



## ABANCA CORPORACIÓN BANCARIA, S.A.

*(incorporated as a limited liability company (sociedad anónima)*

*under the laws of the Kingdom of Spain)*

**€300,000,000**

### **Fixed Rate Reset Subordinated Notes due 7 April 2030**

The issue price of the €300,000,000 Fixed Rate Reset Subordinated Notes due 7 April 2030 (the "Notes") of ABANCA Corporación Bancaria, S.A. (the "Bank" or "ABANCA") is 100 per cent. of their principal amount. The Notes have been issued in denominations of €100,000. The Notes were issued on 7 October 2019 (the "Issue Date"). The Bank and its consolidated subsidiaries are referred to herein as the "ABANCA Group", and its parent company, ABANCA Holding Financiero, S.A. ("ABANCA Holding"), together with its consolidated subsidiaries are referred to herein as the "ABANCA Holding Group".

As described in the terms and conditions of the Notes (the "Conditions"), unless previously redeemed, the Notes will be redeemed at their principal amount on 7 April 2030. The Notes may be redeemed at the option of the Bank in whole, but not in part, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, if a Tax Event or a Capital Event occurs (as such terms are defined in the Conditions). See Conditions 4.4 and 4.5 in "Conditions of the Notes".

In addition, the Bank may at its option, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, redeem all, but not some only, of the Notes on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. See Condition 4.3 in "Conditions of the Notes".

The Notes bear interest on their outstanding principal amount (i) at a fixed rate of 4.625 per cent. per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions) payable annually (except for the first Interest Period (as defined in the Conditions)) in arrear on 7 April in each year, with the first Interest Payment Date on 7 April 2020 (short coupon), and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (as defined in the Conditions) plus 5.014 per cent. per annum (the "Margin"), as determined by the Bank, payable annually in arrear on 7 April in each year, with the first Interest Payment Date after the Reset Date on 7 April 2026 (see Condition 3 in "Conditions of the Notes"). Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in "Conditions of the Notes".

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank, as more fully described in Condition 2 in "Conditions of the Notes". The Notes are expected to qualify as Tier 2 Capital (as defined in the Conditions) of the Bank and the ABANCA Holding Group.

Subject to the prior Supervisory Permission and to compliance with the Applicable Banking Regulations, if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without the consent of the Holders (as defined below), so that they become or remain Qualifying Tier 2 Notes (as defined in the Conditions).

The Notes are rated "BB+" by Fitch Ratings España, S.A. Unipersonal ("Fitch") and "Ba3" by Moody's Investors Service España, S.A. ("Moody's"). Fitch and Moody's are established in the European Union ("EU") and are registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the "CRA Regulation"). Fitch and Moody's appear on the latest update of the list of registered credit rating agencies (as of 5 July 2019) on the European Securities and Markets Authority ("ESMA") website. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.**

This document (together with the information incorporated by reference) constitutes a listing prospectus (the "Prospectus") for the purposes of Article 3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 (the "Prospectus Regulation") and has been prepared in accordance with, and including the information required by Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019. This Prospectus has been approved by the *Comisión Nacional de Mercado de Valores* (the "CNMV") as competent authority under the Prospectus Regulation. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made for the Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market ("AIAF"). AIAF is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments directive (as amended, "MiFID II").

Amounts payable under the Notes from and including the Reset Date are calculated by reference to the 5-year Mid-Swap Rate which appears on the "ICESWAP2" screen, which is provided by ICE Benchmark Administration Limited or by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the "EURIBOR01" screen, which is provided by the European Money Markets Institute. As at the date of this Prospectus, both ICE Benchmark Administration Limited and European Money Markets Institute appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Regulation (EU) No 2016/1011 (the "Benchmark Regulation").

Title to the Notes is evidenced by book entries, and each person shown in the central registry of the Spanish settlement system managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") and in the registries maintained by the participating entities (*entidades participantes*) in Iberclear ("**Iberclear Members**") as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein (a "**Holder**").

**The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.**

An investment in the Notes involves certain risks. For a discussion of these risks see "Risk Factors" beginning on page 11.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and are subject to United States tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the U.S. Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

*Joint Lead Managers*

**Banco Bilbao Vizcaya Argentaria, S.A.  
BofA Merrill Lynch**

**BNP PARIBAS  
Nomura**

*[Prospectus date]*

## IMPORTANT NOTICES

ABANCA has not authorised the making or provision of any representation or information regarding ABANCA or the ABANCA Group or the ABANCA Holding Group or the Notes other than as contained in this Prospectus or as approved for such purpose by ABANCA. Any such representation or information should not be relied upon as having been authorised by ABANCA or the joint lead managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**").

None of the Joint Lead Managers, nor any of their respective affiliates, has separately verified the information contained or incorporated by reference in this Prospectus. Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information supplied by ABANCA in connection with the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of ABANCA, the ABANCA Group or the ABANCA Holding Group since the date of this Prospectus or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of ABANCA, the ABANCA Group or the ABANCA Holding Group contained in the Prospectus, or any other agreement or document relating to the Notes, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

Each potential purchaser of Notes should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of ABANCA, the ABANCA Group or the ABANCA Holding Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by ABANCA and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*".

In particular, the Notes have not been and will not be registered under the U.S. Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area ("**EEA**"), references to "**USD**" are to United States dollars and references to "€", to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to "**billions**" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words and expressions defined in the Conditions (see "*Conditions of the Notes*") shall have the same meanings when used elsewhere in this Prospectus unless otherwise specified.

Potential investors are advised to exercise caution in relation to any purchase of the Notes. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus, taking into account that the Notes are a suitable investment for professional or institutional investors only;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for payments in respect of the Notes is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes, including the provisions relating to redemption or substitution of the Notes and any variation of their terms, and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall portfolio.

The Notes are rated "BB+" by Fitch and "Ba3" by Moody's. Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the Notes does not address the likelihood that interest (including any additional amounts payable in accordance with Condition 7) or any other payments in respect of the Notes will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Potential investors should not rely on any rating of the Notes and should make their investment decision in light of its own circumstances. The Bank does not participate in any decision making of the rating agencies and any revision or withdrawal of any credit rating assigned to the Bank or any securities of the Bank is a third party decision for which the Bank does not assume any responsibility.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion

that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which have no risk tolerance or are seeking on-demand full repayment of the amounts invested. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document (KID) required by the Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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## OVERVIEW

The following is an overview of certain information relating to the Notes, including the principal provisions of the terms and conditions thereof. This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, "*Conditions of the Notes*".

Words and expressions defined in the Conditions shall have the same meanings in this overview.

<b>Issuer</b>	ABANCA Corporación Bancaria, S.A.
<b>Joint Lead Managers</b>	Banco Bilbao Vizcaya Argentaria, S.A., BNP Paribas, Merrill Lynch International and Nomura International plc.
<b>Risk Factors</b>	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Notes. These are set out under " <i>Risk Factors</i> " below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes which are described in detail under " <i>Risk Factors</i> " below.
<b>Issue size</b>	€300,000,000.
<b>Issue date</b>	7 October 2019.
<b>Issue details</b>	€300,000,000 Fixed Rate Reset Subordinated Notes due 7 April 2030.  ABANCA will request that the Notes qualify as Tier 2 Capital of ABANCA and the ABANCA Holding Group pursuant to Applicable Banking Regulations.
<b>Denomination</b>	€100,000 per Note.
<b>Use and estimated net amount of Proceeds</b>	Net proceeds: €300,000,000.  The Bank intends to use the net proceeds from the issue of the Notes for its general corporate purposes. See " <i>Use and Estimated Net Amount of Proceeds</i> ".
<b>Interest</b>	The Notes bear interest on their outstanding principal amount as follows: (i) in respect of the period from (and including) the Issue Date to (but excluding) the Reset Date at the fixed rate of 4.625 per cent. per annum, payable annually (except for the first Interest Period) in arrear on 7 April in each year, with the first Interest Payment Date on 7 April 2020 (short coupon); and (ii) in respect of the Reset Period, at the rate per annum equal to the aggregate of the 5-year Mid-Swap Rate (quoted on an annual basis) and the Margin, payable annually in arrear on 7 April in each year, with the first Interest Payment Date after the Reset Date on 7 April 2026.  For further information, see Condition 3. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in the Conditions.

**Status of the Notes**

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations of the Bank in accordance with Article 92.2° of the Insolvency Law and Additional Provision 14.3 of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise). The Notes are expected to constitute Tier 2 Capital of the Bank and the ABANCA Holding Group.

For further information, see Condition 2.

**Optional Redemption**

All, and not only some, of the Notes may be redeemed at the option of the Bank, subject to the prior Supervisory Permission and otherwise in accordance with Applicable Banking Regulations, on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

The Notes are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption if there is a Capital Event or a Tax Event, subject, in each case, to the prior Supervisory Permission and otherwise in accordance with the Applicable Banking Regulations then in force.

For further information, see Conditions 4.3, 4.4 and 4.5.

**Substitution and Variation**

Subject to Supervisory Permission and otherwise in accordance with the Applicable Banking Regulations, if a Capital Event or Tax Event has occurred and is continuing, the Bank may at any time substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without the consent of the Holders, so that they become or remain Qualifying Tier 2 Notes.

For further information, see Condition 4.6.

**Purchases**

The Bank, or any member of the ABANCA Group or the ABANCA Holding Group, may purchase (or otherwise acquire) or procure others to purchase (or otherwise acquire) beneficially for their account, Notes in any manner and at any price in accordance with Applicable Banking Regulations in force at the relevant time and subject to Supervisory Permission, if required. For further information, see Condition 4.7.

**Waiver of set-off**

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising and each Holder shall be deemed to have waived all Waived Set-Off Rights to the



fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.

**Meetings of Holders**

The Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally. The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.

For further information, see Condition 9.

**Withholding Tax and Additional Amounts**

All payments of interest and any other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Notes by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required, subject to the exceptions provided in Condition 7.

For further information, see Condition 7.

**Form**

The Notes have been issued in uncertificated, dematerialised book-entry form in euro in an aggregate nominal amount of €300,000,000 and denomination of €100,000 each.

**Registration and settlement**

The Notes have been registered with Iberclear as managing entity of the Spanish Central Registry (both, as defined in the Conditions). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with Iberclear.

**Title and transfer**

Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. For these purposes, the "**Holder**" means the person in whose name such Notes is for the time being registered in the

Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

**Rating**

The Notes are rated "BB+" by Fitch and "Ba3" by Moody's.

**Listing and admission to trading**

Application has been made for the Notes to be admitted to trading on AIAF. The Notes may also be admitted to trading on any other European regulated market or multilateral trading facility as may be agreed by ABANCA.

**Governing Law**

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

**Selling Restrictions**

There are restrictions on the offer, sale and transfer of Notes in the United States, the EEA, the United Kingdom and Spain. Regulation S, category 2 restrictions under the U.S. Securities Act apply. The Notes have not and will not be eligible for sale in the United States under Rule 144A of the U.S. Securities Act.

## **RISK FACTORS**

*ABANCA declares that the information contained in this Prospectus includes the instructions and recommendations received, when appropriate, from the prudential supervisory authorities (i.e. European Central Bank and Bank of Spain) and that may have an impact on future financial statements and risks described hereinafter.*

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of ABANCA (and its group) and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.*

*Only risks which are specific to ABANCA or the ABANCA Group and to the Notes are included herein as required by the Prospectus Regulation. Additional risks and uncertainties relating to ABANCA or the ABANCA Group that are not currently known to ABANCA or that it currently deems immaterial or that apply generally to the banking industry (such as the reputational risk, risk related to the reduction of credit ratings, or risks related to compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules) for which reason have not been included herein, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of ABANCA or the ABANCA Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances. Risks that apply generally to securities with the characteristics of the Notes (for instance, risks related to the reset of the interest rate of the Notes on the Reset Date, risks related to modifications of the Notes approved by a meeting of Holders of the Notes, risks related to the absence of limitations on the amount or type of further securities or indebtedness which the Bank may incur or risks related to fluctuations in market interest rates), that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations) and those related to the credit ratings assigned to the Notes (such as changes in the credit ratings or the assignment of unsolicited ratings) have not been included herein. However, such additional risks may affect the value and liquidity of the Notes.*

### **Risks relating to the ABANCA Group**

#### **1. Business and financial risks**

##### ***Credit Risk***

The ABANCA Group is exposed to the creditworthiness of its customers and counterparties. Credit risk can be defined as potential losses in respect of the full or partial breach of the debt repayment obligations of customers or counterparties (including, but not limited to, the insolvency of a counterparty or debtor), and also includes the value loss as a consequence of the credit quality of customers or counterparties. Adverse changes in the credit quality of the ABANCA Group's borrowers and counterparties could affect the recoverability and value of the ABANCA Group's assets and require an increase in provisions for problematic and doubtful debts and other provisions. Collateral and security provided to the ABANCA Group may be insufficient to cover the exposure or the obligations of others to the ABANCA Group. Credit risk is of concern in respect of the ABANCA Group's business activities in the banking, insurance, treasury and investee portfolio sectors. As of 30 June 2019, credits to clients and fixed income securities represented 65.69% and 19.07%, respectively, of the total assets of the ABANCA Group (59.16% and 22.83%, respectively, as of 31 December 2018). As of 30 June 2019, €3,762 million fixed income securities were valued as financial assets at fair value through other comprehensive income, €6,247 million

as financial assets at amortised cost and €30 million as non-trading financial assets mandatorily at fair value through profit or loss.

Non-performing or low credit quality loans have in the past negatively impacted the ABANCA Group's results of operations and, as well as to all the banking system, could do so in the future. As of 30 June 2019, the non-performing loans ("NPLs"), which correspond to the item "impaired assets" of the consolidated balance sheet of the ABANCA Group, amounted to €1,137.21 million, representing 2.2% of the total assets of the ABANCA Group (€1,093.81 million and 2.1%, respectively, as of 31 December 2018). As of 30 June 2019, 71.8% of the NPLs were secured by real estate mortgages, while 1.2% were secured by other types of in rem securities (such as pledges) and 27.0% were unsecured (74.0%, 0.5% and 25.5%, respectively, as of 31 December 2018). As of 30 June 2019, the NPL Ratio of the ABANCA Group was 3.3% (3.6% as of 31 December 2018) and the NPL Coverage Ratio of the ABANCA Group was 57.1% (56.1% as of 31 December 2018). Should the ABANCA Group be unable to control the level of its non-performing or poor credit quality loans (the new loan production formalised since 2015 that has been at any time classified as NPLs (regardless of whether or not it is classified as such as at 30 June 2019) represents 0.8% of the total new loan production during that period (during the one-year period ended on 31 December 2018, the entries of NPLs amounted to €124 million and during the six-month period ended 30 June 2019, the entries of NPLs amounted to 84 million)), this could adversely affect the ABANCA Group's financial condition and results of operations. NPL Ratio and NPL Coverage Ratio are alternative performance measures ("APMs"), the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

### ***Liquidity risk***

Liquidity risk comprises uncertainties as regards the ability of the ABANCA Group's ability, under adverse conditions, to timely access funding necessary to cover the ABANCA Group's obligations to customers as they become due, to meet the maturity of the ABANCA Group's liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of funding and the risk of not being able to structure the maturity dates of the ABANCA Group's liabilities reasonably in line with the ABANCA Group's assets. The ABANCA Group's financial position could be adversely affected if access to liquidity and funding is limited or becomes more expensive for a prolonged period of time.

This situation may arise from general market conditions, an alteration or closure in the financial markets, a negative view of the perspectives of the sectors to which it grants a large number of its loans or uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, which in turn could generate a negative view of the liquidity of the ABANCA Group among creditors and derive in a decrease in credit ratings, higher debt costs and less access to funds. If there were a deterioration in the situation of the international capital markets, or the credit ratings of ABANCA worsened, it would likely be more difficult for it to attract resources in such markets. Furthermore, given that ABANCA is a Spanish credit institution, a crisis in Spanish sovereign bonds could increase its financing costs.

In such extreme circumstances, the ABANCA Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the ABANCA Group's regulatory position, including its ability to meet its regulatory minimum liquidity requirements.

As of 30 June 2019, ABANCA Group's financing structure consists of 78% of retail deposits, 8% of interbank funding, 7% of European Central Bank ("ECB") funding and 7% of issuances (74% of retail deposits, 12% of interbank funding, 8% of ECB funding and 6% of issuances as of 31 December 2018). One of the ABANCA Group's major sources of funds are savings and demand deposits. As of 30 June 2019, 77.7% of the total consolidated liabilities of ABANCA were customer deposits (76.1% as of 31 December 2018). The level of wholesale and retail deposits may fluctuate due to factors outside the ABANCA Group's control, such as a loss of confidence (including as a result of political initiatives,

including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. As of 30 June 2019, the ABANCA Group's client resources consisted of 57% demand deposits, 22% term deposits and 21% off-balance-sheet funds (60% demand deposits, 24% term deposits and 16% off-balance-sheet funds as of 31 December 2018).

As of 30 June 2019, the retail loan to deposits ratio of the ABANCA Group was 97.6%, compared to 92.3% as of 31 December 2018. However, ABANCA cannot guarantee that it will be able to meet its liquidity needs or meet them without incurring higher customer acquisition costs or having to liquidate part of its assets if there is some pressure on its liquidity for any reason, which could cause a negative impact on the interest margin of the ABANCA Group. The retail loan to deposits ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of ABANCA—Alternative Performance Measures*".

Due to the recent financial market crisis, followed by instability, reduced liquidity available to operators in the sector, increase in risk premium and higher capital requirements imposed by the supervisory authorities, there has been a widespread need to guarantee higher level of capitalisation and liquidity for banking institutions. This situation has meant that government authorities and national central banks have had to take action to support the credit system, and has caused some of the biggest banks in Europe and in the world to turn to central institutions in order to meet their short-term liquidity needs. In this context, the ECB has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, longer-term refinancing programmes such as the "Targeted Longer-Term Refinancing Operations" (TLTRO) introduced in 2014 (the "**TLTRO I**") and in 2016 (the "**TLTRO II**"), and purchases on the debt securities market.

As of 30 June 2019, the funding with the ECB (through the TLTRO II) amounted to €3,428.92 million, as of 31 December 2018 to €3,435.88 million, which represented 6.5% and 6.7%, respectively, of the total consolidated asset of the ABANCA Group, and 7.2% and 7.4% of the consolidated liability of the ABANCA Group, as of 30 June 2019 and 31 December 2018, respectively.

Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted as collateral and/or their relative valuations or a reduction or discontinuation of these liquidity support operations, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. Despite the positive impacts of these operations to support the liquidity in the macroeconomic context, there is the risk that an expansionary monetary policy (including specifically, quantitative easing) may have an effect on keeping interest rates, currently already negative for short- and medium-term due dates, at minimum levels for all major due dates, which could also have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

#### ***Changes in interest rates may negatively affect the ABANCA Group's business***

The ABANCA Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to its depositors and other creditors on interest-bearing liabilities. For the six-month period ended on 30 June 2019, the net interest income was €272.10 million and represented 55.46% of the gross margin (for the year ended on 31 December 2018, the net interest income was €544.69 million and represented 51.85% of the gross margin).

Interest rates are highly sensitive to many factors beyond the ABANCA Group's control, including fiscal and monetary policies of governments and central banks and regulation of the financial sectors in the

markets in which it operates, as well as domestic and international economic and political conditions and other factors.

Changes in market interest rates may affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect the ABANCA Group's results of operations. Consequently, fluctuations in interest rates may therefore have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

***Increased competition in the markets where the ABANCA Group operates may adversely affect the ABANCA Group's growth prospects and operations***

The markets in which the ABANCA Group operates are highly competitive and the ABANCA Group faces substantial competition in all parts of its business, including in originating loans and in attracting deposits. The trend towards consolidation in the banking industry has created larger and stronger banks with which the ABANCA Group must now compete, some of which have received public capital. This trend is expected to continue as the ECB and the Bank of Spain continue to impose measures aimed at strengthening the EU financial sector, especially regarding solvency and liquidity, which, in an environment of low profit levels, may foster consolidation of the Spanish banking sector, especially with respect to less profitable and less capitalised entities. The restructuring undergone by the Spanish banking industry has given rise to a scenario in which the number of entities has been sharply reduced and market concentration has increased. While in 2008 the five largest banks accounted for 42% of the market, in terms of total assets, in 2016 their joint share was 61.8%, an increase of 46% (*source: European Central Bank (2018)*). There can be no assurance that this increasing competition will not adversely affect the growth prospects of the ABANCA Group, and therefore its operations.

The ABANCA Group also faces competition from non-bank competitors, such as department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds, insurance companies, internet-based e-commerce providers, mobile telephone companies and internet search engines and public debt. The resources and size of the ABANCA Group may be more limited than those of some of these non-bank competitors (which, for example, allows them to reach a wider number and scope of potential clients) and, thus, the reaction capacity of the ABANCA Group is reduced.

Certain regulatory changes, such as the Second Payment Services Directive ("**PSD2**"), favour the entry of new competitors (essentially big tech and fintech) and entail a certain risk of platformisation of the banking sector in the long term, with the effect that this would have on competition, margins and loss of the customer relationship. This impact would be greater in some lines such as means of payment and consumer finance.

The size of the EU shadow banking system was little changed in 2017, with total assets of just over €42 trillion at the end of 2017, accounting for around 40% of the EU financial system (*source: EU Shadow Banking Monitor No 3 / September 2018 published by the European Systemic Risk Board*).

The degree of digitalisation of the ABANCA Group's customers (54% of their clients) and their age pyramid make ABANCA consider the competition from digital providers as particularly sensitive in light of the strong brand recognition and significant financial, marketing and other resources which some of such providers have.

If the ABANCA Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, the ABANCA Group's business may be adversely affected. In addition, the ABANCA Group's failure to effectively anticipate or adapt to emerging technologies or changes in customer behaviour, including among younger customers, could delay or prevent the ABANCA Group's access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business.

The rise in customer use of internet and mobile banking platforms in recent years could negatively impact the ABANCA Group's investments in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may necessitate changes to the ABANCA Group's retail distribution strategy, which may include closing and/or selling certain branches and restructuring its remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of the ABANCA Group's remaining branches or to otherwise reform its retail distribution channel. Furthermore, the ABANCA Group's failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect on its competitive position.

### **Market risk**

The ABANCA Group is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its overall financial position, including the ABANCA Group's trading portfolio and other equity investments. Therefore, the ABANCA Group is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. The performance of financial markets may cause changes in the value of the ABANCA Group's investment, available for sale and trading portfolios. In some of the ABANCA Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the ABANCA Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the ABANCA Group for which there are less liquid markets. The volatile nature of the financial markets could result in unforeseen losses for the ABANCA Group.

As of 30 June 2019, excluding the credit investment portfolio, the exposure of the ABANCA Group subject to market risk came to a total €2,601.27 million in fixed income securities with fixed rate and €186.81 million in fixed income securities with floating rate (€6,617.07 million and €188.75 million, respectively, as of 31 December 2018) and €250.65 million in equity instruments (€311.88 million as of 31 December 2018). The fixed income portfolio exposed to market risk mainly comprises government bonds, as of 30 June 2019, 30.73% corresponds to sovereign bonds of the Spanish government, 29.47% to bonds of other countries of the Monetary Economic Union and 3.65% to bonds of government agencies, autonomous regions and bonds backed by the Spanish government (43.71%, 37.35% and 3.74%, respectively, as of 31 December 2018).

A standard measure to evaluate market risk is "VaR" (Value at Risk) <sup>1</sup>. As of 30 June 2019, the VaR of the fixed income securities and equity portfolio (excluding the held-to-maturity portfolio and the credit investment portfolio) of the ABANCA Group, considering a daily time horizon and a confidence level of 99%, was €30.3 million (€42.2 million as of 31 December 2018). In other words, on average, 99 out of 100 times, the real daily losses for the securities portfolio were lower than those reflected by the VaR.

Further, the value of certain financial instruments (such as derivatives not traded on stock exchanges or other public trading markets) are recorded at fair value, which is determined by using financial models other than publicly quoted prices that incorporates assumptions, judgements and estimations that are inherently uncertain and which may change over time or may ultimately be inaccurate. Consequently, failure to obtain correct valuations for such assets may result in unforeseen losses for the ABANCA Group in the case of any asset devaluations. Furthermore, monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the ABANCA Group does not anticipate.

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<sup>1</sup> "VaR" is a statistic that measures and quantifies the potential loss amount within a firm, portfolio or position over a specific timeframe given a probability of occurrence.

The volatility of the equity markets due to recent economic uncertainty has had a particularly strong impact on the financial sector. Continued volatility such as that experienced recently may affect the value of the ABANCA Group's investments in entities in this sector and, depending on their fair value and future recovery expectations could become a permanent impairment which would be subject to write-offs against the ABANCA Group's results and cause volatility in capital ratios, which in turn may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. If the ABANCA Group were to suffer substantial losses due to any such market volatility, it would adversely affect the ABANCA Group's business, financial condition and results of operations.

#### ***Concentration risk***

The ABANCA Group is exposed to concentration risk, which is defined as the possibility of material losses occurring deriving from the level of exposure in a portfolio with certain common features (i.e. the possibility of material losses occurring as a result of the risk of concentration in a private economic group considered to be of great exposure, a reduced group of borrowers whose main source of income comes from the same sector or geographic area in relation to a specific product).

The portfolio of loans to customers of the ABANCA Group consists mainly of loans to large, medium and small enterprises ("SMEs") (representing 38% of the total portfolio of loans as of 30 June 2019) and mortgage and consumer loans granted to individual customers (representing 50% of the total portfolio of loans as of 30 June 2019). SMEs with a high level of debt are more likely to have difficulties in complying with their debt obligations due to unfavourable economic circumstances than other types of clients; therefore, the high concentration in this type of clients could have a negative impact on the income from interest of the ABANCA Group. Furthermore, the high debt of households and of SMEs also limits their capacity to incur any further debt, which reduces the number of new products which, under other circumstances, the ABANCA Group could sell, and it restricts its ability to attract new customers who comply with its credit rating levels, and this could negatively affect the ABANCA Group's business activities.

The availability of complete and accurate financial information, as well as general credit information, on the basis of which decisions concerning loans can be made, is more limited with regard to SMEs than with regard to large-scale corporate customers, and it is even more limited in the case of individual customers. The evaluation of the financial situation of SMEs and individuals entails greater difficulties and, as a result, it is possible to make more mistakes when trying to obtain an accurate evaluation of the credit risk of these borrowers, which could cause an increase in defaulting. In the event of any mistakes in the definition, application or use of the said models, the ABANCA Group could suffer losses due to decisions based mainly on the results of such models.

#### ***The ABANCA Group's exposure to the Spanish real estate market makes it more vulnerable to adverse developments in the Spanish market***

The ABANCA Group is exposed to the Spanish real estate market, and the deterioration of Spanish real estate prices could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. Spanish real estate assets secure many of the ABANCA Group's outstanding loans, and the ABANCA Group holds Spanish real estate assets on its balance sheet, including real estate received in lieu of payment for certain underlying loans. Furthermore, the ABANCA Group has restructured and extended the maturity of certain loans it has made relating to real estate, and the capacity of such borrowers to repay such restructured loans may be materially adversely affected by declining real estate prices.

From 2008 until 2014, as economic growth came to a halt in Spain, housing demand and prices declined leading to a persistent oversupply, while mortgage defaults increased. Since 2015 the Spanish real estate market has showed signs of recovery as housing prices are stabilising and even increasing after deflating for six years and sales are increasing as well owing to pent-up demand, the improvement in employment



rates and easier credit conditions. Despite the upturn in the Spanish real estate market, its recovery is at its early stages. Deterioration of economic conditions, the interruption of such recovery or even, a new downturn in the Spanish real estate market could have a material adverse impact on the ABANCA Group's mortgage default rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

The ABANCA Group has lending exposure to risks in the property development and construction sector, with loans for property construction and/or development amounting to €1,019.4 million (2.9% of the ABANCA Group's total gross loans and receivables to customers) as of 30 June 2019 and €874.7 million (2.8% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2018.

Additionally, as of 30 June 2019 the ABANCA Group portfolio of foreclosed real estate assets stood at €821.92 million (out of which, 47% corresponded to residential assets, 18% to non-residential assets and 35% to other assets). As of 31 December 2018, the ABANCA Group portfolio of foreclosed real estate assets stood at €865.43 million. The gross book value of foreclosed assets sold in the first semester of 2019 was €61.7 million (€164.0 million in 2018). As of 30 June 2019, foreclosed assets coverage ratio was 61.8% (61.5% as of 31 December 2018). Foreclosed assets coverage ratio is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

Declines in property prices decrease the value of the real estate collateral securing the ABANCA Group's mortgage loans and adversely affects the credit quality of property developers to whom the ABANCA Group has lent. Therefore, any defaults by borrowers in the property construction or development sector, as well as the evolution of the Spanish real estate market and adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

#### ***The non-recovery of certain tax assets could negatively affect the ABANCA Group***

As of 30 June 2019, ABANCA had deferred tax assets amounting to a total of €3,362.09 million (€3,358.40 million as of 31 December 2018). These tax assets or credits originate mainly from (i) accounting expenditure not tax-deductible in the year it is reported, but that could be in the future (pre-paid taxes); (ii) negative tax bases in corporation tax due to the losses of the corresponding financial year; and (iii) certain deductions in corporation tax which cannot be applied in the corresponding financial year if the tax base of such tax is negative.

Pursuant to Law 27/2014, of 27 November, on Corporate Income Tax, as amended (the "**CIT Law**"), of the €3,362.09 million deferred tax assets mentioned above, ABANCA considers that €2,646.33 million would become government debt securities (monetisable) if, after 18 years have passed (as from 31 December 2014 or from the accounting record of the tax asset, whichever date is the latest), said tax assets have not been able to be recovered. In this respect, ABANCA plans to pay the financial contribution established under the Additional Provision Thirteen of the CIT Law, having established a provision amounting to €33.50 million in the annual accounts for the year ended on 31 December 2018, that has been paid in July 2019, and a provision amounting to €16.50 million in the consolidated interim financial statements as of 30 June 2019. The future recovery by the ABANCA Group of part of such tax assets will be subject to different time limitations depending on their origin (15 years for deductions pending application regulated by the CIT Law, except for any deduction for research and development and technological innovation activities, the offset deadline for which is 18 years). In addition, there is no time limitation for the offset of negative tax bases and deductions to avoid double taxation. Furthermore, the potential recovery of these tax assets is conditioned or limited by the existence of certain assumptions, such as the obtaining of sufficient profits; the non-reduction of corporation tax; or mistakes or discrepancies with the Spanish tax authorities in the settlement of such tax.

