



## ABANCA CORPORACIÓN BANCARIA, S.A.

*(incorporated with limited liability in the Kingdom of Spain)*

**EUR 4,000,000,000**

### **Euro Medium Term Note and Covered Bond Programme**

This Base Prospectus of ABANCA Corporación Bancaria, S.A. ("**ABANCA**", the "**Bank**" or the "**Issuer**"), a public limited company (*sociedad anónima*), has been approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), as a base prospectus for the purposes of Article 8 of the Prospectus Regulation for the purpose of giving information with regard to the issue of securities ("**Securities**") issued under the Euro Medium Term Note and Covered Bond Programme of ABANCA (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. The CNMV has only approved this Base 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 nor as an endorsement of the quality of any Securities that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in such Securities. This Base Prospectus is valid for a period of twelve months from the date of approval. Application may be made for the Securities to be admitted to listing on the Spanish AIAF Fixed Income Market (*AIAF Mercado de Renta Fija*) ("**AIAF**"). AIAF is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**"). Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant dealers. No unlisted Securities may be issued under the Programme.

The Programme also permits Securities to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The Securities under this Programme will be issued in uncertified, dematerialised book-entry form (*anotaciones en cuenta*) and will be registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") as managing entity of the central registry of the Spanish settlement system (the "**Spanish Central Registry**"). Consequently, no global certificates will be issued in respect of the Securities. Settlement relating to the Securities, as well as payment of interest and redemption of principal amounts, will be performed within Iberclear's account-based system.

Under this Programme, ABANCA may from time to time issue notes governed by Spanish law or by English law (the "**Notes**") and *cédulas hipotecarias* governed by Spanish law (the "**Covered Bonds**"), as specified in the applicable Final Terms (as defined below). References to the "Securities" shall be to the Covered Bonds and to the Notes.

Each tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions of the Notes**") as supplemented by a document specific to such tranche called Notes final terms (the "**Notes Final Terms**"). Each tranche of Covered Bonds will be issued on the terms set out herein in the section headed "*Terms and Conditions of the Covered Bonds (Cédulas Hipotecarias)*" (the "**Conditions of the Covered Bonds**", and, together with the Conditions of the Notes, the "**Terms and Conditions**" or the "**Conditions**") as supplemented by a document specific to such tranche called Covered Bonds final terms (the "**Covered Bonds Final Terms**" and, together with the Notes Final Terms, the "**Final Terms**"). The Final Terms of each tranche of Securities (a "**Tranche**") will state whether these are to be (I) Covered Bonds or (II) Notes; and, if Notes, whether such Notes are (a) Senior Notes or (b) Subordinated Notes; and, if Senior Notes, whether such Senior Notes are (i) Ordinary Senior Notes or (ii) Senior Non-Preferred Notes; and, if Subordinated Notes, whether such Subordinated Notes are (i) Senior Subordinated Notes or (ii) Tier 2 Subordinated Notes. Notice of the aggregate nominal amount of the Securities, interest (if any) payable in respect of the Securities, the issue price of the Securities and certain other information applicable to each issue of the Securities will also be set out in the Final Terms. The Final Terms of each Tranche will also state whether the relevant Securities are to be: (i) Fixed Rate Securities, (ii) Floating Rate Securities, (iii) Reset Notes (in the case of Notes only), (iv) Fixed to Floating Notes, (v) Floating to Fixed Notes, or (vi) Fixed to Reset Notes.

Securities issued under the Programme may be unrated or rated by any one or more rating agencies. Where a Tranche is rated, such rating will be disclosed in the Final Terms.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

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

*Investing in Securities issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its respective obligations under the Securities are discussed under "Risk Factors" below.*

No Securities may be issued under the Programme with a denomination of less than €100,000.

**The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to retail clients as defined in the rules set out in MiFID II in any jurisdiction of the European Economic Area ("EEA") or in the United Kingdom (the "UK"). Prospective investors are referred to the section headed "Subscription and Sale" on pages 190, 191 and 192 of this Base Prospectus for further information.**

In addition, in the UK, this Base Prospectus may be distributed to, and directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) high net worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the Order; and (iii) persons to whom it may otherwise lawfully be communicated (all such persons together, relevant persons).

Therefore, this Base Prospectus must not be acted on or relied upon (i) in any member state of the EEA, by persons who are retail clients, and (ii) in the United Kingdom, by persons who are retail clients or are not relevant persons.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United State. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

For the purpose of Article 21 of the Prospectus Regulation, this Base Prospectus and any Final Terms issued under the Programme will be published on the Issuer's website ([www.abancacorporacionbancaria.com](http://www.abancacorporacionbancaria.com)). Unless specifically incorporated by reference in this Base Prospectus, information contained in that website or in any websites mentioned throughout this Base Prospectus does not form part of this Base Prospectus and has not been examined or approved by the CNMV.

This Prospectus will be valid as a base prospectus under the Prospectus Regulation for 12 months from 26 May 2020. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period
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**Arranger and Dealer**

**CRÉDIT AGRICOLE CIB**

26 May 2020

## IMPORTANT NOTICES

The Issuer has confirmed to Crédit Agricole Corporate and Investment Bank (the "**Arranger**") that this Base Prospectus contains all information which is (in the context of the Programme, the issue and the offering and sale of the Securities) material with respect to the Issuer, the Group and the Securities; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and the offering and sale of the Securities) not misleading in any material respect; and that all proper enquiries have been made to ascertain such facts and to verify the accuracy of the foregoing.

### ***Other relevant information***

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche, must be read and construed together with the relevant Final Terms.

### ***Unauthorised information***

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Arranger.

Neither the Arranger nor any of its affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any responsibility for the acts or omissions of the Issuer or any other person (other than Arranger) in connection with the issue and offering of the Securities. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Security shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

### ***Content of the Base Prospectus***

The information contained in this Base Prospectus includes the instructions and recommendations received, when appropriate, from the prudential supervisory authorities (i.e. European Central Bank (the "**ECB**") and Bank of Spain) and that may have an impact on future financial statements of the Issuer and its subsidiaries (the "**ABANCA Group**") or their risks.

### ***Restrictions on distribution***

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

In particular, the Securities have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. The Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

**NEITHER THE PROGRAMME NOR THE SECURITIES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF SECURITIES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Securities and should not be considered as a recommendation by the Issuer, the Arranger or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Securities. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

**Product Governance under Directive 2014/65/EU (as amended)** - A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under European Union Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any dealer subscribing for any Securities is a manufacturer in respect of such Securities, but otherwise neither the Arranger nor any of its affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Final Terms in respect of any Securities will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Securities and which channels for distribution of the Securities are appropriate. Any person subsequently offering, selling or recommending the Securities (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Securities 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 or in the UK. 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 required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

#### ***Benchmark Regulation***

Interest and/or other amounts payable under the Securities may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator

included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

### ***Programme limit***

The maximum aggregate principal amount of Securities outstanding under the Programme will not exceed 4,000,000,000 (and for this purpose, any Securities denominated in another currency shall be translated into EUR at the date of the agreement to issue such Securities (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate principal amount of Securities which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under "*Subscription and Sale*".

### ***Certain definitions***

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references 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.

Certain figures included in this Base 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.

### ***Restatement of 2018 financial information***

Certain financial information relating to the year ended 31 December 2018 has been restated in the 2019 Audited Consolidated Annual Accounts (as defined in "*Information Incorporated by Reference*") for comparative purposes in order to reflect the impact of the Merger (as defined in "*Description of ABANCA —History*"), so that the consolidated 2018 financial information is presented in a manner comparable to the consolidated financial information relating to the year ended 31 December 2019. Please see "*General Information —Approval of financial information*".

### ***The Securities are complex instruments that may not be suitable for certain investors***

The Securities are complex instruments and may not be a suitable investment for all investors. Each potential investor in Securities 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:

- has sufficient knowledge and experience to make a meaningful evaluation of the relevant Securities, the merits and risks of investing in the relevant Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Securities and the impact the relevant Securities will have on its overall investment portfolio;
- understands thoroughly the terms of the relevant Securities, including the provisions relating to redemption or substitution of the Securities and any variation of their terms, and is familiar with the behaviour of financial markets;

- has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Securities, including where the currency for payments in respect of the Securities (the currency for principal and interest payments) is different from the potential investor's currency; and
- 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 Securities unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the relevant Securities will perform under changing conditions, the resulting effects on the value of the relevant Securities and the impact this investment will have on the potential investor's overall portfolio.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the relevant Securities are legal investments for it; (b) the relevant Securities can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of any of the relevant Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the relevant under any applicable risk-based capital or similar rules.

