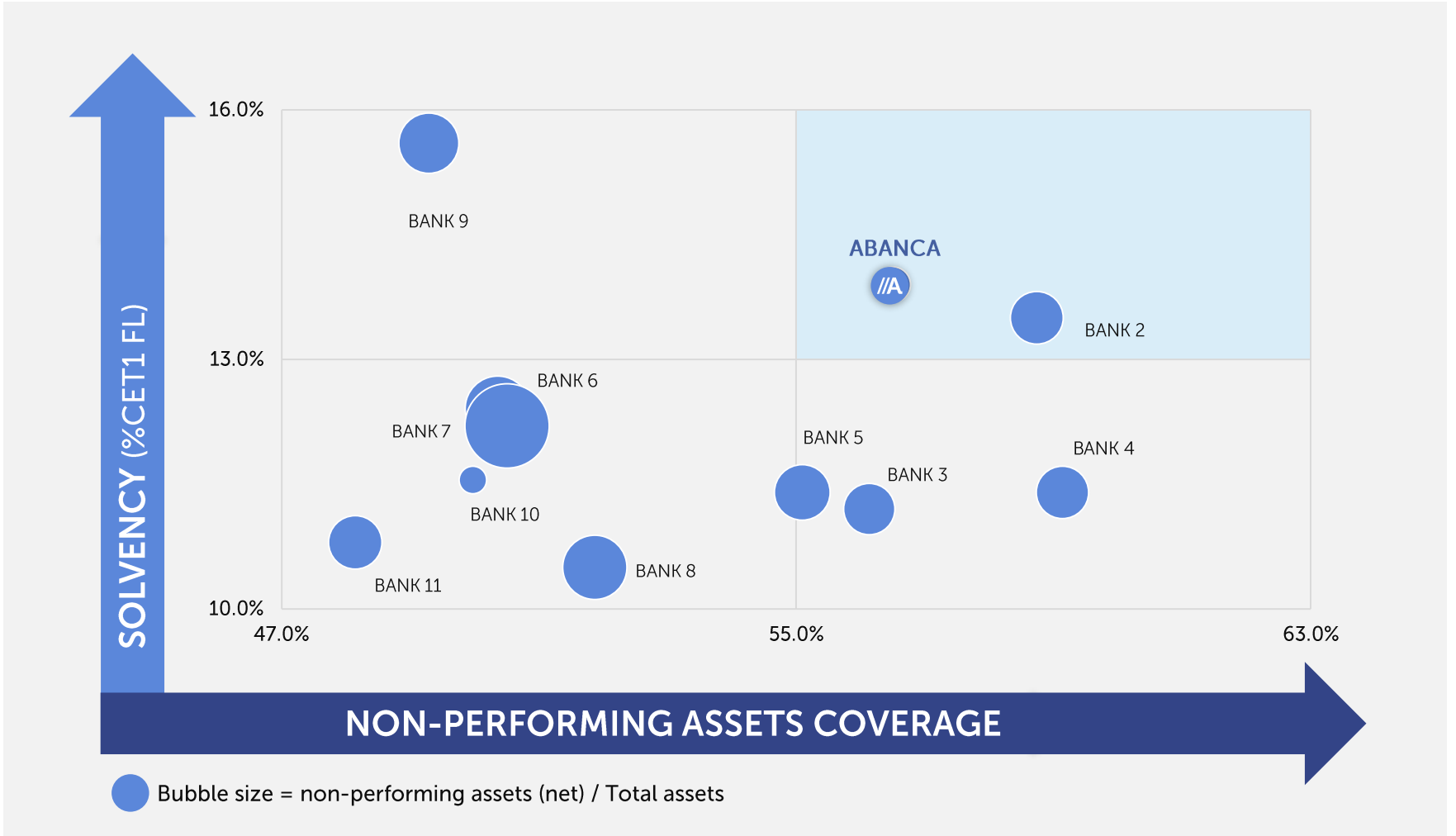
2. **Combining a Profitable Business Model...**

3. **...With a Strong Balance Sheet**

A. Appendix



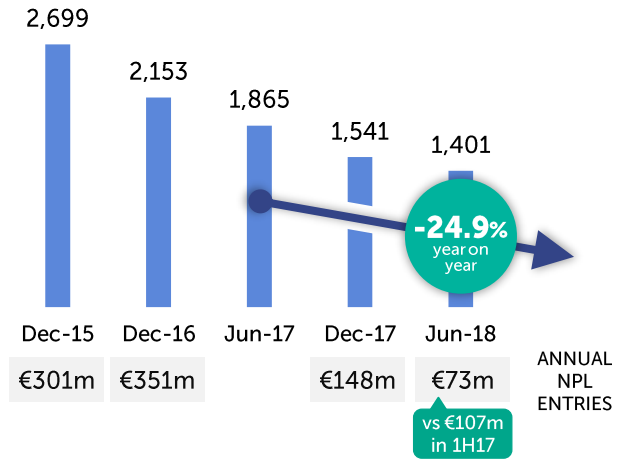
Comfortable Common Equity Position with a Sound NPA Coverage Level

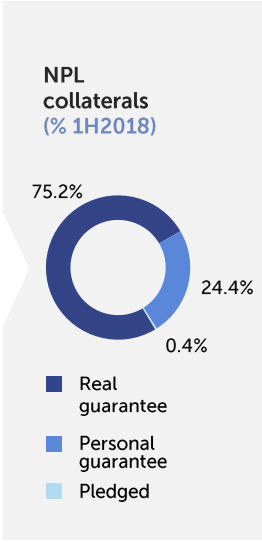


Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank (for which foreclosed assets information appears as of FY2017).