In the event that, in the future (i) the ABANCA Group should not generate profits (or should these be insufficient) within the period established by law in order to offset any non-monetisable tax credits; (ii) corporation tax was reduced; (iii) mistakes are detected in the tax settlements performed, or there are discrepancies therein as a result of verification actions by the Spanish tax authorities; or (iv) there are amendments in the regulations in force, or in the way in which they are applied or interpreted, the ABANCA Group could see the possibility of recovering the amount of these tax assets partly or completely restricted, in which case there could be a material negative impact on the activities, financial situation and operating result of the ABANCA Group.

## 2. Macroeconomic risks

***Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain or in Galicia or any deterioration in the European or Spanish financial system, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations***

The ABANCA Group conducts its business mainly in Spain (as of 30 June 2019, 93% of the total consolidated assets and liabilities of the ABANCA Group were located in Spain (98% as of 31 December 2018) and, as of 30 June 2019, the ABANCA Group held Spanish debt (mainly sovereign) representing 12% of its total consolidated assets (15% as of 31 December 2018)). In particular, it has a remarkable footprint in the autonomous region (*comunidad autónoma*) of Galicia (please see "*Description of ABANCA—Distribution channels*"). Consequently, the income generated by most of the products sold and by the services rendered by the ABANCA Group depends on the economic conditions in Spain and especially in Galicia, and also indirectly on the economic conditions in the EEA.

In 2018 the deficit in Spain stood at 2.6% of gross domestic product ("**GDP**") (source: *Bank of Spain*) and high public deficits pushed public debt to 97.2% of GDP (source: *Bank of Spain*). Moreover, unemployment fell to 14.2% in 2019 (source: *National Statistics Institute of Spain, Economically Active Population Survey – Quarter 2/2019*).

47% of ABANCA's credit granted in Spain is located in Galicia, which gives it better knowledge of the market, making it easier to manage the risk and the quality of acceptance, although at the same time it generates greater dependence on the evolution of the Galician economy. In this regard, Galicia has been growing faster than the Spanish average for the last three years (in 2018: 2.8% vs. 2.6% —source: *Instituto Galego de Estatística (IGE) and Instituto Nacional de Estadística (INE)*) and it is less exposed to Brexit. However, recent protectionist tensions in the international sphere may punish the industrial sector in Galicia (which represented 16.5% of Galicia's GDP as at 30 June 2019 —source: *Instituto Galego de Estatística (IGE)*), insofar as it is a more open economy than the Spanish one (in 2018: 66% vs. 50% —source: *Instituto Galego de Estatística (IGE) and Instituto Nacional de Estadística (INE)*).

At the same time, the economy of the Eurozone has moderated its growth, with a GDP increase of 1.9% in 2018 (source: *Eurostat, Annual national accounts*). The slowdown in the European economy is explained by the lower growth of the large European countries, mainly Italy and Germany.

While GDP growth in Spain is expected to remain positive in the next years, there is uncertainty regarding the sustainability of external growth as well as doubts over Spain's economic policy. Real or perceived difficulties in servicing public or private debt, triggered by foreign or domestic factors such as an increase in global financial risk or a decrease in the rate of domestic growth, could increase Spain's financing costs, hindering economic growth, employment and households' gross disposable income. The European and the Spanish economies could be negatively affected by several risks, both external and internal. External risks include the possibilities of a greater slowdown in the emerging economies and another episode of financial volatility and several political and geopolitical risks. Internal risks in the euro area include the negotiation process regarding the exit by the United Kingdom ("**UK**") from the EU (Brexit), which could have adverse effects on the UK and the rest of EU economies through real and financial channels, or the political situation

in Italy where tensions in 2018 between the Italian government and the EU over Italy's fiscal policy and budget contributed to increased instability.

In addition, while the probability of country defaults has decreased since 2012, the possibility of a European sovereign default still exists. A significant number of financial institutions throughout Europe have substantial exposure to sovereign debt issued by Eurozone (and other) nations, which may be under financial stress (as regards ABANCA, please see "*I. Business and financial risks—Market Risk*" above). Should any of those nations default on their debt, or experience a significant widening of credit spreads, financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions. Moreover, tensions among EU member states, and growing Euro-scepticism in certain EU countries, intensified by the refugee crisis, could pose additional difficulties in the EU's ability to react to any economic risks.

The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports. Accordingly, adverse economic conditions in the Eurozone might have an adverse effect on Spanish economic growth. Any adverse changes affecting the Spanish economy could have a material adverse effect on the Group's business, financial condition and results of operations.

### **3. Internal operational risks**

#### ***Operational risks are inherent in the activity of the ABANCA Group***

The business of the ABANCA Group depends on the ability to process a large number of transactions efficiently and accurately on a daily basis. The operational risks to which the ABANCA Group is exposed include those deriving from processing or registering errors or delays, system failures, internal control breaches, low productivity and the inadequate qualifications of staff, deficient customer service, or external system failures (such as administrative or accounting mistakes, errors in the computer or communication systems), any of which could undermine the operations. Given the large number of transactions carried out (a daily mean of 38 million transactions in the 2018 financial year), such mistakes could be made repeatedly and accumulate before they are discovered and remedied. Furthermore, the implementation of a prior risk assessment is not a sufficient guarantee of an accurate estimate of the costs deriving from such errors.

The ABANCA Group could be subject to claims for losses and damages (even from its clients), as well as to penalties and disciplinary sanctions, deriving from operational risks. Moreover, materialisation of the above risks can also cause damages to the image of the ABANCA Group. All the aforementioned might, in turn, have a negative impact on its activities, financial situation and operating results.

Furthermore, the information technology systems are vulnerable to a series of problems, such as the malfunctioning of hardware and software, computer virus, hacking and computer attacks. The information technology systems need regular updates, and it is possible that the ABANCA Group might not be able to implement the necessary updates in due course or that the updates might not work as anticipated. Moreover, the lack of protection of the transactions of the ABANCA Group and the financial sector against cyberattacks could cause the loss of data or compromise consumer data or other sensitive information. Cybersecurity risks may become more relevant in the coming years as the ABANCA Group continues to increase its internet-based product and services offering and expand its clients' usage of web-based products and applications. These threats are increasingly sophisticated and there cannot be any assurance that the ABANCA Group or the financial sector in general could avoid all failures, incursions and other attacks on its systems. Apart from the costs that might be incurred as a result of any failure in the information technology systems, the ABANCA Group may have to face sanctions from banking and other regulatory agencies in the event of failing to comply with applicable banking or information regulations.

As at 30 June 2019, the capital requirements associated to the operational risk of the ABANCA Group amounted to €105.3 million. In the financial year ended 31 December 2018, net operating managing losses

of the ABANCA Group (excluding losses associated with significant legacy incidents whose mitigation measures have already been implemented) amounted to €2.8 million.

***The ABANCA Group may face business combination risks***

The ABANCA Group has undertaken and may in the future undertake acquisitions and/or divestments of businesses, operations, assets and/or entities. Acquisitions and divestment transactions may involve complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may, therefore, not be achieved or be delayed. Furthermore, the ABANCA Group may incur unforeseen liabilities from former and future acquisitions and divestments which could have a material adverse effect on its business, financial condition and capital, results of operations and prospects.

Please see "*Description of ABANCA—History*" for a description of the two most recent acquisition transactions undertaken (or to be undertaken) by ABANCA: (i) the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal ("**DB PCB**"), which represented the first cross-border acquisition for the ABANCA Group; and (ii) ABANCA's selection by the Portuguese Council of Ministers to acquire 99.8% of the shares in Banco Caixa Geral, S.A. ("**BCG**"), the Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos.

**4. Legal and regulatory risks**

***The ABANCA Group is subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a material adverse effect on its business, results of operations and financial condition***

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crisis. The ABANCA Group's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the EU and the other markets in which it operates. The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. This creates significant uncertainty for the Bank and the financial industry in general.

The regulations which most significantly affect the ABANCA Group, or which could most significantly affect the ABANCA Group in the future, include regulations relating to capital and liquidity requirements, which have become increasingly strict in the past few years. It is particularly noteworthy how regulation has also increased in terms of customer and investor protection and digital and technological matters, including: (i) the Directive on credit agreements for consumers relating to residential immovable property; (ii) the Basic Payment Accounts Directive; (iii) the PSD2; (iv) the General Data Protection Regulation; (v) the Markets in Financial Instruments Directive; (vi) the Insurance Distribution Directive; (vii) the Benchmarks Regulation; and, in connection with insurance business, (viii) the Solvency II framework, or (ix) the Fourth Anti Money Laundering Directive.

Any required changes to the ABANCA Group's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the ABANCA Group's ability to pursue business opportunities in which the ABANCA Group might otherwise consider engaging, affect the value of assets that the ABANCA Group holds, require the ABANCA Group to increase its prices and therefore reduce demand for its products, impose additional costs on the ABANCA Group or otherwise adversely affect the ABANCA Group's businesses.

In addition, the accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the individual and consolidated financial statements. These changes can materially impact how the ABANCA Group records and reports its financial condition and results of operations. In some cases, the ABANCA Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. Furthermore, regulatory fragmentation, with some countries implementing new and more stringent standards or regulation, could adversely affect the ABANCA Group's ability to compete with financial institutions based in other jurisdictions which do not need to comply with such new standards or regulation and the ABANCA Group may face higher compliance costs.

***Increasingly onerous capital, liquidity and funding requirements constitute one of the ABANCA Group's main regulatory challenges***

The Bank and the ABANCA Holding Group are subject to certain capital, liquidity and funding requirements (as described in the section "*Capital, liquidity and funding requirements*"). There can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require the Bank to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

The table below sets out ABANCA's, ABANCA Group's and the ABANCA Holding Group's Common Equity Tier 1 ("**CET1**") ratios, Tier 1 ratios, total capital ratios as of 30 June 2019, 31 December 2018 and 31 December 2017:

	Phased in			Fully Loaded		
	Abanca	Abanca Group	Abanca Holding Group	Abanca	Abanca Group	Abanca Holding Group
CET1 ratio as at 30 June 2019	14.2%	14.7%	13.6%	13.7%	14.0%	12.9%
CET1 ratio as at 31 December 2018	14.6%	14.9%	13.7%	13.9%	14.0%	12.8%
CET1 ratio as at 31 December 2017	14.3%	14.9%	14.0%	14.0%	14.3%	13.2%
Tier 1 ratio as at 30 June 2019	15.0%	15.6%	14.3%	14.5%	14.9%	13.5%
Tier 1 ratio as at 31 December 2018	15.5%	15.8%	14.4%	14.8%	14.9%	13.5%
Tier 1 ratio as at 31 December 2017	14.3%	14.9%	14.0%	14.0%	14.3%	13.2%
Total Capital ratio as at 30 June 2019	16.3%	16.9%	15.3%	15.8%	16.1%	14.5%
Total Capital ratio as at 31 December 2018	15.5%	15.8%	14.6%	14.9%	14.9%	13.7%
Total Capital ratio as at 31 December 2017	14.7%	15.3%	14.3%	14.3%	14.7%	13.6%

The differences between the ABANCA Group's and ABANCA Holding Group's ratios derive from the different amounts of CET1 capital, Tier 1 capital and Total Capital (numerators of the relevant ratios) of both groups. The differences between those amounts are due to (i) the different minority shareholders' structure of the parent companies of both groups, and (ii) the different deduction structures between both groups as a consequence of the different thresholds to activate deductions in each group and the different amounts subject to deduction.

The Liquidity Coverage Ratio ("**LCR**") of the ABANCA Group was 196% as at 30 June 2019 (191% as of 31 December 2018 and 229% as of 31 December 2017).

In addition, as described in the section "*Capital, liquidity and funding requirements*", failure by the Bank or the ABANCA Holding Group to comply with certain of the existing regulatory requirements could result in the imposition of administrative actions or sanctions, such as further "Pillar 2" requirements or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**"), which, together with Royal Decree 1012/2015, of 6 November, developing Law 11/2015 ("**Royal Decree 1012/2015**") have implemented Directive 2014/59/EU, of 15 May, establishing a

framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") into Spanish law, which may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future.

For example, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee. On 7 December 2017, the ABANCA Group of Governors and Heads of Supervision ("**GHOS**") of the Basel Committee on Banking Supervision ("**BCBS**") published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment ("**CVA**") risks, introduces a floor to the consumption of capital by internal ratings-based methods ("**IRB**") and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use for portfolios with low levels of noncompliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches; (v) the introduction of a leverage ratio buffer for global systemically important institutions ("**G-SII**"); and (vi) regarding capital consumption, the establishment of a minimum limit on the aggregate results (output floor), which prevents the RWAs of the banks generated by internal models from being lower than the 72.5% of the RWAs that are calculated with the standard methods of the Basel III framework. The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks. There is uncertainty with regards to how and when they will be implemented in the EU.

Another example are the continuous revisions on the NPLs coverage amounts expected by the regulator. On 15 March 2018, the ECB published the addendum (the "**Addendum**") to the ECB Guidance to banks on NPLs published on 20 March 2017 (the "**NPL Guidance**"). The Addendum specifies the ECB's supervisory expectations for prudent levels of provisions for new NPLs, it is non-binding and will serve as the basis for the supervisory dialogue between the significant banks and ECB banking supervision. The ECB will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually. During the supervisory dialogue, the ECB will discuss with each bank divergences from the prudential provisioning expectations laid out in the addendum. After this dialogue and taking into account the bank's specific situation, ECB Banking Supervision will decide, on a case-by-case basis, whether and which supervisory measures are appropriate. The result of this dialogue will be incorporated, for the first time, in the 2021 SREP. In addition, in a press release dated 11 July 2018, the ECB announced that, in order to address the stock of NPLs and with the aim of achieving the same coverage of NPL stock and flow over the medium term, it would set bank-specific supervisory expectations for the provisioning of NPLs. Such supervisory expectations for NPL provisioning, which are part of the ongoing supervisory dialogue, will add more pressure on financial results. As part of the EU Commission's package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 amends CRR as regards minimum loss coverage for non-performing exposures ("**NPEs**"), introducing a clear set of conditions for the classification of NPEs. This regulation establishes clear criteria on the determination of non-performing exposures, the concept of forbearance measures, deduction for non-performing exposures and treatment of expected loss amounts.

### ***The ABANCA Group is exposed to risk of loss from legal and regulatory claims***

The members of the ABANCA Group are and in the future may be involved in various claims, disputes, legal proceedings and governmental investigations. The outcome of these claims, disputes, legal proceedings and governmental investigations is inherently difficult to predict, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, and, therefore, ABANCA cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be or if the reserves accounted will be sufficient.

Among the legal proceedings in which the ABANCA Group is involved there are several proceedings related to mortgage "floor clauses" (in connection with which ABANCA has set aside provisions amounting to €5 million as of 30 June 2019), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which ABANCA has set aside provisions amounting to €3 million as of 30 June 2019) and proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which ABANCA has set aside provisions amounting to €6 million as of 30 June 2019).

On 5 November 2018, the Supreme Court (*Tribunal Supremo*) held a plenary session to determine whether the borrower (as per traditional case law) or the lender (as ruled out in recent decisions of the Third Chamber (Administrative) of the Supreme Court) must pay the stamp duty (*actos jurídicos documentados*) levied on the public deeds that document the granting of a loan with a mortgage guarantee. On 27 November 2018, the Supreme Court published the rulings, stating that it had decided to confirm the traditional case law and determined that the borrower must pay the stamp duty in relation to the granting of mortgage loans. After this decision, the Spanish government approved Royal Decree-Law 17/2018, of 8 November, amending the Spanish Stamp Duty Law and set forth that as from 10 November 2018 stamp duty levied on the public deeds that document the granting of a loan with a mortgage guarantee shall be paid by the lender. This notwithstanding, customers may still claim that credit entities, including ABANCA, should bear this cost and first instance courts may rule in their favour on the basis of the recent case law of the Third Chamber (Administrative) of the Supreme Court. Also, courts may request to the European Court of Justice (the "ECJ") a preliminary ruling on the interpretation of the Spanish Stamp Duty Act, and the ECJ could decide that lenders must pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018.

These types of claims and proceedings may expose the ABANCA Group to monetary damages, direct or indirect costs or financial loss, civil and criminal penalties, loss of licenses or authorisations, or loss of reputation, as well as the potential regulatory restrictions on the ABANCA Group's businesses, all of which could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

### **Risks relating to the Notes**

***The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Holders of the Notes under, and the value of, any Notes***

As further explained in "*Capital, Liquidity and Funding Requirements - Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation*", the Notes may be subject to the bail-in tool (the Spanish Bail-in Power as defined therein) and to the write down and conversion powers (the "**Non-Viability Loss Absorption**" as defined therein) contemplated in article 59 of BRRD and in general to the powers that may be exercised by the Relevant Resolution Authority (as defined below) under Law 11/2015 and the Regulation (EU) No 806/2014, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single

Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**").

To the extent that any resulting treatment of a Holder of the Notes pursuant to the exercise of the Spanish Bail-in Power or Non-Viability Loss Absorption is less favourable than would have been the case in normal insolvency proceedings, a Holder of such affected Notes may have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of Royal Decree 1012/2015 and the SRM Regulation. Any such compensation, together with any other compensation provided by any Applicable Banking Regulations (including, among other such compensation, in accordance with Article 36.5 of Law 11/2015) is unlikely to compensate that Holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the affected Notes. In addition, in the case of a Non-Viability Loss Absorption, it is unclear that a Holder would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such Holder pursuant to the exercise of the Non-Viability Loss Absorption was less favourable than would have been the case in normal insolvency proceedings.

The powers set out in the BRRD as implemented through Law 11/2015, Royal Decree 1012/2015 and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, Holders may be subject to, among other things, on any application of the Spanish Bail-in-Power a write down (including to zero) or conversion into equity or other securities or obligations of amounts due under the Notes and additionally may be subject to any Non-Viability Loss Absorption. The exercise of any such powers (or any other resolution powers and tools) may result in such Holders losing some or all of their investment or otherwise having their rights under the Notes adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in Holders receiving a different security, which may be worth significantly less than the Notes.

Furthermore, the exercise of the Spanish Bail-in Power (including the exercise of the Non-Viability Loss Absorption) with respect to the Notes or the taking by the Relevant Resolution Authority (as defined in "*Capital, Liquidity and Funding Requirements - Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation*") of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Holders, the market price or value or trading behaviour of any Notes and/or the ability of the Bank to satisfy its obligations under any Notes. There may be limited protections, if any, that will be available to holders of securities subject to the Spanish Bail-in Power (including the Notes) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly, Holders of the Notes may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power.

The exercise of the Spanish Bail-in Power and/or any Non-Viability Loss Absorption by the Relevant Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Holders of the Notes may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power and/or any Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

This uncertainty may adversely affect the value of the Notes. The price and trading behaviour of the Notes may be affected by the threat of a possible exercise of any power under Law 11/2015 (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Resolution Authority may exercise any such powers without providing any advance notice to the Holders.



In addition to the guidance on bail-in provided by the European Banking Authority under the BRRD dated 5 April 2017, the EBA's preparation of certain regulatory technical standards and implementing technical standards to be adopted by the European Commission and certain other guidelines is pending. These acts could be potentially relevant to determining when or how a Relevant Resolution Authority may exercise the Spanish Bail-in Power and impose Non-Viability Loss Absorption. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a Holder of Notes under, and the value of a Holder's investment in, the Notes.

In addition to the BRRD, it is possible that the application of other relevant laws, such as the Basel Committee on Banking Supervision package of reforms to the regulatory capital framework for internationally active banks designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss and any amendments thereto or other similar regulatory proposals, including proposals by the Financial Stability Board (the "FSB") on cross-border recognition of resolution actions, could be used in such a way as to result in the Notes absorbing losses in the manner described above. Any actions by the Relevant Resolution Authority pursuant to the ones granted by Law 11/2015, or other measures or proposals relating to the resolution of institutions, may adversely affect the rights of Holders of the Notes, the price or value of an investment in the Notes and/or the Bank's ability to satisfy its obligations under the Notes.

***The obligations of the Bank under the Notes are subordinated***

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of Law 22/2003, of 9 July, on Insolvency (the "**Insolvency Law**") read in conjunction with Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) and upon the insolvency of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments would rank as set out in Condition 2. For these purposes, as of the date of this Prospectus and according to Additional Provision 14.3° of Law 11/2015, the ranking of the Notes and any other subordinated obligations of the Bank may depend on whether those obligations qualify at the relevant time as Additional Tier 1 Instruments or Tier 2 Instruments or constitute subordinated obligations of the Bank not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments. See Condition 2 for the complete provisions regarding the ranking of the Notes.

In addition, if the Bank were wound up or liquidated, the Bank's liquidator would first apply the assets of the Bank to satisfy all claims of holders of unsubordinated obligations of the Bank and other creditors ranking ahead of Holders. If the Bank does not have sufficient assets to settle claims of prior ranking creditors in full, the claims of the Holders under the Notes will not be satisfied. Holders will share equally in any distribution of assets with the holders of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Notes if the Bank does not have sufficient funds to make full payment to all of them. In such a situation, Holders could lose all or part of their investment.

***The Notes provide for limited events of default***

The Conditions do not provide for any events of default, except in the case that an order is made by any competent court commencing insolvency proceedings against the Bank or for its winding up or dissolution (other than as permitted in Condition 6 (Default)). Accordingly, in the event that any payment on the Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their Notes but will have no right to accelerate such Notes.

As mentioned above, pursuant to the BRRD as implemented through Law 11/2015 and Royal Decree 1012/2015, the Bank may be subject to a procedure of early intervention or resolution. Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Bank to exercise any rights it may otherwise have in

respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the adoption of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Holder of its rights under the Notes upon the occurrence of an event of default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 and Royal Decree 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Holders of the Notes under, and the value of, any Notes*").

Any claims on the occurrence of an event of default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015 and Royal Decree 1012/2015. There can be no assurance that the taking of any such action would not adversely affect the rights of Holders, the price or value of their investment in the Notes and/or the ability of the Bank to satisfy its obligations under the Notes and the enforcement by a Holder of any rights it may otherwise have on the occurrence of any event of default may be limited in these circumstances.

***The Notes may be redeemed at the option of the Bank***

All, but not some only of the Notes may be redeemed at the option of the Bank on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

The redemption of the Notes at the option of the Bank is subject to the prior Supervisory Permission (as defined in the Conditions) and compliance with Applicable Banking Regulations then in force. Under the CRR, Supervisory Permission shall be given by the Competent Authority provided that either of the following conditions is met:

- (i) on or before such redemption of the Notes, the Bank replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or
- (ii) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, exceed the requirements laid down in CRR, CRD IV and BRRD by a margin that the Competent Authority considers necessary.

Currently, the procedure by which such Supervisory Permission is to be obtained is further prescribed in Articles 29 to 31 of Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014.

The Notes are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption (subject to the prior Supervisory Permission and otherwise in accordance with Applicable Banking Regulations then in force) if there is a Capital Event or a Tax Event. In this case, in addition to the above described conditions, redemption requires that the Bank demonstrates to the satisfaction of the Competent Authority that such Capital Event or Tax Event was not reasonably foreseeable at the Issue Date and that the Capital Event is sufficiently certain or that the Tax Event is material.

Under the Notes, a Capital Event is (i) a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Notes that results (or would be likely to result) in the exclusion of any of the aggregate principal amount of the Notes from the Tier 2 Capital of

the Bank, the ABANCA Group or the ABANCA Holding Group (in each case, to the extent required by Applicable Banking Regulations); or (ii) the reclassification of any other principal amount of the Notes as a lower quality form of regulatory capital of the Bank, the ABANCA Group or the ABANCA Holding Group (in each case, to the extent required by Applicable Banking Regulations). See also Condition 4.5.

Upon the completion of the Merger (see section "*Description of ABANCA – History and development – History*"), capital requirements will cease to be required under the Applicable Banking Regulations at the level of the ABANCA Holding Group and, accordingly, references to ABANCA Holding or the ABANCA Holding Group in the Conditions will cease to be applicable and this will not result in a Capital Event.

For the purposes of the Notes, a Tax Event is a change in, or amendment to, the laws or regulations of the Kingdom of Spain, or any change in the official application or interpretation of such laws or regulations that results in (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest in respect of the Notes or the value of such deduction to the Bank being materially reduced, or (b) the Bank being obliged to pay additional amounts pursuant to Condition 7, or (c) the applicable tax treatment of the Notes being materially affected and, in each case, cannot be avoided by the Bank taking reasonable measures available to it. See also Condition 4.4.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or, in the case of a redemption of the Notes for tax reasons, the official application or interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Bank is able to elect to redeem the Notes, and if so whether or not the Bank will elect to exercise such option to redeem the Notes or any prior consent of the Competent Authority required for such redemption will be given. There can be no assurances that, in the event of any such early redemption, Holders will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

In addition, the redemption feature of the Notes is likely to limit their market value. During any period when the Bank has the right to elect to redeem the Notes or there is a perceived increase in the likelihood that the Bank will exercise the right to elect to redeem the Notes, the market value of the Notes is unlikely to rise substantially above the price at which they can be redeemed. This may also be true prior to such period.

***The terms of the Notes contain a waiver of set-off rights***

The Conditions provide that Holders waive any set-off, netting or compensation rights against any right, claim, or liability the Bank has, may have or acquire against any Holder, directly or indirectly, howsoever arising. As a result, Holders will not at any time be entitled to set-off the Bank's obligations under the Notes against obligations owed by them to the Bank.

***Substitution and variation of the Notes without Holder consent***

Subject to Condition 4.6, if a Tax Event or a Capital Event occurs, the Bank may, instead of redeeming the Notes, at any time, without the consent of the Holders, and subject to compliance with Applicable Banking Regulations and to the prior Supervisory Permission, either (a) substitute new notes for all (but not some only) the Notes whereby such new notes shall replace the Notes or (b) vary the terms of all (but not some only) the Notes, so that the Notes may become or remain Qualifying Tier 2 Notes (as defined in the Conditions), provided that such substitution or variation shall not result in terms that are materially less favourable to the Holders, as certified by two Authorised Signatories (as defined in the Conditions) of ABANCA and an Independent Financial Adviser (as defined in the Conditions). In the exercise of its discretion, the Bank will have regard to the interest of the Holders as a class.

While Qualifying Tier 2 Notes must contain terms that are materially no less favourable to Holders as the original terms of the Notes, there can be no assurance that the terms of any Qualifying Tier 2 Notes will be viewed by the market as equally or more favourable, or that the Qualifying Tier 2 Notes will trade at prices

that are equal to or higher than the prices at which the Notes would have traded on the basis of their original terms.

Moreover, prior to the making of any such substitution or variation, the Bank, shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Holders. No Holder shall be entitled to claim, whether from the Bank, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Holders of Notes.

***Limitation on gross-up obligation under the Notes***

The Bank's obligation under Condition 7 to pay additional amounts in the event of any withholding or deduction in respect of taxes on any payments of interest and any other amounts does not apply to any repayment of principal. Accordingly, if any such withholding or deduction were to apply, Holders of the Notes may receive less than the full amount of principal due under the Notes upon redemption, and the market value of the Notes may be adversely affected.

***Risks relating to EURIBOR and other "benchmarks"***

The determination of the interest in respect of the Notes after the Reset Date is dependent upon the relevant 6-month Euro Interbank Offered Rate ("**EURIBOR**") calculated at the relevant time (as specified in the Conditions). The EURIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform (including through the Benchmarks Regulation). Following the implementation of any such reforms, the manner of administration of benchmarks may change with the result that they may perform differently than in the past or other consequences which cannot be predicted.

In this respect, the Benchmark Regulation applies to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" (or, if non-EU based, to be subject to equivalent requirements) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed).

The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices, applies to many interest rate and foreign exchange rate indices, equity indices and other indices (including "proprietary" indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue or via a systematic internaliser, financial contracts and investment funds, which could also include the 5-year Mid-Swap Rate.

In relation to the above, on 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London InterBank Offered Rate ("**LIBOR**"), announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. In a further speech on 12 July 2018, the UK Financial Conduct Authority emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021, which indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Other interbank offered rates such as EURIBOR suffer from similar weaknesses to LIBOR and as a result (although no deadline has been set for their discontinuation), they may be discontinued or be subject to changes in their administration.

The ECB and other European authorities have discussed proposals for alternative benchmarks. For example, the ECB announced plans for a new overnight rate for interbank unsecured lending among Euro-area banks in September 2017. The impact of such an overnight rate on six-month EURIBOR is currently unclear. In

March 2017, the EMMI published a position paper referring to certain proposed reforms to EURIBOR. The EMMI has since indicated that there has been a "change in market activity as a result of the current regulatory requirements and a negative interest rate environment" and "under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path". In March 2018, EMMI published its first consultation paper on a hybrid methodology for EURIBOR, seeking the market's views on the proposed methodology. Following this, EMMI undertook a 3-month test of the hybrid methodology. In October 2018, EMMI published its second consultation setting out further details regarding the hybrid methodology. In February 2019, EMMI published a summary of stakeholder feedback on its second consultation received from a range of respondents during the consultation period, and also published a blueprint of the methodology, targeted to non-expert audiences and aimed at providing further transparency and clarity on the hybrid methodology.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Notes for the Reset Period is based on a reset mid-swap rate and may be determined for the Reset Period by the fall-back provisions applicable to the Notes. Moreover, the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the benchmark.

#### ***Discontinuation of the 5-year Mid-Swap Rate***

If a Benchmark Event (as defined in Condition 14 (which, amongst other events, includes the permanent discontinuation of the 5-year Mid-Swap Rate)) occurs, the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser to determine a Successor Rate or Alternative Rate to be used in place of the 5-year Mid-Swap Rate. If the Bank is unable to appoint an Independent Financial Adviser; or the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

Furthermore, if a Successor Rate or Alternative Rate is determined in accordance with the Conditions the Independent Financial Adviser or the Bank (as applicable), may vary certain aspects of the Conditions, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, without any requirement for consent or approval of the Holders.

If a Successor Rate or Alternative Rate is determined by the Independent Financial Adviser or the Bank (as applicable), the Conditions also provide that an Adjustment Spread may be determined by the Bank and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Holders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Reset Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) may still result in the Notes performing differently (which may include payment of a lower Reset Rate of Interest) than they would if the 5-year Mid-Swap Rate were to continue to apply.

The Bank may be unable to appoint an Independent Financial Adviser or the Independent Financial Adviser or the Bank (as applicable) may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Bank is unable to appoint an Independent Financial Adviser in a timely manner, or the Independent Financial Adviser or the Bank (as applicable) is unable to determine a Successor Rate or Alternative Rate before the Reset Determination Date, the 5-year Swap-Rate applicable to each Interest Period during that Reset Period will be equal to the last available 5-year Mid-Swap Rate on the Screen Page and will continue to apply to final redemption.

