

# //ABANCA

## Investor Presentation – April 2019

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# 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 **(+9.5% 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 ...

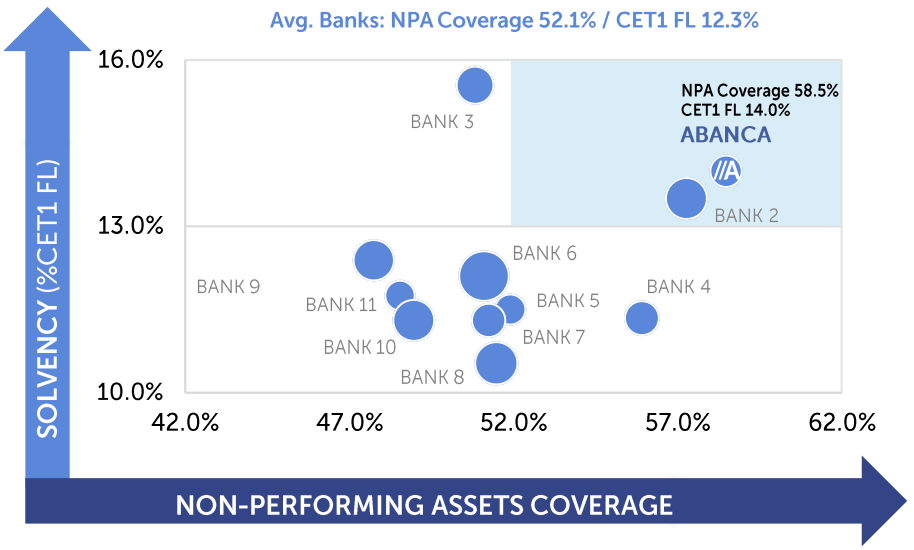
...with a sound financial position, on the back of one of the **soundest solvency positions (CET1 Fully Loaded 14.0%)** combined with the highest NPA Coverage (58.5%) in the Spanish sector...

...with a strong performance since 2015 that has allowed ABANCA to steadily improve its ratings along this period...

...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 (4Q18)

| Total assets | CET1 FL | RoE | Asset quality | Retail LTD |
|---|---|---|---|---|
| *#10 in Spain* | *#2 in Spain* | | *#4 and #1 in Spain- NPA ratio and coverage* | |
| €51.0bn | 14.0% | 10.1% | 6.3% / 58.5% | 92.3% |
| | | | NPA ratio / NPA Coverage | |

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank.



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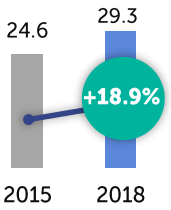
# Strong commercial dynamics and levers to support profitability

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

## Growing portfolio

Performing credit portfolio

€bn

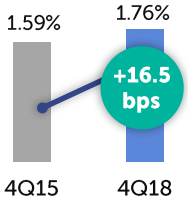



- ✓Supportive macro fundamentals
- ✓Strong commercial dynamics, with a clear focus on SMEs while focusing on high quality credit origination

## Improving customer spread

Customer spread

%

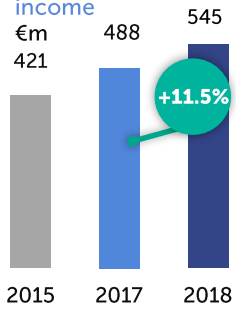



- ✓Credit growth has enabled to maintain income level despite Euribor fall
- ✓Reduction in the cost of funding along with an increase in credit volume

## Sustainable revenue growth

Net interest income

€m

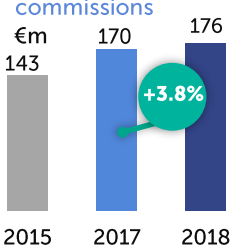



- ✓Sustainable recurrent net interest income expansion driven by retail activity (9.8% ex. one-offs)[1]
- ✓Also positively impacted by expensive legacy covered bonds maturities

## Significant commissions level

Net fees and commissions

€m

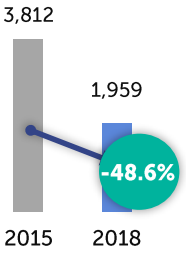



- ✓Strong growth coming from value added products (+7.4% ex. one-offs[2])
- ✓Going forward significant potential income expansion from business acquisition in Portugal and Spain

## Prudent risk management

NPAs reduction

€m

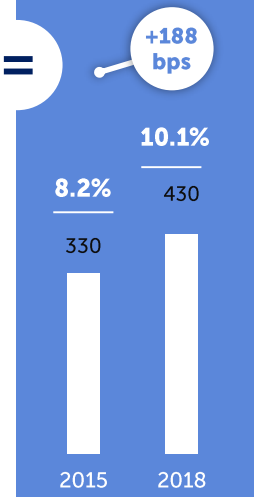



- ✓Clear focus on risk management, with clear path to NPAs reduction
- ✓Significant cost of risk reduction

## Earnings resilience and RoE above 8%

RoE and Net profit

€m




## Degree of compliance beating the expected path...

| Commercial Dynamics<br>Retail Business Volume (€bn) | Risk Management<br>NPL ratio[3] | Profitability<br>(RoE) | Solvency position<br>CET1 Phased In |
|---|---|---|---|
| Target 2018<br>>€69bn ✓ | Target 2018<br>3.6% ✓ | Target 2018<br>9-10% ✓ | Target 2018<br>~14% ✓ |
| Dec 2018<br>€69.2bn | Dec 2018<br>3.6% | Dec 2018<br>10.1% | Dec 2018<br>14.9%[4] |

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) Excluding one-off transactions (€8.2m). (2) Isolating the one-off impact of the CLH stake sale in 1H17. (3) According to IFRS9, which application implies the SAREB bond is no longer included in the denominator of the ratio. (4) Phase-In ratio. 4Q18 CET1 Fully Loaded 14.0%.



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# ABANCA, a growing company

> After the acquisition of Banco Caixa Geral, ABANCA will become the 7th Spanish Financial Institution by shareholders equity and by total assets

## A combination of organic and inorganic growth...

### Business volume growth

Credit volume (€bn)(1)




### AuMs growth

AuM (€bn)



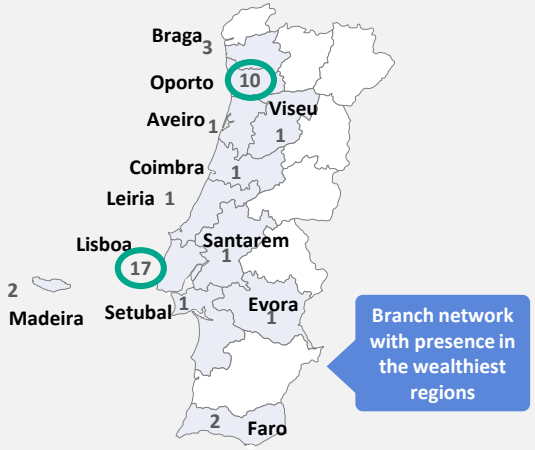

### Profitability

Net interest income (€m)




## DB retail business in Portugal Footprint (March 27, 2018)

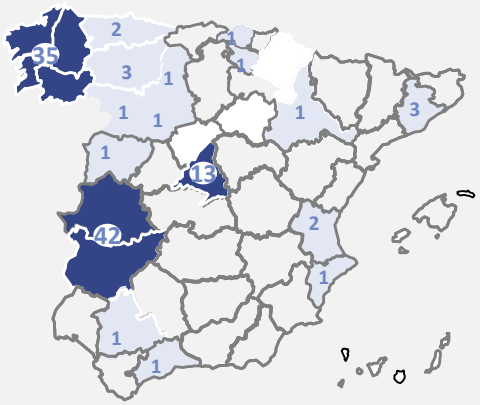
| | |
|---|---|
| Business volume(2) | +€6,500m |
| AuMs(2) | +€3,100m |
| Loan portfolio(2) | +€2,400m |




- 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

## Banco Caixa Geral (November 22, 2018)

| | |
|---|---|
| Business volume(2) | +€7,000m |
| AuMs(2) | +€389m |
| Loan portfolio(2) | +€3,446m |




- Complements ABANCA's model and strategy, extending commercial network in new provinces (mainly in Castilla León) and reinforcing presence in Extremadura and Galicia
- Generates significant value through badwill and synergies

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) Performing credit portfolio. (2) Information as of December 2017. (3) €536m ex. one-offs transactions (€8.2m)



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# 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, excluding BCG)