***Ratings***

Tranches of Securities issued under the Programme will be rated or unrated. Where a Tranche is rated, such rating will not necessarily be the same as the rating(s) assigned to Securities already issued. Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche will be (1) issued by a credit rating agency established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

***Stabilisation***

**In connection with the issue of any Tranche, the dealer or dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Securities or effect transactions with a view to supporting the market price of the Securities 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 relevant Tranche 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 relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the environment in which it expects to operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Base Prospectus:

- the Issuer's ability to integrate our newly-acquired operations and any future expansion of its business;
- the Issuer's ability to realise the benefits it expect from existing and future investments in its existing operations and pending expansion and development projects;
- the Issuer's ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed terminal development projects;
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund our existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate;
- changes in the competitive environment in which the Issuer and its customers operate;
- failure to comply with regulations applicable to the business of the Issuer; and
- fluctuations in the currency exchange rates in the markets in which the Issuer operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Any forward-looking statements made by or on behalf of the Issuer speak only as at the date they are made. The Issuer does not undertake to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that the Issuer has made or may make in documents the Issuer has filed or may file with the CNMV.

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## OVERVIEW

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche, the applicable Final Terms. The Issuer and any relevant dealer may agree that Securities shall be issued in a form other than that contemplated in the Conditions, in which event, in the case of listed Securities only and if appropriate, a new Prospectus will be published.*

*This Overview constitutes a general description of the Programme for the purposes of Article 25.1 of Commission Delegated Regulation (EU) No 2019/980 supplementing the Prospectus Regulation (the "Delegated Regulation").*

*Words and expressions defined in the "Terms and Conditions of the Notes" or in the "Terms and Conditions of the Covered Bonds (Cédulas Hipotecarias)" below or elsewhere in this Base Prospectus have the same meanings in this overview.*

<b>Issuer:</b>	ABANCA Corporación Bancaria, S.A.
<b>LEI Code:</b>	54930056IRBXXK0Q1FP96
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Securities issued under the Programme, these are set out under " <i>Risk Factors -Risks relating to the ABANCA Group</i> " below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme, these are set out under " <i>Risk Factors -Risk Factors of the Securities</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Description:</b>	Euro Medium Term Note and Covered Bond Programme.
<b>Arranger and Dealer:</b>	Crédit Agricole Corporate and Investment Bank.  Crédit Agricole Corporate and Investment Bank and/or other dealers appointed in accordance with the Programme Agreement may subscribe or procure subscribers for the issuances of Securities.
<b>Paying Agency:</b>	For Securities listed on AIAF, all payments under the Conditions of the Securities will be carried out directly by ABANCA Corporación Bancaria, S.A. through Iberclear.
<b>Clearing Systems:</b>	Iberclear.
<b>Programme Size:</b>	Up to €4,000,000,000 in aggregate original nominal amount of all Securities outstanding at any time.
<b>Distribution:</b>	Subject to applicable selling restrictions, Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Securities may only be denominated in Euro.

**Notes:**

**Maturities:** At least one year in the case of Senior Notes and Senior Subordinated Notes and a minimum maturity of five years in the case of Tier 2 Subordinated Notes, as indicated in the applicable Notes Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant competent authority or any applicable laws or regulations.

The Maturity Date of the Notes will not exceed 50 years from the Issue Date.

**Issue Price:** Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Form of Notes:** The Notes will be issued in uncertified, dematerialised book-entry form (*anotaciones en cuenta*) and will be registered with Iberclear.

**Fixed Rate Notes:** Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant dealer.

**Reset Notes:** Reset Rate Notes will bear interest at an initial fixed rate of interest from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the rate *per annum* equal to the Initial Rate of Interest, that will be reset as described in Condition 6 (*Reset Notes Provisions*) on the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter.

**Floating Rate Notes:** Floating Rate Notes will bear interest at a rate determined either

- (i) in accordance with "*Screen Rate Determination*" (see Condition 7.(c) (*Floating Rate Note Provisions -Screen Rate Determination*) of the Conditions of the Notes); or
- (ii) in accordance with "*ISDA Determination*" (see Condition 7.(d) (*Floating Rate Note Provisions -ISDA Determination*) of the Conditions of the Notes).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant dealer.

<b>Benchmark Discontinuation:</b>	On the occurrence of a Benchmark Event, the Issuer and, if applicable, an Independent Adviser may, subject to certain conditions, in accordance with Condition 8 ( <i>Benchmark Discontinuation</i> ) of the Conditions of the Notes and without any requirement for consent or approval of the Holders, determine a Successor Rate or, failing which, an Alternative Rate and, in either case, an Adjustment Spread.
<b>Redemption:</b>	<p>The applicable Notes Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons, following an Event of Default or, if indicated as applicable in the relevant Notes Final Terms, following an Eligible Liabilities Event and, in the case of Tier 2 Subordinated Notes, following a Capital Event, if indicated as applicable in the relevant Notes Final Terms) or that such Notes will be redeemable at the option of the Issuer and/or the Holders upon giving notice to the Holders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices specified in the applicable Notes Final Terms.</p> <p>In accordance with Article 63.(i) of CRR, redemption of the Notes at the option of the Holders shall not be applicable to Tier 2 Subordinated Notes.</p> <p>Redemption for taxation reasons in the case of Tier 2 Subordinated Notes or Notes qualifying as Eligible Liabilities, or redemption following a Capital Event or an Eligible Liabilities Event, will be subject to the prior permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required therefor under Applicable Banking Regulations) (including, for the avoidance of doubt, Applicable MREL Regulations) and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time. See Condition 9(j) (<i>Redemption and Purchase -Conditions to Redemption and Purchase</i>) of the Conditions of the Notes.</p>
<b>Substitution and Variation:</b>	If a Tax Event, an Eligible Liabilities Event or a Capital Event occurs and is continuing, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Holders, so that they are substituted for, or varied to become or remain, Qualifying Notes. See Condition 14 ( <i>Substitution and Variation</i> ) of the Conditions of the Notes.
<b>Denomination:</b>	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant dealer save that the minimum denomination of each Note will be at least €100,000.
<b>Taxation:</b>	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever

nature, unless such withholding or deduction is required by law. In that event, the Issuer will, save in certain limited circumstances or exceptions (please refer to Condition 11 (*Taxation*) of the Conditions of the Notes) be required to pay such additional amounts in respect of interest and any other amounts (except in the case of Tier 2 Subordinated Notes or Notes qualifying as Eligible Liabilities, where additional amounts will only be paid in respect of the payment of any interest (but not in respect of the payment of any Outstanding Principal Amount)), as will result in receipt by the Holders of such amounts as would have otherwise been receivable by them had no such withholding or deduction been required.

All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) of the Conditions of the Notes; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 to 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof.

- Negative Pledge:** The terms of the Notes will not contain a negative pledge provision.
- Status:** Notes may be either Senior Notes or Subordinated Notes and, in the case of Senior Notes, Ordinary Senior Notes or Senior Non-Preferred Notes and, in the case of Subordinated Notes, Senior Subordinated Notes or Tier 2 Subordinated Notes and will all rank as more fully described in Condition 4 (*Status*) of the Conditions of the Notes.
- Governing Law:** The English Law Notes and any non-contractual obligations arising out of or in connection with the English Law Notes will be governed by, and shall be construed in accordance with, English law, except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions and the provisions relating to the exercise and effect of the Loss Absorbing Power by the Relevant Resolution Authority and the acknowledgement of the same, which are governed by Spanish law.
- The Spanish Law Notes and any non-contractual obligations arising out of or in connection with the Spanish Law Notes will be governed by, and shall be construed in accordance with, Spanish law.
- Covered Bonds:**
- Maturities:** The Maturity Date of the Covered Bonds will not exceed 50 years from the Issue Date.
- Issue Price:** Covered Bonds may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

**Form of Covered Bonds:** The Covered Bonds will be issued in uncertified, dematerialised book-entry form (*anotaciones en cuenta*) and will be registered with Iberclear.