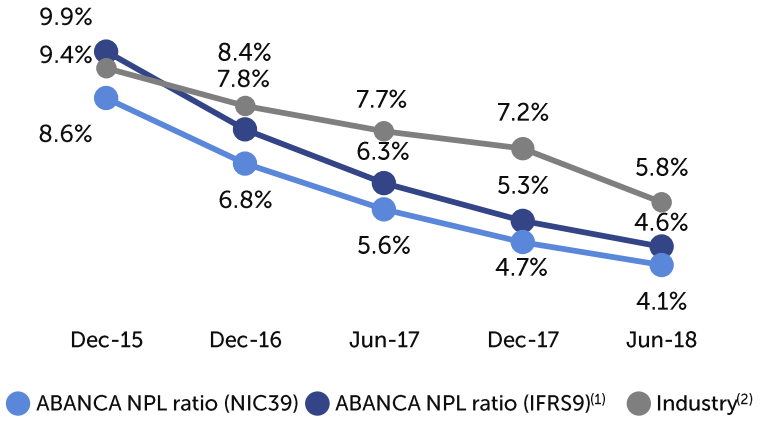
NPL Reduction Widens the Gap With the Sector in Terms of Asset Quality

Non-performing Loans (€m)





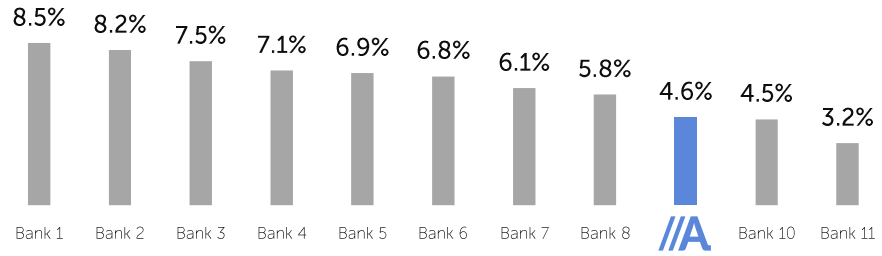
NPL Ratio Performance (%)



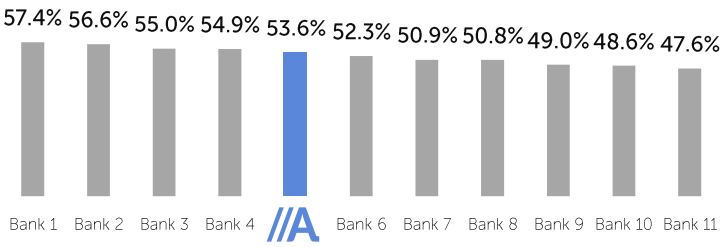
18 consecutive quarters decreasing NPL volumes

IFRS9 has increased the NPL coverage ratio up to c.54% (c.€40m additional provisions)

Banks NPL Ratio Benchmarking (%)



Banks NPL Coverage Benchmarking (%)



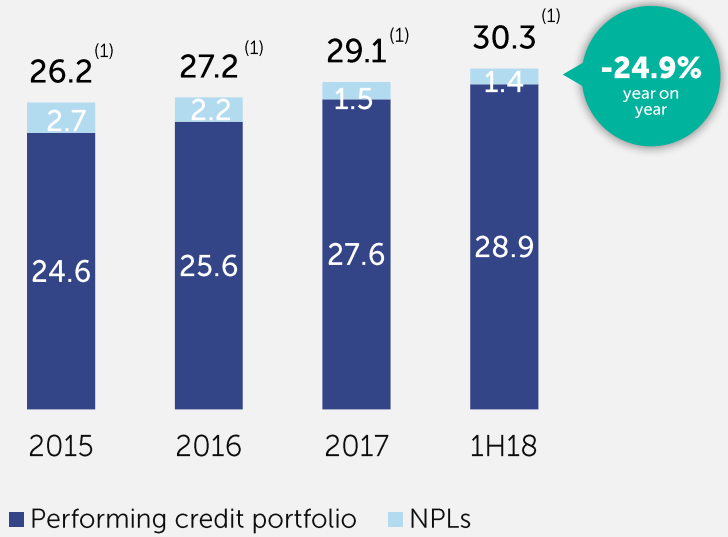
Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank. Notes: (1) With the application of IFRS 9 the SAREB bond is no longer included in the denominator of the ratio. This policy change does not affect the non-performing balance. (2) According to data from Banco de España: Jun-18.

The Improvement in Asset Quality Leads to a Reduction in Cost of Risk

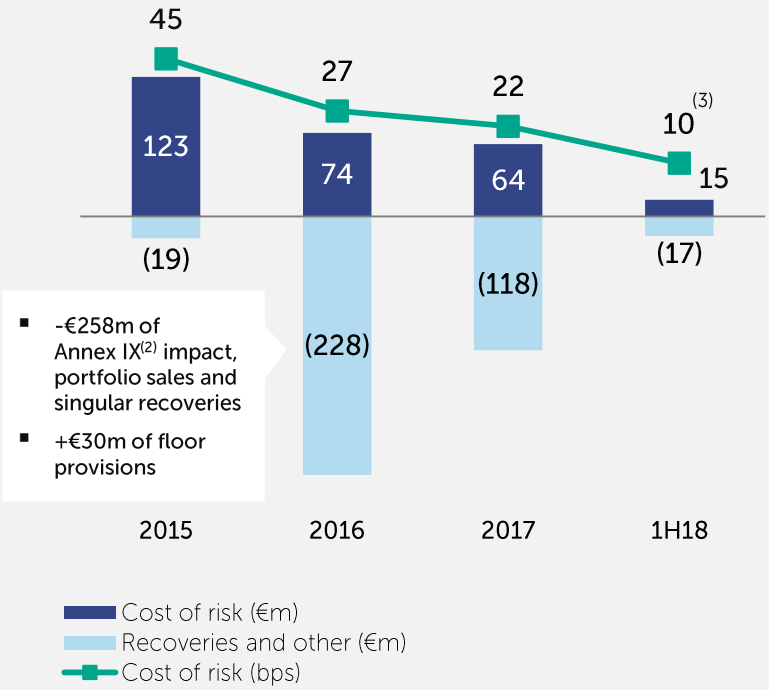
> Improvement in risk profile driven by NPL reduction...