> Development and promotion of alternative channels

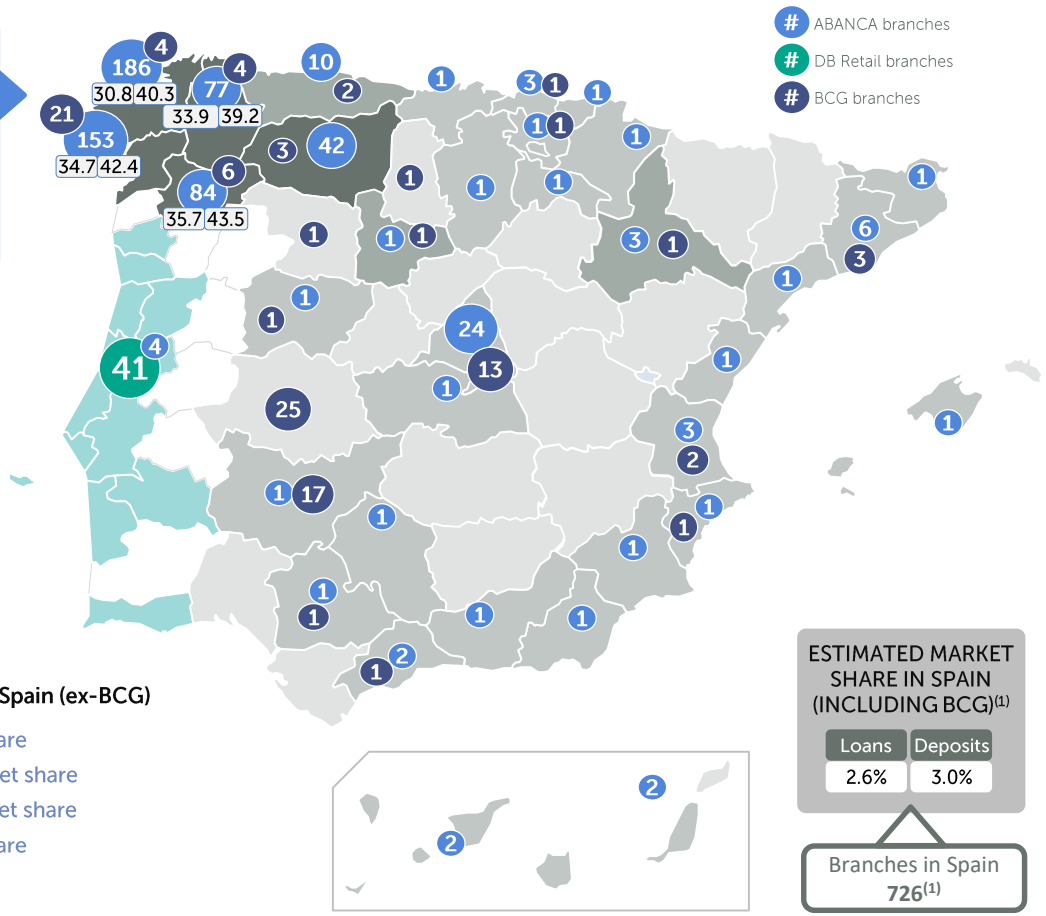
**ABANCA MARKET SHARE IN GALICIA (ex BCG)**

| Loans | Deposits |
|---|---|
| 32.8% | 41.2% |

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

110 BCG in Spain (with a 0.3% market share for loans and for deposits)

**Pending regulatory approvals**




**ABANCA's Market share in Spain (ex-BCG)**

- > 7.0% loan market share
- 2.0% - 7.0% loan market share
- 2.0% - 0.1% loan market share
- < 0.1% loan market share

**ESTIMATED MARKET SHARE IN SPAIN (INCLUDING BCG)(1)**

| Loans | Deposits |
|---|---|
| 2.6% | 3.0% |

Branches in Spain **726(1)**

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

Expanded operations through acquisition of DB Retail Business in Portugal and Banco Caixa Geral

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, as of December 2018) and Statement FI 132.E of the Bank of Spain (commercial market shares in Spain, as of December 2018). Portuguese Banking Association (branches and commercial market shares in Portugal, as of June 2018). Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) includes branches and market share for BCG as of latest information available.

# 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 FY18 (€m)**

| | ABANCA Holding Group | ABANCA Group | | ABANCA Holding Group | ABANCA Group |
|---|---|---|---|---|---|
| | | | Equity[2] | 4,331 | 4,463 |
| Loans and advances | 31,504 | 31,496 | Liabilities | 46,824 | 46,519 |
| Securities Portfolio | 12,250 | 12,242 | Deposits from customers | 35,458 | 35,404 |
| Tax Assets | 3,491 | 3,453 | Debt securities issued [3] | 951 | 755 |
| Other Assets | 3,909 | 3,791 | Other Liabilities | 10,414 | 10,360 |
| **Total Assets** | **51,155** | **50,982** | **Total Equity and Liabilities** | **51,155** | **50,982** |




**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)

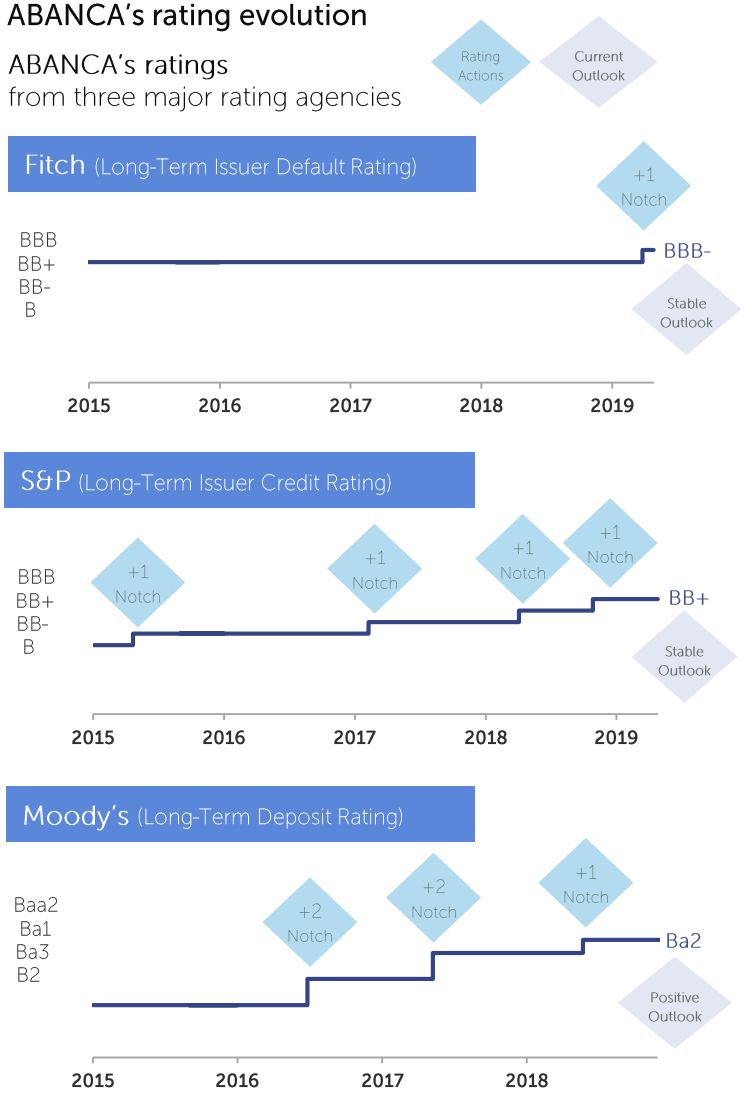
ABANCA's Investees portfolio

Source: ABANCA Group information. Data refers to FY2018 from ABANCA Holding Group and ABANCA Group. 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 (-€132m) than ABANCA Group due to: i) impact of PPA (€38m), ii) equity consolidation elimination process (-€170m). (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 (€1m).

# 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 and DBRS. 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
- **Fitch** and **DBRS** have **investment grade rating** on ABANCA
- **Moody's** and **DBRS** have **positive rating outlook** on ABANCA

| | Fitch | S&P | Moody's | DBRS |
|---|---|---|---|---|
| | Stable | Stable | Positive | Positive |
| ABANCA ratings | AA | AA Covered | Aa2 | AA |
| | AA- | AA- | Aa3 | AA (L) |
| | A+ | A+ | A1 | A (H) Covered |
| | A Covered | A | A2 | A |
| | A- | A- | A3 | A (L) |
| | BBB+ | BBB+ | Baa1 | BBB (H) |
| | BBB | BBB | Baa2 | BBB |
| | BBB- Senior | BBB- | Baa3 | BBB (L) Senior |
| | BB+ | BB+ Senior | Ba1 | BB (H) |
| | BB | BB | Ba2 Deposit | BB |
| | BB- | BB- | Ba3 | BB (L) |
| | B+ | B+ | B1 | B (H) |
| | B | B | B2 | B |
| | B- | B- | B3 | B (L) |
| | CCC+ | CCC+ | Caa1 | CCC, CC, C (H) |
| | CCC | CCC | Caa2 | CCC, CC, C |
| | CCC- | CCC- | Caa3 | CCC, CC, C (L) |

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



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Profitable business model

## As of December 2018 net profit reached €430m (10.1% ROE), with a 14.0% CET1 fully loaded

### PROFITABILITY

**430**
€m
NET PROFIT

**+9.5%**
RECURRING REVENUES

**10.1%**
RoE

### ASSET QUALITY

**6.3%**
NPA RATIO

**-23.2%**
NPA VOLUME YEAR ON YEAR DECREASE

**58.5%**
NPA COVERAGE RATIO

### SOLVENCY AND LIQUIDITY

**14.0%**
CET 1 RATIO FULLY LOADED

**126% / 191%**
NSFR/ LCR

**92.3%**
RETAIL LTD

### COMMERCIAL DYNAMISM

**+5.6%**
RETAIL BUSINESS VOLUME

**+4.0%**
ASSETS UNDER MANAGEMENT

**+5.2%**
GENERAL INSURANCE PREMIUMS

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group.