**Fixed Rate Covered Bonds:** Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant dealer.

**Floating Rate Covered Bonds:** Floating Rate Covered Bonds will bear interest at a rate determined either

- (i) in accordance with "*Screen Rate Determination*" (see Condition 6.(c) (*Floating Rate Provisions -Screen Rate Determination*)) of the Conditions of the Covered Bonds); or
- (ii) in accordance with "*ISDA Determination*" (see Condition 6.(d) (*Floating Rate Provisions -ISDA Determination*)) of the Conditions of the Covered Bonds).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant dealer for each Series of Floating Rate Covered Bonds.

Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant dealer.

**Benchmark Discontinuation:** On the occurrence of a Benchmark Event, the Issuer and, if applicable, an Independent Adviser may, subject to certain conditions, in accordance with Condition 6.(i) (*Floating Rate Provisions -Benchmark Discontinuation*) of the Conditions of the Covered Bonds and without any requirement for consent or approval of the Holders, determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread.

**Redemption:** The applicable Covered Bonds Final Terms will indicate either that the relevant Covered Bonds cannot be redeemed prior to their stated maturity or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Holders, on a date or dates specified prior to such stated maturity and at a price specified in the applicable Covered Bonds Final Terms.

The Covered Bonds may also be redeemed due to legal reasons. See Condition 7.(d) (*Redemption and Purchase -Redemption due to legal reasons*).

<b>Denomination:</b>	The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant dealer save that the minimum denomination of each Covered Bond will be at least €100,000.
<b>Taxation:</b>	All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer will be made subject and after deduction or withholding required to be made by law for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax. The Issuer will not be required to pay any additional or further amounts in respect of such deduction or withholding.
<b>Negative Pledge:</b>	The terms of the Covered Bonds will not contain a negative pledge provision.
<b>Status:</b>	Covered Bonds will all rank as more fully described in Condition 4 ( <i>Status</i> ) of the Conditions of the Covered Bonds.
<b>Governing Law:</b>	The Covered Bonds and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, Spanish law.
<b>Rating:</b>	<p>The Issuer's long term ratings as of the date of this Base Prospectus are "Ba1" (Stable) by Moody's, "BB+" (Negative) by S&amp;P, "BBB-(RWN)" by Fitch and "BBB" (Stable) by DBRS.</p> <p>Series of Securities issued under the Programme may be rated or unrated. Where a Series of Securities is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme.</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Listing:</b>	<p>This Base Prospectus has been approved by the CNMV as competent authority under the Prospectus Regulation. Application may be made for Securities issued under the Programme to be listed on AIAF.</p> <p>Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets (either Spanish, European or non-European, including regulated markets, multilateral trading facilities or any other organised markets) agreed between the Issuer and the relevant dealers in relation to the Series. No unlisted Securities may be issued under the Programme.</p> <p>The applicable Final Terms will state on which stock exchanges and/or markets the relevant Securities are to be listed and/or admitted to trading.</p>

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of Securities in the EEA, Spain, the UK and the United States, and other such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Securities (see "*Subscription and Sale*").

**United States Selling Restrictions:**

Regulation S.

## **RISK FACTORS**

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

*Only risks which are specific to ABANCA or the ABANCA Group or to the Securities 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, operational risks inherent to the activity, cyber-risks, risks related to changes in the financial accounting and reporting standards 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 Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Securities is suitable for them in light of the information in this Base Prospectus and their personal circumstances. Risks that apply generally to securities with the characteristics of the Securities that can be issued under this Base Prospectus (for instance, 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 Issuer may incur, risks related to fluctuations in market interest rates or risks related to the reset of the interest rate on Reset Notes), that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations, including in the particular case of securities issued at a discount or premium) and those related to the credit ratings assigned to the Securities (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 Securities.*

### **RISKS RELATING TO THE ABANCA GROUP**

#### **Business and financial risks and macroeconomic risk**

##### ***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 31 December 2019, credits to clients and fixed income securities represented 63.1% and 18.8%, respectively, of the total assets of the ABANCA Group (59.0% and 22.8%, respectively, as of 31 December 2018). As of 31 December 2019, €5,056.17 million fixed income securities were valued as financial assets at fair value through other comprehensive income, €5,895.75 million as financial assets at



amortised cost, €29.31 million as non-trading financial assets mandatorily at fair value through profit or loss and €76.98 million as financial assets held for trading (€7,736.79 million, €3,868.85 million, €32.63 million and €3.82 million, respectively, as of 31 December 2018).

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 31 December 2019, the "non-performing loans" ("NPLs"), which correspond to the item "impaired assets" of the consolidated balance sheet of the ABANCA Group, amounted to €1,032.43 million (€1,093.81 million as of 31 December 2018). As of 31 December 2019, 63.5% of the NPLs were secured by real estate mortgages, while 0.9% were secured by other types of in rem securities (such as pledges) and 35.6% were unsecured (74.0%, 0.5% and 25.5%, respectively, as of 31 December 2018). The new loan production formalised since the beginning of 2015 that has been at any time classified as NPLs (regardless of whether or not it is classified as such as at 31 December 2019) represented 1.0% of the total new loan production during that period (in the year ended on 31 December 2019, the entries of NPLs amounted to €152 million (to €124 million in the year ended on 31 December 2018) and the ABANCA Group recorded ordinary loan provisions amounting to €88 million (€62.27 million in the year ended 31 December 2018)). During the last years, as a complement to its ordinary recovery activity, the ABANCA Group has made sales of impaired and write-off loans portfolios that have led to a reduction, at the date of disposal, in the volume of non-performing assets of €120 million in the year ended 31 December 2019 and of €147 million in the year ended 31 December 2018.

As of 31 December 2019 the performing credit portfolio<sup>1</sup> of the ABANCA Group amounted to €35,963.28 million and the customer spread<sup>2</sup> was 1.62% (€29,293.60 million and 1.76%, respectively, as of 31 December 2018).

As of 31 December 2019, the outstanding balances of refinancing and restructuring transactions amounted to €1,298.11 million (€1,511.97 million as of 31 December 2018), €609.59 million of which related to non-performing assets (€816.93 million as of 31 December 2018).

Some of the ratios that can be used as a measure of the asset quality of the ABANCA Group, of the coverage of the non-performing assets and of the ability of the ABANCA Group to absorb potential losses arising from them, are the NPL Ratio<sup>3</sup> (that stood at 2.8% as of 31 December 2019 and 3.6% as of 31 December 2018), the NPL Coverage Ratio<sup>4</sup> (that stood at 57.5% as of 31 December 2019 and 56.1% as of 31 December 2018) and the Texas Ratio<sup>5</sup> (that stood at 33.6% as of 31 December 2019 and 38.2% as of 31 December 2018).

The exposure to the real estate sector is a very significant factor of the credit risk of a financial entity and it has had, and may in the future have, a significant impact on the NPAs of the Spanish banking system. Declines in property prices adversely affects the credit quality of property developers to whom loans have

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<sup>1</sup> Performing credit portfolio is an alternative performance measure ("APM") the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>2</sup> Customer spread is an APMs the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>3</sup> NPL Ratio is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>4</sup> NPL Coverage Ratio is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>5</sup> Texas Ratio is an APM that reflects the ability of a bank to absorb potential losses arising from non-performing assets (the lower the ratio, the higher the ability). The definition, explanation, use and reconciliation of this APM is set out in "*Description of ABANCA—Alternative Performance Measures*".

been made and decrease the value of the real estate collateral securing a financial entity's mortgage loans. 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 €1,149.92 million (3.1% of the ABANCA Group's total gross loans and receivables to other debtors) as of 31 December 2019 (€874.68 million (2.8% of the ABANCA Group's total gross loans and receivables to other debtors) as of 31 December 2018). The non-performing exposure of the ABANCA Group to this segment was 2.2% as of 31 December 2019 and 2.9% as of 31 December 2018.

Furthermore, 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. As of 31 December 2019 the ABANCA Group portfolio of foreclosed real estate assets stood at €790.38 million<sup>6</sup> (out of which, 45% corresponded to residential assets, 18% to non-residential assets and 37% to other assets); as of 31 December 2018, the ABANCA Group portfolio of foreclosed real estate assets stood at €942.15 million<sup>7</sup>. The gross book value of foreclosed assets sold in 2019 was €139.53 million (€171.72 million in 2018). As of 31 December 2019, the Foreclosed Assets Coverage Ratio<sup>8</sup> of the ABANCA Group was 60.4% (56.5% as of 31 December 2018), the NPA Coverage Ratio<sup>9</sup> of the ABANCA Group stood at 58.8% (56.3% as of 31 December 2018) and the NPA Ratio<sup>10</sup> of the ABANCA Group stood at 4.8% (6.5% as of 31 December 2018).