> ... Combined with a significant reduction in credit impairments

Loans and Advances to Customers Evolution (€bn)



Evolution of Cost of risk (bps)

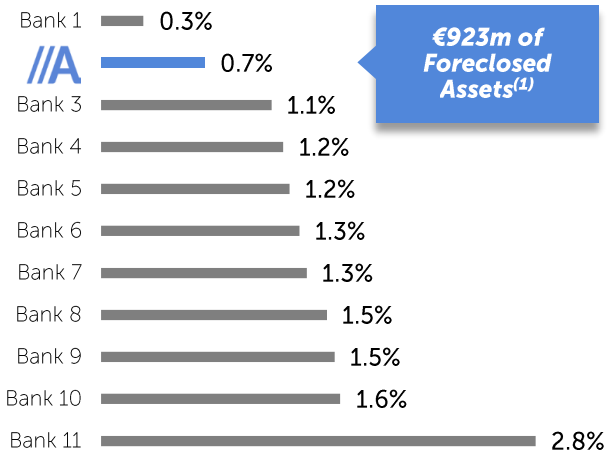


Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) Includes Repurchase agreements, Valuation adjustments and amounts from extraordinary activities (-€1.1bn in 2015 and -€0.6bn in 2016). Excludes the intraday credit granted to Social Security as of 30 June 2018. (2) Bank of Spain (BdE) published in May 2016 the Circular 4/2016 which aims to update the Circular 4/2004, mainly its Annex IX, adapting it to the recent banking and accounting regulatory developments (e.g. international accounting standards approved by the IASB, such as IAS 39 and IFRS 9; BCBS' Guidelines on credit risk management and their coverage; Implementing Regulation of the Commission concerning reporting with supervisory purposes; etc). (3) Annualized figures for 1H18.

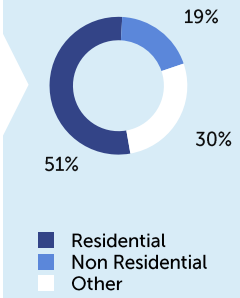
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Limited Weighting of Foreclosed Assets Whilst Maintaining Great Coverage Levels

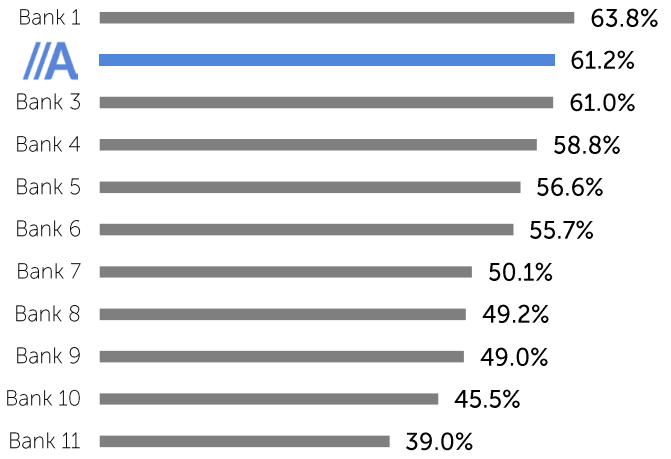
Foreclosed Assets over Total Assets (%)



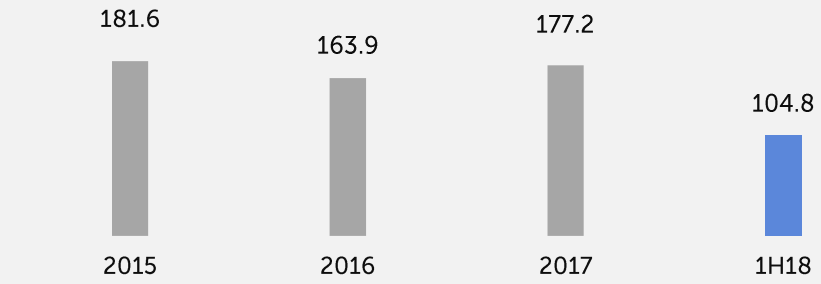
Foreclosed Assets Breakdown (% 1H2018)(1)



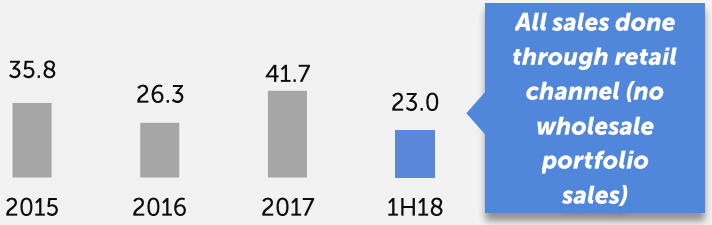
Coverage of Foreclosed Assets (%)



Foreclosed Assets Sold – Volume(1) (€m)



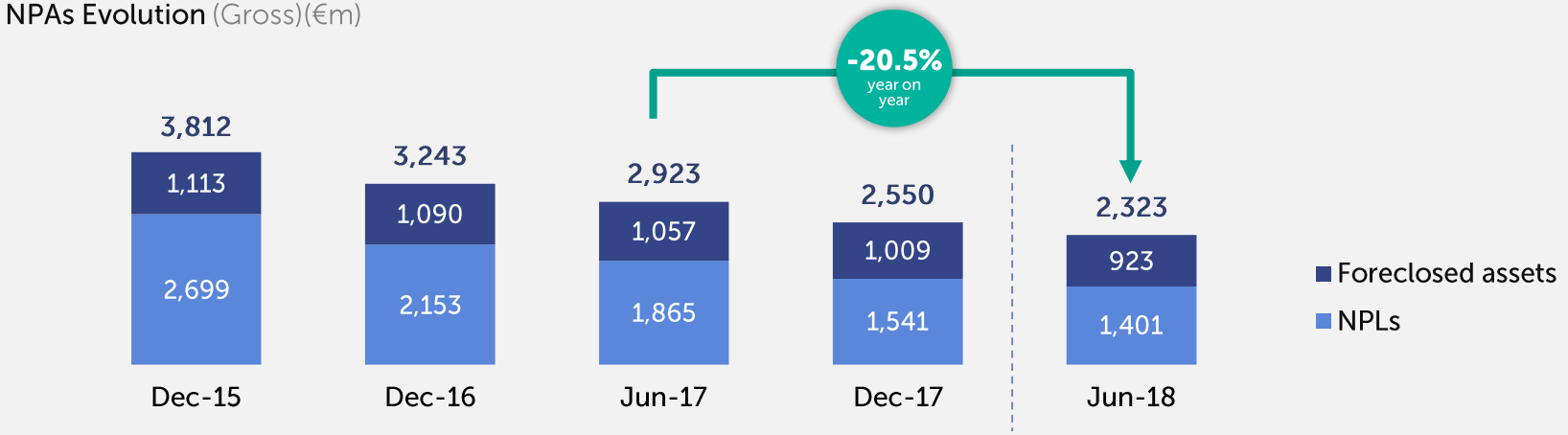
Sales of Foreclosed Assets – Profit(2) (€m)