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# Sound financial dynamics, with net banking income increasing by 9.5% YoY (4Q17-4Q18)

| (€m) | Dec-18 | Dec-17 | Var Dec 18/ Dec-17 |
|---|---|---|---|
| **NET INTEREST INCOME** | 544.7 | 488.5 | **11.5%** |
| Net fees and commissions | 176.2 | 169.8 | **3.8%** |
| **NET BANKING INCOME** | 720.9 | 658.3 | **9.5%** |
| Results from entities through equity method | 9.8 | 7.4 | **31.8%** |
| Dividend income | 12.0 | 10.7 | **11.7%** |
| Gains or losses on financial assets and liabilities (net) | 288.9 | 202.2 | **42.9%** |
| Others (net) | 19.0 | -67.4 | - |
| **GROSS MARGIN** | 1,050.6 | 811.2 | **29.5%** |
| Operating expenditure | 593.3 | 558.6 | **6.2%** |
| Credit and other provisions | 38.3 | -53.9 | - |
| Normalised loan provisions | 57.2 | 63.8 | **-10.3%** |
| Other gains / losses | 45.1 | 61.7 | **-27.0%** |
| **PROFIT BEFORE TAXES** | 464.0 | 368.2 | **26.0%** |
| **NET PROFIT** | 430.4 | 367.1 | **17.3%** |

**Net interest income** grew boosted by the continuous improvement in the commercial margin

**Income from services fees** improved 7.4% isolating non-recurring items

Operating expenses have been influenced by the **reinforcement of the investment in digitalisation and the improvement of commercial capability,** implementing a **very conservative expenditure recognition policy**

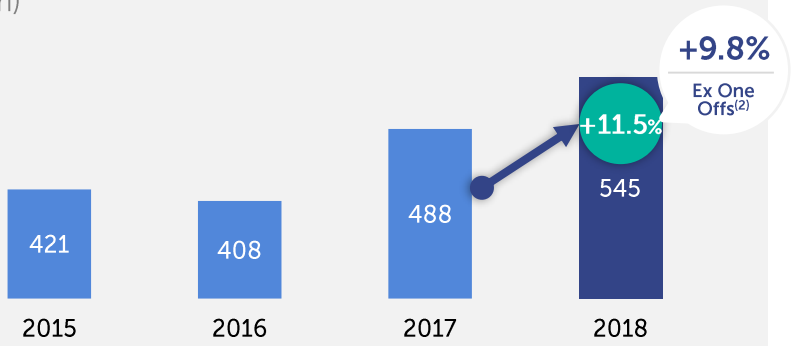
**Business Profitability** (RoE) reached 10.1%

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group.

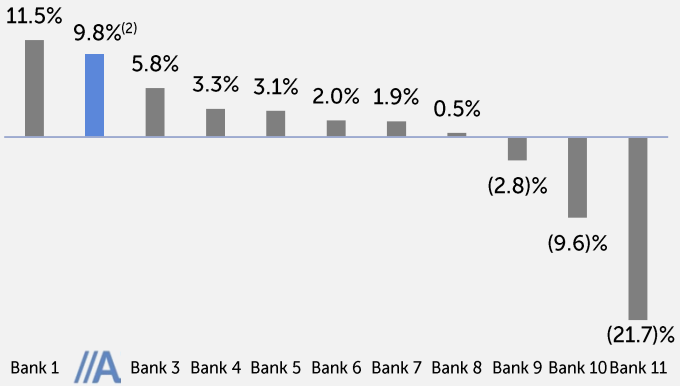
# Consistent improvement in NII driven by retail client activity

## Net interest income (€m)

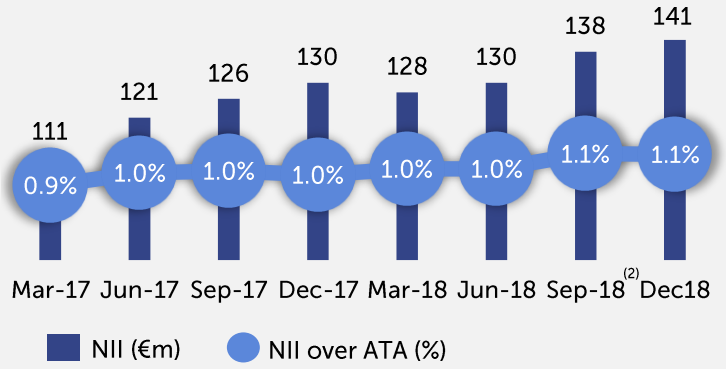
*A 200bps increase in interest rates would imply c.€129m growth in NII*



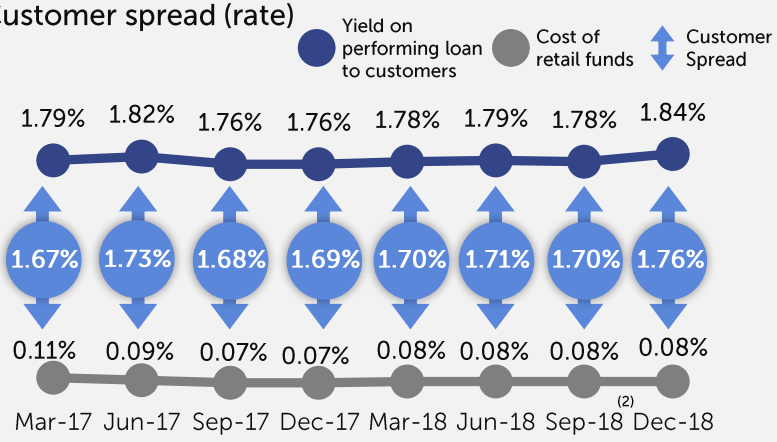

## Net interest income YoY change (4Q17-4Q18)(1)




## Net interest income quarterly evolution (€m)




## Customer spread (rate)

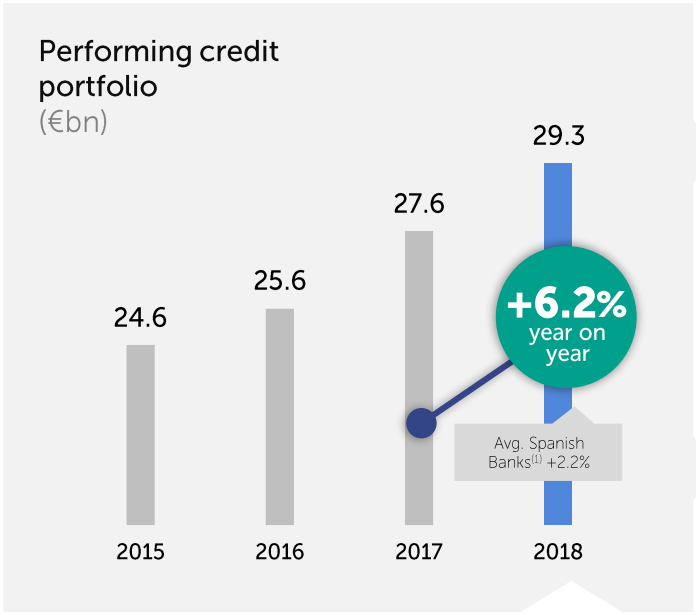


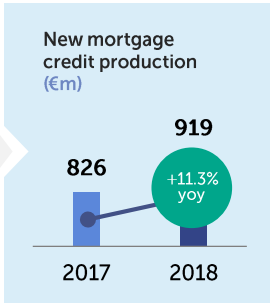

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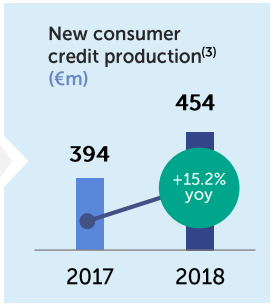


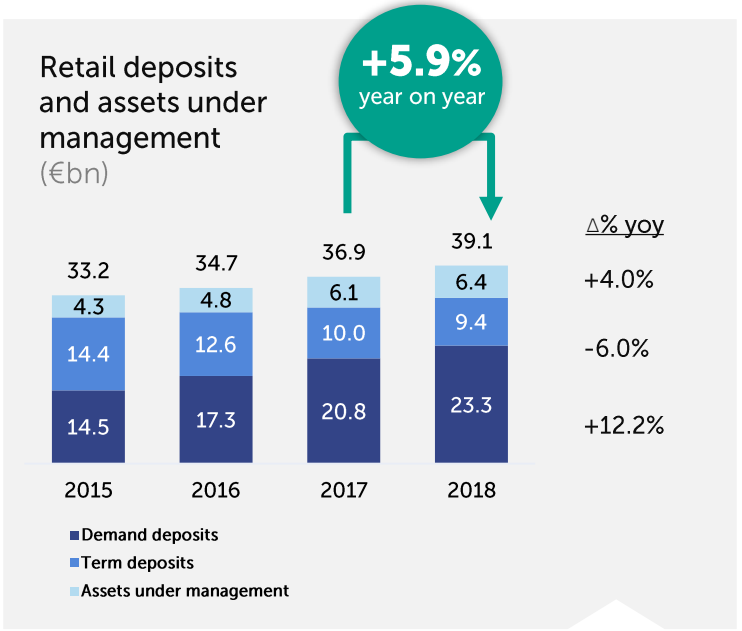
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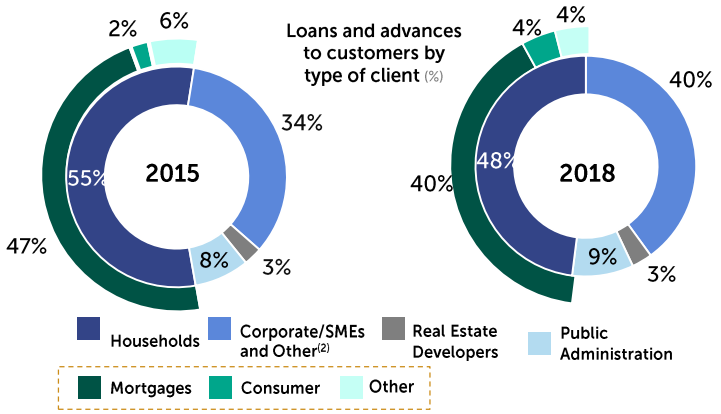
# Strong commercial dynamics that have supported growth in net banking income