The Conditions also provide that no Successor Rate or Alternative Rate or Adjustment Spread (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Bank, the ABANCA Group or the ABANCA Holding Group.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Notes. See "*Conditions of the Notes—Interest Payments — Benchmark discontinuation*".

## INFORMATION INCORPORATED BY REFERENCE

The information set out below shall be deemed to be incorporated by reference in, and to form part of, this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement:

- (i) ABANCA Group's unaudited condensed consolidated interim financial statements prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the consolidated interim director's report as of and for the six-month period ended 30 June 2019, together with the limited review report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-1s-2019-es.pdf>) (together, the "**2019 Consolidated First Semester Interim Financial Statements**").

The 2019 Consolidated First Semester Interim Financial Statements were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 280,758) on 29 July 2019, which is available at the CNMV's website.

- (ii) ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 2018, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2018-es.pdf>) (together, the "**2018 Consolidated Annual Accounts**").

The 2018 Consolidated Annual Accounts were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 276,447) on 26 March 2019, which is available at the CNMV's website.

- (iii) ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 2017, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-consolidadas-2017-es.pdf>) (together, the "**2017 Consolidated Annual Accounts**").

The 2017 Consolidated Annual Accounts were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 264,389) on 19 April 2018, which is available at the CNMV's website.

- (iv) ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 2016, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2016-es.pdf>) (together, the "**2016 Consolidated Annual Accounts**").

The 2016 Consolidated Annual Accounts were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 250,682) on 12 April 2017, which is available at the CNMV's website.

- (v) ABANCA's audited individual annual accounts prepared in accordance with Bank of Spain Circular 4/2004 (as amended), and the directors' report as of and for the year ended 31 December 2018, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-individuales-2018-es.pdf>) (together, the "**2018 Individual Annual Accounts**").

The 2018 Individual Annual Accounts were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 276,448) on 26 March 2019, which is available at the CNMV's website.

- (vi) ABANCA's audited individual annual accounts prepared in accordance with Bank of Spain Circular 4/2004 (as amended), and the directors' report as of and for the year ended 31 December 2017, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-individuales-2017-es.pdf>) (together, the "**2017 Individual Annual Accounts**").

The 2017 Individual Annual Accounts were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 264,389) on 19 April 2018, which is available at the CNMV's website.

- (vii) ABANCA's audited individual annual accounts prepared in accordance with Bank of Spain Circular 4/2004 (as amended) and the directors' report as of and for the year ended 31 December 2016, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-individuales-2016-es.pdf>) (together, the "**2016 Individual Annual Accounts**").

The 2016 Individual Annual Accounts were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 250,682) on 12 April 2017, which is available at the CNMV's website.

Each document incorporated herein by reference is only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of ABANCA or the ABANCA Group, as the case may be, since the date thereof or that the information contained therein is current as of any time subsequent to its date.

Any documents themselves contained in or incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the corporate website of the Issuer does not form part of this Prospectus.

The 2016 Consolidated Annual Accounts and the 2016 Individual Annual Accounts have been incorporated by ABANCA on a voluntary basis as it is not a requirement under the Prospectus Regulation.

#### **English translations**

English translations of the unaudited condensed consolidated interim financial statements and the directors' report as of and for the six-month period ended 30 June 2019, together with the English translation of the limited review report thereon, of the audited individual and consolidated annual accounts and the individual and consolidated directors' reports as of and for the years ended 31 December 2018, 31 December 2017 and 31 December 2016, together with the English translations of the auditors' reports thereon, are available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-1s-2019-en.pdf>, <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2018-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-individuales-2018-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-individuales-2017-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-consolidadas-2017-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-individuales-2016-en.pdf>, and <http://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2016-en.pdf>, respectively).

The referred English translations are for information purposes only. In the event of a discrepancy, the original Spanish-language versions prevail.



## CONDITIONS OF THE NOTES

*The following is the text of the Conditions of the Notes.*

The Notes (as defined below) have been issued by ABANCA Corporación Bancaria, S.A. (the "**Bank**") by virtue of the resolutions passed by the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 29 July 2019.

### 1. Form, Denomination and Title

1.1 The Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €300,000,000 and in the denomination of €100,000 (as reduced from time to time by any write down or cancellation, as the case may be, the "**principal amount**" of a Note).

1.2 The Notes have been registered with Iberclear as managing entity of the central registry of the Spanish settlement system (the "**Spanish Central Registry**"). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream Luxembourg**") with Iberclear.

Iberclear manages the settlement of the Notes, notwithstanding the Bank's commitment to assist, when appropriate, on the clearing and settlement of the Notes through Euroclear and Clearstream Luxembourg.

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Notes: ES0265936015. The Common Code for this issue is 206068736.

1.3 Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the "**Holder**" means the person in whose name such Notes are for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

One or more certificates (each a "**Certificate**") attesting to the relevant Holder's holding of Notes in the relevant registry will be delivered by the relevant Iberclear Member or by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

The Notes have been issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

## 2. Status of Notes

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law and, in accordance with Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments would rank:

- (a) senior to:
  - (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law qualifying as Additional Tier 1 Instruments;
  - (ii) any claims for the liquidation amount of the ordinary shares of the Bank, and
  - (iii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the Bank's obligations under the Notes;
- (b) *pari passu* among themselves and with:
  - (i) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law qualifying as Tier 2 Instruments of the Bank; and
  - (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Bank's obligations under the Notes; and
- (c) junior to:
  - (i) any claims for principal in respect of unsubordinated obligations (*créditos ordinarios*) of the Bank;
  - (ii) any subordinated obligations (*créditos subordinados*) of the Bank under Article 92.1° of the Insolvency Law;
  - (iii) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; and
  - (iv) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Bank's obligations under the Notes.

## 3. Interest Payments

### 3.1 Interest Rate

The Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

### 3.2 Interest Accrual

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 4.1, 4.3, 4.4 or 4.5 or the date of cancellation thereof pursuant to Condition 4.8, as the case may be, unless payment of all amounts due in respect of such Note (if any) is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note for any period shall be equal to the product of the outstanding principal amount of the Note, the relevant Interest Rate and the day-count fraction as described in Condition 3.1 for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

### 3.3 Initial Fixed Interest Rate

During the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 4.625 per cent. per annum (the "**Initial Fixed Interest Rate**"). The amount of interest payable on each Interest Payment Date during the Initial Fixed Rate Interest Period shall be €4,625 in respect of each Note of €100,000 denomination; except for the amount of interest payable on the first Interest Payment Date, which shall be €2,312.5 in respect of each Note of €100,000 denomination.

### 3.4 Reset Rate of Interest

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 3 on the Reset Date. The Reset Rate of Interest will be determined by the Bank on the Reset Determination Date as the sum of the 5-year Mid-Swap Rate and the Margin. From (and including) the Reset Date the Notes bear interest at the Reset Rate of Interest.

### 3.5 Determination of Reset Rate of Interest

The Bank will, as soon as practicable after 11:00 a.m. (Central European time) on the Reset Determination Date, determine the Reset Rate of Interest in respect of the Reset Period.

### 3.6 Publication of Reset Rate of Interest

The Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 3 in respect of the Reset Period to be given to Holders in accordance with Condition 10 as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

### 3.7 Benchmark discontinuation

#### (a) Independent Financial Adviser

If at the time of determination of the Reset Rate of Interest, a Benchmark Event occurs or has occurred and is continuing, then the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.7(b))

and, in either case, an Adjustment Spread if any (in accordance with Condition 3.7(c)) and any Benchmark Amendments (in accordance with Condition 3.7(d)).

If the Bank (i) is unable to appoint an Independent Financial Adviser; or, (ii) the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.7(a) prior to the Reset Determination Date, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

If the Bank is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the Reset Determination Date, the relevant 5-year Mid-Swap Rate applicable to each Interest Period ending during the Reset Period shall be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as a rate, on the relevant Screen Page.

For the avoidance of doubt, this Condition 3.7(a) shall apply to all payments of interest on the Notes from the end of the Initial Fixed Interest Rate Period onwards only, and the interest payable on the Notes during the Reset Period is subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.7(a).

(b) Successor Rate or Alternative Rate

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes from the end of the Initial Fixed Rate Interest Period onwards (subject to the operation of this Condition 3.7); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes from the end of the Initial Fixed Rate Interest Period onwards (subject to the operation of this Condition 3.7).

(c) Adjustment Spread

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 3.7 and the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that amendments to the day count fraction, the business days convention, the Reset Determination Date, the floating leg of the 5-year Mid-Swap Rate, the Reset Rate of Interest, and the method for determining the fallback rate in relation to the Notes are necessary in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Bank shall, subject to giving notice thereof in accordance with Condition 3.7(e), without any requirement for consent or approval of the Holders, vary these Conditions to give effect to such Benchmark Amendments with the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.7(d), the Bank shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 3.7 will be notified promptly by the Bank to the Holders in accordance with Condition 10. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any, and will be binding on the Bank and the Holders.

(f) Survival of 5-year Mid-Swap Rate

Without prejudice to the obligations of the Bank under this Condition 3.7, the 5-year Mid-Swap Rate and the fallback provisions otherwise provided for in these conditions will continue to apply unless and until a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 3.7, no Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Bank, the ABANCA Group or the ABANCA Holding Group.

#### 4. Redemption, Substitution, Variation and Purchase

##### 4.1 Final Redemption

Unless previously redeemed or purchased and cancelled pursuant to Conditions 4.7 and 4.8 or substituted and cancelled pursuant to Conditions 4.6 and 4.8, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 7 April 2030. The Notes may not be redeemed at the option of the Bank other than in accordance with this Condition 4.

##### 4.2 Conditions to Redemption, Substitution, Variation and Purchase prior to Final Redemption

The Bank may, subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission, when applicable, redeem or purchase the Notes or substitute or vary the terms of the Notes in each case in accordance with Conditions 4.3, 4.4, 4.5, 4.6 or 4.7(a).

As of the Issue Date, Article 78(1) of the CRR provides that the Competent Authority will give its consent to a redemption, repayment or repurchase of the Notes provided that either of the following conditions is met:

- (a) on or before such redemption, repayment or repurchase of the Notes, the Bank replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Bank; or
- (b) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, repayment or repurchase, exceed the requirements laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Competent Authority considers necessary.

Prior to the publication of any notice of substitution, variation or redemption pursuant to Conditions 4.4, 4.5 and 4.6, the Bank shall make available to the Holders at its registered office a certificate signed by two of its duly Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied.

#### 4.3 Bank's Call Option

Subject to Condition 4.2, the Bank may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable), elect to redeem all, but not some only, of the Notes on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

#### 4.4 Redemption Due to Tax Event

If, prior to the giving of the notice referred to below in this Condition 4.4, a Tax Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

As of the Issue Date, Article 78(4) of the CRR provides that the Competent Authority may only permit the Bank to call, redeem, repay or repurchase the Notes during the five years following the Issue Date in the case of a Tax Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable at the Issue Date.

#### 4.5 Redemption Due to Capital Event

If, prior to the giving of the notice referred to below in this Condition 4.5, a Capital Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

As of the Issue Date, Article 78(4) of the CRR provides that the Competent Authority may only permit the Bank to call, redeem, repay or repurchase the Notes during the five years following the Issue Date in the case of a Capital Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification was not reasonably foreseeable at the Issue Date.

#### 4.6 Substitution or Variation

If a Tax Event or a Capital Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 but without any requirement for the consent or approval of the Holders, at any time (whether before, on or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of all (but not some only) of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Notes. Upon the expiry of such notice, the Bank shall either vary the terms of or substitute the Notes in accordance with this Condition 4.6, as the case may be.

Any notice provided in accordance with this Condition 4.6 shall be irrevocable, specify the relevant details of the manner in which such substitution or, as the case may be, variation shall take effect (including the date for substitution or variation) and where the Holders can inspect or obtain copies of the new conditions of the Notes. Such substitution or, as the case may be, variation will be effected without any cost or charge to the Holders.

In connection with any substitution or variation in accordance with this Condition 4.6, the Bank shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

#### 4.7 Purchases

- (a) The Bank, or any member of the ABANCA Group or the ABANCA Holding Group, may, subject to Condition 4.2, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for their account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Bank, or any member of the ABANCA Group or the ABANCA Holding Group, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders.
- (b) Notwithstanding Condition 4.2, the Bank or any member of the ABANCA Group or the ABANCA Holding Group, or any agent on their behalf shall have the right at all times to purchase the Notes for market making purposes or if it would be beneficial from a prudential point of view and justified by exceptional circumstances subject to prior Supervisory Permission if required under prevailing Applicable Banking Regulations, and has otherwise complied with any conditions therefore set out in the Applicable Banking Regulations.

#### 4.8 Cancellation

All Notes substituted by the Bank pursuant to Condition 4.6 will forthwith be cancelled. All Notes purchased by or on behalf of the Bank may, subject to obtaining any Supervisory Permission therefore if required under prevailing Applicable Banking Regulations, be held, resold or, at the option of the Bank, cancelled forthwith. Any Notes so cancelled may not be resold and the obligations of the Bank in respect of any such Notes shall be discharged.

## 5. Payments

### 5.1 Method of Payment

Payments of principal and interest in respect of the Notes will be made in euro by transfer to the registered euro account of the relevant Noteholder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the date on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Notes. The Bank will have no responsibility or liability for the records relating to payments made in respect of the Notes.

### 5.2 Payments Subject to Laws

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Bank agrees to be subject and the Bank will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

### 5.3 Delay in Payment

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day.

### 5.4 Non-Business Days

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

## 6. Default

If an order is made by any competent court commencing insolvency proceedings against the Bank or if any order is made by any competent court or resolution passed for the winding up or dissolution of the Bank (except in the case of a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Holders of the Notes; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a financial institution (*entidad de crédito*) under article 1 of Law 10/2014, as amended and restated and (B) has a rating for long-term subordinated debt assigned by a Rating Agency equivalent to or higher than the rating for long-term subordinated debt of the Bank immediately prior to such reconstruction, merger or amalgamation) and such order is continuing, then any Note may, unless there has been an Extraordinary Resolution to the contrary at a meeting of Holders, by written notice addressed by the Holder thereof to the Bank and delivered to the Bank, be declared immediately due and payable, whereupon the principal amount of such Notes together with any accrued and unpaid interest thereon to the date of payment shall, when permitted by applicable Spanish law, become immediately due and payable without further action or formality.

If a default occurs under this Condition 6, claims of Holders in respect of the Notes shall rank as set out under Condition 2.



## 7. Taxation

All payments of interest and any other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Notes by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding, for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required.

The Bank shall not be required to pay any additional amounts in relation to any payment in respect of Notes:

- (a) presented for payment by or on behalf of a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Notes by reason of his having some connection with Spain other than:
  - (i) the mere holding of Notes; or
  - (ii) the receipt of any payment in respect of Notes;
- (b) where taxes are imposed by the Kingdom of Spain (or any political subdivision thereof or any authority or agency therein or thereof having power to tax) that are (i) any estate, inheritance, gift, sales, transfer, personal property or similar taxes or (ii) solely due to the appointment by any Holder, or any person through which such Holder holds such Note, of a custodian, collection agent, person or entity acting on its behalf or similar person in relation to such Note; or
- (c) to, or to a third party on behalf of, a Holder who is an individual resident for tax purposes in the Kingdom of Spain (or any political subdivision or any authority thereof or therein having power to tax); or
- (d) to, or to a third party on behalf of, a Holder in respect of whose Notes the Bank (or an agent acting on behalf of the Bank) has not received such information it may be required in order to comply with Spanish tax reporting requirements, as may be necessary to allow payments on such Notes to be made free and clear of withholding tax or deduction on account of any taxes imposed by Spain, including when the Bank (or an agent acting on behalf of the Bank) does not receive a duly executed and completed certificate, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation.

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the Notes will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

See "*Taxation*" for a fuller description of certain tax considerations relating to the Notes.

## 8. Prescription

Claims against the Bank for payment in respect of the Notes shall be prescribed and become void unless made within five years after the date on which the payment in question becomes due and payable.

## 9. Meetings of Holders, Modification and Substitution

### 9.1 Convening meetings

The Bank may, at any time, and shall, if required in writing by Holders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding, convene a meeting of the Holders and if the Bank fails for a period of seven days to convene the meeting, the meeting may be convened by the relevant Holders.

### 9.2 Procedures for convening meetings

- (a) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 10. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either:
  - (i) specify the terms of the Extraordinary Resolution to be proposed; or
  - (ii) inform Holders that the terms of the Extraordinary Resolution are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii), such resolution is so available in its final form with effect on and from the date on which the notice convening such meeting is given as aforesaid.

The notice shall:

- (i) include statements as to the manner in which Holders are entitled to attend and vote at the meeting; or
- (ii) inform Holders that details of the voting arrangements are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii) the final form of such details is available with effect on and from the date on which the notice convening such meeting is given as aforesaid.

A copy of the notice shall be sent by post to the Bank (unless the meeting is convened by the Bank).

- (b) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if ten were substituted for 21 in Condition 9.2(a) and the notice shall state the relevant quorum. Subject to the foregoing it shall not be necessary to give any notice of an adjourned meeting.

### 9.3 Chairman

The person (who may but need not be a Holder) nominated in writing by the Bank (the "**Chairman**") shall be entitled to take the chair at each meeting but if no nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders present shall choose one of their number to be Chairman, failing which the Bank may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

#### 9.4 Quorums

##### (a) Regular Quorum

At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5 per cent. in principal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business, and no business (other than the choosing of a Chairman in accordance with Condition 9.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

##### (b) Extraordinary Quorum

The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50 per cent. in principal amount of the Notes for the time being outstanding.

##### (c) Enhanced Quorum

At any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

- (i) a reduction or cancellation of the principal amount of the Notes for the time being outstanding; or
- (ii) a reduction of the amount payable or modification of the Interest Payment Dates or variation of the method of calculating the Interest Rate; or
- (iii) a modification of the currency in which payments under the Notes are to be made; or
- (iv) a modification of the majority required to pass an Extraordinary Resolution; or
- (v) the sanctioning of any scheme or proposal described in Condition 9.8(b)(vi) below; or
- (vi) alteration of this proviso or the proviso to Condition 9.5(a) below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in principal amount of the Notes for the time being outstanding.

#### 9.5 Adjourned Meeting

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 9.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Bank). If within 15 minutes (or a longer

period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.

- (b) At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the Notes for the time being outstanding so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 9.4(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

#### 9.6 Right to attend and vote

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.
- (b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the definition of "**outstanding**", no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- (c) Subject as provided in Condition 9.6(b), at any meeting:
  - (i) on a show of hands every Eligible Person present shall have one vote; and
  - (ii) on a poll every Eligible Person present shall have one vote in respect of each Note.

#### 9.7 Holding of meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the principal amount of the Notes held by him), a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (c) Subject to Condition 9.7(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of

the meeting at which the poll was demanded as of the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business, which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

#### 9.8 Approval of the resolutions

- (a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 10 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (b) The expression "**Extraordinary Resolution**" when used in this Condition 9 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9 by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll.

A meeting of the Holders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to the quorum contained in Conditions 9.4(b) and 9.4(c)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
- (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Notes or otherwise;
- (iii) power to agree to any modification of the provisions contained in these Conditions or the Notes which is proposed by the Bank;
- (iv) power to give any authority or approval which under the provisions of this Condition 9 or the Notes is required to be given by Extraordinary Resolution;
- (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;
- (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the Notes;

- (c) Subject to Condition 9.8(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.
- (d) The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments determined pursuant to Condition 3.7(d).

#### 9.9 Miscellaneous

- (a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.
- (b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (c) Any modification or waiver of the Conditions in accordance with this Condition 9 will be effected in accordance with the Applicable Banking Regulations and conditional upon any prior approval from the Competent Authority, to the extent required thereunder.

### 10. Notices

The Bank shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading.

So long as the Notes are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public to the market through a relevant event announcement (*hecho relevante*) to be filed with the CNMV and to be published at the CNMV's official website at [www.cnmv.es](http://www.cnmv.es) and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bank may approve.

In addition, so long as the Notes are represented by book-entries in Iberclear, all notices to Holders shall be made through Iberclear for on transmission to their respective accountholders.

### 11. Further Issues

The Bank may from time to time without the consent of the Holders, but subject to any Supervisory Permission if required), create and issue further securities either having the same conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Bank may determine at the time of their issue.

References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

## 12. Governing Law and Jurisdiction

### 12.1 Governing Law

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

### 12.2 Jurisdiction

The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of the city of Madrid, Spain are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and that accordingly any suit, action or proceedings arising out of or in connection with the Notes (together referred to as "**Proceedings**") may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Madrid, Spain. To the extent permitted by law, nothing contained in this Condition 12 shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

## 13. Waiver of Set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Bank in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any Note but for this Condition.

## 14. Definitions

In these Conditions:

**"5-year Mid-Swap Rate"** means, in relation to the Reset Period:

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading

"EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT" as of 11.00 am (CET) on the Reset Determination Date; or

- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the Reset Reference Bank Rate on the Reset Determination Date, unless a Benchmark Event has occurred, in which case the 5-year Mid-Swap Rate shall be determined pursuant to Condition 3.7;

**"5-year Mid-Swap Rate Quotations"** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360-day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (a) has a term of five years commencing on the Reset Date; and
- (b) is in a Representative Amount,

where the floating leg (calculated on an Actual/360-day count basis) is equivalent to EURIBOR 6-month or, if not available, such other benchmark, rate and/or day count fraction as is in customary market usage in the markets for such euro interest rate swap transactions at the relevant time;

**"ABANCA Group"** means the Bank together with its consolidated Subsidiaries;

**"ABANCA Holding"** means ABANCA Holding Financiero, S.A.;

**"ABANCA Holding Group"** means ABANCA Holding together with its consolidated Subsidiaries;

**"Additional Tier 1 Instrument"** means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law constituting an additional tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3°(c) of Law 11/2015;

**"Adjustment Spread"** means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the 5-year Mid-Swap Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions or is in customary market usage in the debt capital markets for transactions which reference the 5-year Mid-



Swap Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

- (c) if no such industry standard is recognised or acknowledged, the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines to be appropriate;

"**AIAF**" means the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija, S.A.*);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser, as applicable, determines in accordance with Condition 3.7(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in euro;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank, the ABANCA Group and/or the ABANCA Holding Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies of the Competent Authority relating to capital adequacy, resolution and/or solvency then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank, the ABANCA Group and/or the ABANCA Holding Group) (in all cases, as amended or replaced from time to time);

"**Authorised Signatory**" means any authorised officer of the Bank;

"**Bank**" means ABANCA Corporación Bancaria, S.A.;

"**Bank's Certificate**" means a certificate signed by two Authorised Signatories of the Bank stating that, in the opinion of the Bank, (i) the changes determined pursuant to a substitution or variation of the Notes under Condition 4.6 will result in the Qualifying Tier 2 Notes having terms not materially less favourable to the Holders than the terms of the Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Notes and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

"**Benchmark Amendments**" has the meaning given to it in Condition 3.7(d);

"**Benchmark Event**" means:

- (a) the 5-year Mid-Swap Rate ceasing to be published for a period of at least 10 Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the 5-year Mid-Swap Rate that it has ceased, or will, by a specified date within the following six months, cease publishing the 5-year Mid-

Swap Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate); or

- (c) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate, that the 5-year Mid-Swap Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate that means the 5-year Mid-Swap Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes, in each case within the following six months; or
- (e) it has become unlawful for the Bank or other party to calculate any payments due to be made to any Holder using the 5-year Mid-Swap Rate;

**"BRRD"** means Directive 2014/59/EU of 15 May, establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time, as implemented into Spanish law by Law 11/2015 and Royal Decree 1012/2015, as amended or replaced from time to time, and including any other relevant implementing regulatory provisions;

**"Business Day"** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in A Coruña, Madrid and in London and, if on that day a payment is to be made, a day which is a TARGET Business Day also;

**"Capital Event"** means, at any time on or after the Issue Date, a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Notes that results (or would be likely to result) in:

- (a) the exclusion of any of the aggregate principal amount of the Notes from the Tier 2 Capital of the Bank, the ABANCA Group or the ABANCA Holding Group (in each case, to the extent required by Applicable Banking Regulations); or
- (b) the reclassification of any of the aggregate principal amount of the Notes as a lower quality form of own funds of the Bank, the ABANCA Group or the ABANCA Holding Group, in accordance with the Applicable Banking Regulations (in each case, to the extent required by Applicable Banking Regulations);

For the avoidance of doubt, the exclusion of any principal amount of the Notes from the Tier 2 Capital of the ABANCA Holding Group pursuant to the rules in Title II (Minority Interest and Additional Tier 1 and Tier 2 Instruments issued by Subsidiaries) of Part Two (Own Funds) of the CRR shall not comprise a Capital Event;

**"Certificate"** has the meaning given to it in Condition 1.3;

**"Chairman"** has the meaning given to such term in Condition 9.3;

**"Clearstream Luxembourg"** has the meaning given to such term in Condition 1.2;

**"CNMV"** means the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

**"Code"** has the meaning given to such term in Condition 7;

**"Competent Authority"** means the European Central Bank or the Bank of Spain, as applicable, or such other successor authority having primary bank supervisory authority with respect to

prudential oversight and supervision in relation to the Bank, the ABANCA Group and/or the ABANCA Holding Group, as applicable;

"**Conditions**" means these conditions of the Notes, as amended from time to time;

"**CRD IV**" means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures (in all cases, as amended or replaced from time to time);

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time;

"**CRD IV Implementing Measures**" means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Bank, the ABANCA Group or the ABANCA Holding Group, as applicable, including, without limitation, Law 10/2014, as amended from time to time, Royal Decree 84/2015, as amended from time to time, and any other regulation, circular or guidelines implementing CRD IV;

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended by CRR II, and as further amended or replaced from time to time;

"**CRR II**" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012;

"**€**" or "**euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

"**Eligible Persons**" means those Holders or persons (being duly appointed proxies or representatives of such Holders) that are entitled to attend and vote at a meeting of the Holders, for the purposes of which no person shall be entitled to vote at any such meeting in respect of Notes held by or for the benefit, or on behalf, of the Bank, ABANCA Holding or any of their Subsidiaries;

"**EURIBOR 6-month**" means:

- (a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as of 11.00 am (CET) on the Reset Determination Date for the Reset Period; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates at which deposits in euros are offered by four major banks in the Eurozone interbank market, as selected by the Bank, at such time on the Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on the Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

"**Euroclear**" has the meaning given to such term in Condition 1.2;

"**Extraordinary Resolution**" has the meaning given to such term in Condition 9;

"**FATCA**" has the meaning given to such term in Condition 7;

"**Holder**" has the meaning given to it in Condition 1.3;

"**Iberclear**" means the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*, the Spanish Central Securities Depository, which manages the Spanish Central Registry and the Spanish settlement system;

"**Iberclear Member**" means each participating entity (*entidad participante*) in Iberclear;

"**Independent Financial Adviser**" means an independent financial firm or financial adviser with appropriate expertise or financial institution of international repute appointed by the Bank at its own expense;

"**Independent Financial Adviser Certificate**" means a certificate signed by a representative of an Independent Financial Adviser stating that, in the opinion of such Independent Financial Adviser, (i) the changes determined by the Bank pursuant to a substitution or variation of the Notes under Condition 4.6 will result in the Qualifying Tier 2 Notes having terms not materially less favourable to the Holders than the terms of the Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Notes and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

"**Initial Fixed Interest Rate**" has the meaning given to it in Condition 3.3;

"**Initial Fixed Rate Interest Period**" means the period from (and including) the Issue Date to (but excluding) the Reset Date;

"**Insolvency Law**" means Law 22/2003, of 9 July, on Insolvency (*Ley 22/2003, de 9 de julio, Concursal*), as amended from time to time;

"**Interest Payment Date**" means (i) in respect of the period from the Issue Date to (and including) the Reset Date, 7 April in each year, starting on (and including) 7 April 2020 and (ii) after the Reset Date, 7 April in each year, starting on (and including) 7 April 2026;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

"**Issue Date**" means 7 October 2019, being the date of the initial issue of the Notes;

"**Law 10/2014**" means Law 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

"**Law 11/2015**" means Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended from time to time;

"**Margin**" means 5.014 per cent.;

**"Notes"** means the €300,000,000 Fixed Rate Reset Subordinated Notes due 7 April 2030 issued by the Bank on the Issue Date;

**"outstanding"** means, in relation to the Notes, all the Notes issued other than those Notes (a) that have been redeemed pursuant to Condition 4.3, 4.4, 4.5 or otherwise pursuant to the Conditions; (b) that have been purchased (or acquired) pursuant to Condition 4.7 and cancelled under Condition 4.8; (c) that have been substituted pursuant to Condition 4.6 and cancelled under Condition 4.8 or (d) that have become void or in respect of which claims have prescribed under Condition 8, provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of Holders; and
- (b) the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 9,

those Notes (if any) which are for the time being held by or for the benefit of the Bank, ABANCA Holding or any of their Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**"principal amount"** has the meaning given to this term in Condition 1.1;

**"Proceedings"** has the meaning given to this term in Condition 12.2;

**"Qualifying Tier 2 Notes"** means issued directly or indirectly by the Bank where such securities:

- (a) have terms not materially less favourable to the Holders than the terms of the Notes with any differences between their terms and conditions and these Conditions being those strictly necessary to (in the case of a Capital Event) comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with the Applicable Banking Regulations and/or (in the case of a Tax Event) cure the relevant Tax Event (provided that the Bank shall have obtained a Bank's Certificate and an Independent Financial Adviser Certificate (copies thereof will be available at the Bank's registered office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant securities); and
- (b) subject to (a) above, shall (1) rank at least equal to the ranking of the Notes, (2) have the same currency, the same (or higher) Interest Rate and the same Interest Payment Dates as those from time to time applying to the Notes, (3) have the same redemption rights as the Notes; (4) comply with the then current requirements of Applicable Banking Regulations in relation to Tier 2 Capital; (5) preserve any existing rights under the Notes to any accrued interest or other amounts which have not been paid, and (6) are assigned (or maintain) at least the same solicited credit ratings as were assigned to the Notes immediately prior to such variation or substitution, and (7) shall not at such time be subject to a Capital Event or a Tax Event; and
- (c) are (i) listed and admitted to trading on AIAF or (ii) listed on a Recognised Stock Exchange, if the Notes were listed immediately prior to such variation or substitution;

**"Rating Agency"** means any of Standard & Poor's Rating Services, Moody's Investor Services, Fitch Ratings Ltd or DBRS Ratings Limited or their respective successors;

**"Recognised Stock Exchange"** means a regulated, regularly operating, recognised stock exchange or securities market in an OECD member state;

**"Reference Banks"** means five leading swap dealers in the principal interbank market relating to euro selected by the Bank;

**"Relevant Date"** means in respect of any payment, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made;

**"Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

**"Reset Date"** means 7 April 2025;

**"Reset Determination Date"** means, in respect of the Reset Period, the day falling two TARGET Business Days prior to the first day of such Reset Period;

**"Reset Period"** means the period from and including the Reset Date to but excluding 7 April 2030;

**"Reset Rate of Interest"** has the meaning given to it in Condition 3.4;

**"Reset Reference Bank Rate"** means, in relation to the Reset Period and the Reset Determination Date, the percentage determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 am (CET) on the Reset Determination Date. The Bank will request the principal offices of each of the Reference Banks to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for the Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Screen Page;

**"Royal Decree 84/2015"** means Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

**"Royal Decree 1012/2015"** means Royal Decree 1012/2015, of 6 November, developing Law 11/2015 (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de garantía de depósitos de entidades de crédito*), as amended from time to time;

**"Screen Page"** means the display page on the relevant Reuters information service designated as:

- (a) in the case of the 5-year Mid-Swap Rate, the "ICESWAP2" page; or
- (b) in the case of EURIBOR 6-month, the "EURIBOR01" page;

or in each case such other page as may replace that page on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the 5-year Mid-Swap Rate or EURIBOR 6-month, as applicable;

"**Spanish Central Registry**" has the meaning given in Condition 1.2;

"**Subsidiary**" means any entity over which another entity has, directly or indirectly, control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*), Rule 43 of Circular 4/2017, of 27 November, of the Bank of Spain and Applicable Banking Regulations;

"**Successor Rate**" means a successor to or replacement of the 5-year Mid-Swap Rate which is formally recommended by any Relevant Nominating Body;

"**Supervisory Permission**" means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Applicable Banking Regulations (if any);

"**TARGET Business Day**" means a day on which the TARGET System is operating;

"**TARGET System**" means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto);

"**Tax Event**" means, at any time on or after the Issue Date, a change in, or amendment to, the laws or regulations of the Kingdom of Spain, or any change in the official application or interpretation of such laws or regulations that results in:

- (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payments of interest in respect of the Notes or the value of such deduction to the Bank being materially reduced; or
- (b) the Bank being obliged to pay additional amounts pursuant to Condition 7; or
- (c) the applicable tax treatment of the Notes being materially affected,

and, in each case, cannot be avoided by the Bank taking reasonable measures available to it;

"**Tier 2 Capital**" means tier 2 capital (*capital de nivel 2*) in accordance with Chapter 4 (*Tier 2 Capital*) of Title I (*Elements of own funds*) of Part Two (*Own Funds*) of the CRR and/or the Applicable Banking Regulations;

"**Tier 2 Instrument**" means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law constituting a tier 2 instrument (*instrumento de capital de nivel 2*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3°(b) of Law 11/2015; and

"**Waived Set-Off Rights**" means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note.