In addition, changes in the applicable accounting rules have also had an impact on the 2018 Audited Consolidated Annual Accounts (as defined in "*Information Incorporated by Reference*"): the transition to IFRS 9 "Financial Instruments" (that superseded IAS 39 with regard to classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting) had an impact on "Financial assets at amortised cost" of €34.4 million due to changes in the classification of financial instruments and of €31.8 million due to impairments.

Any default by borrowers or the materialization of any other risks described above (including the inability of the ABANCA Group to control the level of its non-performing or poor credit quality loans or an adverse evolution of the Spanish real estate market) could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

***Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, in Portugal or in Galicia or any deterioration in the European, Spanish and Portuguese 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 31 December 2019, 94% of the total consolidated assets and liabilities of the ABANCA Group were located in Spain (98% as of 31

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<sup>6</sup> As of that date, the "non-performing assets" ("NPAs") of the ABANCA Group amounted to €1,822.82 million (€1,032.43 million corresponding to total non-performing loans and €790.38 million corresponding to gross foreclosed assets). NPA is an APM that shows the size of the non-productive assets that an entity has on its balance sheet. The definition, explanation, use and reconciliation of NPAs is set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>7</sup> As of that date, the NPAs of the ABANCA Group amounted to €2,035.95 million (€1,093.81 million corresponding to total non-performing loans and €942.15 million corresponding to gross foreclosed assets).

<sup>8</sup> 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*".

<sup>9</sup> NPA Coverage Ratio is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>10</sup> NPA Ratio is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

December 2018)), and in recent years has also expanded its activity throughout Portugal. In particular, it has a remarkable footprint in the autonomous region (*comunidad autónoma*) of Galicia (please see "*Description of ABANCA—Distribution channels*"). As of 31 December 2019, 48% of ABANCA Group's credit granted in Spain is located in Galicia. This concentration in Galicia gives to ABANCA a 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. 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 Portugal, and especially in Galicia. In addition, the Spanish and Portuguese economies are particularly sensitive to economic conditions in the Eurozone, the main market for Spanish and Portuguese goods and services exports. Accordingly, adverse economic conditions in the Eurozone might have an adverse effect on Spanish and Portuguese economic growth and, therefore, may also affect the business, financial condition and results of operations of the ABANCA Group.

In particular, since the portfolio of loans to customers of the ABANCA Group consists mainly of loans to medium and small enterprises ("**SMEs**") (representing 39% of the total portfolio of loans as of 31 December 2019) and mortgage and consumer loans granted to individual customers (representing 50% of the total portfolio of loans as of 31 December 2019) (the underlying information of which used for the purposes of a risk analysis is different from that used for the risk analysis of larger clients), any adverse economic developments affecting extraordinarily industrial activities can be especially material for the ABANCA Group.

In 2019 the Spanish deficit rose to 2.8% of the gross domestic product ("**GDP**") (source: *Eurostat*) and public debt stood at 95.5% of GDP (source: *Bank of Spain – Quarter 4/2019*). Moreover, unemployment fell to 13.78% in 2019 (source: *National Statistics Institute of Spain, Economically Active Population Survey – Quarter 4/2019*). Galicia grew below the Spanish average in the first quarters of 2019 due to protectionist tensions in the international sphere that penalised the industrial sector in Galicia (which represented 15.5% of Galicia's GDP in 2019 —source: *Instituto Galego de Estatística (IGE) and Instituto Nacional de Estadística (INE)*) but accelerated its growth in the last quarter of 2019 (Galicia's GDP grew 0.5% quarter-on-quarter in the last quarter of 2019, that compares against a GDP growth of 0.4% in Spain —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 1.2% in 2019 (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.

Although at the beginning of the year positive growth was expected in the near future, the recent coronavirus (COVID-19) outbreak is expected to affect different industries and to result in a slowdown in economic activity, which may have a material adverse effect on economic growth. The outbreak could significantly adversely affect Spanish and EU economic activity, and even the global economy. The International Monetary Fund ("**IMF**") forecasts for Spain suggest that the GDP will contract by 8% in 2020 and that the unemployment rate will rise to 20.8%. By 2021 the IMF projects a recovery of 4.3% (source: *IMF, World Economic Outlook, April 2020*). The Bank of Spain has also published its forecasts for the Spanish economy that take into consideration different assumptions on the duration of the lockdown in Spain and of the impairments that it causes, the most positive scenario suggests that Spanish GDP will contract by 6.6% in 2020 and the most negative scenario suggests that Spanish GDP will contract by 13.6% in 2020 (source: *Bank of Spain, Escenarios macroeconómicos de referencia para la economía española tras el COVID-19, 20 April 2020*). The European Commission has published its forecasts with regards the Spanish public deficit, that suggest a public deficit of 10.1% in 2020 (source: *European Commission, European Economic Forecast Spring 2020, May 2020*).

The ABANCA Group is monitoring the situation as it evolves to understand the potential impact on its business; however, its direct impact on the ABANCA Group remains uncertain (although it is expected to

affect the ABANCA Group's clients and counterparties which, together with a general decrease in economic activity and the increase in unemployment, may have an adverse effect on the ABANCA Group's business, financial condition and results of operations) and will depend on future developments which are not reliably predictable, including the measures adopted to contain the disease and mitigate its impact on the economies of countries affected, among others. A number of central banks and governments have announced financial stimulus packages in anticipation of a very significant negative impact in 2020 GDP, but concerns remain as to whether these policy tools will counter anticipated macroeconomic risks.

In particular, the regulatory changes implemented by the Spanish authorities to mitigate the economic effects of COVID-19 include the establishment of a moratorium on both mortgage and non-mortgage transactions applicable for three-months to those situations considered to be financially vulnerable. Taking into account the announcements made by the ECB and the European Banking Authority ("**EBA**") (please see "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations -Prudential treatment of NPLs*"), the ABANCA Group does not expect these moratoria to have a material adverse effect in terms of provisions for NPLs. However, the lower interest generated during the moratorium periods may have a negative impact in the form of a lower net interest income. In addition, Spanish institutions have broadened the range of potential beneficiaries of the moratorium through sectoral agreements within the framework of the Asociación Española de Banca (AEB) and the Confederación Española de Cajas de Ahorros (CECA), following the guidelines of the EBA. However, this moratorium is on capital and not on interest, so its main impact will be to help to reduce the number of clients who are at doubtful risk.

As of 31 March 2020, the ABANCA Group has reinforced its credit provisions to a total of €78.2 million in order to be prepared to face the expected forthcoming environment generated by the COVID-19 pandemic. These provisions include (on the basis of estimations related to the mentioned impairment of the economic environment) additional overlay provisions, which as of 31 March 2020 amounted to €20 million.

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 "*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. As of 31 December 2019, the ABANCA Group held Spanish debt (mainly sovereign) representing 13% of its total consolidated assets (15% as of 31 December 2018).

The above and other risks, both external (such as a greater slowdown in the emerging economies, episodes of financial volatility or political and geopolitical risks) and internal (such as emergence of political instability in EU countries), could negatively affect European and the Spanish and Portuguese economies. Any adverse changes affecting the Spanish and Portuguese economies could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

#### ***Structural interest rates risk and risk deriving from a low interest rate environment***

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.

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.

The ABANCA Group has conducted an analysis of the sensitivity of its profit and loss account to interest rates, considering two standard scenarios: (i) a drop in market interest rates by 200 basis points with respect to the implicit interest rates as at 31 December 2019 (determined applying Bank of Spain criteria), with a floor of -1% for changes in short-term market rates and a floor of 0% for changes in long-term market rates; and (ii) a rise of 200 basis points with respect to the implicit interest rates as at 31 December 2019. This analysis has shown that (i) a 200 basis points drop in Euribor would have had an impact of (a) -€71.25 million on the net interest income for the year ended 31 December 2019 and (b) -€53.66 million on the economic value of capital as of 31 December 2019; and (ii) a 200 basis point rise in Euribor would have had an impact of (a) €143.32 million on the net interest income for the year ended 31 December 2019 and (b) €845.93 million on the economic value of capital as of 31 December 2019. Please see the 2019 Audited Consolidated Annual Accounts for further information on the sensitivity analysis conducted.