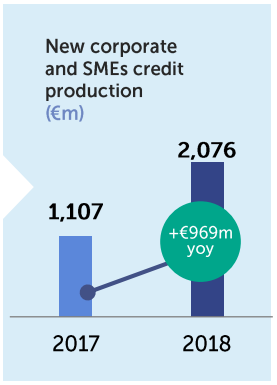


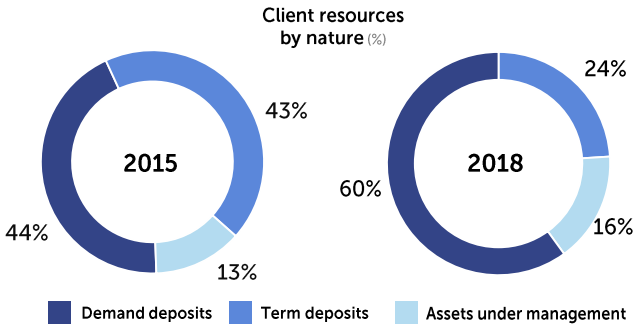



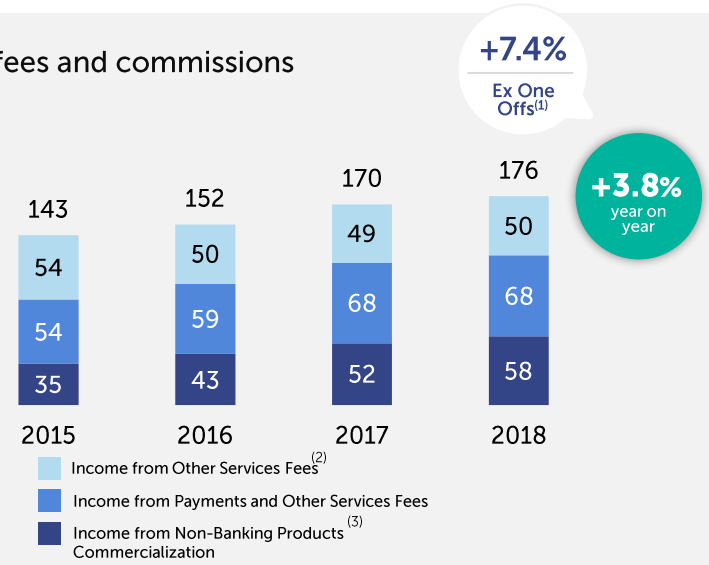



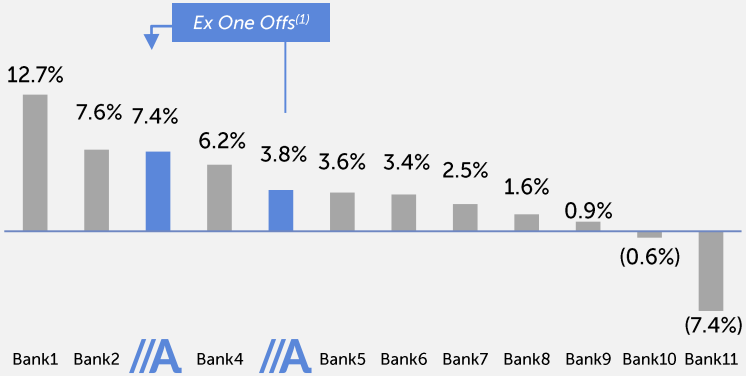

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) According to data from Banco de España for total credit (excluding NPLs) from deposit taking entities as of Dec-18 (2) Other includes: Other Financial Entities. (3) New consumer credit production includes new production of ABANCA Servicios Financieros, S.A.

# Fees reflect focus on asset gathering and insurance business

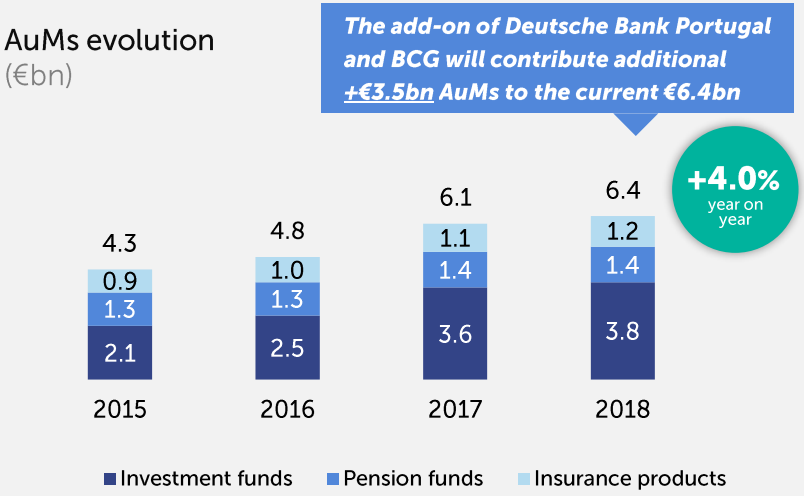
## Net fees and commissions (€m)



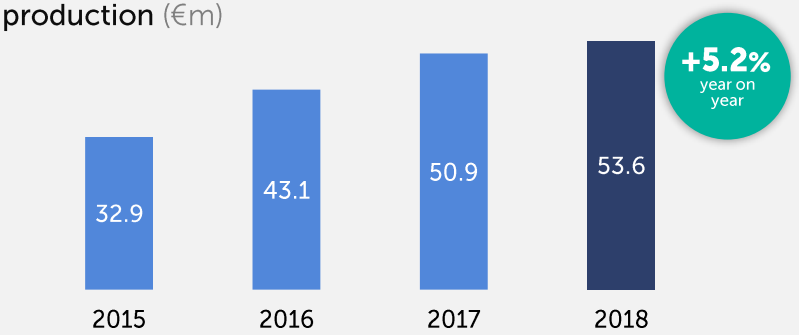

## Banks net fees and commissions YoY change (4Q17-4Q18)(4)




## AuMs evolution (€bn)



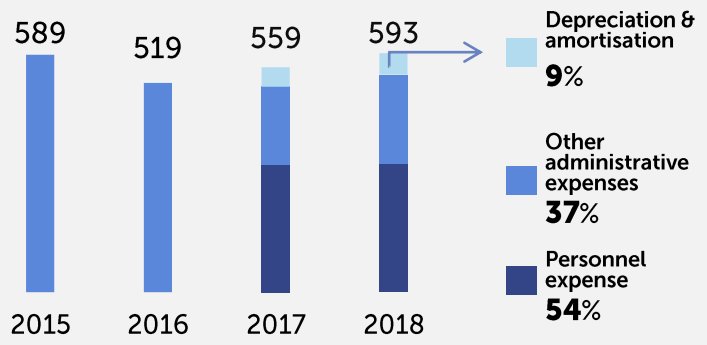

## New insurance premiums production (€m)



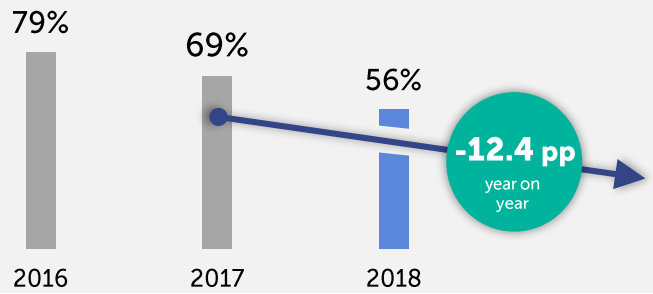

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) Isolating the one-off impact of the CLH stake sale in 1H17. (2) Mainly includes commissions related to credit portfolio and contingent risks, as well as underwriting and recovery claims commissions. (3) Includes investment funds, pension funds and insurance products. (4) Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank.

# Positive jaws with revenues growing faster than costs

## Operating expenditure (€m)




## Cost to income ratio (%)

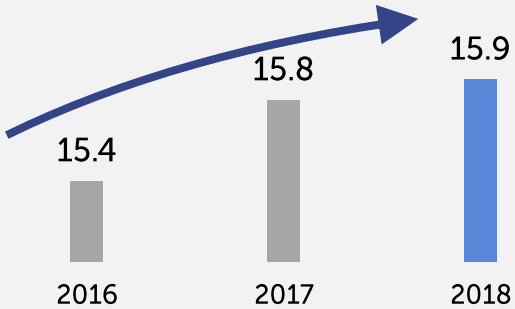



***Positive jaws***

## Operating expenditure(€m)




## Retail business volume per employee (€m)




***Significant increase in productivity per employee***

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group.



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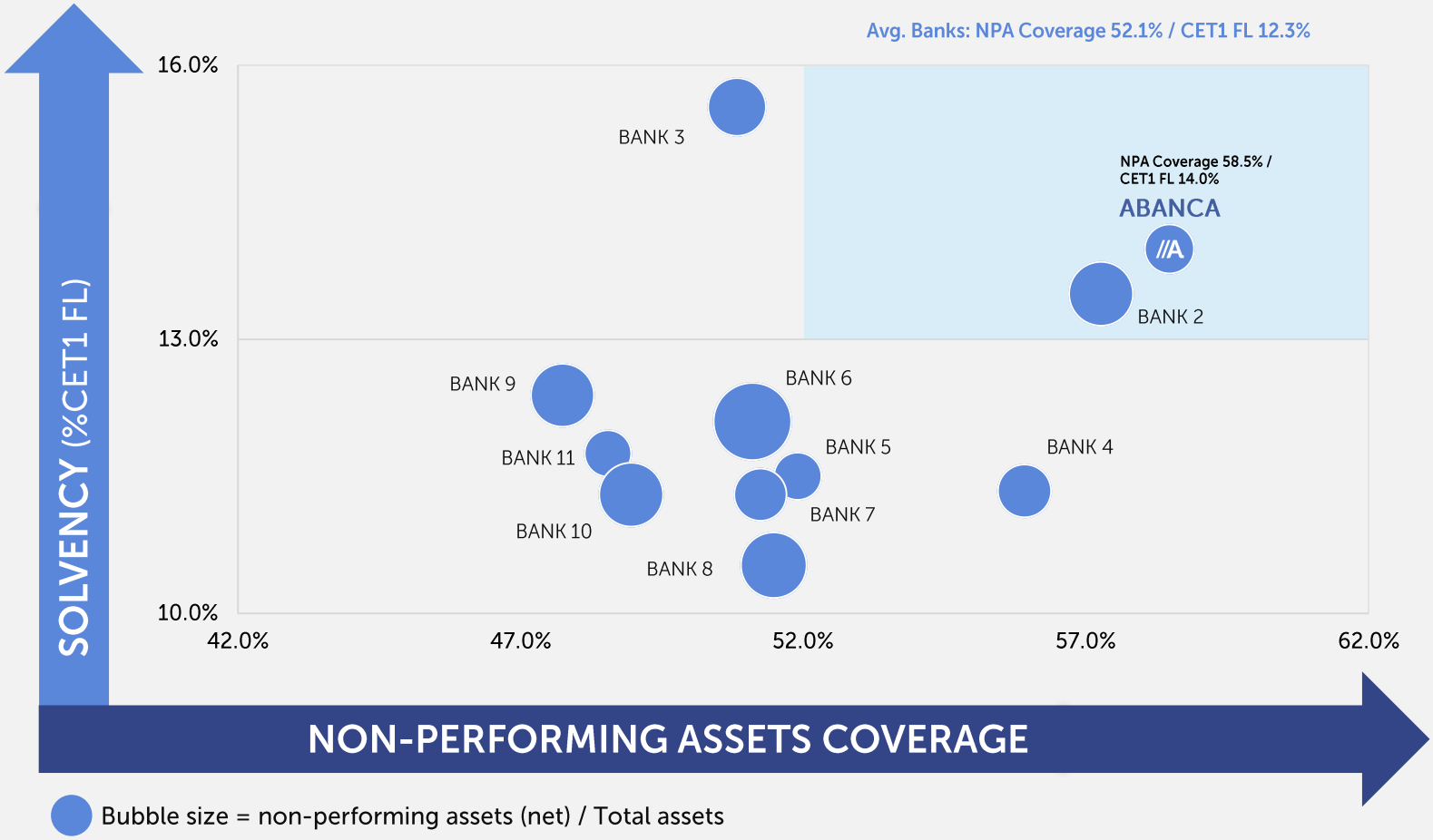
4. ...and a very healthy capital position