### **USE AND ESTIMATED NET AMOUNT OF PROCEEDS**

The estimated net amount of proceeds of the issue of the Notes amount to €300,000,000 and will be used by ABANCA for general corporate purposes.



## DESCRIPTION OF ABANCA

### History and developments

ABANCA, whose corporate name is "ABANCA Corporación Bancaria, S.A." is a Spanish bank which conducts its business under the commercial name "ABANCA". ABANCA is registered with the Commercial Registry of A Coruña in tome 3.426 of the General Section, *folio 1 et seq*, sheet C-47.803. In addition, ABANCA is registered with the Special Registry of Banks and Bankers of the Bank of Spain, under code number 2080. ABANCA has its corporate address at Calle Cantón Claudino Pita, no. 2, Betanzos 15300 A Coruña, Spain, it holds Tax Identification Number (*Número de Identificación Fiscal*) A-70302039 and its Legal Entity Identifier (LEI) code is 54930056IRBXXK0Q1FP96. The telephone number of its registered address is (+34) 981 18 70 00 and its corporate website is "www.abanacorporacionbancaria.com" (the information on the corporate website of the Issuer does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus).

ABANCA was incorporated as a public limited company (*sociedad anónima*) subject to Spanish law and, as such, governed by the legal regime established in the restated text of the Spanish Companies Law approved by Royal Legislative Decree 1/2010, of 2 July (*Texto Refundido de la Ley de Sociedades de Capital*) ("**LSC**"). Moreover, in its capacity as a credit institution, ABANCA is subject to the supervision of the ECB and the Bank of Spain and the specific rules and regulations on credit institutions, mainly, Law 10/2014, of 26 June, on organisation, supervision and solvency of credit entities (the "**Law 10/2014**") and other supplementary and concordant legislation.

ABANCA was incorporated in Spain on 14 September 2011 under the name "NCG Banco, S.A.", which was subsequently modified on 1 December 2014 to the current name, "ABANCA Corporación Bancaria, S.A.". According to Article 4 of its bylaws, ABANCA has been incorporated for an indefinite period.

### Ownership

ABANCA Holding, whose corporate name is ABANCA Holding Financiero, S.A., holds 86.79% of the Bank.

ABANCA Holding's corporate purpose is the management and administration of equity representing securities in both Spanish resident and non-Spanish resident companies, through the appropriate organisation of material and human resources.

ABANCA Holding is the parent company of the ABANCA Holding Group, a consolidated group of subsidiaries and associated companies. The ABANCA Holding's subsidiary ABANCA is the company that contributes the bulk of the consolidated assets to the ABANCA Holding Group's balance sheet (as at 30 June 2019 ABANCA and its subsidiaries contributed 99.66% of the total consolidated assets of the ABANCA Holding Group).

ABANCA Holding is a Financial Holding Company ("**FHC**") within the meaning of Article 4 of CRR. ABANCA Holding's status of parent FHC for the purposes of CRR determines the ABANCA Holding Group's prudential consolidation and supervision on a consolidated basis. To these purposes, a FHC is a financial institution, the subsidiaries of which are exclusively or mainly institutions or financial institutions, at least one of such subsidiaries being an institution that is not a mixed financial holding company.

As of the date of this Prospectus, ABANCA Holding's share capital is 89.59% owned by Mr. Juan Carlos Escotet Rodríguez.

## History

The following is a timeline of the most important events in ABANCA's history:

- On 25 June 2014, after having complied with all legal requirements and having obtained the necessary approval from the competent authorities, the transfer to ABANCA Holding of the shares that the *Fondo de Reestructuración Ordenada Bancaria* (the "**FROB**") and the Deposit Guarantee Fund held in the Bank (which represented an 88.33% of the share capital of the Bank) was completed. This way, ABANCA and its subsidiaries became part of the ABANCA Holding Group as from the effective date of acquisition of the shares. ABANCA is the company contributing the bulk of the consolidated assets to the ABANCA Holding Group's balance sheet.
- Also in June 2014, the European Commission approved the amendment to the Bank's restructuring plan and the application of a new term sheet to replace a previous one. The new term sheet foresaw the merger of the Bank with Banco Etcheverría, S.A. ("**Banco Etcheverría**"), which was owned by ABANCA Holding, and substantially amended the restrictions that the previous term sheet placed upon it from November 2012 to June 2014.
- In August 2014, the boards of directors of the Bank and Banco Etcheverría approved the merger by absorption between Banco Etcheverría (absorbed company) and the Bank (absorbing company). The merger was registered with the Commercial Registry in November 2014.
- In December 2014, the General Shareholders' Meeting of the Bank's agreed to amend the Bank's name, thus becoming ABANCA Corporación Bancaria, S.A.
- On 31 December 2016, the term sheet's application period ended.
- In February 2017, ABANCA Holding paid the final outstanding amounts of the sale price of the 88.33% of ABANCA's share capital.
- In May 2017, ABANCA purchased all shares in Popular Servicios Financieros, E.F.C., S.A.U. from Banco Popular Español, S.A., for a total amount of €39.3 million.
- On 22 November 2018, ABANCA communicated that it had been selected by the Portuguese Council of Ministers to acquire 99.8% of the shares in BCG, the Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos, for a total purchase price of €364 million (i.e. approximately 0.65 times of BCG's book value). As of 31 December 2018, BCG consists of 110 branches and 536 employees, its main business segments are retail banking, private banking and corporate banking with a total business volume of around €7,000 million as of that date. As of the date of this Prospectus, the relevant regulatory authorisations have been obtained; and after closing of the transaction, the integration process will commence (which is expected to finalise before the end of the first quarter of 2020).
- On 29 April 2019 ABANCA announced the approval of a common project regarding the merger by absorption of ABANCA Holding (as absorbed company) by ABANCA (as absorbing company) (the "**Merger Project**" and the "**Merger**", respectively). The share exchange ratio is of 5.77314872343397 shares of ABANCA, of one euro nominal value each, per each share of ABANCA Holding, of €1 nominal value each. The shareholders of ABANCA Holding will receive all the shares of ABANCA owned by ABANCA Holding, for which reason an increase in the share capital of ABANCA will not be necessary. The Merger was approved by the annual general shareholders' meeting of ABANCA held on 10 June 2019 and by the annual general shareholders' meeting of ABANCA Holding held on 14 June 2019. Once the one-month creditor opposition period elapses, the execution of the Merger will be subject to obtaining the required regulatory consents.

Within the Merger, and with an instrumental purpose, the annual general shareholders' meeting of ABANCA held on 10 June 2019 approved the payment of a dividend against unrestricted reserves

which will allow ABANCA Holding's equity capital to essentially match its stake in ABANCA. This dividend was paid on 27 September 2019 and amounted to €190 million.

- On 9 June 2019 ABANCA completed the acquisition of Deutsche Bank's Private & Commercial Business Portugal ("**DB PCB**"). DB PCB is a business unit specialised in retail and private banking services (specially focused on personal and private banking). As of 9 June 2019, DB PCB consisted of 40 commercial offices in Portugal (27 of which are in Lisbon and Porto) and had 26 additional points of sale. As of 9 June 2019, DB PCB had a net credit portfolio of €2,584 million, deposits for an amount of €912 million and €2,988 million off-balance sheet, figures that raised its business turnover up to €6,484 million.

### **2018-2020 Strategic Initiatives**

The ABANCA Group has revised a new strategic plan for 2018 through to 2020, which is based on three main lines of action: transforming the organisation, customer experience and recurring profitability levels above cost of capital.

Transforming the organisation aims to achieve a more flexible, simple and cooperative organisation, an efficient digitalisation (including both internal process and customer relations) and a more innovative culture.

Customer experience is intended to bring a multi-channel relation with clients and a homogenous client experience, with high standards, improved client knowledge (through strengthened data bases and analytics capable of further collaborating in profit generation). This line of action is also based on the so-called "fintech alliance" (i.e., working together with "fintech" companies in order to keep innovating and increase the ABANCA Group's experience in this area so that new business opportunities in this new area can be identified).

The recurring profitability level above cost of capital is intended to be achieved through the development of the insurance business, a focus on consumer, corporate and SMEs segments (through both organic and inorganic growth), and an optimised use of capital (by improving capital allocation and applying the Risk-Adjusted Return on Capital (RAROC) and developing the use of Internal ratings-based approach (IRB) models).

During the first year of this new strategic plan, the ABANCA Group maintained the same high levels of fulfilment achieved in the previous strategic planning period (2015-2017).

### **Business overview**

ABANCA is a private credit and savings institution that develops a business model based on retail banking focusing on customers. Its corporate purpose is to carry out a range of activities, transactions and services pertaining to the banking business in general whether directly or indirectly related to it, which are permitted by the legislation in force, including the provision of investment services and other ancillary services and the implementation of insurance mediation activities, as well as the acquisition, possession, enjoyment and sale of all kinds of negotiable securities.

ABANCA prepares its accounting information differentiated by business line pursuant to the provisions of IFRS 8. The business lines on the basis of which the information is presented are as follows:

- Retail Banking*: this business line constitutes the main focus of the activity of ABANCA and is aimed at a variety of retail customers (individuals, businesses and public administrations), who are provided with a range of financial and para-financial products. Within the retail banking line, individuals and small scale enterprises are considered strategic.
- Wholesale Banking*: market activity (treasury, issues, fixed income portfolio, etc.) and management of the equity portfolio in which ABANCA has non-significant shareholdings.

C *Non-Financial Subsidiaries*: portfolio of non-financial companies created with the idea of supporting the local manufacturing industries and of contributing to ABANCA's results.

The following tables include a breakdown of the consolidated result before tax of the business lines of the ABANCA Group corresponding to the financial years 2018 and 2017 and to the six-month periods ended 30 June 2019 and 2018:

*Financial year 2018*

SEGMENTATION 2018 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	(€ million)			
<b>Net interest income</b>	<b>545.57</b>	<b>(34.05)</b>	<b>33.18</b>	<b>544.69</b>
Dividend income	-	11.97	-	11.97
Share of profit or loss of equity-accounted investees	-	-	9.77	9.77
Fee and commission income and expense	176.24	-	-	176.24
Gains or losses on financial assets and liabilities	-	289.37	(0.44)	288.92
Exchange differences, net	(0.04)	4.45	(0.08)	4.33
Other operating income and expenses	(39.73)	6.33	48.02	14.62
<b>Gross income</b>	<b>682.05</b>	<b>278.06</b>	<b>90.45</b>	<b>1,050.55</b>
Personnel expenses	(298.17)	(9.27)	(12.01)	(319.45)
Other administrative expenses, depreciation and amortization	(209.05)	(21.92)	(42.87)	(273.85)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, and modification net gains or losses	(35.11)	(1.36)	(1.81)	(38.28)
<b>Net Operating Income</b>	<b>139.71</b>	<b>245.51</b>	<b>33.76</b>	<b>418.98</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	(0.63)	-	(0.63)
Gains or losses on derecognition of non-financial assets and investments, net	3.78	7.70	(1.91)	9.58
Negative goodwill taken to profit or loss	-	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	37.58	(1.52)	0.05	36.10
<b>Profit before tax from continuing operations</b>	<b>181.07</b>	<b>251.06</b>	<b>31.90</b>	<b>464.03</b>

Financial year 2017

SEGMENTATION 2017 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	(€ million)			
<b>Net interest income</b>	<b>503.19</b>	<b>(48.37)</b>	<b>33.68</b>	<b>488.50</b>
Dividend income	-	10.71	-	10.71
Share of profit or loss of equity-accounted investees	-	-	7.42	7.42
Fee and commission income and expense	169.76	-	-	169.76
Gains or losses on financial assets and liabilities	-	197.00	5.17	202.17
Exchange differences, net	-	2.39	(0.04)	2.35
Other operating income and expenses	(111.18)	3.63	37.80	(69.75)
<b>Gross income</b>	<b>561.77</b>	<b>165.36</b>	<b>84.02</b>	<b>811.15</b>
Personnel expenses	(286.87)	(13.03)	(15.10)	(315.00)
Other administrative expenses, depreciation and amortization	(182.39)	(25.28)	(35.93)	(243.60)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, and modification net gains or losses	57.75	(3.42)	(0.45)	53.88
<b>Net Operating Income</b>	<b>150.25</b>	<b>123.64</b>	<b>32.55</b>	<b>306.44</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	0.29	(1.44)	(1.15)
Gains or losses on derecognition of non-financial assets and investments, net	12.81	15.31	(3.37)	24.75
Negative goodwill taken to profit or loss	-	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	41.68	(3.55)	-	38.13
<b>Profit before tax from continuing operations</b>	<b>204.74</b>	<b>135.68</b>	<b>27.74</b>	<b>368.16</b>

Six-month period ended 30 June 2019

SEGMENTATION 1H 2019 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	(€ million)			
<b>Net interest income</b>	<b>291.48</b>	<b>(35.74)</b>	<b>16.36</b>	<b>272.10</b>
Dividend income	-	7.51	-	7.51
Share of profit or loss of equity-accounted investees	-	-	(3.31)	(3.31)
Fee and commission income and expense	93.18	-	-	93.18
Gains or losses on financial assets and liabilities	-	107.87	-	107.87
Exchange differences, net	-	2.43	-	2.43
Other operating income and expenses	(14.82)	2.83	22.83	10.84
<b>Gross income</b>	<b>369.84</b>	<b>84.90</b>	<b>35.88</b>	<b>490.62</b>
Personnel expenses	(150.52)	(7.14)	(6.46)	(164.11)
Other administrative expenses, depreciation and amortization	(101.24)	(13.27)	(24.00)	(138.51)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, and modification net gains or losses	(4.92)	3.50	(0.01)	(1.43)
<b>Net Operating Income</b>	<b>113.17</b>	<b>67.99</b>	<b>5.41</b>	<b>186.57</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.04)	1.39	0.01	(0.64)
Gains or losses on derecognition of non-financial assets and investments, net	(0.21)	18.26	(1.06)	17.00
Negative goodwill taken to profit or loss	51.19	-	-	51.19
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	13.33	(0.71)	(0.02)	12.60
<b>Profit before tax from continuing operations</b>	<b>175.44</b>	<b>86.93</b>	<b>4.35</b>	<b>266.72</b>

Six-month period ended 30 June 2018

SEGMENTATION 1H-2018 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	(€ million)			
<b>Net interest income</b>	<b>263.00</b>	<b>(21.68)</b>	<b>16.45</b>	<b>257.77</b>
Dividend income	-	8.64	-	8.64
Share of profit or loss of equity-accounted investees	-	-	4.98	4.98
Fee and commission income and expense	88.18	-	-	88.18
Gains or losses on financial assets and liabilities	-	107.95	0.10	108.06
Exchange differences, net	-	1.81	-	1.81
Other operating income and expenses	(10.01)	3.27	20.56	13.82
<b>Gross income</b>	<b>341.18</b>	<b>99.99</b>	<b>42.09</b>	<b>483.25</b>
Personnel expenses	(140.93)	(6.94)	(6.01)	(153.88)
Other administrative expenses, depreciation and amortization	(91.67)	(13.19)	(18.73)	(123.58)
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	4.23	(1.73)	(0.23)	2.28
<b>Net Operating Income</b>	<b>112.81</b>	<b>78.13</b>	<b>17.13</b>	<b>208.07</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(0.13)	(0.43)	0.77	0.22
Gains or losses on derecognition of non-financial assets, net	15.87	0.08	(0.28)	15.67
Negative goodwill taken to profit or loss	-	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	23.04	0.29	0.07	23.40
<b>Profit before tax from continuing operations</b>	<b>151.60</b>	<b>78.08</b>	<b>17.69</b>	<b>247.36</b>

### *Description of the main business lines*

ABANCA develops a business model based on retail banking where its main focus is the customer, who receives individual and specialised attention in those cases in which their profile thus requires. The management of unproductive assets is another aspect for which specialised management is offered, with action policies designed under the premise of maximising the value of these assets.

In addition, ABANCA also operates on the financial markets, which are a source of diversification for recurrent income and contribute to the optimisation of resources and risks.

ABANCA identifies the following business lines which coincide with the breakdown reported in its consolidated annual accounts for 2018 and 2017 and with its unaudited condensed consolidated interim financial statements of the Issuer for the six-month period ended 30 June 2019:

#### *A. Retail Banking*

The business with retail customers constitutes the main focus around which the most recurring activity of ABANCA takes place. ABANCA's model focuses on providing all-round coverage for the financial needs of its customers through financial and para-financial products and services conceived and designed to include features which can meet their requirements and comply with the corporate values of ABANCA (responsibility, reliability, quality and innovation). The strategic focus of ABANCA is geographically differentiated into different areas: (i) Galicia, Asturias and León, (ii) rest of Spain, and (iii) Portugal. Please see "*Distribution channels*" below.

As of 30 June 2019, ABANCA had approximately 2.1 million customers, of whom 1.9 million were active customers. In turn, these 1.9 million active customers are divided into 1.67 million individual customers and 0.27 million self-employed and corporate clients.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Retail Banking" business segment for the financial years 2018 and 2017 and for six-month periods ended 30 June 2019 and 2018:

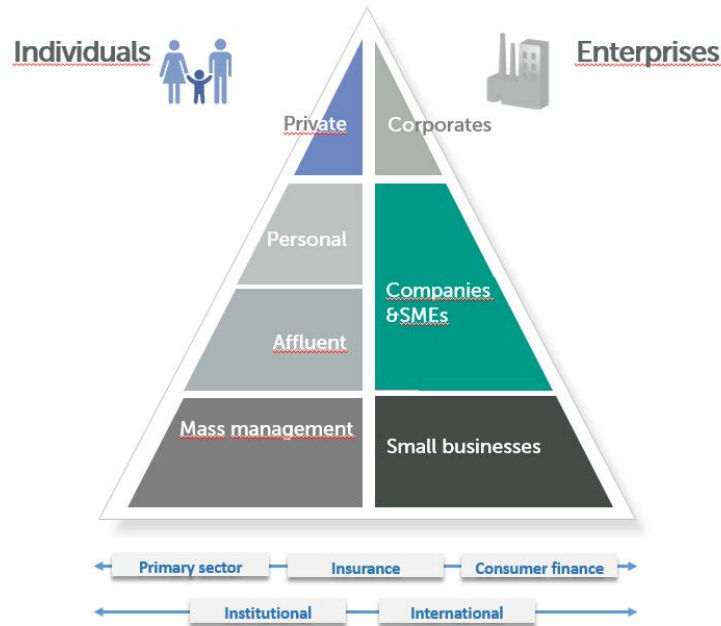
<b>RETAIL BANKING (in accordance with IFRS-EU)</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>Var.</b>
	(€ million)		
<b>Net interest income</b>	<b>545.57</b>	<b>503.19</b>	<b>8.42%</b>
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	176.24	169.76	3.82%
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	(0.04)	-	n.a.
Other operating income and expenses	(39.73)	(111.18)	(64.27%)
<b>Gross income</b>	<b>682.05</b>	<b>561.77</b>	<b>21.41%</b>
Personnel expenses	(298.17)	(286.87)	3.94%
Other administrative expenses, depreciation and amortization	(209.05)	(182.39)	14.62%
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(35.11)	57.75	n.a.
<b>Net Operating Income</b>	<b>139.71</b>	<b>150.25</b>	<b>(7.01%)</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	-	-
Gains or losses on derecognition of non-financial assets and investments, net	3.78	12.81	(70.48%)
Negative goodwill taken to profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	37.58	41.68	(9.85%)
<b>Profit before tax from continuing operations</b>	<b>181.07</b>	<b>204.74</b>	<b>(11.56%)</b>

<b>RETAIL BANKING (in accordance with IFRS-EU)</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>Var.</b>
	(€ million)		
<b>Net interest income</b>	<b>291.48</b>	<b>263.00</b>	<b>10.83%</b>
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	93.18	88.18	5.67%
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	-	-	-
Other operating income and expenses	(14.82)	(10.01)	48.11%
<b>Gross income</b>	<b>369.84</b>	<b>341.18</b>	<b>8.40%</b>
Personnel expenses	(150.52)	(140.93)	6.80%
Other administrative expenses, depreciation and amortization	(101.24)	(91.67)	10.44%
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(4.92)	4.23	n.a.
<b>Net Operating Income</b>	<b>113.17</b>	<b>112.81</b>	<b>0.31%</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.04)	(0.13)	1,518.25%
Gains or losses on derecognition of non-financial assets and investments, net	(0.21)	15.87	n.a.
Negative goodwill taken to profit or loss	51.19	-	n.a.
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	13.33	23.04	(42.13%)
<b>Profit before tax from continuing operations</b>	<b>175.44</b>	<b>151.60</b>	<b>15.73%</b>

### Customer types and segmentation

ABANCA's commercial strategy is based on segmentation by types of customers, for the purpose of offering different products and services according to their needs, always following a model based on attention and a differentiated value proposal. These products and services are offered in a multichannel environment, increasing the possibilities of interrelationship between the customer and the institution.

As shown in the figure below, the segmentation is divided into two interconnected areas so that the attention can be as personalised and as professional as possible.



The first area classifies the customers by their legal nature and based upon this classification more categories are identified. Based on these criteria, the customers can be divided in:

- *Individuals*, which in turn are classified in (i) mass management (groups of customers with certain homogeneous needs which can be addressed with a more standardised approach), and other categories which are more adapted to specific needs; (ii) affluent; (iii) personal banking; and (iv) private banking.
- *Enterprises*: the difference is made based on invoicing and activity, for the purpose of offering a better service adapted to the specific needs of each group: (i) self-employed workers, businesses and small-scale enterprises; (ii) companies; and (iii) corporates.

The second area identifies certain customers based on other differentiating criteria. Thus, units for specific sectors are created (specialised businesses) to provide services to specific collectives:

- *Primary sector*: specialised unit serving individuals and legal entities related to agricultural and livestock activities, and another unit serving maritime and fishing activities.
- *Insurance*: this unit provides insurance solutions to all types of customers in the insurance business.
- *Consumer finance*: this unit provides solutions to the consumer sector, requested both by end consumers (purchase deferral, point of sale financing, etc.) and by businesses.
- *Institutional*: this unit deals with public sector needs.
- *International*: this unit develops the strategy of complementary international presence in geographic areas which have links with the "natural market" of ABANCA. Please see "*Principal markets*" below.

#### 1. Specialisation by legal nature

##### *Individuals*

Individual customers constitute the main segment of ABANCA, since they represented 86% of its total active customers and 50% of the financing granted to customers as of 30 June 2019. Within this total, as of 30 June 2019, €13.5 billion have been allocated to the acquisition of homes.



Among the main products and services of ABANCA are the following:

- *Financing*: this includes the granting of mortgages, personal loans and consumer financing, products that provide different alternatives designed to adapt themselves to the payment capacity and preferences of the customers as regards payment periods, repayment methods, etc. In addition, ABANCA complements this offer with other products such as guarantees, letters of credit or means of payment.
- *Savings*: the products offered include, inter alia, term deposits, savings books, current accounts, investment funds in their different modalities, insurance, pension schemes and fixed- and variable-yield securities.
- *Insurance*: ABANCA provides a wide variety of insurance products that are aimed at covering all types of customer needs (e.g., auto, home, business, accident or savings, among others).
- *Other services*: direct deposits, means of payment, brokerage of securities and normal operations through different types of channels of remote service channels.

ABANCA operates a segmented and differentiated commercial management depending on the financial capacity of each customer: mass management, personal banking and private banking:

- *Mass management*: this unit serves those customers whose monthly income is lower than €1,500. It is the unit with the broadest base of customers, who are "characterised" to be served by one of the members of the office staff (directors, assistant directors, specialised managers or managers) following criteria of added value. The specialised members of the Mass management unit also provide services adapted to the needs of those customers with the higher number of products or services contracted with the ABANCA Group.
- *Affluent*: this unit serves customers with a regular income between €1,500 and €3,000, having also an additional relationship with ABANCA (formalised mortgage greater than €75,000, and/or average monthly balance of savings products equal to or greater than €20,000 and/or other valued relationships referring to off-balance-sheet resources, assurance or payment methods). These customers deal with specialist managers who provide an improved financial relationship. After the recent acquisition of DB PCB, ABANCA will take advantage of the strong positioning in value-added products and experience that DB PCB has with this type of customer to export these best practices to the management of the total client portfolio.
- *Personal banking*: this unit serves customers whose net worth is between €100,000 and €500,000 and/or whose monthly income is higher than €3,000, and who therefore have a great interest in purchasing products which are an alternative to the fixed term and request more differentiated and personalised services. As of 30 June 2019, this segment represented 8% of the total number of active customers, and it is one of the main pillars of the growth for the Individuals segment which ABANCA is boosting with the greatest intensity.

In this endeavour, the managers and advisors of personal banking have become specialised and have obtained the European investment product certificates "European Investment Practitioner" (EIP) and "European Financial Advisor" (EFA), respectively, on financial markets, investment and savings products, taxation, regulations and standards, as well as financial planning and advice, accredited by the European Financial Planning Association (EFPA).

- *Private banking*: this unit is focused on serving those customers whose balance is above €500,000 through management with a more specific degree of personalisation, tailored to each customer. As of 30 June 2019, this segment had more than 8,650 customers.

The team of professionals who form the private banking unit include both senior advisers and the asset planner. In 2016, the portfolio delegated management service was incorporated into the team. ABANCA's team of advisers and asset planners are qualified in different subjects related to financial advice and asset management, accredited by means of certifications recognised at a European level, such as the aforementioned EFA.

ABANCA offers a catalogue of products and services such as tailor-made structures, open fund architecture, integrated advice and information, incorporating advanced management tools such as the Openfinance suite.

### *Enterprises*

The service for enterprises holds another pillar in the activity of ABANCA, upon which one of the main focuses of development for ABANCA hinges on SMEs and the self-employed. As of 30 June 2019, ABANCA had a customer base of more than 279,000 enterprises and freelancers who are served by specialised managers assigned according to their needs.

Among the range of products and services aimed at by this segment, the following should be noted:

- *Financing:*
  - *Working capital:* ABANCA provides companies with the necessary liquidity for their daily activity with traditional products such as discounts, advance payments or credit accounts, which are complemented by specific solutions such as confirming or factoring.
  - *Other purposes:* ABANCA provides everyday products such as guarantees, overdrafts, leasing, renting, risk coverage products, etc., or specific solutions for foreign trade operations. The latter include Comex advice, import-export financing, accounts in foreign currencies, payment risk coverage and the delivery of goods and international transfers, among other things.
- *Cash saving-management:* company solutions include particular products such as "cash pooling", current and savings accounts, and joint promotion deposits or pension schemes, in addition to the everyday solutions offered to individuals.
- *Other products and services:* including insurance, e-commerce, different advice lines on commercial reports, public aid and subsidies, public tenders and bidding, specific electronic banking services for legal persons, etc. More than 160,000 enterprises use the electronic banking services rendered by the ABANCA Group.

Helping clients address their needs requires a high degree of technical and customer knowledge. The needs of enterprises often require bespoke financial solutions. In order to provide a more personalised service to such financial institutions, the ABANCA Group has units focused on managing specific enterprise segments:

- *Small Business Unit:* this unit is intended for micro-businesses (turnover below €2 million annually), small shops and freelancers (*micropymes, comercios y autónomos*). It defines itself as one of the main businesses on which ABANCA bases its growth objectives. As of 30 June 2019, this segment represented 8% of the total number of active customers of ABANCA.

The structure of this unit comprises managers with a certain profile and specific training who are joined by branch assistant directors who also manage part of this segment focused on the acquisition business (PST), point of sale financing, working capital and insurance, apart from the revitalisation of the commercial credit activity of these sectors.