In addition to the above, and although in the 2019 financial year the ABANCA Group has managed to increase its interest income<sup>11</sup> as well as its net interest income<sup>12</sup> thanks to both the growth in business volume and the focus on some more profitable business lines (specially in the current low interest rate environment), if the current low interest rate environment persists in the long term (which could, among others, result from an expansionary monetary policy (including specifically, quantitative easing)), the continuous increase (or even maintenance) of the ABANCA Group's net interest income cannot be assured, which may have a material adverse effect on its business, financial situation and operating results. The customer spread ratio of the ABANCA Group as of 31 December 2019 was 1.62% (1.76% as of 31 December 2018).

In order to avoid or limit the adverse consequences derived from a low interest rate environment, the ABANCA Group (like other Spanish financial entities) has tried to find alternative means to achieve positive effects on its results of operations, with net fees and commissions being one of the main ones. For the year ended 31 December 2019 the net fees and commission<sup>13</sup> of the ABANCA Group amounted to €205.46 million (€176.23 million for the year ended on 31 December 2018) (fees and commission income was €234.32 million for the year ended on 31 December 2019, with income from non-banking products commercialization being €73.92 million, income from other services fees being €56.32 million and income from payments and other services fees being €75.22 million). For the year ended 31 December 2019, the net fees and commissions represented 22.56% of the gross margin (16.52% for the year ended 31 December 2018), other items that contributed to the profit and loss account of the ABANCA Group for the years ended 31 December 2019 and 31 December 2018 were the gains on financial assets and liabilities (that amounted to €122.09 million for the year ended on 31 December 2019 and to €288.81 million for the year ended on 31 December 2018). Other means to achieve positive effects on the ABANCA Group results of operations include other activities less exposed to the current low interest rate environment, such as holding stakes, management and sale of real estate and life insurance, which for the year 31 December 2019 accounted for 32.05% of the ABANCA Group's total profit before taxes (please see Note 27 of the 2019 Audited Consolidated Annual Accounts).

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<sup>11</sup> For the one-year period ended on 31 December 2019, the interest income of the ABANCA Group was €760.91 million, that compares to €724.66 million for the one-year period ended on 31 December 2018.

<sup>12</sup> For the one-year period ended on 31 December 2019, the net interest income of the ABANCA Group was €574.64 million and represented 63.09% of the gross margin (for the year ended on 31 December 2018, the net interest income was €561.27 million and represented 52.60% of the gross margin).

<sup>13</sup> Net fees and commissions is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of ABANCA—Alternative Performance Measures*".

### ***Liquidity risk***

Liquidity risk comprises uncertainties as regards the ability of the ABANCA Group's, under adverse conditions, to timely access funding necessary to cover the ABANCA Group's obligations to clients as they become due and to meet the maturity of the ABANCA Group's liabilities. 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, among others, from general market conditions (such as alterations or closures in the financial markets), negative views of the perspectives of the sectors to which the ABANCA Group grants a large number of its loans, 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), or 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 31 December 2019, the ABANCA Group had Liquid Assets<sup>14</sup> amounting to €7,867.69 million to face maturities of issuances for an amount of €599 million in the next three years (the total issuances of the ABANCA Group as of 31 December 2019 amounted to €3,360 million). 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. Additionally, ABANCA has an issuing capacity of covered bonds (*cédulas hipotecarias*) of €6,604 million as of 31 December 2019 (€5,098 million as of 31 December 2018).

As of 31 December 2019, ABANCA Group's financing structure consisted of 75% of retail deposits (amounting to €38,223.91 million as of that date (€32,667.44 million as of 31 December 2018), that compares with the €36,792.08 million of credit to customers as at that date (€30,169.21 million as of 31 December 2018); this surplus is reflected in the Retail Loan to Deposits<sup>15</sup> ratio of the ABANCA Group that as of 31 December 2019 was 96.3% (92.4% as of 31 December 2018)), 10% of interbank funding, 9% of 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 31 December 2019, 76.3% of the total consolidated liabilities of the ABANCA Group were customer deposits (75.7% as of 31 December 2018). The level of customer deposits (either wholesale or retail) 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

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<sup>14</sup> Liquid assets is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*". This APM includes "Cash and central bank accounts", "Collateral available for ECB operations inside of ECB guaranteed pool", "Collateral available for ECB operations outside guarantee pool" and "Other marketable assets not eligible for ECB".

<sup>15</sup> 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*".

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

Due to the last financial market crisis, that was 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"), in 2016 (the "TLTRO II"), and in 2019 (the "TLTRO III"), and purchases on the debt securities market. As of 31 December 2019, the funding with the ECB (through the TLTRO II and TLTRO III) amounted to €4,658.65 million, €3,435.88 million as of 31 December 2018, which represented 7.9% and 6.7%, respectively, of the total consolidated assets of the ABANCA Group, and 8.6% and 7.3% of the consolidated liabilities of the ABANCA Group, as of 31 December 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.

In addition, the ABANCA Group is required to comply with certain liquidity requirements, the Liquidity Coverage Ratio ("LCR") requirements provided in CRR and the Basel Committee on Banking Supervision' (the "BCBS") net stable funding ratio ("NSFR") (please see section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers —Capital, liquidity and funding requirements*"). The LCR of the ABANCA Group was 217% as at 31 December 2019 (191% as of 31 December 2018<sup>17</sup>) and the NSFR ratio of the ABANCA Group was 129% as at 31 December 2019 (126% as of 31 December 2018<sup>18</sup>).

***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 support. This trend is expected to continue as the ECB and the Bank of Spain continue to impose measures aimed at strengthening the European Union ("EU") financial sector, especially regarding solvency and liquidity,

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<sup>16</sup> Off-balance-sheet funds is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

<sup>17</sup> The ABANCA Group LCR as of 31 December 2019 reflects the impact of the Merger however, the ABANCA Group LCR as of 31 December 2018 is calculated prior to the Merger and, thus, is not comparable to the Abanca Group LCR as of 31 December 2019. The ABANCA Group LCR reflecting what would have been the impact of the Merger as of 31 December 2018, would be 188% and thus comparable to the Abanca Group LCR as of 31 December 2019.

<sup>18</sup> The ABANCA Group NSFR as of 31 December 2019 reflects the impact of the Merger however, the ABANCA Group NSFR as of 31 December 2018 is calculated prior to the Merger and, thus, is not comparable to the Abanca Group NSFR as of 31 December 2019. The ABANCA Group NSFR reflecting what would have been the impact of the Merger as of 31 December 2018, would be 126% and thus comparable to the Abanca Group NSFR as of 31 December 2019.

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 2019 their joint share was 83%, an increase of 97% (source: *Banco de España*). There can be no assurance that this increasing competition will not adversely affect the growth prospects of the ABANCA Group, and therefore its operations. For information on the competitive position of the ABANCA Group please see "*Description of ABANCA -Business Overview -Distribution channels -Branches*" and "*Description of ABANCA -Business Overview -Principal Markets*".

The ABANCA Group also faces competition from non-bank competitors, some of them operating outside the regulated banking system, 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 cost-structure, 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**"), also 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 by increasing transparency and facilitating access to information and collection and payment operations, which may be a basis for non-bank operators to delve into the provision of other financial services, 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 changed little in 2018, with total assets of just over €41.9 trillion at the end of 2018 (compared with €42.6 trillion at the end of 2017), accounting for around 40% of the EU financial system (source: *EU Non-Bank Financial Intermediation Risk Monitor 2019, published by the European Systemic Risk Board*).

The degree of digitalisation of the ABANCA Group's customers (56% 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 31 December 2019, excluding the credit investment portfolio, the exposure of the ABANCA Group subject to market risk came to a total €4,109.66 million in fixed income securities with fixed rate and €99.94 million in fixed income securities with floating rate (€6,621.39 million and €188.75 million, respectively, as of 31 December 2018) and €257.06 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 31 December 2019, 50.66% corresponds to sovereign bonds of the Spanish government, 19.80% to bonds of other countries of the Monetary Economic Union and 2.71% to bonds of government agencies, autonomous regions and bonds backed by the Spanish government (43.68%, 37.32%, and 3.74%, respectively, as of 31 December 2018).

A standard measure to evaluate market risk is "VaR" (Value at Risk)<sup>19</sup>. As of 31 December 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 €14.23 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.

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.

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.

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

As of 31 December 2019, the ABANCA Group had deferred tax assets amounting to a total of €3,401.74 million (€3,399.59 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.