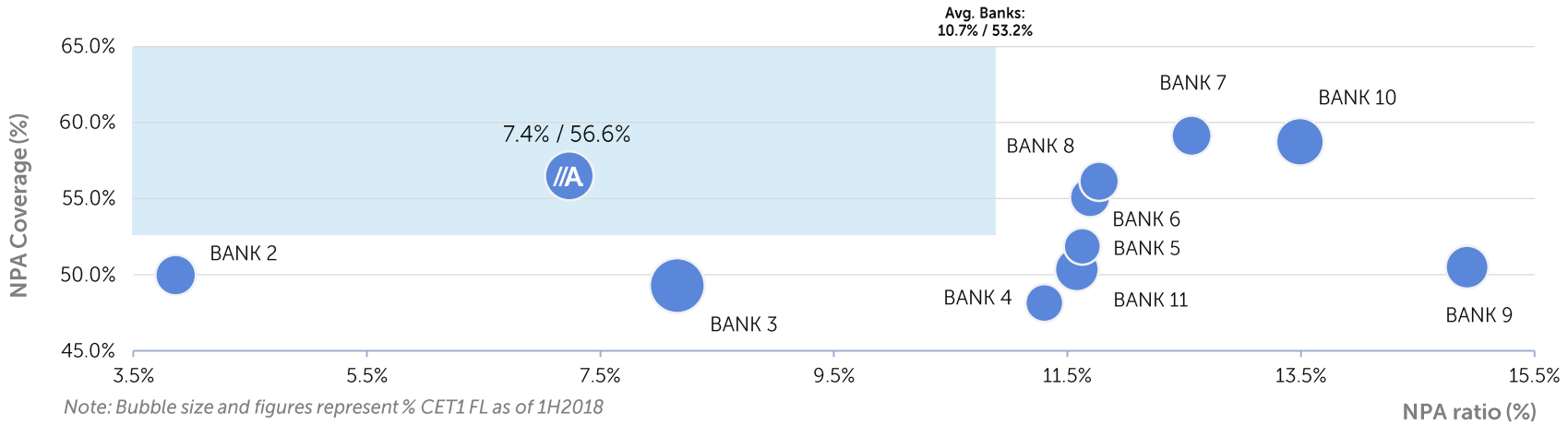
Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank (for which foreclosed assets information appears as of FY2017). Notes: (1) Gross book value. (2) Sales price minus commercialization costs minus Net Book Value.

Strong NPA Reduction Strategy Whilst Maintaining Best In-Class Coverage Levels

NPAs Evolution (Gross)(€m)



Spanish Banks NPAs Ratio / Coverage Benchmarking



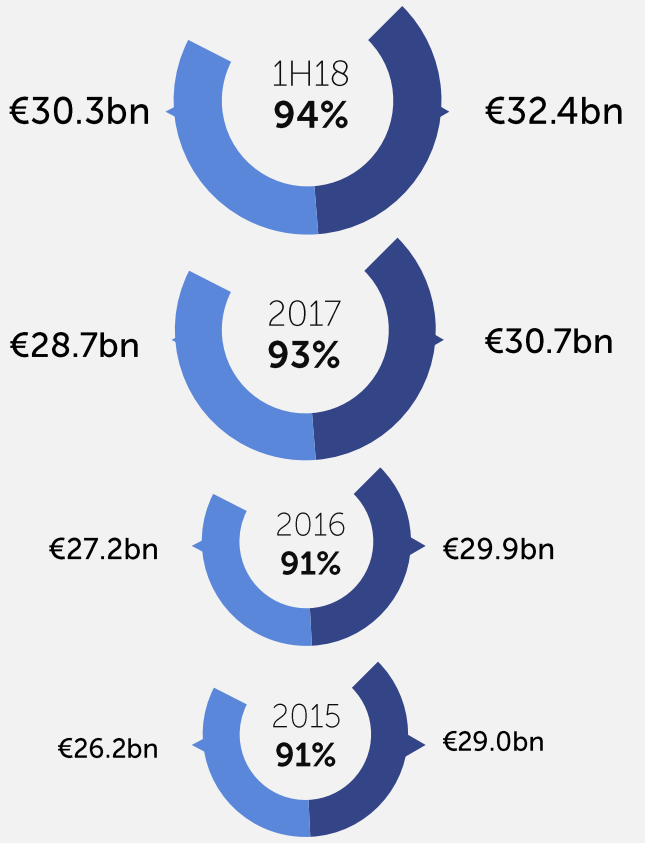
Note: Bubble size and figures represent % CET1 FL as of 1H2018

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank (for which foreclosed assets information appears as of FY2017).

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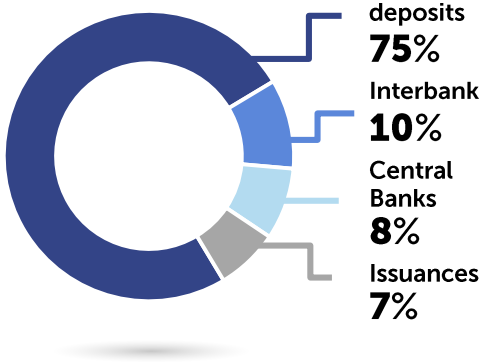
Strong Balance Sheet
Clear Retail Funding Base

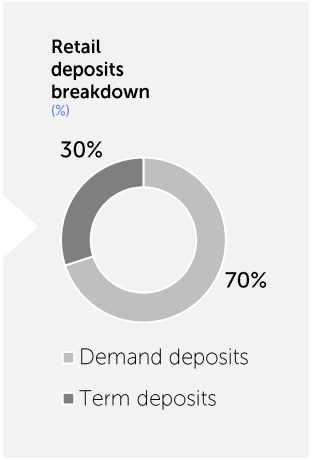
Retail Loan to Deposits Ratio (%)