- *Companies & SMEs Unit:* this unit is intended to serve medium-sized enterprises. Its purpose is to serve SMEs (annual turnover between €2 million and €10 million) and companies whose annual

turnover is between €10 million and €100 million, providing products and services to cover all their banking needs.

The unit provides support to its customers through "SMEs managers" and "company managers", located both in universal branches and business centres, and receives the commercial support from the directors thereof.

- *Corporate Banking Unit*: this unit serves those companies which define themselves as large-scale enterprises. Its aim is to serve large Spanish business groups (turnover of more than €100 million per year) in order to form part of their financing needs and provide them with integrated coverage. The managers of this area provide support to large number of the main economic groups in Spanish territory.

Drawing on the know-how of the team, it also provides "tailored" financing structures, in specialised formats (syndicated loans, project finance, tax lease, leveraged buyouts of top-level securities, etc.), being active both in the origin and in purchases of the syndicated loan secondary market and the search for international opportunities, mainly in dollars.

## 2. Specialised Businesses

In addition to the area described above, the ABANCA Group also segments its business in another interconnected specialised area for the following sectors:

### *Primary sector*

ABANCA Mar and ABANCA Agro are examples of specialisation in the service for professionals, enterprises, co-operatives and other primary sector agents, embracing the entire value chain of the agriculture and livestock, wine, fishery and farming sectors.

ABANCA Mar provides its services to the maritime and fishery sector through a network of 113 branches as of 30 June 2019 distributed in different areas along the Galician coast. It has a team of professionals with financial solutions (products and services) adapted to the characteristics and needs of the fishery sector and ancillary industry.

ABANCA Agro provides its services and support through a range of products designed for this collective (financial support for those affected by fires, aid for dairy farmers, etc.). This service is provided through 235 branches as of 30 June 2019 where managers are specialised in this sector work.

### *Insurance*

This unit is of key importance as a generator of recurring results, while allowing ABANCA to diversify the sources of income generation.

ABANCA's "insurance" business unit has a structure divided in three lines: (i) "ABANCA Vida" to develop a wide range of life products (risk and savings), (ii) a general insurance line, where the joint venture with Crédit Agricole is expected to provide a wide and innovative product offer; and (iii) a brokerage line to meet the needs of those customers who demand more customized products due to their specific characteristics (complexity of risks, volume of coverage, etc.).

This efficient structure has been created following a relaunching process that redefined the organisational structure of the insurance business and pension schemes. This relaunching process was possible thanks to a series of purchases and mergers, which have enabled ABANCA to recover 100% of the control over the value chain of its insurance business.

The reorganisation of the life insurance activities started in 2014 with the redesign of life insurance and pension unit. The main landmarks in this series of purchases and mergers were (i) in 2014, the remaining 50% of the capital of CxG Aviva Corporación Caixa Galicia de Seguros y Reaseguros was

acquired from Aviva Vida y Pensiones (the remaining 50% of the capital was already held by ABANCA) and (ii) in 2015, the acquisition of 50% of the capital of Caixanova Vida y Pensiones from Caser Seguros y Reaseguros (the remaining 50% of the capital was already held by ABANCA). This concluded in 2016 with the merger of both companies.

With regards to bancassurance activities, on 8 July 2019, ABANCA announced an agreement with *Crédit Agricole Assurances* (the first European bancassurance trader —source: *Crédit Agricole Assurances information based on 2017 figures*) by which both entities will collaborate during the next 30 years to deal in the general insurance market in Spain and Portugal. This agreement will result in a joint venture between ABANCA (50% interest) and *Crédit Agricole Assurances* (50% interest), which is expected to offer innovative products supported by technological solutions along with a differential customer experience for individuals and businesses. This model will be focused on the knowledge of customer needs, the production and marketing of simple and innovative products, the promotion of self-service contracting and an omnichannel operation with a digital-first approach.

With regards to the last insurance line (brokerage), ABANCA Seguros Correduría (a company 100% owned by ABANCA Group) provides tailored solutions to companies with major risks that require greater complexity, either due to their high exposure or customers' particularities.

This new commercial model derived from all the above referred transactions and reorganisation is supported by a team of commercial managers located across ABANCA's branches who are specialised in each area of the insurance business.

In terms of business development, the ABANCA Group produced €164.6 million new insurance premiums in the first half of 2019, representing an increase of 7.4% compared to the six month-period ended on 30 June 2018 (production of general insurance premiums increased in 18.0% and production of life insurance premiums increased in 6.1%).

#### *Consumer finance*

This business unit provides a specific structure for consumer credit, focusing on the point of sale, prescribers (concessionaires, retailers, etc.) and preauthorised credits for customers (cards/loans). ABANCA Consumer Finance has a team of managers that promotes the activity with businesses/concessionaires, as well as providing support to the network of offices. This is complemented by a call-center service for telephone sales and supporting business customers.

The acquisition of Popular Servicios Financieros, E.F.C., S.A.U. in May 2017 was an especially relevant milestone to the development of the "consumer finance" business unit, as it contributed a specialised team and also a large number of agreements with businesses and dealers in Spain and Portugal.

#### *Institutional*

The public sector has a specific area in ABANCA, in which financial solutions are offered to address the needs of public bodies, public enterprises, associations, foundations, etc. Organised around a territorial network, the institutional banking co-ordinators were managing a portfolio of more than 1,660 customers throughout Spain as of 30 June 2019. Loans, credit policies, guarantee lines, factoring and confirming are the main solutions which, each day, support the activity of institutional customers.

In addition, each year the area co-ordinates approximately 350 collaboration agreements with town councils, autonomous regions, associations, foundations, etc. for the development of initiatives which promote the social, economic and cultural development of their environment. ABANCA also collaborates with revenue-collecting entities for the purpose of improving the efficiency of the processes for the collection of fees, public prices and other revenues.

### *International*

Although ABANCA concentrates its activity and business on the Iberian market, it also has two branches out of that area (in Switzerland and in Miami) and eight representative offices in Mexico, Panama, Venezuela, Brazil, the United Kingdom, France, Germany and Switzerland, aimed at providing coverage to the Galician community abroad and the global expansion of Spanish companies which operate in such countries.

The central element of this model is customer service through teams located both in Spain and in their country of residence. The customers have at their disposal up to three points of customer service contacts, between which they may choose at all times, depending on their needs: in their country of residence, their local representative office and, in Spain, their corresponding branch supported by managers focused on the sector of non-resident customers plus, in the case of entrepreneurs, the ABANCA foreign trade manager team.

### Singular Assets

ABANCA is focused on reducing the volume of unproductive assets while maximising their value for ABANCA. The main lines of action are the management of outstanding receivables of the credit portfolio and the reduction of the stock of properties awarded, always under the premise of generating positive results for ABANCA.

The recovery task focuses on reducing portfolios of suspicious and failed transactions (both current and planned transactions) for the purpose of minimising their negative impact on the results through standardisation, collection or judicial management. All these arrangements have the support of the commercial network, mainly in early delinquency stages. ABANCA's NPL ratio decreased significantly from 13.9% as of 31 December 2014 to 3.3% as of 30 June 2019. The NPL ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of ABANCA—Alternative Performance Measures*".

Beyond the ordinary recovery tasks, ABANCA also manages the reduction of this stock through the sale of portfolios. The activity is carried out by assessing the different divestment alternatives and strategies of these non-strategic assets, opting for the path enabling the highest value for ABANCA to be obtained.

With regards to the stock of real estate assets, ABANCA has a team in charge of all the processes associated with this type of assets, from their incorporation (where appropriate) and registration in the inventory, until the pricing and sale to third parties. In order to manage its stock of real estate assets, ABANCA chooses mixed solutions that combine outsourcing and internal management in such a way that control in the value chain is secured, and only those transactions which are less critical in the process are outsourced. In relation to the divestment strategy, a segmentation of the real estate portfolio is carried out based on the revaluation capacity of the assets, and prices are fixed for the purpose of maximising the profitability by maintaining an appropriate turnover.

As of 30 June 2019, the internal commercial team directed and co-ordinated a group of more than 500 real estate broker (REBs) distributed throughout the Spanish territory.

Although with a lower volume, ABANCA also carries out the management of leases depending on the type of agreement (commercial lease, social lease or subrogation).

### *B. Wholesale Banking*

Although ABANCA finances its credit activity as a retail business (with a retail loan to deposits ratio of 97.6% as of 30 June 2019), the "Wholesale Banking" business segment complements the commercial activity of ABANCA and constitutes an additional source of revenue for the consolidated statements of

profit and loss. The retail loan to deposits ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "*—Alternative Performance Measures*".

One of the main functions of the area is to optimize the liquidity generated by ABANCA. Furthermore, it manages the positions of treasury and liabilities in the capital markets in order to implement the transformation of the periods of the balance sheet and the exposure to interest risk. In addition, Wholesale Banking supports the areas of the commercial network which carry out the discretionary management of portfolios, disseminates knowledge to the managers/customers of ABANCA of the most standardised investment portfolios, and controls the investment funds/pension schemes designed by ABANCA. Furthermore, it collaborates in the distribution of treasury products to the commercial network (retail, enterprises, corporate, Comex and institutional) and co-ordinates the foreign exchange and derivatives desks, for the purpose of offering the best prices in these products to the internal areas (balance sheet/trading) and external customer. Moreover, it is responsible for the management of the investment portfolio in listed and non-listed companies which include non-representative shares for the purpose of generating profitability for ABANCA through dividends or capital gains and maximising efficiency and solvency, minimising outflows and maximising inflows of resources into ABANCA.

The following table includes a breakdown of the consolidated result of the before tax of the ABANCA Group's "Wholesale Banking" business segment for the financial years 2018 and 2017 and for six-month periods ended 30 June 2019 and 2018:

<b>WHOLESALE BANKING</b> <i>(in accordance with IFRS-EU)</i>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>Var.</b>
	(€ million)		
<b>Net interest income</b>	<b>(34.05)</b>	<b>(48.37)</b>	<b>(29.61%)</b>
Dividend income	11.97	10.71	11.72%
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	289.37	197.00	46.89%
Exchange differences, net	4.45	2.39	86.46%
Other operating income and expenses	6.33	3.63	74.18%
<b>Gross income</b>	<b>278.06</b>	<b>165.36</b>	<b>68.16%</b>
Personnel expenses	(9.27)	(13.03)	(28.85%)
Other administrative expenses, depreciation and amortization	(21.92)	(25.28)	(13.26%)
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(1.36)	(3.42)	(60.23%)
<b>Net Operating Income</b>	<b>245.51</b>	<b>123.64</b>	<b>98.57%</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(0.63)	0.29	n.a.
Gains or losses on derecognition of non-financial assets and investments, net	7.70	15.31	(49.69%)
Negative goodwill taken to profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(1.52)	(3.55)	(57.21%)
<b>Profit before tax from continuing operations</b>	<b>251.06</b>	<b>135.68</b>	<b>85.04%</b>

<b>WHOLESALE BANKING (in accordance with IFRS-EU)</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>Var.</b>
	(€ million)		
<b>Net interest income</b>	<b>(35.74)</b>	<b>(21.68)</b>	<b>64.83%</b>
Dividend income	7.51	8.64	(13.13%)
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	107.87	107.95	(0.07%)
Exchange differences, net	2.43	1.81	34.33%
Other operating income and expenses	2.83	3.27	(13.54%)
<b>Gross income</b>	<b>84.90</b>	<b>99.99</b>	<b>(15.09%)</b>
Personnel expenses	(7.14)	(6.94)	2.88%
Other administrative expenses, depreciation and amortization	(13.27)	(13.19)	0.61%
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	3.50	(1.73)	n.a.
<b>Net Operating Income</b>	<b>67.99</b>	<b>78.13</b>	<b>(12.98%)</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	1.39	(0.43)	n.a.
Gains or losses on derecognition of non-financial assets and investments, net	18.26	0.08	22,446.91%
Negative goodwill taken to profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(0.71)	0.29	n.a.
<b>Profit before tax from continuing operations</b>	<b>86.93</b>	<b>78.08</b>	<b>11.33%</b>

### *C. Non-Financial Subsidiaries*

This business line is comprised of the portfolio of non-financial enterprises aimed at supporting the local production factories and the activities of ABANCA (this business line includes the result of the insurance companies of ABANCA except for the income and expenditure from commissions, which are incorporated into the retail banking segment).

As of 30 June 2019, ABANCA maintained an investees portfolio with presence in the food and beverage sectors (*bodegas*), leisure and tourism (hotels, marina concessionaires, thalassotherapy and fitness etc.), insurance (brokerage and insurance companies), finance (venture capital, consumer finance, etc.), infrastructure (business park management companies and event and conference promoters) and others such as information and car, maritime, commercial transport, real estate and energy sectors, etc. The investee companies have an important presence and performance in the autonomous region of Galicia.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Non-Financial Subsidiaries" business segment for the financial years 2018 and 2017 and for six-month periods ended 30 June 2019 and 2018:

NON FINANCIAL SUBSIDIARIES <i>(in accordance with IFRS-EU)</i>	31 December 2018	31 December 2017	Var.
	(€ million)		
<b>Net interest income</b>	<b>33.18</b>	<b>33.68</b>	<b>(1.50%)</b>
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	9.77	7.42	31.80%
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	(0.44)	5.17	n.a.
Exchange differences, net	(0.08)	(0.04)	107.69%
Other operating income and expenses	48.02	37.80	27.05%
<b>Gross income</b>	<b>90.45</b>	<b>84.02</b>	<b>7.64%</b>
Personnel expenses	(12.01)	(15.10)	(20.46%)
Other administrative expenses, depreciation and amortization	(42.87)	(35.93)	19.33%
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(1.81)	(0.45)	301.11%
<b>Net Operating Income</b>	<b>33.76</b>	<b>32.55</b>	<b>3.71%</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	(1.44)	(100.00%)
Gains or losses on derecognition of non-financial assets and investments, net	(1.91)	(3.37)	(43.43%)
Negative goodwill taken to profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0.05	-	n.a.
<b>Profit before tax from continuing operations</b>	<b>31.90</b>	<b>27.74</b>	<b>15.00%</b>
NON FINANCIAL SUBSIDIARIES <i>(in accordance with IFRS-EU)</i>	30 June 2019	30 June 2018	Var.
	(€ million)		
<b>Net interest income</b>	<b>16.36</b>	<b>16.45</b>	<b>(0.53%)</b>
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	(3.31)	4.98	n.a.
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	-	0.10	(100.00%)
Exchange differences, net	-	-	-
Other operating income and expenses	22.83	20.56	11.07%
<b>Gross income</b>	<b>35.88</b>	<b>42.09</b>	<b>(14.75%)</b>
Personnel expenses	(6.46)	(6.01)	7.42%
Other administrative expenses, depreciation and amortization	(24.00)	(18.73)	28.17%
Provisions or reversals of provisions, and impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(0.01)	(0.23)	(93.91%)
<b>Net Operating Income</b>	<b>5.41</b>	<b>17.13</b>	<b>(68.39%)</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	0.01	0.77	(98.18%)
Gains or losses on derecognition of non-financial assets and investments, net	(1.06)	(0.28)	275.44%
Negative goodwill taken to profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(0.02)	0.07	n.a.
<b>Profit before tax from continuing operations</b>	<b>4.35</b>	<b>17.69</b>	<b>(75.40%)</b>

### Distribution channels

ABANCA is committed to a customer relationship model based on the multi-channel approach, through which the customer can connect with ABANCA through the different distribution channels offered. By means of a multi-channel distribution platform, the customer decides how and when to carry out their



financial transactions, keeping the traditional office as the personalised customer support centre, supplemented by alternative channels (online banking, mobile banking, means of payment, ATM's, etc.).

### Branches

ABANCA's strategy is geographically differentiated into the following areas:

- Galicia, Asturias and León: the "natural market" of ABANCA, where it has its major market share (as of 31 March 2019, ABANCA was the market leader in Galicia with a share of more than 38% (*source: Statement FI 132.E March 2019 of the Bank of Spain*)). ABANCA has a broad network of branches in its "natural market" (552 branches as at 30 June 2019).
- Rest of Spain: where the presence of ABANCA is selective and focused on larger towns (64 branches as of 30 June 2019).
- Portugal: Portugal is expected to play a special role in ABANCA's long-term plans due to its expected crucial role within the Iberian market and its economic relationship with Spain. The positioning in Portugal focuses on private banking, SMEs, insurance and digital solutions.

In addition, the presence of ABANCA in the Iberian market is complemented by presence in the international markets through two operational branches in Switzerland and Miami (as of 30 June 2019) and representative offices (France, the United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela). Please also see "*—History and development - History*" above.



\* Mexico includes Sentir Común SOFOM (Sociedad Financiera de Objeto Múltiple).

<b><u>Number of branches*</u></b>	<b>June 2019</b>	<b>Dec 2018</b>
Spain .....	616	616
Galicia, Asturias and León.....	552	552
Rest of Spain .....	64	64
Portugal.....	70 <sup>1</sup>	4
Abroad .....	2	2
Representative offices abroad .....	8	8
<b>Total .....</b>	<b>696<sup>1</sup></b>	<b>630</b>

\* 110 branches of BCG have not been included as the effective integration of BCG has not taken place yet.

(1) Includes 26 points of sale.

This geographic distribution is supported by an innovative and differential model whose main features are, among others, the expertise in dealing with customer needs, the combination of personal customer service and remote banking (on-line and telephone), the service through specialised units, simplicity and transparency in contracting and managing products and services as well as the international approach. Moreover, in all cases, this presence is complemented with certain digital channels (please see "*Digital channels*" below).

In recent years, ABANCA has continued with the process of optimising its network, phasing out branches in those centres where an over-presence has been identified based on the demographic and industrial characteristics of the area. Furthermore, offices have been opened in those places around Spain where the ABANCA Group did not have the appropriate representation. In addition, ABANCA has also taken advantage of the opportunities that have arisen in the sector to acquire businesses that are expected to allow it to improve its position as an Iberian player. This approach has been reflected in the operations of DB PCB and BCG (please also see "*History and development - History*" above). Both transactions have provided an inorganic growth that is totally complementary to the ABANCA's retail business.

#### *Digital channels*

ABANCA also has a virtual banking service (electronic, telephone and mobile banking) for all of its products that is used by 53.9% of its customers. ABANCA's mobile banking is among the best rated in the Spanish financial system by users (according to Google Play Store and Apple Store).

In order to adapt to new customers habits, ABANCA has implemented a digitalisation strategy. In addition to enhancing the capabilities of its electronic banking, it has launched numerous payment tools (ABANCA Pay, ABANCA Cash, Samsung Pay, contactless technology) and products suited to the demands of digital customers.

This digital strategy has allowed ABANCA to increase the number of active digital customers by 4.1% during the first six months of 2019, with a special focus on electronic and mobile banking to carry out all types of transactions and manage and contract products through the web and telephone. During the six month period ended on 30 June 2019, more than 730,000 customers of the ABANCA Group have used remote services for their queries and transactions; moreover, 54.8% of the total transactions conducted by the ABANCA Group clients during that period were conducted through digital channels. In that period, the number of ABANCA Group's customers that use mobile banking grew 8.0%.

These digital channels play an important role in improving efficiency and thanks to them, the transactional activity in branches has decreased, allowing more time for commercial work.

As of 30 June 2019, ABANCA offers its customers in Spain a network of 1,052 integrated ATMs within the EURO 6000 network. ABANCA is also continuing with the implementation of state-of-the-art fully equipped ATMs as well as the implementation of new functionalities to respond to the demands reported

by customers and branches. These devices allow recurring transactions that involve a high administrative load for the branch employees, such as making cash withdrawals with return of coins, multiple payment of receipts and deposits of exact amounts and return of change with the card. Moreover, as of 30 June 2019, ABANCA had in Spain a wide network of point of sale terminals (35,073 units) and cards (1.98 million units).

#### Client satisfaction

The key idea of ABANCA's model of specialisation and differentiation is that the service must be provided in the most satisfactory manner. ABANCA focuses on creating and strengthening experiences with customers which generate positive emotions, leading them to recommend ABANCA to friends and relatives, as well as maintaining long-term relationships with ABANCA and a high product-loyalty.

ABANCA considers the digital strategy as one of the fundamental tools leading to the improvement of customer experience. In this respect, ABANCA's digital project seeks to accelerate the processes in order to offer a multi-channel, innovative service with higher quality levels and with the possibility of contracting products and services without the need to visit a branch. The impetus of the digital strategy, with a special emphasis on mobile banking and electronic banking to carry out all kinds of transactions and manage and contract products via the web and by telephone, has enabled ABANCA to increase both the number of active digital customers and the number of loyal customers. ABANCA continues to innovate and incorporating best practices in all matters relating to the digital world without neglecting its less-digital customers.

ABANCA has recently created the "ABANCA ESCUCHA" tool, which is aimed at managing the customer experience process by collecting customer opinions and assessments in an agile and real-time manner. It is a modern and innovative vision that places the customer at the centre of ABANCA's interest, thus taking a step forward in the transformation process towards the client-centric approach that ABANCA has defined in its strategic plan. ABANCA ESCUCHA deals with the main metrics with regard to customer experience in order to carry out a detailed follow-up of the evolution of satisfaction levels that customers keep with the Bank as well as to carry out action plans to correct any situation that may affect them.

#### **Principal markets**

Within this multi-channel distribution model (please see "*Distribution Channels*" above), ABANCA has positioned itself in the Iberian market in different ways, depending on the different geographic areas:

- In the "*natural market*" (autonomous regions of Galicia, Asturias and province of León), the branch network remains as the basic instrument for the relationship with the customer, acting as the advice centre and point of sale, always counting on the support of remote services that make it easier for the customer to carry out their transactions. The credit market share ABANCA had in the natural markets (Galicia, Asturias and León) as of 31 March 2019 exceeded 22% in credit, 27% in deposits and more than 25% in total turnover (source: *FI 132.E Statement of Bank of Spain dated 31 March 2019*).

In Galicia, the large branch network of the ABANCA Group makes it easier for the Galician population to access financial services in an environment with a dispersed population. As of 30 June 2019, ABANCA provided its services in 99 small towns where it is the only financial institution present and had two mobile offices which move on a regular basis to other centres of population where there is no branch, thus favouring their financial inclusion.

- In the rest of the Spanish territory, ABANCA opts for a far more selective physical network, focusing on the customer, with a high net worth and strongly spurred on by online banking.
- In Portugal, the intention of ABANCA has been to expand throughout this territory. Due to the acquisition of DB PCB's business, ABANCA had the opportunity to expedite this expansion based

on an already consolidated branch network and client base. In this way, ABANCA has managed to establish a physical presence that covers 16 of the 20 Portuguese districts and autonomous regions (among which are the most developed ones) in a country with great links with the mentioned "natural market". As it occurs in the rest of the territories where ABANCA operates, this physical presence is complemented by top-level digital solutions.

- With regard to the international service model of ABANCA, this is focused on attention to the large community of entrepreneurs and families of Spanish origin who reside in European and American countries.

## Administrative, management and supervisory bodies

### Board of Directors

The table below sets forth, at the date of this Prospectus, the names of the members of the Board of Directors of ABANCA, their positions within ABANCA and their membership type:

Name	Title	Category
Mr. Juan Carlos Escotet Rodríguez	Chairman	Proprietary <sup>(1)</sup>
Mr. Francisco Botas Ratera	Chief Executive Officer	Executive
Mr. Pedro Raúl López Jácome	Director	Other external <sup>(2)</sup>
Ms. Carina Szpilka Lázaro	Director	Independent
Mr. José García Montalvo	Director	Independent
Mr. José Ramón Rodrigo Zarza	Director	Independent
Mr. Eduardo Eraña Guerra	Director	Independent
Ms. Leticia Iglesias Herraiz	Director	Independent
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)	
Ms. María Consolación Borrás Retamero	Vice Secretary (non-Member)	

(1) Shareholder represented: ABANCA Holding.

(2) Mr. Pedro Raúl López Jácome is not considered an independent director as a consequence of a related-party transaction entered into with ABANCA in July 2016. Consequently, his category in the Board of Directors has been reclassified to "other external".

The business address of each member of the Board of Directors is: Rua Nueva, 30, A Coruña, Spain.

The annual general shareholders' meeting of ABANCA held on 10 June 2019 approved to increase the number of members of the Board of Directors up to 11 members, however additional members were not appointed at that time. The Board of Directors may fill the vacancies by making appointments to serve until the next general shareholders' meeting is held (*nombramiento por cooptación*).

The table below sets forth the names of those members of the Board of Directors of ABANCA with activities performed outside ABANCA or companies or members of the ABANCA Group as of the date of this Prospectus that are significant with respect to ABANCA:

Director	Company	Title
Mr. Juan Carlos Escotet Rodríguez	Confederación Española de Cajas de Ahorro	Director
	ABANCA Holding Financiero, S.A.	Chairman
	Banesco Holding, C.A.	Chairman
	Banesco Banco Universal, C.A.	Chairman
	Banesco Holding Latinoamérica, S.A.	Director
	Banesco Seguros, S.A.	Vice-Chairman
	Banesco Holding Financiero, S.L.U.	Director
	Banesco, S.A.	Director
	Banesco Banco Múltiple, S.A.	Vice-Chairman
	Mr. Francisco Botas Ratera	ABANCA Holding Financiero, S.A.
	Cecabank, S.A.	Director
Mr. Pedro Raúl López Jácome	Miura Holding, C.V.	Director/ Chairman
	Miura Capital Panamá, Inc.	Director/ Chairman
	Imantia Capital S.G.I.I.C., S.A.	Vice-Chairman

Ms. Carina Szpilka Lázaro	Grifols, S.A.	Director
	Kanoar Ventures SGEIC, S.A.	Chairman
	Asociación Española de la Economía Digital (Adigital)	Chairman
Mr. Eduardo Eraña Guerra	Meliá Hotels International, S.A.	Director
	Banco Lafise Bancentro, S.A. (Nicaragua)	Director
	Banco Lafise, S.A. (Costa Rica)	Director
	Banco Múltiple Lafise, S.A. (República Dominicana)	Director
	Banco Lafise (Honduras)	Director
Ms. Leticia Iglesias Herraiz	Banco Lafise Valores Puesto de Bolsa	Director
	AENA SME, S.A.	Director
	LAR España Real Estate Socimi, S.A.	Director

As of the date of this Prospectus, there are no conflicts of interest in relation to members of the Board of Directors of ABANCA between any duties owed to ABANCA and their private interests and other duties.

#### *Executive Credit Commission*

The Executive Credit Commission has the powers that correspond to the Board of Directors in relation to the granting and monitoring of funding transactions of any nature, including those related to the improvement, recognition, amendment, extension, advance of maturity, termination, extinction, renewal and, in general, whatsoever powers applicable with regard to acts, contracts or operations specific to the ordinary trading or course of banking entities as part of their operational funding mechanism.

As of the date of this Prospectus, the Executive Credit Commission is composed of the following directors:

<b>Name</b>	<b>Position</b>
Mr. Francisco Botas Ratera	Chairman
Mr. Pedro Raúl López Jácome	Member
Mr. José Ramón Rodrigo Zarza	Member
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)
Mr. José Luis Dorrego Martín-Barbadillo	Deputy Secretary (non-Member)

#### *Audit and Compliance Commission*

The Audit and Compliance Commission has, in general terms, the following functions: (i) report to the General Meeting of Shareholders on the issues of its competence; (ii) functions with regard to the external auditor; (iii) functions regarding the information and internal control systems and the internal auditing function; (iv) to assess compliance with the Internal Code of Conduct in Securities Markets, with the Regulations of the Board of Directors and, in general, with ABANCA's governance rules and make the necessary proposals for their improvement; (v) to supervise compliance with and the performance of the internal control manual for criminal risk prevention approved by the Board of Directors; (vi) to report to the Board of Directors in advance on all matters set forth in the law, the bylaws and in the Regulations of the Board of Directors; (vii) to submit to the Board of Directors as many proposals it deems appropriate on matters within the purview of its powers.

As of the date of this Prospectus, the Audit and Compliance Commission is composed of the following directors:

<b>Name</b>	<b>Position</b>
Ms. Leticia Iglesias Herraiz	Chairman
Mr. José García Montalvo	Member
Ms. Carina Szpilka Lázaro	Member
Mr. Pedro Raúl López Jácome	Member
Mr. José Ramón Rodrigo Zarza	Member
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)

### *Appointments Commission*

The Appointments Commission has, in general terms, the following functions: (i) to evaluate the balance between knowledge, skills, diversity and experience within the Board of Directors and develop a description of the duties and necessary skills required for a particular appointment, evaluating the time and dedication required to effectively perform their duties; (ii) to establish a representation target for the under-represented gender in the Board of Directors and develop guidelines on how to achieve such objective; (iii) to identify and recommend, with a view to its approval by the Board of Directors or the General Meeting of Shareholders, candidates to fill any vacancies in the Board of Directors; (iv) to review regularly the policy of the Board of Directors regarding the selection and appointment of members of senior management and formulate recommendations and report on proposals for the appointment and removal of senior managers and the basic conditions of their contracts; (v) to implement and monitor the succession plan for directors approved by the Board of Directors; (vi) to inform previously the Board of Directors about the members who shall form part of each Commission; (vii) to verify, on a yearly basis, the status of ABANCA's directors and inform the Board of Directors accordingly for its consideration during the drafting of the annual report on corporate governance; (viii) to evaluate regularly, and at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations with respect to possible changes; (ix) to evaluate regularly and report to the Board of Directors accordingly at least once a year as regards the suitability of the different members of the Board of Directors and that of the Board as a whole; (x) to define policies and guidelines for the management of the human capital of ABANCA; and (xi) to report on the appointment of a Chairperson of Honour.

As of the date of this Prospectus, the Appointments Commission is composed of the following directors:

<b>Name</b>	<b>Position</b>
Mr. Eduardo Eraña Guerra	Chairman
Mr. Pedro Raúl López Jácome	Member
Mr. José Ramón Rodrigo Zarza	Member
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)

### *Remuneration Commission*

The Remuneration Commission has, in general terms, the following functions: (i) propose to the Board the remuneration policy of directors (which shall be put to the vote of the General Meeting under the Regulation of the Board of Directors) and that of the senior management, as well as the individual remuneration and remaining contract terms and conditions of executive directors, ensuring their observance; (ii) directly supervise the remuneration of the managers responsible for risk management and those with compliance; (iii) periodically review the remuneration schemes for their updating and ensure that the remuneration of directors and senior managers conform to standards of moderation and correspondence to the performance of ABANCA and that their remuneration and that of the identified staff (as defined in the applicable law) do not incentivize taking risks beyond the level authorized by ABANCA so that they consistent with and promote sound and effective risk management. Furthermore, the remuneration policy of the identified staff shall be subject to a central and independent review at least once a year so as to be ascertain whether the remuneration patterns and procedures established by the board of directors are met; (iv) verify the independency of the external advisors that may be hired, if any, in the capacity of experts in remunerations; (v) ensure the transparency of the remuneration policies in such terms as envisaged by the applicable norms and regulations and the observance of the remuneration policy established by ABANCA; and (vi) assess the achievement of the objectives the remuneration is linked to, as well as the need to make risk-based adjustments, if any, to the said remunerations.