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<sup>19</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.

Pursuant to Law 27/2014, of 27 November, on Corporate Income Tax, as amended (the "**CIT Law**"), of the €3,401.74 million deferred tax assets mentioned above, ABANCA considers that €2,687.49 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 Thirteenth Additional Provision of the CIT Law, having established a provision amounting to €32.45 million in the annual accounts for the year ended on 31 December 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). 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, with the consequent negative impact on the profit and loss account of the ABANCA Group.

#### **Internal operational risks**

##### ***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 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; (ii) the acquisition and subsequent absorption by ABANCA of Banco Caixa Geral, S.A. ("**BCG**"), the former Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos; and (iii) the agreement for the acquisition of 95% of the shares in the Portuguese bank Banco BIC Português, S.A. ("**EuroBic**"). In accordance with the latest information made available by Eurobic, the acquisition of EuroBic would provide a business volume equivalent to approximately 14% of that of the ABANCA Group. Although ABANCA has undertaken acquisitions of the sort in recent years and has proven expertise managing the processes related to them, this type of project represents a challenge, in terms of both technological capabilities and business integration. Any deviation or unforeseen events in these processes may have an impact on the outcome of the transaction and, thus, may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

## Legal and regulatory risks

### *Regulatory challenges, in particular, on capital, liquidity or funding requirements*

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. This creates significant uncertainty for the Bank and the financial industry in general. 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 to the increased regulation in terms of customer and investor protection and digital and technological matters, the regulations which most significantly affect the ABANCA Group, or which could most significantly affect the ABANCA Group in the future, are regulations relating to capital and liquidity requirements. In particular, the Issuer and the ABANCA Group are subject to certain capital, liquidity and funding requirements (as described in the section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers —Capital, liquidity and funding requirements*"). These and other regulatory requirements, standards or recommendations may limit the Issuer and the ABANCA Group ability to manage their balance sheets and capital resources effectively or to access funding on more commercially acceptable terms, for example by requiring them to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of their 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 and ABANCA Group's Common Equity Tier 1 ("CET1") ratios, Tier 1 ratios, total capital ratios as of 31 December 2019 and 31 December 2018:

	Phased in		Fully Loaded	
	ABANCA <sup>(*)</sup>	ABANCA Group <sup>(**)</sup>	ABANCA <sup>(*)</sup>	ABANCA Group <sup>(**)</sup>
CET1 ratio as at 31 December 2019	12.4%	12.8%	11.9%	12.0%
CET1 ratio as at 31 December 2018	14.6%	14.9%	13.9%	14.0%
Tier 1 ratio as at 31 December 2019	13.2%	13.6%	12.7%	12.8%
Tier 1 ratio as at 31 December 2018	15.5%	15.8%	14.8%	14.9%
Total Capital ratio as at 31 December 2019	15.3%	15.7%	14.8%	15.0%
Total Capital ratio as at 31 December 2018	15.5%	15.8%	14.9%	14.9%

(\*) The ABANCA 2019 capital ratios shown in the table reflect the impact of the BCG Absorption but the ABANCA 2018 capital ratios shown in the table do not reflect it, and thus, the ABANCA capital ratios for both years as shown in the table are not comparable. The ABANCA capital ratios as of 31 December 2019 without the impact of the BCG Absorption, and thus comparable to the Abanca 2018 capital ratios, would be: a CET1 phased-in ratio of 11.6%, a Tier 1 phased-in ratio of 12.5% and a Total Capital phased-in ratio of 14.6%, and a CET1 fully-loaded ratio of 10.9%, a Tier 1 fully-loaded ratio of 11.8% and a Total Capital fully-loaded ratio of 13.9%.

(\*\*) The ABANCA Group 2019 capital ratios shown in the table reflect the impact of the Merger but the ABANCA Group 2018 capital ratios shown in the table do not reflect it and, thus, are not comparable to the Abanca Group 2019 capital ratios. The ABANCA Group capital ratios reflecting what would have been impact of the Merger as of 31 December 2018, and thus comparable to the Abanca Group 2019 capital ratios, would be: a CET1 phased-in ratio of 13.7%, a Tier 1 phased-in ratio of 14.4% and a Total Capital phased-in ratio of 14.6%, and a CET1 fully-loaded ratio of 12.8%, a Tier 1 fully-loaded ratio of 13.5% and a Total Capital fully-loaded ratio of 13.7%.

And the table below sets out ABANCA's and the ABANCA Group's leverage ratios ("LRs") as of 31 December 2019 and 31 December 2018:

	Phased in		Fully Loaded	
	Abanca <sup>(*)</sup>	Abanca Group <sup>(**)</sup>	Abanca <sup>(*)</sup>	Abanca Group <sup>(**)</sup>
LR as at 31 December 2019	6.8%	7.0%	6.5%	6.6%
LR as at 31 December 2018	7.9%	8.2%	7.6%	7.7%

(\*) The ABANCA 2019 LRs shown in the table reflect the impact of the BCG Absorption but the ABANCA 2018 capital ratios shown in the table do not reflect it, and thus, the ABANCA LRs for both years as shown in the table are not comparable. The ABANCA LRs as of 31 December 2019 without the impact of the BCG Absorption, and thus comparable to the Abanca 2018 LRs, would be: a phased-in LR of 6.4% and a fully-loaded LR of 6.1%.

(\*\*) The ABANCA Group 2019 LRs shown in the table reflect the impact of the Merger but the ABANCA Group 2018 LRs shown in the table do not reflect it and, thus, are not comparable to the Abanca Group 2019 LRs. The ABANCA Group LRs reflecting what would have been impact of the Merger as of 31 December 2018, and thus comparable to the Abanca Group 2019 LRs, would be: a phased-in LR of 7.4% and a fully-loaded LR of 6.9%.

In addition, as described in the section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers —Capital, liquidity and funding requirements*", failure by the Bank or the ABANCA Group to comply with certain of the existing regulatory requirements could result in the imposition of administrative actions or sanctions, such as prohibitions or restrictions on making "discretionary payments" (which includes distributions relating Additional Tier 1 capital instruments), 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 and, since, as explained in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers — Capital, liquidity and funding requirements*" the 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**") and 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**") are yet to be implemented into Spanish law and applied by the relevant authorities, it is uncertain how will such implementation and application will affect the ABANCA Group.

#### ***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 (please see "*Description of ABANCA — Legal and Arbitration Proceedings*"). The outcome of 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 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.

The ABANCA Group is involved in proceedings related to mortgage "floor clauses" (in connection with which the provisions of ABANCA Group amounted to €8.73 million as of 31 December 2019 (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with mortgage "floor clauses" as this type of clauses have not been included in the ABANCA Group agreements since 2011)), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which the provisions of ABANCA Group amounted

to €0.86 million as of 31 December 2019), proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which the provisions of ABANCA Group amounted to €3.52 million as of 31 December 2019 (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with this matter)) and proceedings related to payment of stamp duty in mortgage loans (the provisions set aside by the ABANCA Group in connection with the potential requirement to pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018 are included, together with provisions for other matters, in a provision for loan execution expenses that as of 31 December 2019 amounted to €2.23 million). In addition, the ABANCA Group has provisions amounting to €121 million to cover commitments with third parties in connection with its activity. No new provisions relating to legal proceedings have been required in the one year period ended 31 December 2019.

Legal 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.

## **RISK FACTORS OF THE SECURITIES**

### **Risks related to Securities generally**

#### ***Credit risk***

Credit risk refers to the risk of economic losses being generated by a payment default of the counterparty in a financial operation. In this particular case, such credit risk would consist of the Issuer not paying principal and/or interest on the Securities on their respective due dates. Moreover, the lower the ranking of a Security, the greater the credit risk to which it is exposed.

The Notes will not benefit from any guarantee other than the one provided by the general asset solvency of the Issuer.