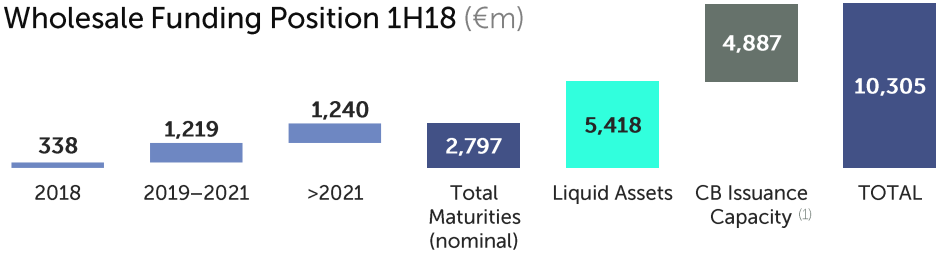
Financing Structure (%)

Above 70% of Retail deposits covered by FGD





Wholesale Funding Position 1H18 (€m)



125%
NSFR
NET STABLE FUNDING RATIO
Complying with Basel III
2018

225%
LCR
LIQUIDITY COVERAGE RATIO
Complying with Basel III
2018

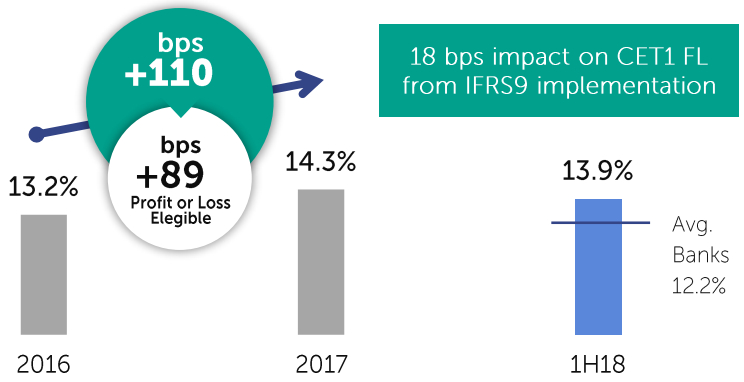
1.9x
Liquid assets / issued maturities

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) CB = Covered Bonds.

ABANCA

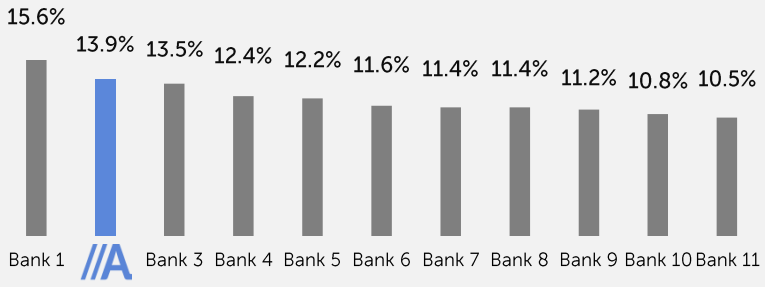
One of the Soundest Solvency Position in the Sector

Fully Loaded CET1 Evolution (%)

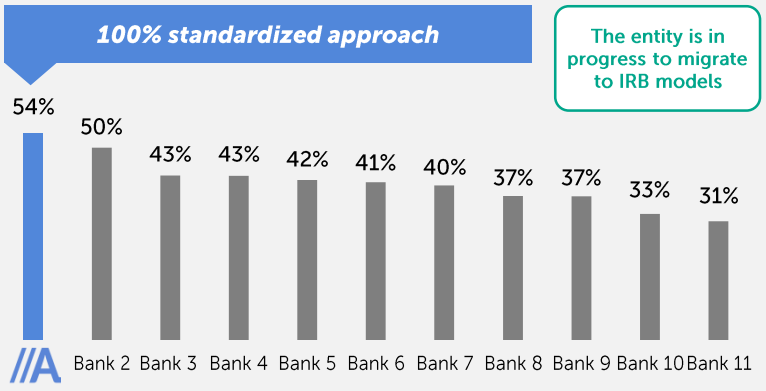


Besides organic capital generation ABANCA maintains different levers to continue improving its capital. The most relevant being the migration to IRB models which is in progress

Spanish Banks Fully Loaded CET1 Benchmarking (%)



Spanish Banks Density of RWAs Benchmarking (%)



Note: Calculated as RWA over Total Assets. For Banks with international exposures considers only domestic Business.

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Companies 1H2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank (ex-BPI), Bankia, Sabadell (ex-TSB), Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank.

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3. ...With a Strong Balance Sheet

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A. Appendix

a. **Further Material on ABANCA's Financials**

b. **ABANCA's Corporate Governance**

c. **ABANCA's Operational Environment**

d. **Glossary**



Consolidated Balance Sheet: ABANCA Holding Group and ABANCA Group - December 2017 (i)

Assets FY2017 (€m)	ABANCA Holding Group	ABANCA Group	Add-on
Cash, cash balances with central banks and other demand deposits	1,702	1,702	-
Financial assets held for trading	104	100	4
Financial assets designated at fair value through profit or loss	38	38	-
Equity instruments	34	34	-
Debt securities	4	4	-
Available-for-sale financial assets	9,788	9,788	1
Equity instruments	494	494	-
Debt securities	9,294	9,293	1
Loans and receivables	33,204	33,195	9
Debt securities	3,540	3,540	-
Loans and advances	29,664	29,656	9
Credit institutions	535	535	-
Customers	29,129	29,120	9
Derivatives – hedge accounting	32	32	-
Investments in subsidiaries, joint ventures and associates	163	159	4
Assets covered by insurance or reinsurance contracts	6	6	-
Tangible assets	1,070	1,118	(48)
Fixed assets	772	839	(66)
Investment properties	297	279	18
Intangible assets	529	369	160
Goodwill	62	62	-
Other intangible assets	467	307	160
Tax assets	3,456	3,409	47
Current tax assets	114	119	(4)
Deferred tax assets	3,342	3,290	52
Other assets	372	372	-
Non-current assets and disposal groups classified as held for sale	592	498	94
Total Assets	51,056	50,784	272

Contribution from ABANCA Holding

The PPA impacts stems from the fair value adjustments (FVAs) in the business combination in all assets, liabilities and contingent liabilities that at the acquisition date were recognized with different accounting method. These FVAs in ABANCA Holding Group are reversed by the time they are recognized in ABANCA Group

Impact derived from fiscal consolidation

Source: ABANCA Group information. Unless otherwise stated, data refers to FY2017 from ABANCA Group.