As of the date of this Prospectus, the Remuneration Commission is composed of the following directors:

<b>Name</b>	<b>Position</b>
Ms. Carina Szpilka Lázaro	Chairman
Mr. José García Montalvo	Member
Mr. Pedro Raúl López Jácome	Member
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)

#### *Comprehensive Risk Commission*

The Comprehensive Risk Commission has, in general terms, the following functions: (i) advise the Board of Directors on the current and future risk appetite of ABANCA and its strategy on this regard and assisting it on ensuring the implementation of that strategy; (ii) oversee that the pricing policy of assets and liabilities offered to customers takes fully into account ABANCA's business model and its risk strategy; (iii) determine in collaboration with the Board of Directors, the nature, format and frequency of the information on risks that the Commission itself and the Board of Directors shall receive; (iv) collaborate in the implementation of rational remuneration policies and practices. To this end, the Commission shall evaluate, without prejudice to the duties of the Remuneration Commission, whether the incentive policy provided for in the remuneration scheme takes into account the risk, the capital, the liquidity, and the probability and appropriateness of the profits; and (v) propose the selection, appointment, reappointment and dismissal of the Manager of the Risk Unit (General Manager of Corporate Control and Risks).

As of the date of this Prospectus, the Comprehensive Risk Commission is composed of the following directors:

<b>Name</b>	<b>Position</b>
Mr. José García Montalvo	Chairman
Ms. Leticia Iglesias Herraiz	Member
Mr. Pedro Raúl López Jácome	Member
Mr. José Ramón Rodrigo Zarza	Member
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)

#### *Management Team*

The following table specifies the management team of ABANCA as of the date of this Prospectus:

<b>Name</b>	<b>Position</b>
Mr. Francisco Botas Ratera	Chief Executive Officer
Mr. Juan Luis Vargas-Zúñiga Mendoza	Institutional Distribution and Management, Capital Markets General Manager
Mr. Luis Beraza de Diego	Spain Business General Manager
Mr. José Luis Vázquez Fernández	Credit General Manager
Mr. Miguel Angel Escotet Alvarez	Corporate Social Responsibility and Communications General Manager
Mr. José Manuel Valiño Blanco	IT, Data, Processes and Operations General Manager
Mr. Pablo Triñanes Lago	Chief Risk Officer
Mr. Alberto de Francisco Guisasola	Chief Financial Officer (CFO)
Mrs. Maria Camino Agra	Human Resources General Manager
Mr. José Eduardo Álvarez-Naveiro	Corp. Governance and Legal Affairs General Manager
Mr. Alfonso Caruana Cámara	International Business General Manager
Mr. Julián José Serrapio Vigo	Chief Audit Officer (CAO)
Mr. Pedro Veiga Fernández	Strategic Planning and Project Management Office General Manager

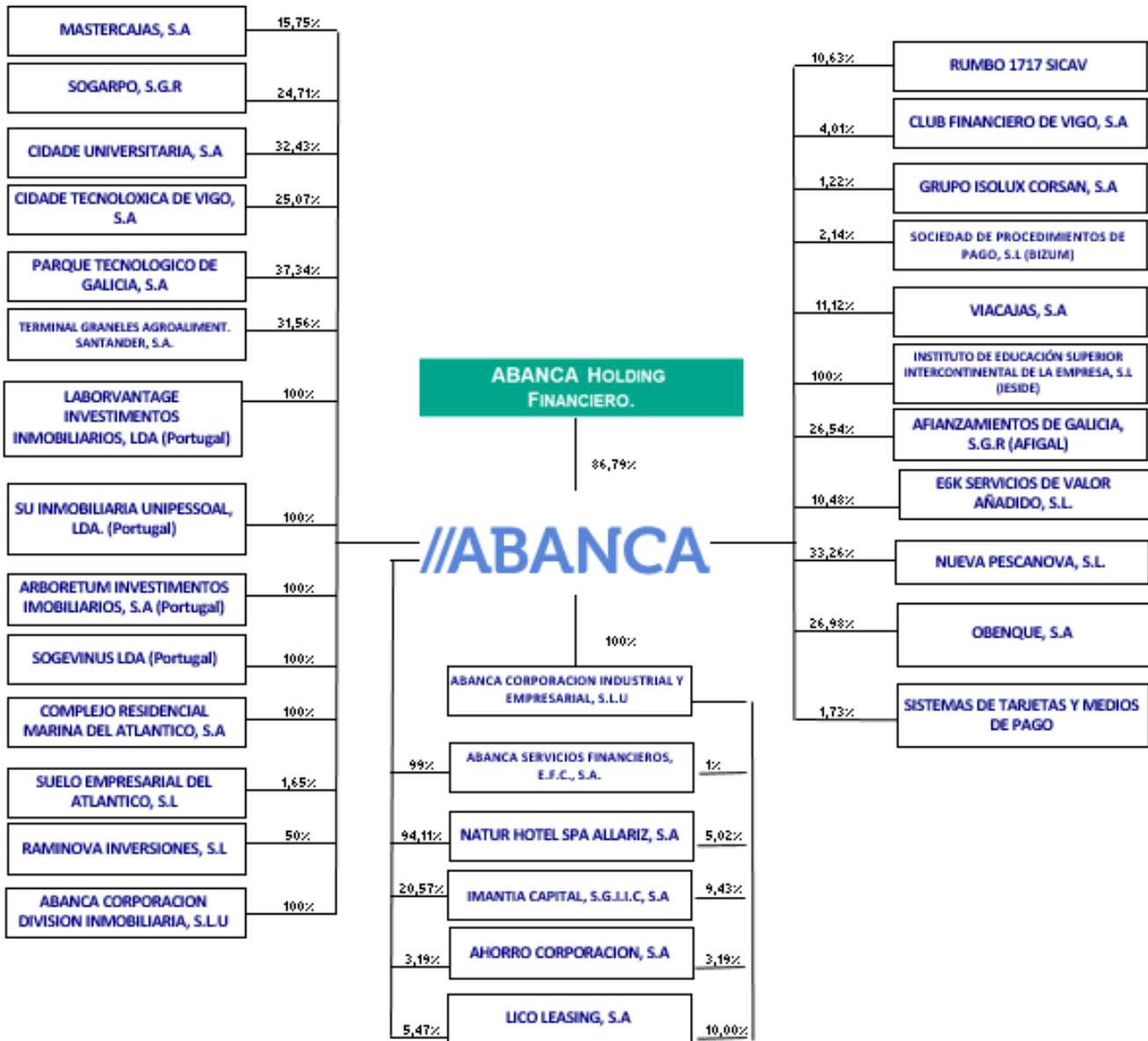
There are no members of the management team of ABANCA with activities performed outside ABANCA or companies or members of the ABANCA Group as of the date of this Prospectus that are significant with respect to ABANCA.

As of the date of this Prospectus, there are no conflicts of interest in relation to members of the management team of ABANCA between any duties owed to ABANCA and their private interests and other duties.

The business address of each member of ABANCA's management team mentioned above is Rua Nueva, 30, A Coruña, Spain.

### Organisational structure

The following chart summarises the companies making up the ABANCA Group and ABANCA's ownership of such companies as of the date of this Prospectus:



### Capital structure

As of the date of this Prospectus, ABANCA's share capital is €2,453,657,413 divided into 2,453,657,413 fully subscribed and paid ordinary shares with a par value of €1 each. All shares are of the same class with the same rights attached.



## Shareholders

As of 31 August 2019, the shareholders of ABANCA are:

Shareholder	Interest
ABANCA Holding	86.79%
CLEARSTREAM BANKING. S.A.	1.49%
Other shareholders	2.95%
Treasury shares	8.77%

As of the date of this Prospectus, ABANCA's share capital is owned indirectly (through ABANCA Holding) in an 86.79% by Mr. Juan Carlos Escotet Rodríguez.

## Legal and arbitration proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which ABANCA is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of ABANCA.

Information about the legal and regulatory risks that ABANCA may be exposed to in the near future can be found in "*The ABANCA Group is exposed to risk of loss from legal and regulatory claims*" under the Risk Factors section.

## Overview of financial information

The sections below contain financial information of the ABANCA Group and the ABANCA Holding Group extracted from their relevant financial statements, which have been prepared in accordance with IFRS-EU/IAS 34.

ABANCA publishes its individual and consolidated annual accounts as well as the half-year consolidated financial statements corresponding to the first six months of the year. The ABANCA Holding Group does not publish any financial information.

### *Financial information of the ABANCA Group*

The table below includes the consolidated balance sheets of the ABANCA Group as of 31 December 2018 and 2017:

<i>(millions of euros)</i>			
ASSETS	2018	2017	Var.
<b>Cash, cash balances with central banks and other demand deposits</b>	<b>1,367.53</b>	<b>1,701.99</b>	<b>(19.65%)</b>
<b>Financial assets held for trading</b>			
Derivatives	99.22	100.32	(1.10%)
Debt securities	-	-	-
	<b>99.22</b>	<b>100.32</b>	<b>(1.10%)</b>
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>			
Equity instruments	338.96	-	n.a.
Debt securities	32.63	-	n.a.
Loans and advances			
Customer	1.01	-	n.a.
	<b>372.59</b>	<b>-</b>	<b>n.a.</b>
<b>Financial assets designated at fair value through profit or loss</b>			
Equity instruments	-	33.77	(100.00%)
Debt securities	-	4.12	(100.00%)
	<b>-</b>	<b>37.89</b>	<b>(100.00%)</b>

<b>Financial assets at fair value through other comprehensive income</b>			
Equity instruments	43.03	494.37	(91.30 %)
Debt securities	7,736.29	9,293.15	(16.75 %)
	<b>7,779.32</b>	<b>9,787.53</b>	<b>(20.52 %)</b>
<b>Financial assets at amortized cost</b>			
Debt securities	3,868.85	3,539.90	9.29 %
Loans and advances			
Credit institutions	1,334.56	535.24	149.34 %
Customers	30,160.56	29,120.27	3.57 %
	<b>35,363.97</b>	<b>33,195.41</b>	<b>6.53 %</b>
<b>Derivatives - hedge accounting</b>	<b>31.09</b>	<b>32.01</b>	<b>(2.90 %)</b>
<b>Investments in joint ventures and associates</b>	<b>222.54</b>	<b>158.55</b>	<b>40.36 %</b>
Associates	222.54	158.55	40.36 %
<b>Assets covered by insurance or reinsurance contracts</b>	<b>4.48</b>	<b>6.02</b>	<b>(25.70 %)</b>
<b>Tangible assets</b>			
Fixed asset			
For own use	868.73	838.96	3.55 %
Investment property	294.80	278.63	5.80 %
	<b>1,163.53</b>	<b>1,117.59</b>	<b>4.11 %</b>
<b>Intangible assets</b>			
Goodwill	61.73	61.73	-
Other intangible assets	297.42	306.98	(3.12 %)
	<b>359.15</b>	<b>368.71</b>	<b>(2.59 %)</b>
<b>Tax asset</b>			
Current tax assets	95.00	118.52	(19.85 %)
Deferred tax assets	3,358.40	3,290.22	2.07 %
	<b>3,453.40</b>	<b>3,408.74</b>	<b>1.31 %</b>
<b>Other assets</b>			
Insurance contracts linked to pensions	136.23	149.00	(8.57 %)
Inventories	61.95	63.50	(2.45 %)
Other assets	157.82	159.27	(0.91 %)
	<b>356.00</b>	<b>371.78</b>	<b>(4.24 %)</b>
<b>Non-current assets and disposal groups classified as held for sale</b>	<b>409.60</b>	<b>497.82</b>	<b>(17.72 %)</b>
<b>TOTAL ASSETS</b>	<b>50,982.42</b>	<b>50,784.35</b>	<b>0.39 %</b>

LIABILITIES AND EQUITY	2018	2017	Var.
<b>Financial liabilities held for trading</b>			
Derivatives	72.72	84.89	(14.34 %)
	<b>72.72</b>	<b>84.89</b>	<b>(14.34 %)</b>
<b>Financial liabilities at amortized cost</b>			
Deposits			
Central banks	3,435.88	3,449.92	(0.41 %)
Credit institutions	4,294.14	4,290.97	0.07 %
Customers	35,404.42	35,647.69	(0.68 %)
Debt securities issued	754.83	789.73	(4.42 %)
Other financial liabilities	244.71	148.03	65.31 %
<i>Memorandum item: subordinated liabilities</i>	5.79	8.57	(32.41 %)
	<b>44,133.97</b>	<b>44,326.34</b>	<b>(0.43 %)</b>
<b>Derivatives - hedge accounting</b>	<b>135.30</b>	<b>88.20</b>	<b>53.40 %</b>
<b>Liabilities covered by insurance or reinsurance contracts</b>	<b>1,395.97</b>	<b>1,249.52</b>	<b>11.72 %</b>

<b>Provisions</b>			
Pensions and other post-employment defined benefit obligations	158.44	176.78	(10.38%)
Outstanding taxes legal proceedings and litigation	17.20	2.28	655.49%
Commitments and guarantees given	83.64	75.67	10.53%
Other provisions	85.25	154.95	<b>(44.98%)</b>
	<b>344.53</b>	<b>409.68</b>	<b>(15.90%)</b>
<b>Tax liabilities</b>			
Current tax liabilities	14.19	17.39	(18.40%)
Deferred tax liabilities	177.45	225.20	(21.20%)
	<b>191.64</b>	<b>242.59</b>	<b>(21.00%)</b>
<b>Other liabilities</b>	<b>244.88</b>	<b>277.75</b>	(11.84%)
<b>TOTAL LIABILITIES</b>	<b>46,518.99</b>	<b>46,678.97</b>	(0.34%)
<b>EQUITY</b>			
<b>Own funds</b>			
<b>Capital</b>			
Paid-up capital	2,453.66	2,453.66	-
<b>Share premium</b>	433.90	433.90	-
<b>Equity instruments issued other than capital</b>			
Other equity instruments issued	250.00	-	n.a.
<b>Retained earnings</b>	1,398.87	1,180.24	18.52%
<b>Other reserves</b>			
Reserves or accumulated losses of investments in joint ventures and associates	(8.60)	(9.82)	(12.47%)
Other	(14.19)	-	<b>n.a.</b>
<b>Treasury shares</b>	(229.73)	(226.94)	<b>1.23%</b>
<b>Profit attributable to the owners of the Parent</b>	430.42	367.07	17.26%
<b>Interim dividends</b>	(159.31)	(110.58)	<b>44.06%</b>
	<b>4,555.03</b>	<b>4,087.53</b>	<b>11.44%</b>
<b>Accumulated other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains or losses on defined benefit pension plans	(19.18)	(13.91)	37.92%
Fair value changes of equity instruments measured at fair value through other comprehensive income	2.70	-	n.a.
	<b>(16.49)</b>	<b>(13.91)</b>	<b>18.53%</b>
<b>Items that may be reclassified to profit or loss</b>			
Foreign currency translation	0.02	0.02	<b>31.25%</b>
Hedging derivatives Cash flow hedges reserve (effective portion)	(18.70)	(47.84)	(60.91%)
Fair value changes of debt securities at fair value through other comprehensive income	(45.32)	90.09	n.a.
Share of other recognized income and expense of investments in joint ventures and associates	(11.13)	(10.51)	<b>5.90%</b>
	<b>(75.13)</b>	<b>31.75</b>	<b>n.a.</b>
<b>Minority interests (non-controlling interests)</b>			
Accumulated other comprehensive income	-	-	-

Other items	0.01	0.01	(8.33%)
	<b>0.01</b>	<b>0.01</b>	<b>(8.33%)</b>
<b>TOTAL EQUITY</b>			8.72%
<b>TOTAL LIABILITIES AND EQUITY</b>			<b>0.39%</b>
	<b>4,463.43</b>	<b>4,105.38</b>	
	<b>50,982.42</b>	<b>50,784.35</b>	

The table below includes the consolidated statements of profit and loss of the ABANCA Group for the years ended 31 December 2018 and 2017:

	<i>(millions of euros)</i>		
	Income / (Expenses)		
	2018	2017	Var.
<b>Interest Income</b>	<b>724.91</b>	<b>689.79</b>	<b>5.09%</b>
Financial assets at fair value through other comprehensive income	117.41	108.08	8.63%
Financial assets at amortized cost	632.53	596.84	5.98%
Other of interest income	(25.03)	(15.14)	65.33%
<b>Interest expense</b>	<b>(180.21)</b>	<b>(201.29)</b>	<b>(10.47%)</b>
<b>NET INTEREST INCOME</b>	<b>544.69</b>	<b>488.50</b>	<b>11.50%</b>
<b>Dividend income</b>	<b>11.97</b>	<b>10.71</b>	<b>11.72%</b>
<b>Share of profit or loss of equity-accounted investees</b>	<b>9.77</b>	<b>7.42</b>	<b>31.80%</b>
<b>Fee and commission income</b>	<b>197.75</b>	<b>189.91</b>	<b>4.13%</b>
<b>Fee and commission expense</b>	<b>(21.50)</b>	<b>(20.15)</b>	<b>6.70%</b>
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>105.68</b>	<b>199.78</b>	<b>(47.10%)</b>
Financial assets at amortized cost	(0.64)	(2.19)	(70.73%)
Other financial assets and liabilities	106.32	201.97	(47.36%)
<b>Gains or losses on financial assets and liabilities held for trading, net</b>	<b>0.78</b>	<b>4.58</b>	<b>(82.95%)</b>
Other gains or (-) losses	0.78	4.58	(82.95%)
<b>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net</b>	<b>190.04</b>	<b>-</b>	<b>n.a.</b>
Other gains or (-) losses	190.04	-	n.a.
<b>Gains or losses from hedge accounting, net</b>	<b>(7.58)</b>	<b>(2.20)</b>	<b>245.28%</b>
<b>Exchange differences, net</b>	<b>4.33</b>	<b>2.35</b>	<b>84.36%</b>
<b>Other operating income</b>	<b>87.61</b>	<b>61.84</b>	<b>41.68%</b>
<b>Other operating expenses</b>	<b>(94.01)</b>	<b>(144.93)</b>	<b>(35.14%)</b>
<b>Income from assets covered by insurance or reinsurance contracts</b>	<b>295.80</b>	<b>268.13</b>	<b>10.32%</b>
<b>Expenses from liabilities covered by insurance or reinsurance contracts</b>	<b>(274.78)</b>	<b>(254.79)</b>	<b>7.85%</b>
<b>GROSS INCOME</b>	<b>1.050.55</b>	<b>811.15</b>	<b>29.51%</b>
<b>Administrative expenses</b>	<b>(540.75)</b>	<b>(509.78)</b>	<b>6.07%</b>
Personnel expenses	(319.45)	(315.00)	1.41%
Other administrative expenses	(221.30)	(194.79)	13.61%
<b>Depreciation and amortization</b>	<b>(52.55)</b>	<b>(48.81)</b>	<b>7.67%</b>

Provisions or reversals of provisions	(12.42)	(22.41)	(44.58%)
Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(25.86)	76.29	n.a.
Financial assets at fair value through other comprehensive income	(2.21)	(1.99)	10.99%
Financial assets at amortized cost	(23.65)	78.28	n.a.
<b>NET OPERATING INCOME</b>	<b>418.98</b>	<b>306.44</b>	<b>36.73%</b>
Impairment or reversal of impairment on investments in joint ventures or associates	1.19	(1.44)	n.a.
Impairment or reversal of impairment on non-financial assets	(1.82)	0.29	n.a.
Tangible assets	(1.82)	0.70	n.a.
Intangible assets	-	(0.41)	(100.00%)
Others	0.00	0.00	-
Gains or losses on derecognition of non-financial assets, net	9.58	24.75	(61.30%)
Negative goodwill taken to profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	36.10	38.13	(5.31%)
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>464.03</b>	<b>368.16</b>	<b>26.04%</b>
Tax expense or income related to profit or loss from continuing operations	(33.61)	(1.09)	2,981.03%
<b>PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>430.42</b>	<b>367.07</b>	<b>17.26%</b>
Profit or loss after tax from discontinued operations	-	-	-
<b>PROFIT FOR THE YEAR</b>	<b>430.42</b>	<b>367.07</b>	<b>17.26%</b>
Attributable to minority interests (non-controlling interests)	-	(0.00)	(100.00%)
Attributable to the owners of the Parent	430.42	367.07	17.26%

EARNINGS PER SHARE (euro)	At 31 December 2018	At 31 December 2017	Var.
Basic	0.1923	0.1639	17.33%
Diluted	0.1923	0.1639	17.33%

The table below includes the consolidated balance sheets of the ABANCA Group as of 30 June 2019 and 31 December 2018:

(millions of euros)

ASSETS	30 June 2019	31 December 2018	Var.
Cash, cash balances with central banks and other demand deposits	789.87	1,367.53	(42.24%)
Financial assets held for trading	128.62	99.22	29.63%
Non-trading financial assets mandatorily at fair value through profit or loss	309.45	372.59	(16.95%)
Financial assets at fair value through other comprehensive income	3,787.15	7,779.32	(51.32%)
Financial assets at amortized cost	41,593.71	35,363.97	17.62%
Derivatives – hedge accounting	45.20	31.09	45.40%
<b>Investments in joint ventures or associates</b>			
Associates	208.33	222.54	(6.39%)
	<b>208.33</b>	<b>222.54</b>	<b>(6.39%)</b>
Assets covered by insurance or reinsurance contracts	5.32	4.48	18.81%
<b>Tangible assets</b>			
Fixed asset			
For own use	915.38	868.73	5.37%
Investment property	286.80	294.80	(2.72%)
	<b>1,202.18</b>	<b>1,163.53</b>	<b>3.32%</b>
<b>Intangible assets</b>			
Goodwill	61.73	61.73	-
Other intangible assets	306.31	297.42	2.99%
	<b>368.04</b>	<b>359.15</b>	<b>2.48%</b>
<b>Tax asset</b>			
Current tax assets	66.56	95.00	(29.94%)
Deferred tax assets	3,362.09	3,358.40	0.11%
	<b>3,428.65</b>	<b>3,453.40</b>	<b>(0.72%)</b>
<b>Other assets</b>			
Insurance contracts linked to pensions	136.23	136.23	-
Inventories	60.68	61.95	(2.05%)
Other assets	192.03	157.82	21.68%
	<b>388.94</b>	<b>356.00</b>	<b>9.25%</b>
Non-current assets and disposal groups classified as held for sale	392.19	409.60	(4.25%)
<b>TOTAL ASSETS</b>	<b>52,647.66</b>	<b>50,982.42</b>	<b>3.27%</b>

LIABILITIES AND EQUITY	30 June 2019	31 December 2018	Var.
Financial liabilities held for trading	123.69	72.72	70.10%

<b>Financial liabilities measured at amortized cost</b>	<b>45,136.72</b>	<b>44,133.97</b>	<b>2.27%</b>
<b>Derivatives - hedge accounting</b>	<b>265.63</b>	<b>135.30</b>	<b>96.33%</b>
<b>Liabilities covered by insurance or reinsurance contracts</b>	<b>1,537.66</b>	<b>1,395.97</b>	<b>10.15%</b>
<b>Provisions</b>			
Pensions and other post-employment defined benefit obligations	154.31	158.44	(2.61%)
Outstanding taxes legal proceedings and litigation	17.22	17.20	0.16%
Commitments and guarantees given	78.88	83.64	(5.70%)
Other provisions	70.57	85.25	(17.22%)
	<b>320.98</b>	<b>344.53</b>	<b>(6.83%)</b>
<b>Tax liabilities</b>			
Current tax liabilities	38.87	14.19	173.95%
Deferred tax liabilities	183.19	177.45	3.23%
	<b>222.05</b>	<b>191.64</b>	<b>15.87%</b>
<b>Other liabilities</b>	<b>277.68</b>	<b>244.88</b>	<b>13.40%</b>
<b>TOTAL LIABILITIES</b>	<b>47,884.42</b>	<b>46,518.99</b>	<b>2.94%</b>
<b>EQUITY</b>			
<b>Own funds</b>			
<b>Capital</b>			
Paid-up capital	2,453.66	2,453.66	-
	<b>2,453.66</b>	<b>2,453.66</b>	-
<b>Share premium</b>	<b>433.90</b>	<b>433.90</b>	-
<b>Equity instruments issued other than capital</b>	<b>250.00</b>	<b>250.00</b>	-
<b>Retained earnings</b>	<b>1,669.01</b>	<b>1,398.87</b>	<b>19.31%</b>
<b>Other reserves</b>	<b>(43.50)</b>	<b>(22.78)</b>	<b>90.93%</b>
<b>Treasury shares</b>	<b>(230.53)</b>	<b>(229.73)</b>	<b>0.35%</b>
<b>Profit attributable to the owners of the Parent</b>	<b>250.11</b>	<b>430.42</b>	<b>(41.89%)</b>
<b>Interim dividend</b>	<b>(62.48)</b>	<b>(159.31)</b>	<b>(60.78%)</b>
<b>Accumulated other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains or losses on defined benefit pension plans	(19.18)	(19.18)	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	2.66	2.70	(1.52%)
<b>Items that may be reclassified to profit or loss</b>			
Foreign currency translation	0.02	0.02	-
Hedging derivatives. Cash flow hedges reserve (effective portion)	16.41	(18.70)	n.a.
Fair value changes of debt securities measured at fair value through other comprehensive income	43.51	(45.32)	n.a.
Share of other recognized income and expense of investments in joint ventures and associates	(0.34)	(11.13)	(96.92%)
<b>Minority interests (non-controlling interests)</b>			
Accumulated other comprehensive income	-	-	-
Other items	0.01	0.01	-
	<b>0.01</b>	<b>0.01</b>	-

TOTAL EQUITY	4,763.24	4,463.43	6.72%
TOTAL LIABILITIES AND EQUITY	52,647.66	50,982.42	3.27%

The table below includes the consolidated statements of profit and loss of the ABANCA Group for the six-month periods ended 30 June 2019 and 2018:

	<i>(millions of euros)</i>		
	Income / (Expenses)		Var.
	30 June 2019	30 June 2018	
Interest income	362.33	347.96	4.13%
Interest expense	(90.23)	(90.19)	0.03%
<b>NET INTEREST INCOME</b>	<b>272.10</b>	<b>257.77</b>	<b>5.56%</b>
Dividend income	7.51	8.64	(13.13%)
Share of profit or loss of equity-accounted investees	(3.31)	4.98	n.a.
Fee and commission income	104.22	97.89	6.47%
Fee and commission expense	(11.04)	(9.71)	13.72%
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	72.04	98.99	(27.22)%
Gains or losses on financial assets and liabilities held for trading, net	(0.09)	(1.30)	(93.47%)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	22.10	10.45	111.54%
Gains or losses from hedge accounting, net	13.81	(0.08)	n.a.
Exchange differences, net	2.43	1.81	34.33%
Other operating income	31.89	47.36	(32.66%)
Other operating expenses	(32.69)	(43.48)	(24.80%)
Income from assets covered by insurance or reinsurance contracts	170.98	160.32	6.65%
Expenses from liabilities covered by insurance or reinsurance contracts	(159.34)	(150.39)	5.95%
<b>GROSS INCOME</b>	<b>490.62</b>	<b>483.25</b>	<b>1.52%</b>
Administrative expenses	(272.19)	(251.73)	8.13%
Personnel expenses	(164.11)	(153.88)	6.65%
Other administrative expenses	(108.08)	(97.86)	10.45%
Depreciation and amortization	(30.43)	(25.73)	18.26%
Provisions or reversals of provisions	8.89	0.72	1,141.76%
Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss, and modification net gains or losses	(10.32)	1.56	n.a.
Financial assets at fair value through other comprehensive income	0.31	(2.04)	n.a.
Financial assets at amortized cost	(10.64)	3.60	n.a.



<b>NET OPERATING INCOME / RESULTS FROM OPERATING ACTIVITIES</b>	<b>186.57</b>	<b>208.07</b>	<b>(10.33%)</b>
<b>Impairment or reversal of impairment on investments in joint ventures or associates</b>	<b>0.01</b>	<b>0.67</b>	<b>(99.10)%</b>
<b>Impairment or reversal of impairment on non-financial assets</b>	<b>(0.64)</b>	<b>(0.45)</b>	<b>42.89%</b>
Tangible assets	(0.65)	(0.55)	18.18%
Others	0.01	0.10	(93.00)%
<b>Gains or losses on derecognition of non-financial assets, net</b>	<b>17.00</b>	<b>15.67</b>	<b>8.46%</b>
<b>Negative goodwill taken to profit or loss</b>	<b>51.19</b>	<b>-</b>	<b>n.a.</b>
<b>Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations</b>	<b>12.60</b>	<b>23.40</b>	<b>(46.15%)</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>266.72</b>	<b>247.36</b>	<b>7.83%</b>
<b>Income tax expense or income related to profit or loss from continuing operations</b>	<b>(16.61)</b>	<b>(0.36)</b>	<b>4,526.74%</b>
<b>PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>250.11</b>	<b>247.00</b>	<b>1.26%</b>
<b>Profit or loss after tax from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(Loss) for the period</b>	<b>250.11</b>	<b>247.00</b>	<b>1.26%</b>
<b>Attributable to minority interests (non-controlling interests)</b>	<b>(0.00)</b>	<b>-</b>	<b>n.a.</b>
<b>Attributable to the owners of the parent</b>	<b>250.11</b>	<b>247.00</b>	<b>1.26%</b>

<b>EARNINGS PER SHARE (euro)</b>	<b>At 30 June 2019</b>	<b>At 30 June 2018<sup>(*)</sup></b>	<b>Var.</b>
Basic	0.1118	0.1104	1.27%
Diluted	0.1118	0.1104	1.27%

### *Financial information of the ABANCA Holding Group*

The table below includes the consolidated balance sheets of the ABANCA Holding Group as of 31 December 2018 and 2017:

*(millions of euros)*

<b>ASSETS</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>Var.</b>
<b>Cash, cash balances with central banks and other demand deposits</b>	<b>1,367.69</b>	<b>1,702.05</b>	<b>(19.64%)</b>
<b>Financial assets held for trading</b>			
Derivatives	99.22	100.32	(1.10%)
Debt securities	3.82	3.90	(2.08%)
	<b>103.03</b>	<b>104.22</b>	<b>(1.14%)</b>
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>			
Equity instruments	338.96	-	n.a.