A. Appendix




Strong balance sheet

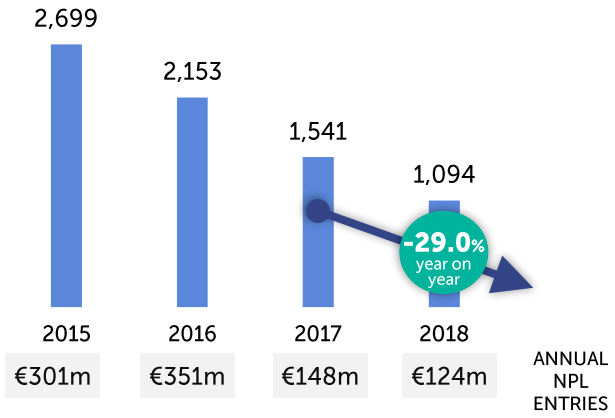
## Comfortable common equity position with a sound NPA coverage level



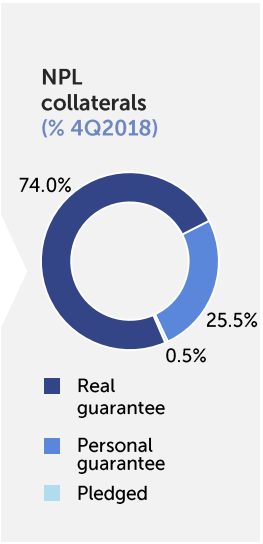

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank

# NPL reduction widens the gap with the sector in terms of asset quality

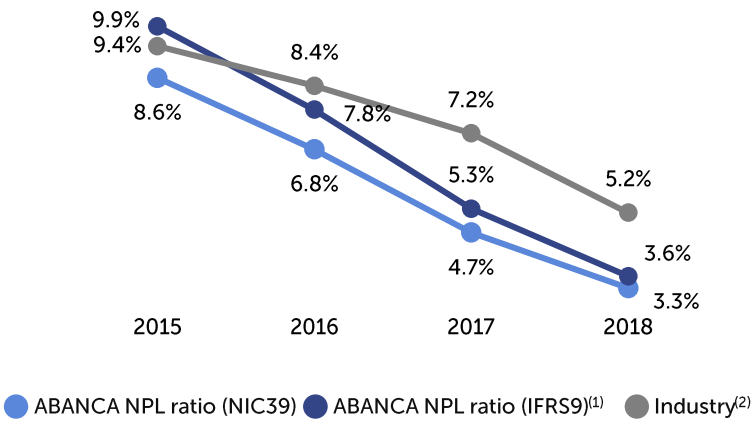
## Non-performing loans (€m)




## NPL collaterals (% 4Q2018)

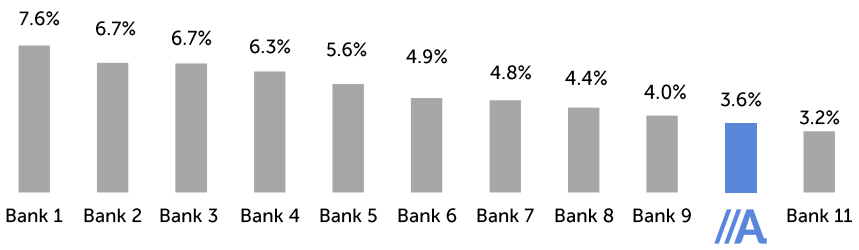



## NPL ratio performance (%)

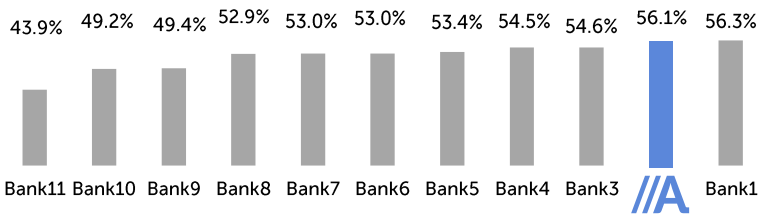



**20 consecutive quarters decreasing NPL volumes**

## Banks NPL ratio benchmarking (%)




## Banks NPL coverage benchmarking (%)




Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, 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 as of Dec-18



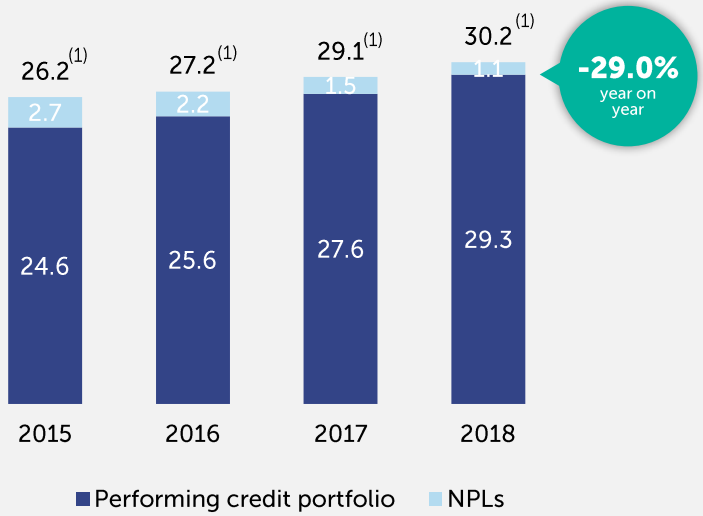
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# The improvement in asset quality leads to a reduction in cost of risk

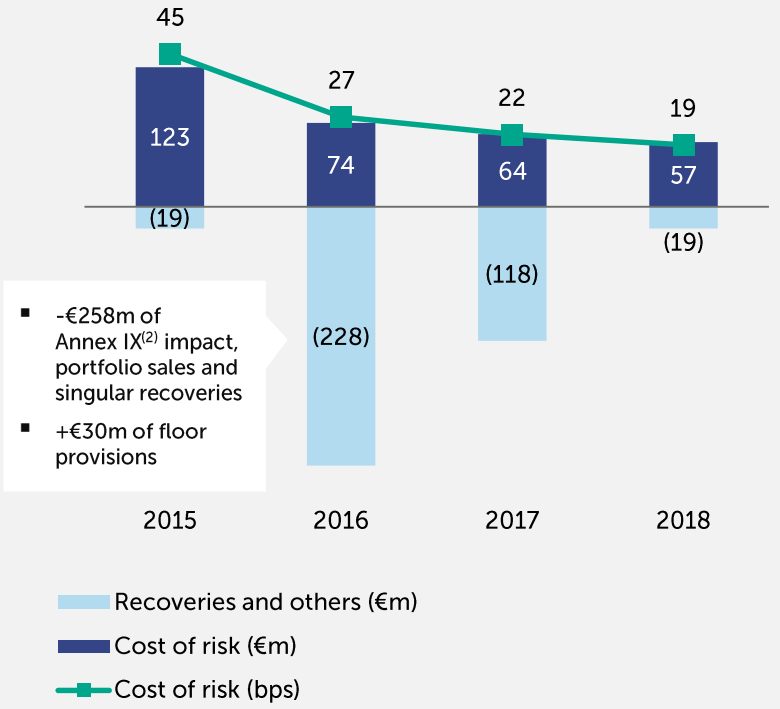
> Improvement in risk profile driven by NPL reduction...

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

Loans and advances to customers evolution
(€bn)



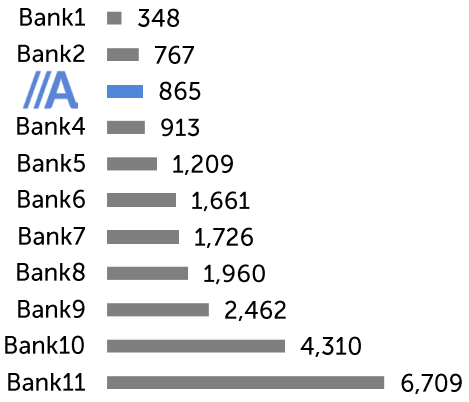

Evolution of cost of risk (bps)



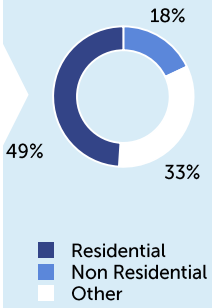

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) Includes Repurchase agreements, Valuation adjustments and amounts from extraordinary activities (-€1.1bn in 2015, -€0.6bn in 2016, -€0.2bn in 2018). (2) Bank of Spain (BdE) published in May 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).