In accordance with the provisions of Law 2/1981, of 25 March, on the regulation of the mortgage market (*Ley 2/1981, de 24 de abril, de regulación del mercado hipotecario y otras normas del Sistema hipotecario y financiero*) ("**Law 2/1981**") and of Royal Decree 716/2009, of 24 April, which implements certain aspects of Law 2/1981 (*Real Decreto 716/2009, de 24 de abril, por el que se desarrollan determinados aspectos de la Ley 2/1981*) ("**Royal Decree 716/2009**") and without prejudice to the universal liability of the Issuer, all *cédulas hipotecarias* issued by the Issuer from time to time (including any Covered Bonds) are secured by a statutory mortgage over all mortgages which are at any time registered for the benefit of the Issuer, except those affected to *bonos hipotecarios* or which are the object of *participaciones hipotecarias* or *certificados de transmisión de hipoteca* (the "**Cover Pool**") and, if they exist, by the substitute assets (*activos de sustitución*) listed in article 17.2 of Law 2/1981 (as defined below) and by the economic flows generated by the derivative financial instruments linked to each issue, in accordance with the provisions of Law 2/1981 and of Royal Decree 716/2009 (as defined below). However, the Cover Pool may not be sufficient to fulfil the Issuer's obligations under the Covered Bonds issued (see "*There is no assurance that the Cover Pool will generate sufficient proceeds to make all interest and principal payments on the Covered Bonds in the event of an insolvency of the Issuer. In addition, the Cover Pool is a dynamic pool of assets whose composition may change. However, no assets are earmarked or segregated for a specific series of cédulas hipotecarias or holders of cédulas hipotecarias*"). The Covered Bonds will not benefit from any guarantee other than the one described in this paragraph and the general asset solvency of the Issuer.

In addition, the Securities will not benefit from the protection granted by the Spanish Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*).

### ***Securities subject to optional redemption by the Issuer***

If the Issuer has the right to redeem any Securities at its option, this may limit the market value of the Securities concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

Any optional redemption feature is likely to limit the market value of the relevant Securities. During any period when the Issuer may elect to redeem Securities, or during which there is an actual or perceived increased likelihood that the Issuer may elect to redeem Securities, the market value of those Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period if the market believes that the relevant Securities may become eligible for redemption in the near term.

The optional redemption features that may be embedded in the terms and conditions of the Securities include:

- Redemption of the Notes due to a Tax Event pursuant to Condition 9.(b) (*Redemption due to a Tax Event*) of the Conditions of the Notes. Tax Event means 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and that results in (a) the Issuer not being entitled to claim a deduction in computing taxation liabilities in the Kingdom of Spain in respect of any payments of interest in respect of the Notes or the value of such deduction to the Issuer being materially reduced; or (b) the Issuer being obliged to pay additional amounts pursuant to Condition 11 (*Taxation*) of the Conditions of the Notes; or (c) the applicable tax treatment of the Notes being materially affected, and, in each case, cannot be avoided by the Issuer taking reasonable measures available to it.
- Redemption of the Notes due to a Capital Event pursuant to Condition 9.(c) (*Redemption due to a Capital Event*) of the Conditions of the Notes. Capital Event means a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Tier 2 Subordinated Notes which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes and that results (or would be likely to result) in (a) the exclusion of that all or part of the Outstanding Principal Amount of the Tier 2 Subordinated Notes from the Tier 2 Capital of the Issuer or the ABANCA Group (in each case, to the extent required by Applicable Banking Regulations); or (b) the reclassification of all or part of the Outstanding Principal Amount of the Tier 2 Subordinated Notes as a lower quality form of own funds of the Issuer or the ABANCA Group, in accordance with the Applicable Banking Regulations (in each case, to the extent required by Applicable Banking Regulations).
- Redemption of the Notes due to a Eligible Liabilities Event pursuant to Condition 9.(d) (*Redemption due to a Eligible Liabilities Event*) of the Conditions of the Notes. Eligible Liabilities Event means, that, subject to certain exceptions that depend on the type of Notes, all or part of the Outstanding Principal Amount of the relevant Notes do not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Preferred Instruments, MREL-Eligible Senior Non-Preferred Instruments or as Eligible Liabilities, as applicable, of the Issuer and/or the ABANCA Group.
- Redemption of the Covered Bonds due to legal reasons pursuant to Condition 7.(c) (*Redemption due to legal reasons*) of the Conditions of the Covered Bonds. If the issuance limit of *cédulas hipotecarias* (including any Covered Bonds) (as of the date of this Base Prospectus, 80% of the amount of the outstanding principal of the mortgage loans and credits in the Issuer's portfolio which meet the requirements laid down in Section II of Law 2/1981 excluding any mortgage loans and credits serving as collateral of *bonos hipotecarios* or which are the object of *participaciones hipotecarias*) is exceeded

for any reason, the amount of *cédulas hipotecarias* (including any Covered Bonds) exceeding the issuance limit must be reduced by the Issuer within four months by undertaking any of the actions described in article 25 of Royal Decree 716/2009. As a result, the Issuer may elect to redeem *cédulas hipotecarias* (including any Covered Bonds) up to the amount in excess in accordance with Spanish legislation by decreasing the Outstanding Principal Amount (as defined in the Conditions) of all the outstanding *cédulas hipotecarias* (including any Covered Bonds) in the proportion which the aggregate Outstanding Principal Amount of each issuance of *cédulas hipotecarias* (including any Covered Bonds) to be redeemed on the relevant redemption date bears to the aggregate Outstanding Principal Amount of all *cédulas hipotecarias* (including any Covered Bonds).

As of 31 December 2019, the nominal value of outstanding mortgage portfolio of the Cover Pool of the Issuer amounted to €15,405 million and the nominal value of outstanding mortgage loans and credits of the Issuer which meet the eligibility criteria set forth in section II of Law 2/1981 and in Royal Decree 716/2009 amounted to €10,461 million. As at the date of this Base Prospectus, the Issuer has not issued any *bonos hipotecarios* and the amount of *cédulas hipotecarias* issued by the Issuer and outstanding amount to €2,340 million and therefore do not exceed the issue limit of 80% of the amount of the outstanding principal of the mortgage portfolio of the Cover Pool which meet the eligibility criteria set forth in section II of Law 2/1981 and in Royal Decree 716/2009.

In addition, if in the case of any particular Securities the relevant Final Terms specify that the relevant Securities are redeemable at the Issuer's option on certain dates, the Issuer may redeem Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Tier 2 Subordinated Notes are intended to be Tier 2 Instruments under the Applicable Banking Regulations and Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes may be intended to be Eligible Liabilities under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations). However, the implementation in the Kingdom of Spain of the EU Banking Reforms is pending and there is uncertainty as to how they will be implemented, interpreted and applied and the Issuer cannot provide any assurance that Tier 2 Subordinated Notes will or may be (or thereafter remain) Tier 2 Instruments and that Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes will or may be (or thereafter remain) Eligible Liabilities.

It is not possible to predict whether or not an event entitling the Issuer to redeem Securities will occur and if so whether or not the Issuer will elect to exercise such option to redeem the Securities or, when applicable, such redemption would comply with the Applicable Banking Regulations and any prior permission of the Competent Authority and/or Relevant Resolution Authority if and as applicable for such redemption will be given.

Redemption of Notes at the option of the Issuer is subject to compliance with the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations (as defined in the Conditions of the Notes)) and to the prior permission of the Competent Authority and/or the Relevant Resolution Authority (in each such case, if such permission is then required under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations)).

Pursuant to article 78 of 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 ("**CRR**") and with respect to Tier 2 Subordinated Notes only, the competent authority shall grant permission for an institution

to reduce, call, redeem, repay or repurchase Tier 2 instruments where either of the following conditions is met:

- (i) before or at the same time as any of such actions, the institution replaces the instruments with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution; or
- (ii) the institution has demonstrated to the satisfaction of the competent authority that its own funds and eligible liabilities would, following any of such actions, exceed the requirements laid down in the CRR, 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 (the "**CRD IV Directive**") and the BRRD by a margin that the competent authority considers necessary.

In the case of any such actions during the five years following the issue date of the Notes the competent authority may grant such permission if:

- (i) the conditions listed in paragraphs (i) or (ii) above are met; and
- (ii) in the case of the occurrence of a Capital Event, (i) the competent authority considers such a change to be sufficiently certain; and (ii) the institution demonstrates to the satisfaction of the competent authority that the regulatory reclassification of those instruments was not reasonably foreseeable at the time of their issuance; or
- (iii) in the case of the occurrence of a Tax Event, the institution demonstrates to the satisfaction of the competent authority that the change is material and was not reasonably foreseeable at the time of their issuance; or
- (iv) before or at the same time as any of such actions, the institution replaces the instruments with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution and the competent authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
- (v) the Notes are repurchased for market making purposes.