Debt securities	32.63	-	n.a.
Loans and advances			
Customer	1.01	-	n.a.
	<b>372.59</b>	-	<b>n.a.</b>
<b>Financial assets designated at fair value through profit or loss</b>			
Equity instruments	-	33.77	(100.00%)
Debt securities	-	4.12	(100.00%)
	-	<b>37.89</b>	<b>(100.00%)</b>
<b>Financial assets at fair value through other comprehensive income</b>			
Equity instruments	43.03	494.37	(91.30%)
Debt securities	7,736.79	9,294.11	(16.76%)
	<b>7,779.82</b>	<b>9,788.48</b>	<b>(20.52%)</b>
<b>Financial assets at amortized cost</b>			
Debt securities	3,868.85	3,539.90	9.29%
Loans and advances			
Credit institutions	1,334.56	535.24	149.34%
Customers	30,168.21	29,129.24	3.57%
	<b>35,371.62</b>	<b>33,204.38</b>	<b>6.53%</b>
<b>Derivatives – hedge accounting</b>			
	31.09	32.01	(2.90%)
<b>Investments in joint ventures and associates</b>			
Associates	226.38	162.76	39.08%
	<b>226.38</b>	<b>162.76</b>	<b>39.08%</b>
<b>Assets covered by insurance or reinsurance contracts</b>			
	<b>4.48</b>	<b>6.02</b>	<b>(25.70%)</b>
<b>Tangible assets</b>			
Fixed asset			
For own use	799.32	772.48	3.47%
Investment property	311.27	297.02	4.80%
	<b>1,110.59</b>	<b>1,069.50</b>	<b>3.84%</b>
<b>Intangible assets</b>			
Goodwill	61.73	61.73	-
Other intangible assets	381.52	467.28	(18.35%)
	<b>443.25</b>	<b>529.01</b>	<b>(16.21%)</b>
<b>Tax asset</b>			
Current tax assets	91.47	114.23	(97.26%)
Deferred tax assets	3,399.59	3,341.76	2,876.02%
	<b>3,491.06</b>	<b>3,455.99</b>	<b>1.01%</b>
<b>Other assets</b>			
Insurance contracts linked to pensions	136.23	149.00	(8.57%)
Inventories	61.95	63.50	(2.45%)
Other assets	157.82	159.27	(0.91%)
	<b>356.00</b>	<b>371.78</b>	<b>(4.24%)</b>
<b>Non-current assets and disposal groups classified as held for sale</b>			
	<b>497.15</b>	<b>592.12</b>	<b>(16.04%)</b>
<b>TOTAL ASSETS</b>	<b>51,154.74</b>	<b>51,056.22</b>	<b>0.19%</b>

LIABILITIES AND EQUITY	31 December 2018	31 December 2017	Var.
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<b>Financial liabilities held for trading</b>			
Derivatives	72.72	84.89	(14.34%)
	<b>72.72</b>	<b>84.89</b>	<b>(14.34%)</b>
<b>Financial liabilities at amortized cost</b>			
Deposits			
Central banks	3,435.88	3,449.92	(0.41%)
Credit institutions	4,294.14	4,290.97	0.07%
Customers	35,457.89	35,730.97	(0.76%)
Debt securities issued	951.45	995.16	(4.39%)
Other financial liabilities	244.71	148.20	65.12%
<i>Memorandum item: subordinated liabilities</i>	5.79	8.57	(32.41%)
	<b>44,384.06</b>	<b>44,615.22</b>	<b>(0.52%)</b>
<b>Derivatives - hedge accounting</b>	<b>135.30</b>	<b>88.20</b>	<b>53.40%</b>
<b>Liabilities covered by insurance or reinsurance contracts</b>	<b>1,395.97</b>	<b>1,249.52</b>	<b>11.72%</b>
<b>Provisions</b>			
Pensions and other post-employment defined benefit obligations	158.44	176.78	(10.38%)
Outstanding taxes legal proceedings and litigation	17.20	2.28	655.49%
Commitments and guarantees given	83.64	75.67	10.53%
Other provisions	86.20	156.15	(44.80%)
	<b>345.48</b>	<b>410.88</b>	<b>(15.92%)</b>
<b>Tax liabilities</b>			
Current tax liabilities	10.08	10.54	(4.34%)
Deferred tax liabilities	234.88	308.63	(23.90%)
	<b>244.96</b>	<b>319.17</b>	<b>(23.25%)</b>
<b>Other liabilities</b>	<b>245.16</b>	<b>277.84</b>	<b>(11.76%)</b>
<b>TOTAL LIABILITIES</b>	<b>46,823.64</b>	<b>47,045.72</b>	<b>(0.47%)</b>
<b>EQUITY</b>			
<b>Own funds</b>			
<b>Capital</b>			
Paid-up capital	368.86	368.86	-
	<b>368.86</b>	<b>368.86</b>	-
<b>Share premium</b>	<b>7.71</b>	<b>7.71</b>	-
<b>Equity instruments issued other than capital</b>	-	-	-
<b>Retained earnings</b>	<b>3,374.33</b>	<b>3,296.99</b>	<b>2.35%</b>
<b>Other reserves</b>			
Reserves or accumulated losses of investments in joint ventures and associates	(8.60)	(9.82)	(12.47)
Other	2.47	-	n.a.
<b>Treasury shares</b>	-	-	-
<b>Profit attributable to the owners of the Parent</b>	<b>360.58</b>	<b>288.60</b>	<b>24.94%</b>
<b>Interim dividends</b>	<b>(143.30)</b>	<b>(130.68)</b>	<b>9.66%</b>
<b>Accumulated other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains or losses on defined benefit pension plans	(18.25)	(13.24)	37.91%

Fair value changes of equity instruments measured at fair value through other comprehensive income	2.71	-	n.a.
<b>Items that may be reclassified to profit or loss</b>			
Foreign currency translation	0.02	0.02	40.00%
Hedging derivatives. Cash flow hedges reserve (effective portion)	(17.79)	(45.52)	(60.91%)
Fair value changes of debt securities measured at fair value through other comprehensive income	(43.16)	55.17	n.a.
Share of other recognized income and expense of investments in joint ventures and associates	(10.60)	(10.00)	5.91%
<b>Minority interests (non-controlling interests)</b>			
Accumulated other comprehensive income	(4.55)	(0.69)	558.90%
Other items	460.66	203.10	126.81%
	456.11	202.41	125.34%
<b>TOTAL EQUITY</b>	<b>4,331.10</b>	<b>4,010.50</b>	<b>7.99%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>51,154.74</b>	<b>51,056.22</b>	<b>0.19%</b>

The table below includes the consolidated statements of profit and loss of the ABANCA Holding Group as of 31 December 2018 and 2017:

*(millions of euros)*

	Income / (Expenses)		
	2018	2017	Var.
<b>Interest income</b>	<b>724.66</b>	<b>689.62</b>	<b>5.08%</b>
Financial assets at fair value through other comprehensive income	117.41	108.08	8.63%
Financial assets at amortized cost	632.68	597.02	5.97%
Other of interest income	(25.43)	(15.48)	64.22%
<b>Interest expense</b>	<b>(163.39)</b>	<b>(185.26)</b>	<b>(11.80%)</b>
<b>NET OPERATING INCOME / RESULTS FROM OPERATING ACTIVITIES</b>	<b>561.27</b>	<b>504.37</b>	<b>11.28%</b>
<b>Dividend income</b>	<b>11.97</b>	<b>10.71</b>	<b>11.72%</b>
<b>Share of profit or loss of equity-accounted investees</b>	<b>9.77</b>	<b>7.42</b>	<b>31.80%</b>
<b>Fee and commission income</b>	<b>197.75</b>	<b>189.91</b>	<b>4.13%</b>
<b>Fee and commission expense</b>	<b>(21.52)</b>	<b>(20.18)</b>	<b>6.63%</b>
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>105.68</b>	<b>156.79</b>	<b>(32.60%)</b>
Financial assets at amortized cost	(0.64)	(2.19)	(70.73%)
Other financial assets and liabilities	106.32	158.98	(33.12%)
<b>Gains or losses on financial assets and liabilities held for trading, net</b>	<b>0.66</b>	<b>4.58</b>	<b>(85.49%)</b>
Other gains or (-) losses	0.66	4.58	(85.49%)
<b>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net</b>	<b>190.04</b>	<b>-</b>	<b>n.a.</b>
Other gains or (-) losses	190.04	-	n.a.
<b>Gains or losses from hedge accounting, net</b>	<b>(7.58)</b>	<b>(2.20)</b>	<b>245.28%</b>
<b>Exchange differences, net</b>	<b>4.34</b>	<b>2.33</b>	<b>86.45%</b>

Other operating income	87.61	62.24	40.76%
Other operating expenses	(94.01)	(145.26)	(35.28%)
Income from assets covered by insurance or reinsurance contracts	295.80	268.13	10.32%
Expenses from liabilities covered by insurance or reinsurance contracts	(274.78)	(254.79)	7.85%
<b>GROSS INCOME</b>	<b>1,067.00</b>	<b>784.05</b>	<b>36.09%</b>
<b>Administrative expenses</b>	<b>(541.70)</b>	<b>(510.86)</b>	<b>6.04%</b>
Personnel expenses	(319.73)	(315.28)	1.41%
Other administrative expenses	(221.97)	(195.58)	13.49%
<b>Depreciation and amortization</b>	<b>(128.75)</b>	<b>(92.56)</b>	<b>39.09%</b>
<b>Provisions or reversals of provisions</b>	<b>(12.17)</b>	<b>(22.14)</b>	<b>(45.03%)</b>
<b>Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss</b>	<b>(25.86)</b>	<b>76.29</b>	<b>n.a.</b>
Financial assets at fair value through other comprehensive income	(2.21)	(1.99)	10.99%
Financial assets at amortized cost	(23.65)	78.28	n.a.
<b>NET OPERATING INCOME</b>	<b>358.53</b>	<b>234.77</b>	<b>52.71%</b>
<b>Impairment or reversal of impairment on investments in joint ventures or associates</b>	<b>0.80</b>	<b>(1.59)</b>	<b>n.a.</b>
<b>Impairment or reversal of impairment on non-financial assets</b>	<b>(1.82)</b>	<b>0.29</b>	<b>n.a.</b>
Tangible assets	(1.82)	0.70	n.a.
Intangible assets	-	(0.41)	(100.00%)
Others	0.00	0.00	-
<b>Gains or losses on derecognition of non-financial assets and investments, net</b>	<b>9.60</b>	<b>24.75</b>	<b>(61.21%)</b>
<b>Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations</b>	<b>24.46</b>	<b>20.18</b>	<b>21.24%</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>391.58</b>	<b>278.40</b>	<b>40.65%</b>
<b>Tax expense or income related to profit or loss from continuing operations</b>	<b>(11.88)</b>	<b>25.73</b>	<b>n.a.</b>
<b>PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>379.70</b>	<b>304.13</b>	<b>24.85%</b>
<b>Profit or loss after tax from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>379.70</b>	<b>304.13</b>	<b>24.85%</b>
Attributable to minority interests (non-controlling interests)	19.12	15.54	23.05%
Attributable to the owners of the parent	360.58	288.60	24.94%

EARNINGS PER SHARE (euro)	At 31 December 2018	At 31 December 2017 <sup>(*)</sup>	Var.
Basic	0.9776	0.7824	24.95%
Diluted	0.9776	0.7824	24.95%

## Credit ratings

As of the date of this Prospectus, ABANCA has been assigned the following ratings by the following credit rating agencies:

Agency	Review date	Short-term rating	Long-term rating	Outlook
Moody's	May 2018	NP	Ba2	Positive
S&P	September 2019	B	BB+	Positive
Fitch	March 2019	F3	BBB-	Stable
DBRS	July 2019	R-2 (high)	BBB	Stable

Each of Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited, Fitch and DBRS Ratings Limited is a rating agency established in the EU and registered under the CRA Regulation. A list of registered credit rating agencies is published at the ESMA's website: [www.esma.europa.eu](http://www.esma.europa.eu).

## Alternative Performance Measures

This Prospectus (and the documents incorporated by reference in this Prospectus) contains certain management measures of performance or APMs, which are used by management to evaluate the ABANCA Group's overall performance or liquidity. These measures are used in the Bank's planning, operational and financial decision-making and are commonly used in the finance sector as indicators to monitor institutions' assets, liabilities and economic/financial positions.

These APMs are not audited, reviewed or subject to review by ABANCA's auditors and are not measures required by, or presented in accordance with, IFRS-EU. Many of these APMs are based on ABANCA's internal estimates, assumptions and calculations. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by ABANCA, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of the ABANCA Group's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the audited consolidated annual accounts incorporated by reference in this Prospectus.

ABANCA believes that the description of these APMs in this Prospectus follows and complies with the "ESMA Guidelines on Alternative Performance Measures" dated 5 October 2015.

The following are the APMs used in this Prospectus.

**Average Total Assets ("ATA"):** simple average of the consolidated total assets of all the quarterly balance sheets of the current fiscal year (including that corresponding to the month of December of the previous year) as semi-sum of the extremes. Averages are used to see how a specific variable performs in a period of time, beyond a particular moment.

		June	December	
		2019	2018	2017
		<i>(€ million)</i>		
Numerator .....	1/2 Dec year-1 Total Assets	50,982.42	50,784.35	45,138.41
	+ Mar year Total Assets	50,095.76	48,828.37	48,482.92
	+ Jun year Total Assets <sup>(*)</sup>	52,647.66	49,809.06	49,321.79
	+ Sep year Total Assets	-	49,580.74	49,953.62
	+1/2 Dec year Total Assets	-	50,982.42	50,784.35
Denominator ...	4 or 2 (depending on the date)	2	4	4
<b>ATA .....</b>		<b>50,955.40</b>	<b>49,775.39</b>	<b>48,929.93</b>

(\*) 1/2 for the June 2019 calculation.

**Cost to income ratio:** operating expenses divided by gross income. This ratio is relevant because it shows the gap between recurrent income and expenses.

		June		December	
		2019	2018	2017	
(€ million, except %)					
Numerator .....	Administrative expenses	272.19	540.75	509.78	
	Plus Depreciation and amortization	30.43	52.55	48.81	
Denominator .....	Gross Margin/Gross Income	490.62	1,050.55	811.15	
<b>Cost to income ratio .....</b>		<b>61.7%</b>	<b>56.5%</b>	<b>68.9%</b>	

**Customer spread ratio:** difference between the average yield on the performing loan portfolio and the cost of retail deposits (demand and term). This APM is an indicator of profitability and measures the difference between the average yield on the performing loan portfolio and the cost of retail deposits.

		June		December	
		2019	2018	2017	
(%)					
Minus .....	Yield on performing loan to customers (rate) (*)	1.83	1.84	1.76	
	Cost of retail funds (rate) (**)	0.10	0.08	0.07	
<b>Customer spread ratio .....</b>		<b>1.74</b>	<b>1.76</b>	<b>1.69</b>	

(\*) Interest income from the portfolio of loans to customers, with management criteria, divided by the average balance of loans to customers.

(\*\*) Interest expenses on retail deposits on the balance sheet, with management criteria, divided by the average balance of retail deposits.

**Foreclosed assets coverage ratio:** foreclosed impairment in respect of foreclosed assets. This is currently a very relevant indicator in the banking sector and it shows the level of impairment that the entity has already absorbed into its profit and loss accounts in respect of the total of foreclosed assets. This ratio is used by the ABANCA Group to measure the coverage foreclosed assets and it is also an indication of asset quality.

		June		December	
		2019	2018	2017	
(€ million, except %)					
Numerator .....	Impairment losses of assets foreclosed or received in payment of debt	507.66	532.43	616.26	
Denominator .....	Gross assets foreclosed or received in payment of debt	821.92	865.43	1,008.88	
<b>Foreclosed assets coverage ratio .....</b>		<b>61.8%</b>	<b>61.5%</b>	<b>61.1%</b>	

**Foreclosed Assets over Total Assets ratio:** reflects the weight of assets received in payment of debts over the total balance sheet of the entity. This APM is an indicator of asset quality and shows the weight of assets received in payment of debts over total assets of the ABANCA Group.

		June		December	
		2019	2018	2017	
(€ million, except %)					
Numerator .....	Net assets foreclosed or received in payment of debt	314.27	333.00	392.62	
Denominator .....	Total assets	52,647.66	50,982.42	50,784.35	
<b>Foreclosed Assets over Total Assets ratio .....</b>		<b>0.6%</b>	<b>0.7%</b>	<b>0.8%</b>	

The next three APMs in their aggregate are the net of "Fee and commission income" (*Ingresos por comisiones*) (€104.22 million as of 30 June 2019, €197.75 million as of 31 December 2018 and €189.91 million as of 31 December 2017) minus "Fee and commission expenses" (*Gastos por comisiones*) (€11.04 million as of 30 June 2019, €21.50 million as of 31 December 2018 and €20.15 million as of 31 December 2017) amounting to net amounts of €93.18 million as of 30 June 2019, €176.24 million as of 31 December 2018 and €169.76 million as of 31 December 2017. These total amounts have been divided by

ABANCA by three types following internal criteria based on the types of business the mentioned income and expenses refer to.

**Income from Non-banking Products Commercialization:** fee income minus expenses originated by the commercialization of products considered as Off-balance-sheet funds. This APM is an indicator of profitability and measures the revenues from commissions originated by these value-added products.

	June	December	
	2019	2018	2017
	<i>(€ million)</i>		
<b>Income from Non-banking Products Commercialization .....</b>	<b>30.74</b>	<b>57.82</b>	<b>52.14</b>

Source: ABANCA's internal information with management criteria.

**Income from Other Services Fees:** other net commissions. Another indicator of profitability and measures the revenues from commissions originated by other services.

	June	December	
	2019	2018	2017
	<i>(€ million)</i>		
<b>Income from Other Services Fees .....</b>	<b>27.53</b>	<b>50.38</b>	<b>49.50</b>

Source: ABANCA's internal information with management criteria.

**Income from Payments and Other Services Fees:** fee income minus expenses associated with typical bank activity. This APM is also an indicator of profitability and measures the revenues from commissions originated by banking services.

	June	December	
	2019	2018	2017
	<i>(€ million)</i>		
<b>Income from Payments and Other Services Fees .....</b>	<b>34.91</b>	<b>68.05</b>	<b>68.13</b>

Source: ABANCA's internal information with management criteria.

**Liquid assets:** assets of a high quality, liquid, unencumbered and available that the Entity has in order to face possible liquidity stress events. They are specified in the available balance of the policy held by the Entity in the European Central Bank plus the balance of the discountable liquid assets that are not assigned nor pledged and, therefore, available, plus the balance in cash and the balance in central banks; as well as the balance of other assets, not discountable, but liquid and available. It is used by the ABANCA Group to show the assets the ABANCA Group could use to face a sudden outflow of customer funds.

	June	December	
	2019	2018	2017
	<i>(€ million)</i>		
Cash and central bank accounts	573.1	1,103.4	1,319.3
Plus ..... Collateral available for ECB operations inside of ECB guarantee pool	2,153.7	2,792.8	2,450.3
Plus ..... Collateral available for ECB operations outside of ECB guarantee pool	2,775.6	2,290.4	2,081.9
Plus ..... Other marketable assets non eligible for ECB	320.6	279.6	239.1
<b>Liquid assets .....</b>	<b>5,822.9</b>	<b>6,466.2</b>	<b>6,090.7</b>

Source: ABANCA's internal information with management criteria.



**Loan to Deposit (LtD) ratio:** credit loans in respect of deposits. This is one of the most relevant liquidity indicators in the banking sector and it shows the ability of the entity to finance the loans to customers with the funds that obtain from these ones.

		June	December	
		2019	2018	2017
<i>(€ million, except %)</i>				
Numerator .....	Net loans and advances to customers	34,583.52	30,161.56	29,120.27
Denominator .....	Net deposits from customers	37,182.31	35,404.42	35,647.69
<b>Loan to Deposit (LtD) ratio .....</b>		<b>93.0%</b>	<b>85.2%</b>	<b>81.7%</b>

**Net fees and commissions:** fees and commission income minus fee and commission expenses. This APM is an indicator of profitability and measures the margin obtained with respect to the fees and commissions.

		June	December	
		2019	2018	2017
<i>(€ million)</i>				
	Fee and commission income	104.22	197.75	189.91
Minus .....	Fee and commission expense	11.04	21.50	20.15
<b>Net fees and commissions .....</b>		<b>93.18</b>	<b>176.24</b>	<b>169.76</b>

**Non-performing Assets ("NPA"):** sum of the total non-performing loans and the gross foreclosed assets. The sum of these two masses shows the total volume of unproductive assets that an entity has in its balance sheet. This APM is an indicator of asset quality and shows the size of the non-productive assets portfolio understood as non-performing loans plus foreclosed assets.

		June	December	
		2019	2018	2017
<i>(€ million)</i>				
	Impaired assets in loans and advances to customers	1,137.21	1,093.81	1,541.35
Plus .....	Gross assets foreclosed or received in payment of debt	821.92	865.43	1,008.88
<b>NPA .....</b>		<b>1,959.13</b>	<b>1,959.24</b>	<b>2,550.23</b>

**NII over ATA:** this APM reflects the result of the banking activity of an entity through a period. This ratio shows the NII obtained in a period over the average assets of the entity during the same period.

		June	December	
		2019	2018	2017
<i>(€ million, except %)</i>				
Numerator .....	Net interest income (*)	272.10	544.69	488.50
Denominator .....	ATA	50,955.40	49,775.39	48,929.93
<b>NII over Average total assets .....</b>		<b>1.1%</b>	<b>1.1%</b>	<b>1.0%</b>

(\*) Numerator calculated as "Net interest income" at 30 June 2019 multiplied by 2.

**NPA coverage ratio:** accumulated impairment of foreclosed assets plus impairment losses on loans and advances to customers divided by gross non-performing assets (non-performing loans plus gross foreclosed

assets). This ratio is used by the ABANCA Group to measure the coverage ratio of non-performing assets and it is also an indication of asset quality.

		<b>June</b>		<b>December</b>	
		<b>2019</b>	<b>2018</b>	<b>2017</b>	
		<i>(€ million, except %)</i>			
Numerator .....	Impairment losses of loans and advances to customers	648.79	613.34	795.12	
	Plus Impairment losses of assets foreclosed or received in payment of debt	507.66	532.43	616.26	
Denominator .....	Impaired assets in loans and advances to customers	1,137.21	1,093.81	1,541.35	
	Plus Gross assets foreclosed or received in payment of debt	821.92	865.43	1,008.88	
<b>NPA coverage ratio .....</b>		<b>59.0%</b>	<b>58.5%</b>	<b>55.3%</b>	

**NPA ratio:** gross non-performing assets divided by gross loans and advances to customers plus the gross foreclosed assets. This ratio is used by the ABANCA Group to measure the overall quality of the ABANCA Group's loan portfolio.

		<b>June</b>		<b>December</b>	
		<b>2019</b>	<b>2018</b>	<b>2017</b>	
		<i>(€ million, except %)</i>			
Numerator .....	NPA	1,959.13	1,959.24	2,550.23	
Denominator .....	Gross loans and advances to customers	35,122.50	30,791.97	29,938.05	
	Minus Repurchase agreements	437.11	—	451.27	
	Minus Extraordinary activities	409.64	412.20	374.14	
	Plus Gross assets foreclosed or received in payment of debt	821.92	865.43	1,008.88	
<b>NPA ratio .....</b>		<b>5.6%</b>	<b>6.3%</b>	<b>8.5%</b>	

**NPL coverage ratio:** loan impairment in respect of NPLs. This is currently one of the most relevant indicators in the banking sector and it shows the level of credit provisions that the entity has already absorbed into its profit and loss accounts in respect of the total of impaired loans.

		<b>June</b>		<b>December</b>	
		<b>2019</b>	<b>2018</b>	<b>2017</b>	
		<i>(€ million, except %)</i>			
Numerator .....	Impairment losses of loans and advances to customers	648.79	613.34	795.12	
Denominator .....	Impaired assets in loans and advances to customers	1,137.21	1,093.81	1,541.35	
<b>NPL coverage ratio .....</b>		<b>57.1%</b>	<b>56.1%</b>	<b>51.6%</b>	

**NPL ratio:** NPL loans in respect of gross customer loans (for calculation purposes, the amounts corresponding to extraordinary activities of loans and advances to customers are eliminated from the denominator). This is currently one of the most relevant indicators in the banking sector and it shows the quality of the credit investment of the entity insofar as it reflects the level of impaired loans in respect of the total volume of loans.

		<b>June</b>		<b>December</b>	
		<b>2019</b>	<b>2018</b>	<b>2017</b>	
		<i>(€ million, except %)</i>			
Numerator .....	Impaired assets in loans and advances to customers	1,137.21	1,093.81	1,541.35	
Denominator .....	Gross loans and advances to customers	35,122.50	30,791.97	29,938.05	
	Minus Repurchase agreements	437.11	-	451.27	
	Minus Extraordinary activities	409.64	412.20	374.14	
<b>NPL ratio .....</b>		<b>3.3%</b>	<b>3.6%</b>	<b>5.3%</b>	

**Off-balance-sheet funds:** comprises those balances of clients that, not being within the balance sheet of the entity, are managed by the same so that the client obtains a certain profitability. This category groups the Investment Funds, Pension Plans, Structured Products and Savings Insurance.

	<b>June</b>	<b>December</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(€ million, except %)</i>		
Investment funds	5,821.92	3,757.36	3,632.21
Plus ..... Pension funds	1,406.97	1,372.03	1,402.99
Plus ..... Structured products	888.00	-	-
Plus ..... Insurance products	1,396.92	1,241.42	1,088.55
<b>Off-balance-sheet funds</b> .....	<b>9,513.81</b>	<b>6,370.80</b>	<b>6,123.75</b>

**Operating expenses:** this APM reflects the level of the most recurrent expenses of the banking activity of an entity through a period.

	<b>June</b>	<b>December</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(€ million)</i>		
Administrative expenses	272.19	540.75	509.78
Plus Depreciation and amortization	30.43	52.55	48.81
<b>Operating expenses</b> .....	<b>302.62</b>	<b>593.30</b>	<b>558.59</b>

**Operating expenses over ATA:** this APM reflects the level of expenses (or, at least, the most recurrent) of the banking activity of an entity through a period. This ratio shows the expenditure assumed in a period over the average of assets of the entity during the same period.

	<b>June</b>	<b>December</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(€ million, except %)</i>		
Numerator(*) ..... Operating expenses	302.62	593.30	558.59
Denominator ..... ATA	50,955.40	49,775.39	48,929.93
<b>Operating expenditure over ATA</b> .....	<b>1.2%</b>	<b>1.2%</b>	<b>1.1%</b>

(\*) Numerator as at 30 June 2019 calculated as "Operating expenses" at 30 June 2019 multiplied by 2.

**Performing Credit Portfolio:** portfolio of loans granted by the entity that are not classified as NPL. It reflects the volume of credits for which the entity receives payments according to established schedules.

	<b>June</b>	<b>December</b>	
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(€ million)</i>		
Gross loans and advances to customers	35,122.50	30,791.97	29,938.05
Minus ..... Repurchase agreements	437.11	-	451.27
Minus ..... Extraordinary activities(*)	722.10	412.20	374.14
Minus ..... Impaired assets in loans and advances to customers	1,137.21	1,093.81	1,541.35
<b>Performing Credit Portfolio</b> .....	<b>32,826.09</b>	<b>29,285.96</b>	<b>27,571.30</b>

(\*) For the June 2019 Performing Credit Portfolio calculation, "Extraordinary activities" are adjusted by the advance to the Social Security due to the extra payment (€312.46 million).

**Recurring revenues:** net interest income plus net fees and commission income. This APM is an indicator of profitability, it is used by the ABANCA Group to measure the evolution of the revenues more directly linked to the ABANCA Group's main activities (income from interests and commissions).

		June	December	
		2019	2018	2017
<i>(€ million)</i>				
	Net interest income	272.10	544.69	488.50
Plus .....	Net fees and commissions	93.18	176.24	169.76
<b>Recurring revenues .....</b>		<b>365.28</b>	<b>720.94</b>	<b>658.25</b>

**Retail Business Volume:** sum of the total of loans to customers, plus customer deposits and Off-balance-sheet funds. This measure shows the level of business with customers that is under the entity's management.

		June	December	
		2019	2018	2017
<i>(€ million)</i>				
	Net loans and advances to customers	34,583.52	30,161.56	29,120.27
Minus .....	Repurchase agreements	437.11	-	451.27
Plus .....	Gross deposits from customers	37,122.18	35,320.57	35,545.26
Minus .....	Assets acquired or sold under resale or repurchase agreements	438.06	906.55	2,388.56
Minus .....	Covered bond issues classified as deposits from customers	1,683.38	1,733.38	2,418.70
Plus .....	Off-balance-sheet funds	9,513.81	6,370.80	6,123.75
<b>Retail Business Volume .....</b>		<b>78,660.96</b>	<b>69,213.01</b>	<b>65,530.76</b>

**Retail Business Volume per employee:** sum of the total of loans to customers, plus customer deposits and Off-balance-sheet funds, over the workforce associated to the banking activity. This measure shows the level of business with customers that is under banking employees' management.

		June	December	
		2019	2018	2017
<i>(€ million)</i>				
Numerator .....	Retail Business Volume	78,660.96	69,213.01	65,530.76
Denominator .....	Employees of the Issuer (units)	5,007	4,675	4,428
<b>Retail Business Volume per employee .....</b>		<b>15.7</b>	<b>14.8</b>	<b>14.8</b>

**Retail Loan to Deposits (LtD) ratio:** credit loans to retail customers in respect from deposits of retail customers. This is another relevant indicator in the banking sector due to it shows LtD ratio of the most stable clients.

		June	December	
		2019	2018	2017
<i>(€ million, except %)</i>				
Numerator .....	Net loans and advances to customers	34,583.52	30,161.56	29,120.27
Minus	Repurchase agreements	437.11	—	451.27
Denominator .....	Gross deposits from customers	37,122.18	35,320.57	35,545.26
Minus	Assets acquired or sold under resale or repurchase agreements	438.06	906.55	2,388.56
Minus	Covered bond issues classified as deposits from customers	1,683.38	1,733.38	2,418.70
<b>Retail Loan to Deposits ratio .....</b>		<b>97.6%</b>	<b>92.3%</b>	<b>93.3%</b>

**Return on Average Equity ("ROE"):** income to equity. This measure shows the level of profitability that the entity contributes to its shareholders.