# Limited weighting of foreclosed assets whilst maintaining great coverage levels

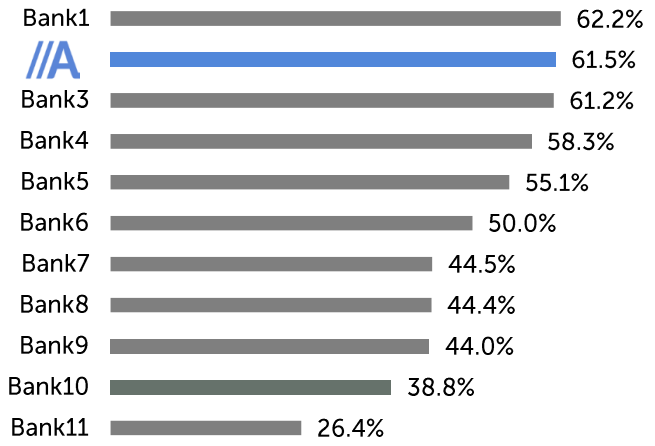
## Foreclosed assets (gross) (€m)



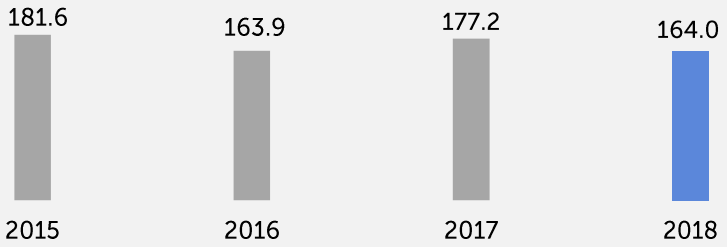

## Foreclosed Assets Breakdown (% 4Q2018)(1)



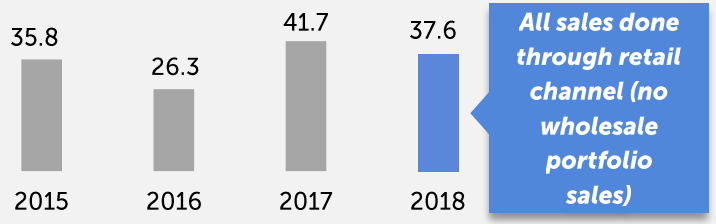

## Coverage of foreclosed assets (%)




## Foreclosed assets sold – volume(1) (€m)




## Sales of foreclosed assets – profit(2) (€m)



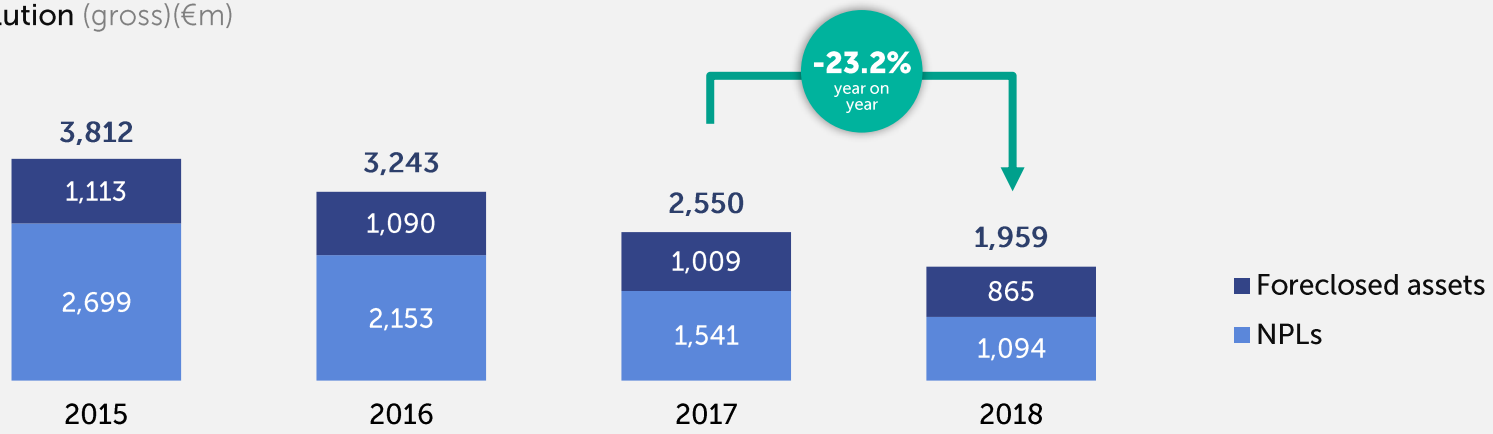

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank. Notes: (1) Gross book value (2) Sales price minus commercialization costs minus Net Book Value.



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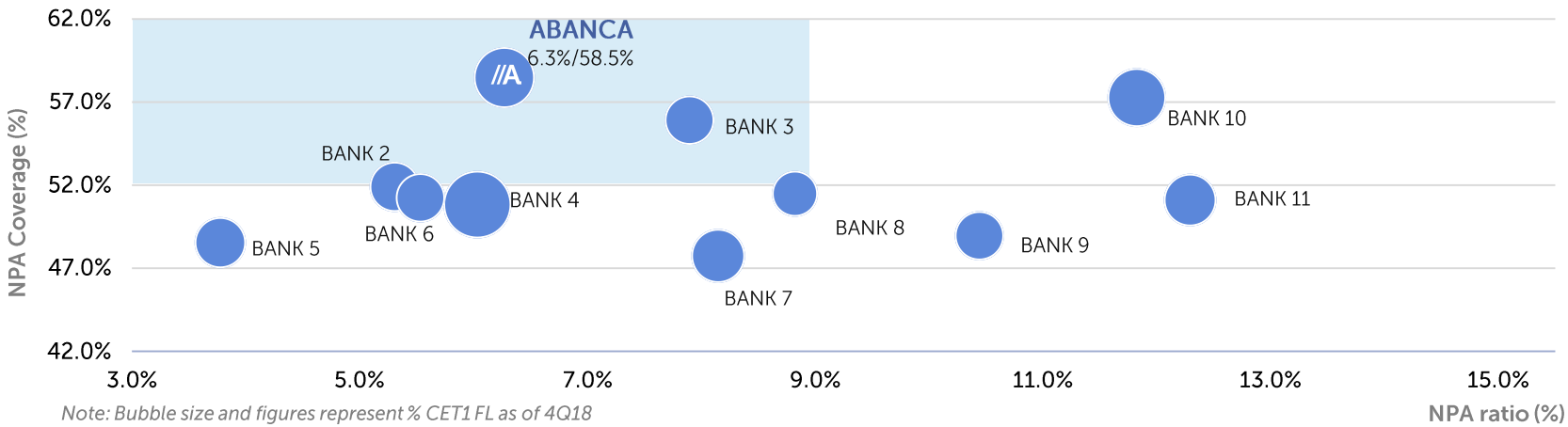
# Strong NPA reduction strategy whilst maintaining best in-class coverage levels

## NPAs evolution (gross)(€m)




## Spanish banks NPAs ratio / coverage benchmarking

Avg. Banks: NPA ratio 7.9% / NPA Coverage 52.1%




*Note: Bubble size and figures represent % CET1 FL as of 4Q18*

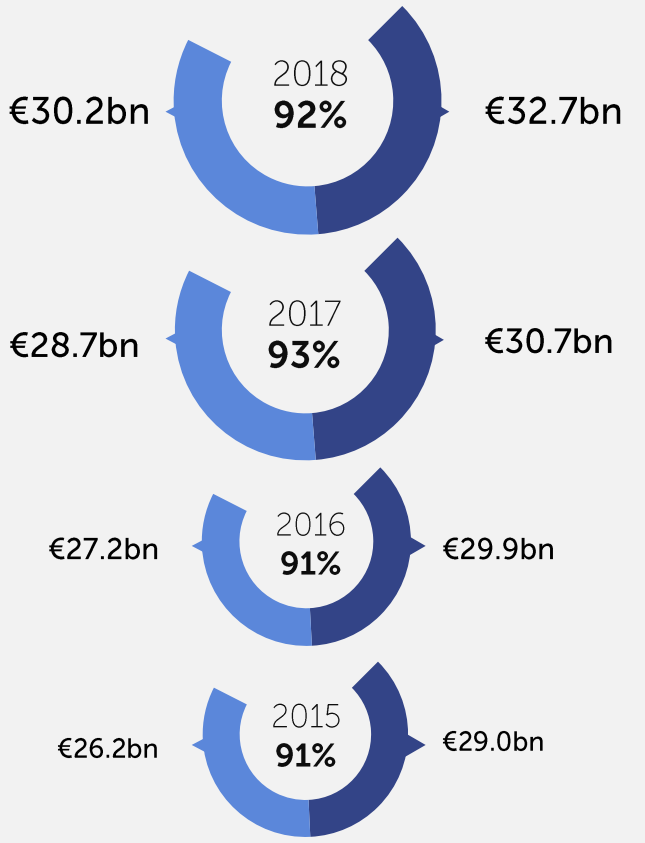
Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank.