Consolidated Balance Sheet: ABANCA Holding Group and ABANCA Group - December 2017 (ii)

Liabilities and equity FY2017 (€m)	ABANCA Holding Group	ABANCA Group	Add-on
Financial liabilities held for trading	85	85	-
Financial liabilities at amortised cost	44,615	44,326	289
Deposits	43,472	43,389	83
Central banks	3,450	3,450	-
Credit institutions	4,291	4,291	-
Customers	35,731	35,648	83
Debt securities issued	995	790	205
Other financial liabilities	148	148	-
Derivatives – hedge accounting	88	88	-
Liabilities under insurance or reinsurance contracts	1,250	1,250	-
Provisions	411	410	1
Tax liabilities	319	243	77
Current tax liabilities	11	17	(7)
Deferred tax liabilities	309	225	83
Other liabilities	278	278	-
Total liabilities	47,046	46,679	367
Shareholders' equity	3,822	4,088	(266)
Paid-in capital	369	2,454	(2,085)
Share premium	8	434	(426)
Retained earnings	3,297	1,180	2,117
Accumulated reserves or losses on investments in joint ventures and associates	(10)	(10)	-
Treasury shares	-	(227)	227
Profit attributable to the owners of the Parent	289	367	(78)
Interim dividends	(131)	(111)	(20)
Other cumulative comprehensive income	(14)	18	(31)
Minority interests (non-controlling interests)	202	0	202
Total equity	4,010	4,105	(95)
Total liabilities and equity	51,056	50,784	272

Impact derived from fiscal consolidation

PPA impact

- PPA impact €10m
- Contribution from ABANCA Holding €195m: Corresponds mainly to Senior bonds Guaranteed with shares of ABANCA Corporación Bancaria, S.A. and maturity in October 2019

- PPA impact €74m
- Equity consolidation elimination process - €169m

Source: ABANCA Group information. Unless otherwise stated, data refers to FY2017 from ABANCA Group.

Solid Track Record on Profitability, Growth and Credit Quality Consolidation

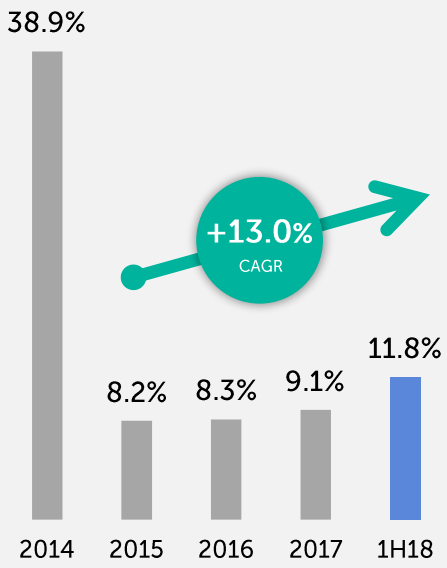
Profitability has consolidated

... Delivering a healthy growth profile

... With a significant improvement in asset quality

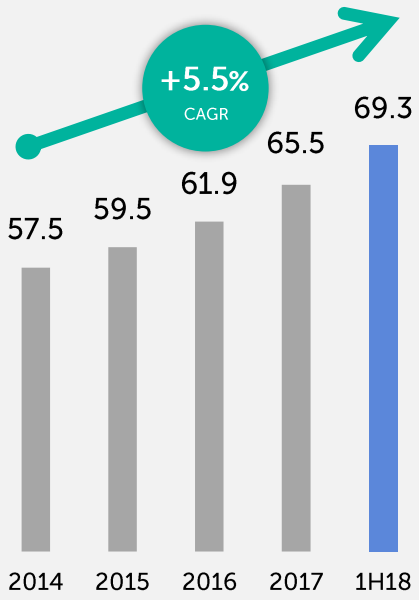
Profitability

RoE(1)



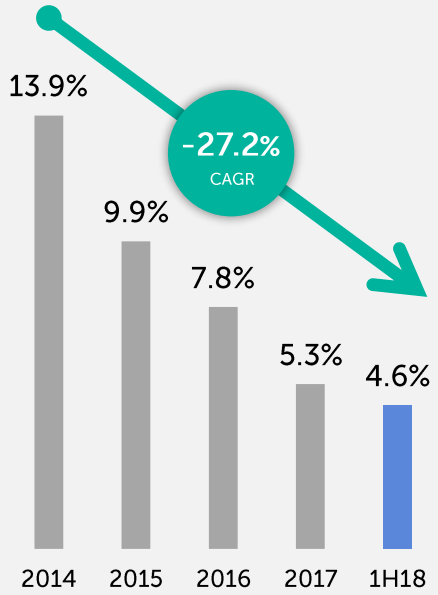
Growth

Retail Business Volume (€bn)



Credit quality

NPL ratio



Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. (1) Annualized figures for 1H18.

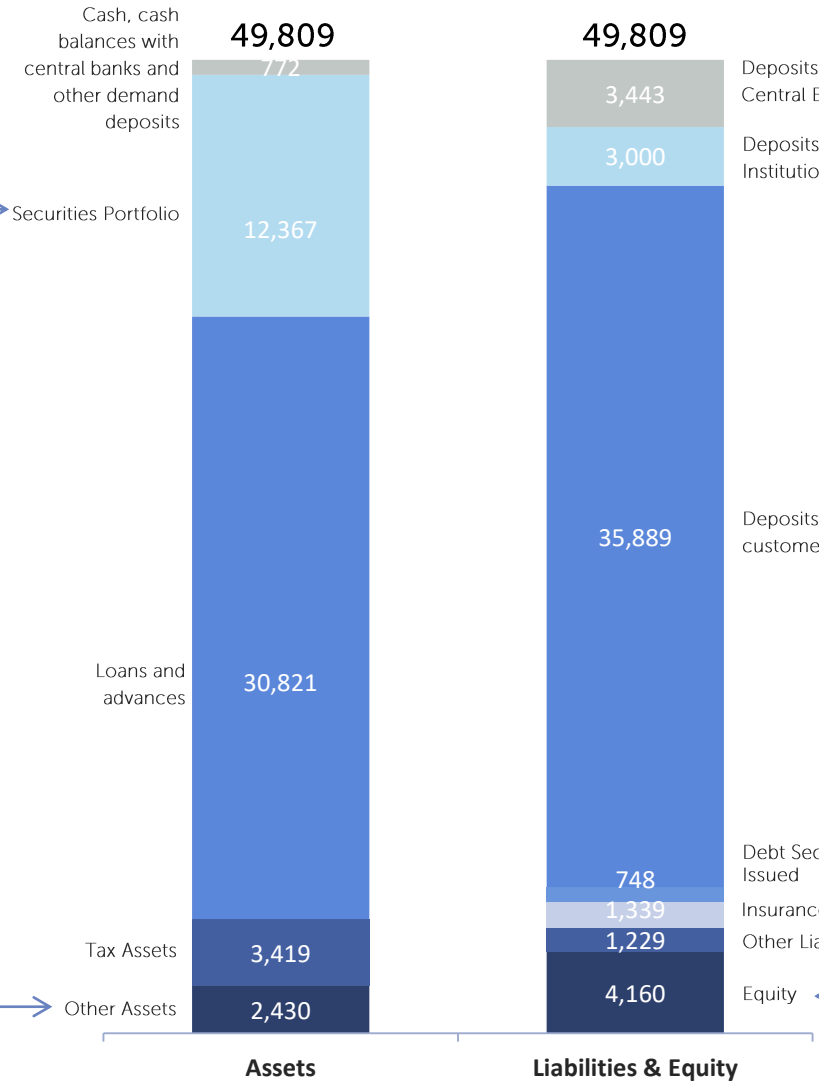
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Appendix
Balance Sheet Breakdown - June 2018 (€m)