		<b>June</b>		<b>December</b>	
		<b>2019</b>	<b>2018</b>	<b>2017</b>	
		<i>(€ million, except %)</i>			
Numerator .....	Profit for the period attributable to the owners of the parent <sup>(*)</sup>	250.11	430.42	367.07	
Denominator .....	Average shareholder's equity <sup>(**)</sup>	4,664.73	4,267.35	4,038.09	
<b>ROE .....</b>		<b>10.7%</b>	<b>10.1%</b>	<b>9.1%</b>	

(\*) Numerator calculated as "Profit for the period attributable to the owners of the parent" at 30 June 2019 multiplied by 2.

(\*\*) Calculated as the simple average of the amounts of all the quarterly balance sheets for the current year (including the balance sheet corresponding to the December of the previous year) as a semi-sum of the extremes.

**Texas Ratio:** non-performing assets and non-performing debt securities divided by the sum of paid-up capital, share premium, retained earnings, other reserves, risk hedging for debt securities and impairment losses of non-performing assets. The lower this ratio, the higher the ability of the bank to absorb potential losses arising from non-performing assets.

		<b>June</b>		<b>December</b>	
		<b>2019</b>	<b>2018</b>	<b>2017</b>	
		<i>(€ million, except %)</i>			
Numerator .....	NPA	1,959.13	1,959.24	2,550.23	
	Plus Non-performing debt securities	-	-	-	
Denominator .....	Paid-up Capital	2,453.66	2,453.66	2,453.66	
	Plus Share premium	433.90	433.90	433.90	
	Plus Retained earnings	1,669.01	1,398.87	1,180.24	
	Plus Other reserves	(43.50)	(22.78)	(9.82)	
	Plus Risk hedging for debt securities	1.90	2.21	1.26	
	Plus Impairment losses of loans of advances to customers	648.79	613.34	795.12	
	Plus Impairment losses of asset foreclosed of received in payment of debt	507.66	532.43	616.26	
<b>Texas Ratio .....</b>		<b>34.5%</b>	<b>36.2%</b>	<b>46.6%</b>	

## **CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING POWERS**

The regulatory framework regarding the solvency of credit entities is established by the CRR, the CRD IV Directive, any CRD IV Implementing Measures (as this term is defined in the Conditions). The implementation of the CRD IV Directive in Spain has largely taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities, Law 10/2014, Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (the "**Royal Decree 84/2015**"), and Bank of Spain Circulars 2/2014, of 31 January, and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive (the "**Bank of Spain Circular 2/2016**").

BRRD, that has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015, also establishes certain requirements in terms of a minimum level of capital and eligible liabilities in relation to total liabilities and own funds (known as "**MREL**").

On 23 November 2016, the European Commission presented a comprehensive package of reforms amending CRR, the CRD IV Directive and the BRRD and the SRM Regulation. On 14 May 2019 the text was formally approved by the Council of the European Union. On 7 June 2019 the following regulations were published: (i) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**CRD V Directive**") amending the CRD IV Directive, (ii) Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**BRRD II**") amending, among other things, the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**CRR II**") amending, among other things, the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**SRM Regulation II**") amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the CRD V Directive, BRRD II, CRR II and the SRM Regulation II, the "**EU Banking Reforms**"). The EU Banking Reforms entered into force on 27 June 2019 and are stated to apply from 18 months plus one day after the date of their entry into force, which is scheduled for 29 December 2020, other than in the case of CRR II where a two year period is provided for, subject to certain exceptions.

The package of reforms presented by the European Commission on 23 November 2016 included a proposal to create a new asset class of "non preferred" senior debt. On 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the European Union. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters created in Spain the new asset class of senior non preferred debt.

### **Capital Requirements**

Under CRD IV, ABANCA and the ABANCA Holding Group are required to hold a minimum amount of regulatory capital of 8% of RWAs of which at least 4.5% must be CET1 capital and at least 6% must be Tier 1 capital (together, the "**minimum "Pillar 1" capital requirements**").

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014, also contemplates that in addition to the minimum "Pillar 1" capital requirements, the supervisory authorities may require further capital to cover other risks. This may result in the imposition of further CET1, Tier 1 and total capital requirements on ABANCA and/or the ABANCA Holding Group pursuant to this "Pillar 2"

framework. Following the introduction of the SSM, the ECB is in charge of assessing additional "Pillar 2" capital requirements ("P2R") through supervisory review and evaluation process (the "SREP") assessments to be carried out at least on an annual basis (accordingly requirements may change from year to year).

In addition to the minimum "Pillar 1" capital requirements and the P2R, credit institutions must comply with the "combined buffer requirement" set out in the CRD IV Directive as implemented in Spain. The "combined buffer requirement" has introduced five new capital buffers to be satisfied with additional CET1 capital: (i) the capital conservation buffer of 2.5% of RWAs; (ii) the G-SII buffer, of between 1% and 3.5% of RWAs; (iii) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may be as much as 2.5% of RWAs (or higher pursuant to the competent authority); (iv) the other systemically important institutions ("O-SII") buffer, which may be as much as 2% of RWAs; and (v) the systemic risk buffer to prevent systemic or macro prudential risks, of at least 1% of RWAs (to be set by the Bank of Spain).

The Bank has not been classified as G-SII or as O-SII by the Financial Stability Board ("FSB") nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer. In addition, the Bank of Spain agreed to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the third quarter of 2019 (requirements will be revised each quarter). Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

As set out in the "Opinion of the European Banking Authority on the interaction of "Pillar 1", "Pillar 2" and combined buffer requirements and restrictions on distributions" published on 16 December 2015, competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the Maximum Distributable Amount (as defined below) calculation is limited to the amount not used to meet the minimum "Pillar 1" capital requirements and the P2R of the institution and, accordingly, the "combined buffer requirement" is in addition to the minimum "Pillar 1" capital requirement and to the P2R, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order.

According to Article 48 of Law 10/2014, Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, those entities failing to meet the "combined buffer requirement" or making a distribution in connection with CET1 capital to an extent that would decrease its CET1 capital to a level where the "combined buffer requirement" is no longer met will be subject to restrictions on (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 capital instruments, until the maximum distributable amount calculated according to CRD IV (i.e., the firm's "distributable profits", calculated in accordance with CRD IV, multiplied by a factor dependent on the extent of the shortfall in CET1 capital) (the "**Maximum Distributable Amount**") has been calculated and communicated to the Bank of Spain. Thereafter, any such distributions or payments will be subject to such Maximum Distributable Amount for entities (a) not meeting the "combined buffer requirement" or (b) in relation to which the Bank of Spain has adopted any of the measures set forth in Article 68.2 of Law 10/2014 aimed at strengthening own funds or limiting or prohibiting the distribution of dividends.

In addition, a new Article 16.a) of the BRRD, as recently amended by BRRD II, better clarifies the stacking order between the "combined buffer requirement" and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from distributing more than the "maximum distributable amount" for own funds and eligible liabilities (calculated in accordance with the new Article 16.a)(4) of the BRRD) (the "**MREL-Maximum Distributable Amount Provision**") through distribution of dividends, variable remuneration and payments to holders of AT1 instruments, where it meets the "combined buffer requirement" but fails to meet that "combined buffer requirement" when

considered in addition to the MREL requirements. The referred Article 16.a) of the BRRD includes a potential nine-month grace period whereby the resolution authority will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount Provision before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions).

As communicated by the European Banking Authority on 1 July 2016, in addition to the minimum "Pillar 1" capital requirements, the P2R and the "combined buffer requirements", the supervisor can also set a "Pillar 2" capital guidance ("**P2G**"). Thus, SREP decisions of 2016 onwards differentiate between P2R and P2G. While P2R are binding requirements and breaches can have direct legal consequences for the banks, P2G is not directly binding and a failure to meet it does not automatically trigger legal action, even though the ECB expects banks to meet P2G. Under the EU Banking Reforms, the P2G is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount.

In February 2019, the Bank received the decisions of the ECB regarding minimum capital requirements for 2019 following the outcomes of the most recent SREP. These decisions required ABANCA to maintain, on the basis of the consolidated situation on the ABANCA Holding Group and on an individual basis, a CET1 ratio of 8.75% of RWAs and a total capital ratio of 12.25% of RWAs. These ratios include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the P2R (1.75% of RWAs), and the capital conservation buffer (2.5% of RWAs). It is expected that, in the future, the minimum capital requirements will be maintained at the highest level of consolidation existing at each time (this may be of relevance after the Merger, please see "*Description of ABANCA — History*").

The table below sets out ABANCA's, ABANCA Group's and the ABANCA Holding Group's CET1 ratios, Tier 1 ratios, total capital ratios as of 30 June 2019, 31 December 2018 and 31 December 2017:

	Phased in			Fully Loaded		
	Abanca	Abanca Group	Abanca Holding Group	Abanca	Abanca Group	Abanca Holding Group
CET1 ratio as at 30 June 2019	14.2%	14.7%	13.6%	13.7%	14.0%	12.9%
CET1 ratio as at 31 December 2018	14.6%	14.9%	13.7%	13.9%	14.0%	12.8%
CET1 ratio as at 31 December 2017	14.3%	14.9%	14.0%	14.0%	14.3%	13.2%
Tier 1 ratio as at 30 June 2019	15.0%	15.6%	14.3%	14.5%	14.9%	13.5%
Tier 1 ratio as at 31 December 2018	15.5%	15.8%	14.4%	14.8%	14.9%	13.5%
Tier 1 ratio as at 31 December 2017	14.3%	14.9%	14.0%	14.0%	14.3%	13.2%
Total Capital ratio as at 30 June 2019	16.3%	16.9%	15.3%	15.8%	16.1%	14.5%
Total Capital ratio as at 31 December 2018	15.5%	15.8%	14.6%	14.9%	14.9%	13.7%
Total Capital ratio as at 31 December 2017	14.7%	15.3%	14.3%	14.3%	14.7%	13.6%

The differences between the ABANCA Group's and ABANCA Holding Group's ratios derive from the different amounts of CET1 capital, Tier 1 capital and Total Capital (numerators of the relevant ratios) of both groups. The differences between those amounts are due to (i) the different minority shareholders' structure of the parent companies of both groups, and (ii) the different deduction structures between both groups as a consequence of the different thresholds to activate deductions in each group and the different amounts subject to deduction.

Taking into account the issue of the Notes, ABANCA Group's phased-in Total Capital ratio would reach a level of 17.92% having considered the RWAs as at 30 June 2019 (17.21% fully-loaded). The issue of the Notes will enhance the capital position of ABANCA for the purposes of complying with MREL requirements.

After the Merger, the CET1 ratio of the ABANCA Group (the expected highest level of consolidation then existing) is expected to be 13.9% of RWAs.

The ABANCA Group also has a solid capitalisation, with an asset density (i.e., the percentage of RWAs over Total Assets) of 54% as at 30 June 2019.



Any failure by the Bank or by the ABANCA Holding Group to comply with their regulatory capital requirements could result in the imposition of administrative actions or sanctions, such as further P2Rs or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, which, together with Royal Decree 1012/2015 have implemented BRRD into Spanish law.

### Leverage Ratio

In addition to the above, Article 429 of the CRR requires institutions to calculate their leverage ratio ("**LR**") in accordance with the methodology laid down in that article. The EU Banking Reforms contain a binding 3% Tier 1 LR requirement, that has been added to the own funds requirements in Article 92 of the CRR, and which institutions must meet in addition to their risk-based requirements. A new Article 141b of CRD IV Directive, included by the CRD V Directive, will restrict distributions in the form of dividends, variable remuneration and payments to holders of AT1 instruments above the LR related maximum distributable amount in case of a failure to meet the LR.

The table below sets out ABANCA's, ABANCA Group's and the ABANCA Holding Group's Leverage ratios as of 30 June 2019, 31 December 2018 and 31 December 2017:

	Phased in			Fully Loaded		
	Abanca	Abanca Group	Abanca Holding Group	Abanca	Abanca Group	Abanca Holding Group
LR as at 30 June 2019	7.9%	8.3%	7.6%	7.7%	8.0%	7.2%
LR as at 31 December 2018	7.9%	8.2%	7.4%	7.6%	7.7%	6.9%
LR as at 31 December 2017	7.3%	7.5%	7.0%	7.1%	7.2%	6.6%

### Eligible Liabilities

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of capital and eligible liabilities. The MREL shall be calculated as the amount of own funds and eligible liabilities and expressed as a percentage of the leverage ratio or the total risk exposure amount of the institution. The level of capital and eligible liabilities required under MREL is set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. The resolution authority for ABANCA is the Single Resolution Board (the "**SRB**"). Eligible liabilities may be senior or subordinated liabilities, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIIs and "top tier" banks involving a minimum "Pillar 1" subordination requirement and an institution specific "Pillar 2" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt under the new insolvency hierarchy introduced into Spain will be eligible for compliance with the subordination requirement). Resolution authorities may also impose "Pillar 2" subordination requirements to institutions not constituting G-SIIs or "top tier" banks, which would be determined on a case-by-case basis but subject to a minimum level equal to the lower of 8% of a bank's total liabilities and own funds and 27% of its RWAs.

In May 2019 ABANCA received a formal communication from the Bank of Spain regarding the MREL Requirement, as determined by the SRB. In accordance with such communication, ABANCA has been required to reach, by 1 January 2022, an amount of own funds and eligible liabilities on a consolidated basis equal to 10.55% of its consolidated total liabilities and own funds as of 31 December 2017. This MREL requirement would be equal to 20.06% in terms of consolidated RWAs, as of 31 December 2017. The

MREL requirement is aligned with ABANCA's expectations and the funding plan as described in its strategic plan.

According to the EU Banking Reforms, any failure by an institution to meet the applicable minimum MREL requirements will be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

### **Liquidity requirements**

The ABANCA Group should also comply with the liquidity coverage ratio ("**LCR**") requirements provided in CRR. The LCR is the short-term indicator which expresses the ratio between the amount of available assets readily monetisable (cash and the readily liquidable securities held by the ABANCA Group) and the net cash imbalance accumulated over a 30-day liquidity stress period, it is a quantitative liquidity standard designed to ensure that banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. Since 1 January 2018, the entities to which this standard applies (including the ABANCA Group) must comply with 100% of the applicable LCR requirement. The LCR of the ABANCA Group was 196% as at 30 June 2019 (191% as of 31 December 2018 and 229% as of 31 December 2017).

The BCBS' net stable funding ratio ("**NSFR**") is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III phase-in arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. The EU Banking Reforms contain the implementation of the BCBS standard on NSFR introducing some adjustments. The NSFR ratio of the ABANCA Group was 129% as at 30 June 2019 (126% as of 31 December 2018 and 129% as of 31 December 2017).

### **Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation**

The BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an "**institution**") so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the FROB, the SRB established pursuant to the SRM Regulation, as the case may be and according to Law 11/2015 or any other entity with the authority to exercise any such tools and powers from time to time (each, a "**Relevant Resolution Authority**") as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector

measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business (which enables the Relevant Resolution Authority to direct the sale of the institution or the whole or part of its business on commercial terms); (ii) bridge institution (which enables the Relevant Resolution Authority to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control)); (iii) asset separation (which enables the Relevant Resolution Authority to transfer certain categories of assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only)); and (iv) the Spanish Bail-in Power (as defined below). The Spanish Bail-in Power includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims and subordinated obligations (including capital instruments such as the Notes).

The "**Spanish Bail-in Power**" is any write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 instruments (which for so long as the obligations of the Bank in respect of the Notes qualify as Tier 2 Instruments (as defined in the Conditions), shall include the Notes); (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital and (v) the principal or outstanding amount of eligible liabilities in accordance with the hierarchy of claims in normal insolvency proceedings (with "non-preferred" senior claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other senior claims against the Bank) (following the entry into force of BRRD II (as defined below) Article 48 of BRRD now refers to "bail-inable liabilities", defined as the liabilities and capital instruments that do not qualify as CET1, Additional Tier 1 or Tier 2 instruments of an institution and that are not excluded from the scope of the bail-in tool). The order of this sequence is consistent with the hierarchy of claims in normal insolvency proceedings prescribed by the Insolvency Law read in conjunction with Additional Provision 14.3° of Law 11/2015.

In addition to the Spanish Bail-in Power, the BRRD, Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write down or convert into equity capital instruments, such as the Notes, at the point of non-viability ( the Non-Viability Loss Absorption) of an institution or a group. The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or that it will no longer be viable unless the relevant capital instruments are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by

the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of any other Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

In accordance with Article 64.1(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

## TAXATION

*The following is a general description of certain Bank's country tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Bank's country of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

*Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

### **Spanish tax considerations**

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes by individuals or entities who are the beneficial owners of the Notes. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or Holders by reason of employment) may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of the Notes.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- (a) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011 of 29 July ("**Royal Decree 1065/2007**");
- (b) for individuals resident for tax purposes in Spain who are personal income tax ("**PIT**") taxpayers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the "**PIT Law**"), and Royal Decree 439/2007, of 30 March, approving the PIT Regulations, as amended (the "**PIT Regulations**") by Royal Decree 633/2015, of 10 July, along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax ("**CIT**") taxpayers, the CIT Law, and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the "**CIT Regulations**"); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("**NRIT**") taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended ("**NRIT Law**") and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended ("**NRIT Regulations**") along with

Law 19/1991, of 6 June, on Wealth Tax as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.

### ***Tax treatment of the Notes***

#### *Indirect taxation*

Whatever the nature and residence of the Holder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e. exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

ABANCA understands that the Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to Article 91 of the PIT Regulations and Article 63 of the CIT Regulations.

#### *Direct taxation*

##### *(a) Individuals with tax residency in Spain*

#### **Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)**

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in each investor's savings income and taxed at the tax rate applicable from time to time, currently 19 per cent. for taxable income up to €6,000; 21 per cent. for taxable income between €6,000.01 and €50,000 and 23 per cent. for taxable income in excess of €50,000.

Income from the transfer of the Notes is computed as the difference between their transfer value and their acquisition or subscription value. Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income.

Negative income derived from the transfer of the Notes, in the event that the investor had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

A (current) 19 per cent. withholding on account of PIT will be imposed by ABANCA on interest payments as well as on income derived from the redemption or repayment of the Notes, by individual investors subject to PIT.

However, income derived from the transfer of the Notes should not be subject to withholding on account of PIT provided that the Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, 19 per cent. withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (i) the acquirer would be a non-resident or a CIT taxpayer;

- (ii) the explicit yield derived from the Notes being transferred is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by ABANCA against his or her final PIT liability for the relevant tax year.

### **Reporting Obligations**

ABANCA will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

### **Wealth Tax (*Impuesto sobre el Patrimonio*)**

According to Wealth Tax regulations (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*), individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*). Therefore, they should take into account the value of the Notes which they hold as of 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with Article 3 of Royal Decree-Law 27/2018, of 28 December, a full exemption on Net Wealth Tax (*bonificación del 100%*) would apply as from the year 2020 and therefore, Spanish individual holders will be released from formal and filing obligations in relation to this Wealth Tax, unless the exemption is revoked in the future.

### **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. The applicable rates range between 7.65 per cent. and 81.6 per cent., although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

#### *(b) Spanish tax resident legal entities*

### **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT at the current general flat tax rate of 25 per cent.

However, this general rate will not be applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30 per cent.).

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Notes, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide ABANCA, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See "*Compliance with Certain Requirements in Connection with Income Payments*".

With regard to income derived from the transfer of the Notes, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the Notes obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market, such as AIAF.

**Reporting Obligations**

ABANCA will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

**Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes are not subject to Spanish Wealth Tax.

**Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but generally must include the market value of the Notes in their taxable income for CIT purposes.

(c) *Individuals and legal entities that are not tax resident in Spain*

- (i) Investors that are not resident in Spain for tax purposes, acting in respect of the Notes through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See "*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*".

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Reporting Obligations

ABANCA will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

- (ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the Notes through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

Both interest payments periodically received under the Notes and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Notes carried out by ABANCA, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have



an agreement with Iberclear, provide ABANCA, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in Article 44 of Royal Decree 1065/2007. See "*—Compliance with Certain Requirements in Connection with Income Payments*".

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to ABANCA in a timely manner in respect of a payment of interest under the Notes, ABANCA will withhold Spanish withholding tax at the applicable rate (currently 19 per cent.) on such payment of income on the Notes and ABANCA will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement to ABANCA, will receive a refund of the amount withheld, with no need for action on the beneficial owner's part, if ABANCA receives a duly executed and completed Payment Statement no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

#### Wealth Tax (*Impuesto sobre el Patrimonio*)

According to Wealth Tax regulations, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. although some reductions may apply.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Notes which income is exempt from NRIT as described above.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

According to article 3 of Royal Decree-Law 27/2018 of 28 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from year 2020. Therefore, as from such year, individuals will be released from formal and filing obligations in relation to Wealth Tax, unless the exemption is revoked or postponed, as in previous years.

#### Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If no treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax applies, applicable Inheritance and Gift Tax rates would range between 7.65 per cent. and 81.6 per cent, depending on relevant factors.

Generally, non-Spanish tax resident individuals are subject to Inheritance and Gift Tax according to the rules set forth in the Spanish state level or relevant autonomous region law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to NRIT. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

(d) *Compliance with certain requirements in connection with income payments*

As described under "Spanish tax resident legal entities—Corporate Income Tax (*Impuesto sobre Sociedades*)", "—Individuals and legal entities that are not tax resident in Spain", provided the conditions set forth in Law 10/2014 are met, income payments made by ABANCA in respect of the Notes for the benefit of Spanish CIT taxpayers, or for the benefit of non-Spanish tax resident investors will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide ABANCA, in a timely manner, with a duly executed and completed statement (a "**Payment Statement**") (which is attached as Annex I), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, containing the following information:

- (i) Identification of the Notes.
- (ii) Total amount of the income paid by ABANCA.
- (iii) Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.
- (iv) Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to ABANCA in a timely manner in respect of a payment of income made by ABANCA under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent. If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to ABANCA no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

**Prospective investors should note that ABANCA does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the Notes. Accordingly, ABANCA will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to ABANCA. Moreover, ABANCA will not pay any additional amounts with respect to any such withholding tax.**

**The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria,

Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. ABANCA may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of ABANCA) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

*Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

*The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus.*

## ANNEX I

**Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007**

**Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

**Don (nombre), con número de identificación fiscal ( )<sup>(1)</sup>, en nombre y representación de (entidad declarante), con número de identificación fiscal ( )<sup>(1)</sup> y domicilio en ( ) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number ( )<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number ( )<sup>(1)</sup> and address in ( ) as (function – mark as applicable):

- (a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
  - (a) Management Entity of the Public Debt Market in book-entry form.
- (b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
  - (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
  - (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Agente de pagos designado por el emisor.**
  - (d) Issuing and Paying Agent appointed by ABANCA.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

### **1 En relación con los apartados 3 y 4 del artículo 44:**

1. In relation to paragraphs 3 and 4 of Article 44:

#### **1.1 Identificación de los valores**

1.1 Identification of the securities

#### **1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

#### **1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)**

- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2 En relación con el apartado 5 del artículo 44.**
- 2 In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores**
- 2.1 Identification of the securities
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en.....a ... de.....de ...**

I declare the above in ..... on the ... of ..... of ...

- <sup>(1)</sup> **En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia**

- (1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

## SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 27 September 2019 (the "**Subscription Agreement**") and made between ABANCA and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscribers, or subscribe and pay for the Notes on the Issue Date at their issue price of 100 per cent. of their principal amount. ABANCA has agreed to pay the Joint Lead Managers a combined management and underwriting commission and to reimburse them for certain of their expenses incurred in connection with the management of the issue of the Notes.

ABANCA will use all reasonable endeavours to procure that the Notes are admitted to listing on AIAF within 30 days from the Issue Date and to maintain such admission until none of the Notes is outstanding.

### **Selling Restrictions**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **Spain**

Each of the Joint Lead Managers has represented and agreed that the Notes have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October (the "**Spanish Securities Market Law**"), and related legislation, to provide investment services in Spain, and as agreed between ABANCA and the Joint Lead Managers, offers of the Notes in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

### **United Kingdom**

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services Market Act ("**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to ABANCA; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **United States of America**

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering of the Notes and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the U.S. Securities Act.

### **General**

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes.

Persons into whose hands this Prospectus comes are required by ABANCA and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.



## MARKET INFORMATION

### Summary of Clearance and Settlement Procedures

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry securities such as the Notes of ABANCA.

The Spanish clearing, settlement and recording system of securities transactions has undergone a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects (the "**Reform**"). Following the Reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities.

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., "**BME Clearing**" or the "**CCP**"), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

### *Iberclear and BME Clearing*

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market, the Alternative Stock Market (MAB), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses the technical platforms named ARCO.

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. ("**BME**"), a holding company, which holds a 100 per cent. interest in each of the Spanish official secondary markets and settlement systems. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

The securities recording system of Iberclear is a two tier registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorised to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorised central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorised to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;

- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions. BME Clearing is also owned by BME.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner's request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

#### **Market Information in relation to the Notes**

##### ***Iberclear Settlement of securities traded in AIAF***

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

Securities traded in AIAF are fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds) and bonds issued by the Spanish Treasury and Spanish regions, among others, represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a "transaction-to-transaction" cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

##### ***Euroclear and Clearstream***

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with participating entities in Iberclear.

## GENERAL INFORMATION

### Responsibility Statement

1. ABANCA and the undersigned, Mr Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*) of ABANCA and Mr Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of ABANCA, accept responsibility for the information contained in this Prospectus and declare, to the best of their knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus contains no omissions likely to affect its import.

### Authorisation

2. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of ABANCA dated 29 July 2019.

### Significant/Material Change and Trend Information

3. Since 31 December 2018 there has been no material adverse change in the prospects of ABANCA.

Since 30 June 2019 there has been no significant change in the financial performance or in the financial position of the ABANCA Group.

The sections "*Risk Factors – Risks Relating to ABANCA and the ABANCA Group*" of this Prospectus include a detailed description of the factors and uncertainties which could have a material effect on ABANCA's prospects.

### Auditors

4. The Spanish-language individual and consolidated annual accounts of ABANCA have been audited without qualification for each of the years ended 31 December 2018, 31 December 2017 and 31 December 2016 by KPMG Auditores, S.L., independent auditors. KPMG Auditores, S.L.'s office is at Paseo de la Castellana 259 C, 28046, Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*) under number S0702.

The Spanish-language condensed consolidated interim financial statements of the ABANCA Group as of and for the six-month period ended 30 June 2019 have been subject to a limited review by KPMG Auditores, S.L., independent auditors. KPMG Auditores, S.L.'s office is at Paseo de la Castellana 259 C, 28046, Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*) under number S0702.

### Third party information

5. Information included in this Prospectus sourced from a third party has been accurately reproduced, and so far as ABANCA is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### Approval of financial information

6. The 2016 Individual Annual Accounts and the 2016 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 26 June 2017.

The 2017 Individual Annual Accounts and the 2017 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 25 June 2018.

The 2018 Individual Annual Accounts and the 2018 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 10 June 2019.

The 2019 Consolidated First Semester Interim Financial Statements were approved by the Board of Directors of ABANCA on its meeting held on 29 July 2019.

#### **Documents on display**

7. Electronic copies of the bylaws (*Estatutos Sociales*) of ABANCA (as the same may be updated from time to time) may be inspected on ABANCA's website.

For avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the corporate website of the Bank does not form part of this Prospectus.

#### **Material Contracts**

8. There are no contracts not entered into in the ordinary course of business which could result in any ABANCA Group member being under an obligation or entitlement that is material to the ability of ABANCA to meet its obligations in respect of the Notes.

#### **Yield**

9. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the annual yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Reset Date is 4.628 per cent. This yield was calculated on the Issue Date and is not an indication of future yield.

#### **Clearing: ISIN and Common Code**

10. The Notes will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The Notes bear the ISIN ES0265936015 and the common code 206068736.

#### **Listing**

11. This Prospectus has been approved by the CNMV as competent authority under the Prospectus Regulation. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. The period of validity of this Prospectus is up to (and including) the admission to trading of the Notes. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the admission to trading of the Notes.

Application has been made for the Notes to be admitted to trading on AIAF. AIAF is a regulated market for the purposes of MiFID II. The Notes may also be admitted to trading on any other European regulated market or multilateral trading facility as may be agreed by ABANCA.

#### **Paying agency**

12. All payments under the Conditions will be carried out directly by ABANCA through Iberclear. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

#### **Ratings**

13. The Notes are rated "BB+" by Fitch and "Ba3" by Moody's.

In accordance with Fitch's ratings definitions, a rating of "BB+" indicates an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

In accordance with Moody's ratings definitions, obligations rated "Ba3" are judged to be speculative and are subject to substantial credit risk.

### Stabilisation

14. In connection with the issue of the Notes, Banco Bilbao Vizcaya Argentaria, S.A. (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and any other applicable laws and rules.

### Interests of natural and legal persons involved in the offer of the Notes

15. Save as discussed in "*Subscription and Sale*", so far as ABANCA is aware, no person involved in the offer of the Notes had an interest material to the offer.

### Other relationships

16. Certain Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, ABANCA and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ABANCA or its affiliates. Certain Joint Lead Managers or their affiliates that have a lending relationship with ABANCA routinely hedge their credit exposure to ABANCA consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Prospectus. Any such short positions could adversely affect future trading prices of Notes issued under the Prospectus. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### Expenses related to the admission to trading

17. For informative purposes only, an approximate estimate of the expenses payable by ABANCA in relation to the admission to trading is as follows:

<b>Type of expense</b>	<b>Euro (estimated amount)</b>
Charges and fees of AIAF and Iberclear.....	8,500
CNMV fees (listing).....	30,000
<b>Total</b> .....	<b>38,500</b>

## SIGNATURES

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed by Mr Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*) of the Bank, and Mr Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of the Bank, in A Coruña, on 27 September 2019.

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**REGISTERED OFFICE OF ABANCA**

**ABANCA Corporación Bancaria, S.A.**

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A Coruña  
Spain

**JOINT LEAD MANAGERS**

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28050, Madrid  
Spain

**BNP Paribas**  
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London NW1 6AA  
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**Merrill Lynch International**  
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London EC1A 1HQ  
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**Nomura International plc**  
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**LEGAL ADVISORS**

*To ABANCA as to Spanish law and as to  
English law*

**Clifford Chance, S.L.P.U.**  
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Spain

*To the Joint Lead Managers as to Spanish law and as to  
English law*

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**AUDITORS TO ABANCA**

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28046, Madrid  
Spain