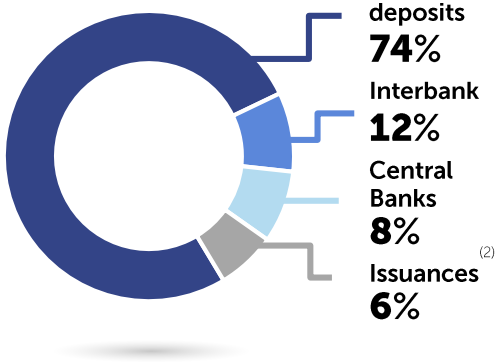
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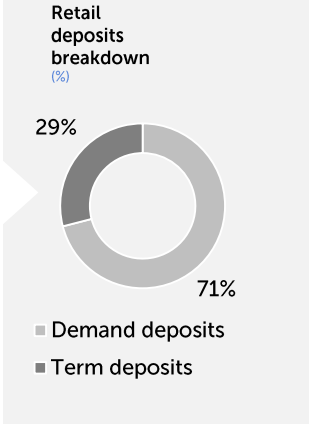
# Strong balance sheet
## Clear retail funding base

### Retail loan to deposits ratio (%)

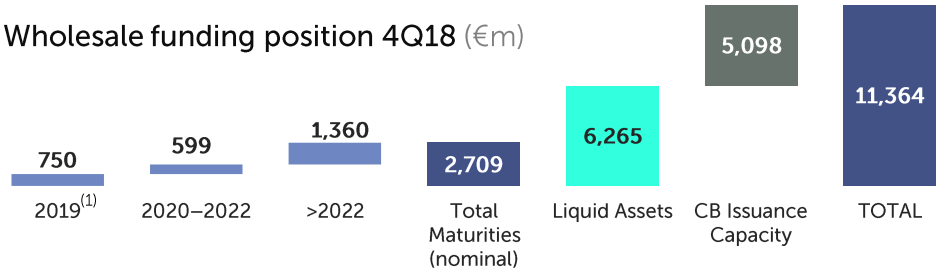



### Financing structure 4Q18 (%)




### Wholesale funding position 4Q18 (€m)




**126%**
**NSFR**
NET STABLE FUNDING RATIO
Complying with Basel III
2018

**191%**
**LCR**
LIQUIDITY COVERAGE RATIO
Complying with Basel III
2018

**2.3x**
Liquid assets / issued maturities

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) €670m – 23d Jan. 2019. (2) Includes AT1 classified as *Equity instruments issued other than capital*



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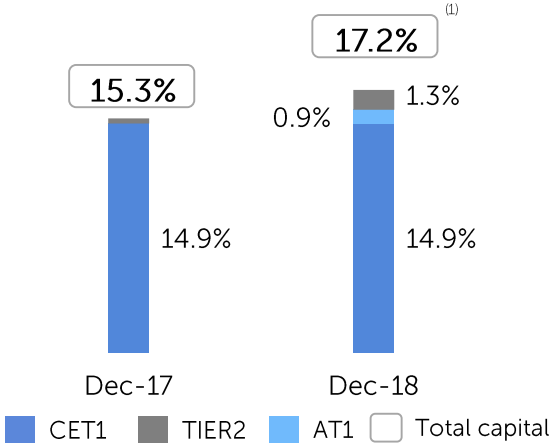
A. Appendix




Healthy capital position

# One of the soundest solvency position in the sector

## Capitalization structure




TOTAL CAPITAL

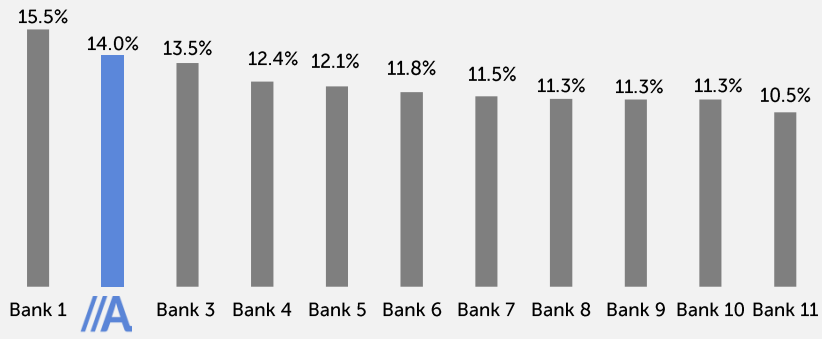
| 17.2%(1) PHASE IN | 16.3%(1) FULLY LOADED |
|---|---|

CET1

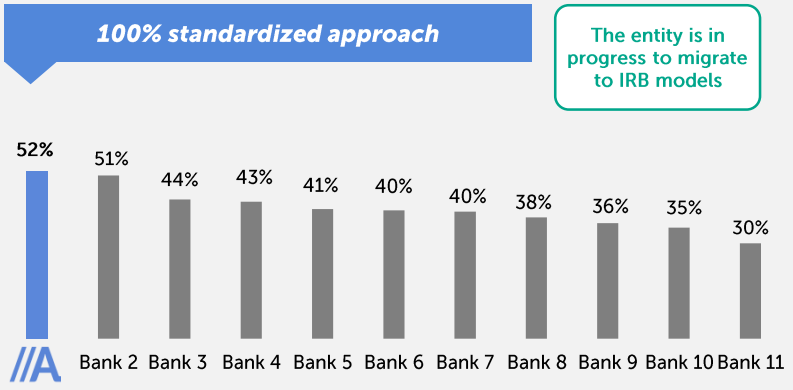
| 14.9% PHASE IN | 14.0% FULLY LOADED |
|---|---|

**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 4Q2018 from ABANCA Group. Companies 4Q2018 Financial Reports. Benchmark considers Santander (Spain), BBVA (Spain), CaixaBank, Bankia, Sabadell, Bankinter, Unicaja, Liberbank, Ibercaja and Kutxabank. (1) Total pro forma capital ratio including the recent Tier2 issue (Jan-19). Without this effect, the ratio would be 15.8% (Phase-in) and 14.9% (Fully Loaded)



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# Consolidated balance sheet: ABANCA Holding Group and ABANCA Group - December 2018 (i)

| Assets FY2018 (€m) | ABANCA Holding Group | ABANCA Group | Add-on |
|---|---|---|---|
| Cash, cash balances with central banks and other demand deposits | 1,368 | 1,368 | - |
| Financial assets held for trading | 103 | 99 | 4 |
| Financial assets not intended for trading, which are necessarily valued at fair value through profit or loss | 373 | 373 | - |
| Financial assets at fair value with changes in other comprehensive income | 7,780 | 7,779 | 1 |
| Equity instruments | 43 | 43 | - |
| Debt securities | 7,737 | 7,736 | 1 |
| Financial assets at amortised cost | 35,372 | 35,364 | 8 |
| Debt securities | 3,869 | 3,869 | - |
| Loans and advances | 31,503 | 31,495 | 8 |
| Credit institutions | 1,335 | 1,335 | - |
| Customers | 30,168 | 30,161 | 8 |
| Derivatives – hedge accounting | 31 | 31 | - |
| Investments in subsidiaries, joint ventures and associates | 226 | 223 | 4 |
| Assets covered by insurance or reinsurance contracts | 4 | 4 | - |
| Tangible assets | 1,111 | 1,164 | (53) |
| Fixed assets | 799 | 869 | (69) |
| Investment properties | 311 | 295 | 16 |
| Intangible assets | 443 | 359 | 84 |
| Goodwill | 62 | 62 | - |
| Other intangible assets | 382 | 297 | 84 |
| Tax assets | 3,491 | 3,453 | 38 |
| Current tax assets | 91 | 95 | (4) |
| Deferred tax assets | 3,400 | 3,358 | 41 |
| Other assets | 356 | 356 | - |
| Non-current assets and disposal groups classified as held for sale | 497 | 410 | 88 |
| Total Assets | 51,155 | 50,982 | 172 |

**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 FY2018 from ABANCA Group.

# Consolidated balance sheet: ABANCA Holding Group and ABANCA Group - December 2018 (ii)

| Liabilities and equity FY2018 (€m) | ABANCA Holding Group | ABANCA Group | Add-on |
|---|---|---|---|
| Financial liabilities held for trading | 73 | 73 | - |
| Financial liabilities at amortised cost | 44,384 | 44,134 | 250 |
| Deposits | 43,188 | 43,134 | 53 |
| Central banks | 3,436 | 3,436 | - |
| Credit institutions | 4,294 | 4,294 | - |
| Customers | 35,458 | 35,404 | 53 |
| Debt securities issued | 951 | 755 | 197 |
| Other financial liabilities | 245 | 245 | - |
| Derivatives – hedge accounting | 135 | 135 | - |
| Liabilities under insurance or reinsurance contracts | 1,396 | 1,396 | - |
| Provisions | 345 | 345 | 1 |
| Tax liabilities | 245 | 192 | 53 |
| Current tax liabilities | 10 | 14 | (4) |
| Deferred tax liabilities | 235 | 177 | 57 |
| Other liabilities | 245 | 245 | - |
| Total liabilities | 46,824 | 46,519 | 305 |
| Shareholders' equity | 3,962 | 4,555 | (593) |
| Paid-in capital | 369 | 2,454 | (2,085) |
| Share premium | 8 | 434 | (426) |
| Equity instruments issued other than capital (1) | 0 | 250 | (250) |
| Retained earnings | 3,374 | 1,399 | 1,975 |
| Other reserves | (6) | (23) | 17 |
| Treasury shares | - | (230) | 230 |
| Profit attributable to the owners of the Parent | 361 | 430 | (70) |
| Interim dividends | (143) | (159) | 16 |
| Other cumulative comprehensive income | (87) | (92) | 5 |
| Minority interests (non-controlling interests) (1) | 456 | 0 | 456 |
| Total equity | 4,331 | 4,463 | (132) |
| Total liabilities and equity | 51,155 | 50,982 | 172 |

**Impact derived from fiscal consolidation**

**PPA impact and Intercompany elimination**

- PPA impact €1m
- 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 €38m
- Equity consolidation elimination process -€170m

Source: ABANCA Group information. Unless otherwise stated, data refers to FY2018 from ABANCA Group. (1) AT1 classified as *Equity instruments issued other than capital* in ABANCA Group and as *Minority interests* in ABANCA Holding Group