	€m
Debt Securities	11,598
Equity Instruments & Associates	769
Total	12,367

	€m
Customers (net)	30,301
Households	14,854
Corporates and SMEs	11,761
Real Estate Construction and Property Development	725
Civil works construction	56
Other purposes	10,980
Public Administration	3,110
Other financial entities	577
Credit Institutions	520
Total	30,821

	€m
Tangible Assets	1,144
Non-current Assets Held for Sale	439
Derivatives	127
Intangible Assets	364
Other Assets	357
Total	2,430



	€m
Retail Deposits	32,380
Demand Deposits	22,691
Term Deposits	9,689
Valuation adjustments	73
Assets acquired or sold under resale or repurchase agreements	1,365
Covered bonds issues	2,071
Total	35,889

	€m
Covered bonds issues	1,050
Subordinated Debt	9
Other	0
Own Securities[1]	(330)
Valuation adjustments	19
Total	748

	€m
Tax Liabilities	231
Derivatives	192
Provisions	403
Other Liabilities	404
Total	1,229

	€m
Shareholder's Equity	4,221
Adjustments	(60)
Non-Controlling Interests	0
Total	4,160

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group. Notes: (1) Retained Covered Bonds.

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Detail on Fixed Income Portfolio - June 2018 (€m)

Debt Securities Portfolio Breakdown (€m)

	1H18
Financial assets at fair value with changes in comprehensive income	**7,499**
Spanish Debt	4,002
Other countries of EU Debt	3,161
Other Debt	336
Financial assets at amortised cost	**4,054**
SAREB	3,459
Other countries of EU Debt	596
Financial assets not intended for trading, which are necessarily valued at fair value through profit or loss	**41**
Financial assets held for trading	**4**
Total	**11,598**

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group.

Loans and Advances to Customers Breakdown

(€m)	Net Book Value	% NPL	% Coverage
Public Administration	**3,110**	**0.0%**	**83.4%**
Other financial entities	**577**	**0.6%**	**95.4%**
Corporates and SMEs	**11,761**	**5.5%**	**75.7%**
Real Estate Construction and Property Development	*725*	*8.5%*	*64.5%*
Civil works construction	*56*	*22.5%*	*48.8%*
Other purposes	*10,980*	*5.2%*	*77.6%*
o/w. Corporates	4,798	3.3%	111.0%
o/w. SMEs and freelancers	6,183	6.7%	64.9%
Households	**14,854**	**4.8%**	**32.5%**
Mortgages and Other	*13,786*	*4.8%*	*30.7%*
Consumer finance	*1,068*	*4.9%*	*53.4%*
TOTAL	**30,301**	**4.6%**	**53.6%**

Source: ABANCA Group information. Unless otherwise stated, data refers to 1H2018 from ABANCA Group.

ABANCA 2018-2020 Strategic Initiatives



1. Transform the Organization

- A more flexible organization, simplified and cooperative
- Efficient Digitalisation: processes and customer relations
- Boosting an Innovative Culture
- Organic and Inorganic Growth above market average

2. Customer Experience

- Multi-channel relation and homogeneous experience with high standards
- Client knowledge. Strengthen and monetize DB and Analytics
- Promoting supply of value and engagement
- Fintech alliances: Innovation, Experience, Opportunities

3. Recurring Profitability Levels Above Cost of Capital

- Boosting Insurance business
- Focus on Micro: Consumer, Companies, SMEs segments
- Optimising Use of Capital: Allocation, RAROC, IRB Models
- Reinforce positioning in highly profitable markets

Source: ABANCA Group information.

A. Appendix

a. Further Material on ABANCA's Financials

b. ABANCA's Corporate Governance

c. ABANCA's Operational Environment

d. Glossary



Appendix

Strong Corporate Governance

> Board of Directors formed by professionals with broad experience in the Financial Sector and with a majority of independent members



Juan Carlos Escotet

Chairman

Main shareholder and Chairman of Banesco International Financial Group



Francisco Botas

Chief Executive Officer

Former Chief Executive Officer of Banco Etcheverría



Eduardo Eraña Guerra

Ordinary member

Former Chairman Visa Inc., Latam and Caribbean region



Pedro Raúl López Jácome

Ordinary member

Former Chairman of Multiplicas Casa de Bolsa

CEO of MWM Securities Group-Miura Financial Services



Carina Szpilka Lázaro

Ordinary member

Former CEO of ING Direct Spain



José García Montalvo

Ordinary member

Professor at Harvard University and Universidad Pompeu Fabra

Adviser for the EU, OECD and World Bank among others



José Ramón Rodrigo Zarza

Ordinary member

Former Deputy General Manager for Risk and Area Risk Manager for Latam of Banco Santander



Leticia Iglesias[1]

Ordinary member

Former Board Member and President of Global Risk Commission at BMN

Former Managing Director of ICJCE

Subdirector of Deputy Direction to President of CNMV

Source: ABANCA Group information. Notes: (1) On 28 May 2018, the Board of Directors approved the appointment of Ms Leticia Iglesias Herraiz as an independent director. This appointment is pending registration in the relevant public registries. Ms Leticia Iglesias Herraiz will also be the chairwoman of the Audit and Compliance Commission and a member of the Comprehensive Risk Commission.