# Solid track record on profitability, growth and credit quality consolidation

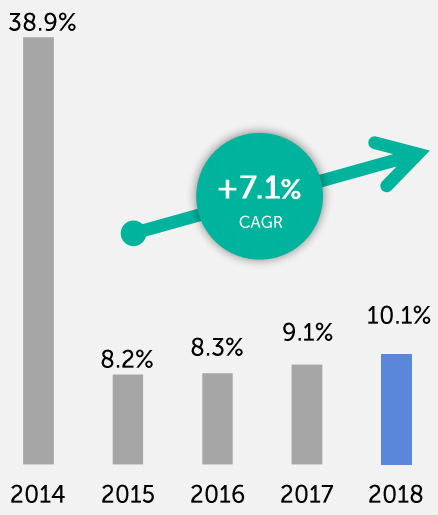
Profitability has consolidated

... Delivering a healthy growth profile

... With a significant improvement in asset quality

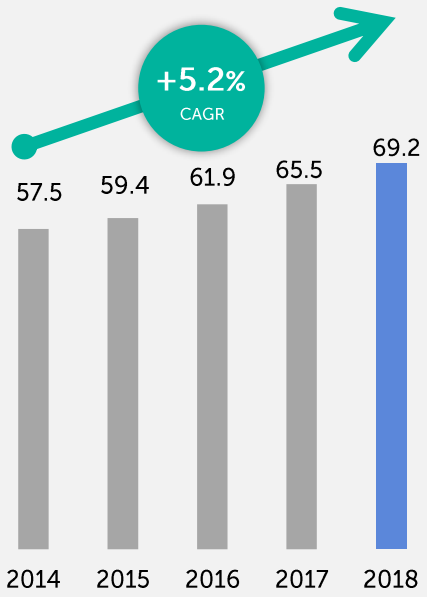
## Profitability

RoE



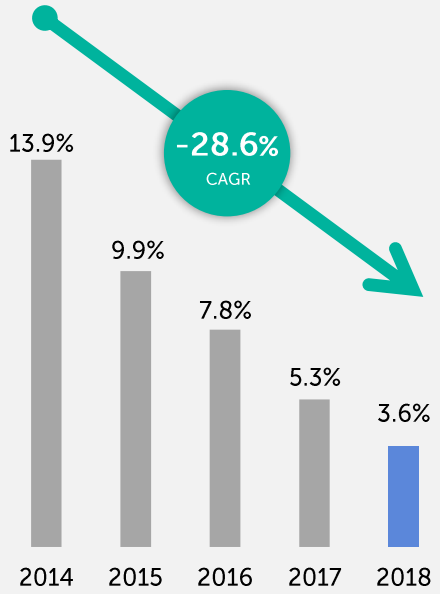

## Growth

Retail business volume (€bn)




## Credit quality

NPL ratio




Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group.



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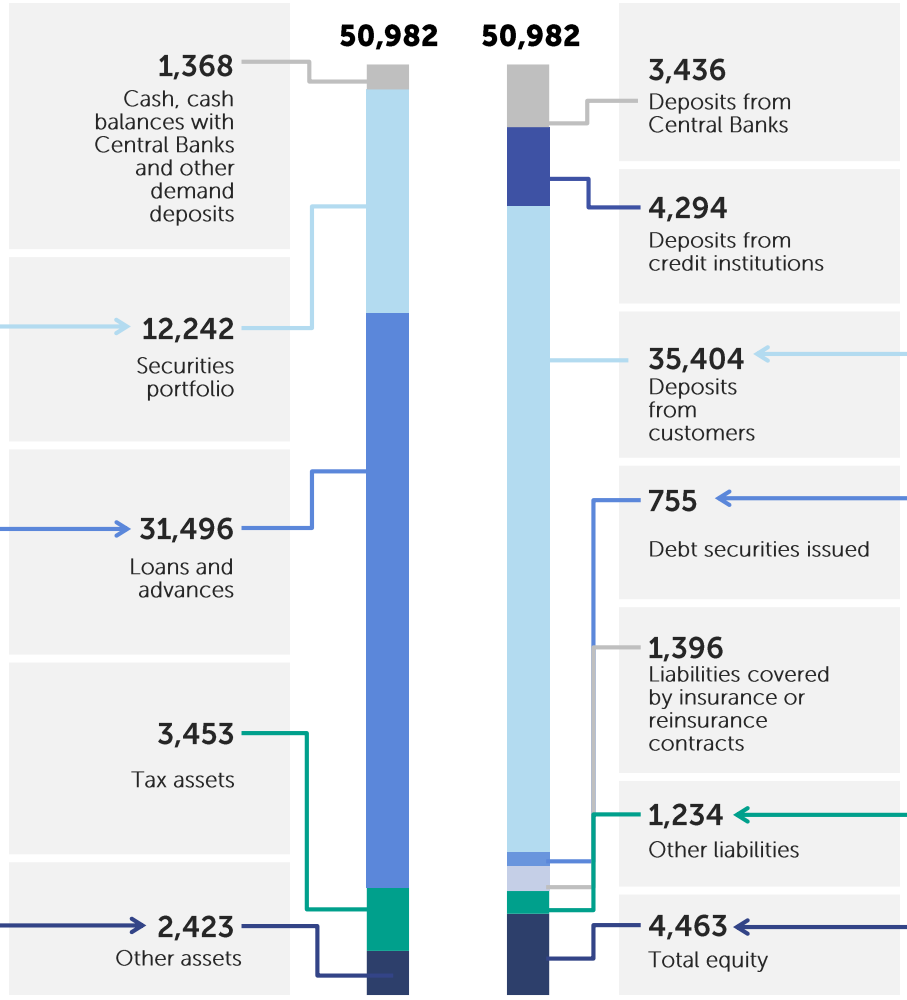
Appendix

# Balance sheet breakdown - December 2018 (€m)

| | |
|---|---|
| Debt securities | 11,638 |
| Equity instruments and Associates | 605 |
| **Total** | **12,242** |

| | |
|---|---|
| Customers (net) | 30,162 |
| Households | 14,471 |
| Large corporations and SMEs | 12,147 |
| Construction and property development | 854 |
| Public works | 53 |
| Other purposes | 11,241 |
| Public administration | 2,898 |
| Other financial entities | 645 |
| Credit institutions | 1,335 |
| **Total** | **31,496** |

| | |
|---|---|
| Tangible assets | 1,164 |
| Non-current assets available-for-sale | 410 |
| Derivatives | 130 |
| Intangible Assets | 359 |
| Other assets | 360 |
| **Total** | **2,423** |




| | |
|---|---|
| Retail deposits | 32,681 |
| Demand deposits | 23,301 |
| Term deposits | 9,380 |
| Valuation adjustments | 84 |
| Repurchase agreements | 907 |
| Covered bonds issued | 1,733 |
| **Total** | **35,404** |

| | |
|---|---|
| Covered bonds issued | 1,050 |
| Subordinated debt | 6 |
| Others | 0 |
| Own securities [1] | (330) |
| Valuation adjustments | 29 |
| **Total** | **755** |

| | |
|---|---|
| Tax liabilities | 192 |
| Derivatives | 208 |
| Provisions | 345 |
| Other liabilities | 490 |
| **Total** | **1,234** |

| | |
|---|---|
| Shareholders' equity | 4,555 |
| Other accumulated comprehensive income | (92) |
| Minority interests | 0 |
| **Total** | **4,463** |

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group. Notes: (1) Retained Covered Bonds.



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# Detail on fixed income portfolio - December 2018 (€m)

Debt Securities Portfolio Breakdown (€m)

| | 4Q18 |
|---|---|
| **Financial assets at fair value with changes in other comprehensive income** | 7,736 |
| Spanish Debt | 4,289 |
| Other countries of EU Debt | 3,288 |
| Other Debt | 159 |
| **Financial assets at amortised cost** | 3,869 |
| SAREB | 3,275 |
| Other countries of EU Debt | 594 |
| **Financial assets not intended for trading, which are necessarily valued at fair value through profit or loss** | 33 |
| **Financial assets held for trading** | 0 |
| **Total** | **11,638** |

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 from ABANCA Group.

# Loans and advances to customers breakdown

| (€m) | Net Book Value | % NPL | % Coverage |
|---|---|---|---|
| **Public administration** | 2,898 | 0.0% | 53.4% |
| **Other financial entities** | 645 | 0.4% | 100.5% |
| **Corporates and SMEs** | 12,147 | 4.0% | 82.6% |
| *Real estate construction and property development* | *854* | *3.8%* | *62.7%* |
| *Other purposes* | *11,241* | *3.9%* | *85.1%* |
| **o/w. corporates** | 5,055 | 2.2% | 129.9% |
| **o/w. SMEs and freelancers** | 6,186 | 5.4% | 70.5% |
| *Civil works construction* | *53* | *18.8%* | *37.0%* |
| **Households** | 14,471 | 4.0% | 33.3% |
| *Mortgages and other* | *13,326* | *4.0%* | *30.8%* |
| *Consumer finance* | *1,145* | *3.9%* | *62.4%* |
| **TOTAL** | **30,162** | **3.6%** | **56.1%** |

90% of NPL due to a large transaction executed in 2003 (pre-ABANCA)

Source: ABANCA Group information. Unless otherwise stated, data refers to 4Q2018 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 Data Base 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.

Appendix

# 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
- AT1: Additional Tier 1
- Bps: Basis Points
- BCBS: Basel Committee on Banking Supervision
- BCG: Banco Caixa Geral
- CAGR: Compound Annual Growth Rate
- CB: Covered Bonds
- CET1: Common Equity Tier 1
- CSR: Corporate Social Responsibility
- DB: Deutsche Bank
- EU: European Union
- FL: Fully Loaded
- FVA: Fair Value Adjustments
- FY: Full Year
- 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
- PPA: Purchase Price Allocation
- RAF: Risk Assessment Framework
- RAROC: Risk-Adjusted Return On Capital
- RoE: Return on Equity
- SAREB: Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria
- SME: Small and Medium Enterprises
- T2: Tier 2 capital
- The Bank: ABANCA Corporación Bancaria S.A.
- YoY: Year on Year

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