Strong Risk Management Culture and Corporate Governance

> Cross-sectional risk management that involves the whole organization, with three lines of defense



1. Execution

- Comprehensive risk committee. Monthly, with the presence of the Chief Executive Officer
- Analysis of global risk propensity (current and future): Tracking indicators for all risks
- Anticipation of factors in decision making
- Tracking the pricing of assets and liabilities
- Collaboration in the establishment of rational policies and remuneration
- Approaches to specific action plans:
- Reformulation of the interest rates risk management approved by the Bank of Spain
- Specific regulation of operations with related parties, including other Banks owned by the same shareholders
- Reporting. Control of established limits. Tracking of the RAF

2. Overview

- Comprehensive risk management at all levels of the organization and risks
- Control mechanism according to risk appetite framework
- Control and management independency (clearly differentiated unit)

3. Structure

- Governance bodies. Creation of a Comprehensive Risk Management Commission apart from the Credit Executive Commission (differential element vs other entities)
- Management. Creation of a second risk defence line. Corporate Control and Risk general management, separate from the Credit Unit (differential element vs other entities)
- Qualified technicians profiles to measure and track each type of risk

Source: ABANCA Group information.

Appendix

Strong Management Team

> ABANCA has built an experienced team with significant new arrivals from competitor banks and other relevant backgrounds



Francisco Botas
CEO



José Eduardo Álvarez-Naveiro
Corporate Governance and Legal



Pablo Triñanes
Internal Control and Risk Management



Julián Serrapio
Audit



Pedro Veiga
Strategic Planning and Project Management Office



Alberto de Francisco
CFO



María Camino
Human Capital



José Manuel Valiño
IT, Information, Processes and Execution



Miguel Ángel Escotet
CSR and Communication



Juan María Hernández
Singular Assets Development



José Luis Vázquez
Credit



Juan Luis Vargas-Zúñiga
Capital Markets and Institutional Management



Luis Beraza
Spanish Business



Alfonso Caruana
International Business

Source: ABANCA Group information.

Appendix

How We Got To Where We Are?

In **December 2013**, FROB sold 88.33% of the NCG Banco share Capital to ABANCA Holding for a price of EUR 1,003m of which 40% was paid when the operation was formalised, and the remaining 60% was to be paid in successive instalments until 2018

In **June 2014**, the transaction was formally approved and the EU agreed to a restructuring plan as well as a renovation of the originally agreed Term Sheet amending most of the original restrictions that were in place

In **August 2014**, the board of directors of Banco Etcheverria (owned by ABANCA Holding) approved the merger by absorption between Banco Etcheverria and NCG Banco. The merger was registered with the Commercial Registry in November 2014

In **December 2014**, the GSM agreed to change the Company name, thus becoming ABANCA Corporacion Bancaria, SA.

In **December 2016** the Term Sheet's application period ended

In **February 2017**, ABANCA Holding early repaid the final outstanding amounts derived from the price of the sale of the 88.33% share of ABANCA's share capital

In **March 2017**, ABANCA purchased all shares in Popular Servicios Financieros EFC,SAU for a total of c. EUR 39m

In **March 2018** ABANCA was selected as acquirer in the sale process of Deutsche Bank AG private and commercial client banking unit in Portugal

Source: ABANCA Group information.

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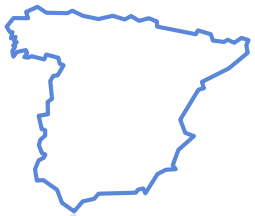
d. Glossary

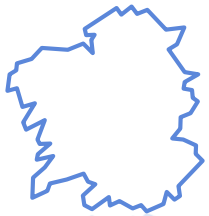


Niche Market with a Profitable Growth Path

Macroeconomic Figures (2017)

RETAIL MODEL







	SPAIN	GALICIA	PORTUGAL
GDP (€m)	1,163,662	60,824	193,049
GDP growth (%)	+3.1%	+3.1%	+2.7%
GDP per capita (€)	24,999	22,497	18,737
Population (thousands)	46,549	2,704	10,310
Public deficit	-3.1%	-0.2%	-3.0%
Inflation	+2.3%	+2.3%	+1.5%

Source: INE, Contabilidad Regional INE, Contas Nacionais INE Portugal, Ministerio de Hacienda, Xunta de Galicia, Eurostat. Notes: (1) Including Galicia.

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Glossary

- ABANCA Group: ABANCA Corporación Bancaria S.A. consolidated
- ABANCA Holding: ABANCA Holding Financiero S.A.
- ABANCA Holding Group: ABANCA Holding Financiero S.A. consolidated
- AuMs: Assets Under Management. Includes Investment funds, Pension funds, and Insurance products
- BCBS: Basel Committee on Banking Supervision
- CAGR: Compound Annual Growth Rate
- CB: Covered Bonds
- CET1: Common Equity Tier 1
- CSR: Corporate Social Responsibility
- DB: Deutsche Bank
- EEA: European Economic Area
- EU: European Union
- FGD: Fondo de Garantía de Depósitos
- FL: Fully Loaded
- FVA: Fair Value Adjustments
- GDP: Gross Domestic Product
- GSM: General Shareholders' Meeting
- IASB: International Accounting Standards Board
- IFRS9: International Financial Reporting Standard 9
- IRB: Internal Rating Based
- LCR: Liquidity Coverage Ratio
- LTD: Loan to Deposits Ratio
- NIC39: Norma Internacional de Contabilidad 39
- NII: Net Interest Income
- NPA: Non-Performing Assets
- NPL: Non-Performing Loans
- NSFR: Net Stable Funding Ratio
- OECD: Organisation for Economic Co-operation and Development
- PPA: Purchase Price Allocation
- PRIIP: Packaged Retail Investment and Insurance-Based Products
- RAF: Risk Assessment Framework
- RAROC: Risk-Adjusted Return On Capital
- SAREB: Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria
- SME: Small and Medium Enterprises
- The Bank: ABANCA Corporación Bancaria S.A.
- YoY: Year on Year

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