Pursuant to article 78a of the CRR, and with respect to Notes qualifying as Eligible Liabilities, the resolution authority shall grant permission for an institution to call, redeem, repay or repurchase eligible liabilities instruments where one of the following conditions is met:

- (i) before or at the same time as any of such actions, the institution replaces the eligible liabilities instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution;
- (ii) the institution has demonstrated to the satisfaction of the resolution authority that its own funds and eligible liabilities would, following any of such actions, exceed the requirements for own funds and eligible liabilities laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the resolution authority, in agreement with the competent authority, considers necessary; or
- (iii) the institution has demonstrated to the satisfaction of the resolution authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in CRR and in Directive 2013/36/EU for continuing authorisation.



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

The determination of the interest in respect of floating rate Securities (including fixed-to-floating Securities) and Reset Notes is dependent upon the EURIBOR and other rates, as specified in the Conditions, which are deemed to be "benchmarks". The "benchmarks" are the subject of ongoing national and international regulatory reform, including through the Benchmark Regulation, which applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. 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 the UK, and, among other things, (i) requires 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), (ii) prevents certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed), and (iii) requires benchmark administrators to publish a benchmark statement for each benchmark (or, where applicable, for each family of benchmarks) containing the criteria and procedures used to determine the benchmark, and advising users that changes to, or the cessation of, the benchmark may have an impact upon the financial contracts and financial instruments that reference the benchmark.

The Benchmark Regulation could have a material impact on securities traded on a trading venue or via a "systematic internaliser" linked to a "benchmark" index, including in any of the following circumstances: (i) an index which is a "benchmark" could not be used by a supervised entity in certain ways if its administrator loses the relevant authorisation or registration or, if based in a non-EU jurisdiction, the administrator ceases to be recognised as equivalent or recognised or endorsed; and (ii) 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.

More broadly, any of the international, national or other proposals for reform or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks".

The Conditions include alternative fall-back provisions which apply in the event that a Benchmark Event (as defined in the Conditions) occurs. See "*Benchmark Discontinuation*" below.

#### ***Benchmark discontinuation***

If a Benchmark Event occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Financial Adviser to determine a Successor Rate or, failing which, an Alternative Rate. If the Issuer is unable to appoint an Independent Financial Adviser or if the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the Issuer may determine a Successor Rate or, failing which, an Alternative Rate. Therefore, in certain circumstances, an independent third party may not be involved in the determination of the Successor Rate or Alternative Rate, and of the Adjustment Spread.

If the Issuer is unable to appoint an Independent Financial Adviser or if the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate and the Issuer is

unable or unwilling to determine the Successor Rate or Alternative Rate, the further fallbacks described in the Conditions shall apply. In certain circumstances (including but not limited to, where applicable, where amendments to the terms of the Notes may prejudice the qualification of the Notes as Eligible Liabilities and/or Tier 2 Capital (as applicable) of the Issuer and/or the ABANCA Group or could reasonably result in the Relevant Resolution Authority treating any future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date), the ultimate fallback for the purposes of calculation of interest for a particular Interest Period or Reset Period (as the case may be) may result in the rate of interest of the last preceding Interest Period or Reset Period (as the case may be) being used. This may result in effective application of a fixed rate of interest for Securities initially designated to be Floating Rate Securities or Reset Notes, as applicable. In addition, due to the uncertainty concerning the availability of a Successor Rate or an Alternative Rate and the involvement of an Independent Financial Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

If a Successor Rate or Alternative Rate is determined by the Independent Financial Adviser or the Issuer (as applicable), the Conditions also provide that an Adjustment Spread may be determined by the Independent Financial Adviser or the Issuer, as applicable, and applied to such Successor Rate or Alternative Rate. In certain circumstances, the Adjustment Spread is the spread (which may be positive, negative or zero), quantum, formula or methodology determined to be appropriate to reduce to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Holders as a result of the replacement of the relevant Reference Rate or the Mid-Swap Floating Leg Benchmark Rate, as applicable, with the Successor Rate or the Alternative Rate (as the case may be). However, such Adjustment Spread may not be effective to reduce the economic prejudice to Noteholders or it may not be possible to determine or apply an Adjustment Spread (if no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the relevant rate of interest).

Furthermore, if a Successor Rate or Alternative Rate is determined in accordance with the Conditions, the Independent Financial Adviser or the Issuer, as applicable, may vary certain aspects of the Conditions, as necessary, in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread, without any requirement for consent or approval of the Holders.

The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread and also including any other amendment to the Conditions) may still result in the Securities performing differently (which may include payment of a lower rate of interest) than they would if the relevant Reference Rate or the Mid-Swap Floating Leg Benchmark Rate, as applicable, were to continue to apply.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Securities.

***Conflicts of interest between the Calculation Agent, Independent Financial Advisors or the Determination Agent and Holders***

Potential conflicts of interest may exist between the Calculation Agent (if any), Independent Financial Advisors (if eventually appointed), or, in the case of Notes, the Determination Agent (if any) (jointly, the "Third Parties") and Holders, including with respect to certain determinations and judgements that the Third Parties may make pursuant to the Conditions which may influence the amounts that can be received by Holders. Conflicts of interest may arise, among others, when a dealer or the Issuer is appointed as a Third Party (it must be noted that the Issuer will act as Calculation Agent unless otherwise stated in the relevant Final Terms).

Any of the Third Parties may be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Third Party is expected to, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged

in transactions involving an index or related derivatives which may affect amounts receivable by Holders during the term and on the maturity of the Securities or the market price, liquidity or value of the Securities and which could be deemed to be adverse to the interests of the Holders.

***An active secondary market in respect of the Securities may never be established or may be illiquid***

Securities do not have an established trading market when issued (except maybe in the case of a particular Series to be consolidated with another Series which is already issued), and one may never develop. Although application may be made for the Securities to be admitted to listing on AIAF or other or further stock exchanges or markets (either Spanish, European or non-European, including regulated markets, multilateral trading facilities or any other organised markets), there can be no assurance that the listing will be approved or that, even if approved, an active trading market will develop (for example, existing Tier 2 instruments issuances of the Issuer listed on AIAF have a relative reduced liquidity). If a market does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be or be perceived in financial distress, which may result in any sale of the Securities having to be at a substantial discount to their principal amount or for Securities that are especially sensitive to interest rate or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt securities.

**Risks applicable 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 discussed in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers—Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation*", any Notes issued under this Base Prospectus may be subject to the Spanish Bail-in Power (as defined therein) and in general to the powers that may be exercised by the Relevant Resolution Authority (as defined therein) under Law 11/2015 (and its development through Royal Decree 1012/2015) and 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**").

In addition, Notes qualifying as capital instruments (such as Tier 2 Subordinated Notes) and, pursuant to 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**") once implemented in the Kingdom of Spain and to 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**") when it comes into force (from 28 December 2020), eligible liabilities (such as any Notes qualifying as Eligible Liabilities), may also be subject to the Non-Viability Loss Absorption (as defined in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers—Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation*").

The exercise of any such powers (which may imply amounts due under such Notes being written-down (including to zero) or converted into equity or into other securities or obligations, or obligations being cancelled or modified) (or any other resolution powers and tools or even any early intervention measure before any resolution) may result in holders of Notes losing some or all of their investment or otherwise having their rights under the Notes adversely affected and not only the exercise but also any suggestion that such exercise may happen, could materially adversely affect 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. The Spanish Bail-in Power and Non-Viability Loss Absorption may also be exercised in such manner as to result in Holders receiving a different security, which may be worth significantly less than the 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 or other powers. In particular, 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 (both of them as amended from time to time) 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 (both of them as amended from time to time) 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 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. Moreover, the Relevant Resolution Authority may exercise any such power without providing any advance notice to the holders of the Notes. This uncertainty may adversely affect the value of the Notes.

Any actions by the Relevant Resolution Authority pursuant to the ones granted by Law 11/2015, BRRD II or the SRM Regulation (each of them as amended from time to time), 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.

### ***Risks relating to the ranking of the Notes***

#### *Senior Notes*

Senior Notes are unsecured and unsubordinated obligations of the Issuer (*créditos ordinarios*).

Upon insolvency (*concurso*) of the Issuer, payment obligations of the Issuer in respect of principal under Ordinary Senior Notes will (unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of Law 22/2003, of 9 July, on insolvency (the "**Insolvency Law**") rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*) (including, without limitation, any deposits for the purposes of Additional Provision 14.1º of Law 11/2015) which shall be paid in full before ordinary credits.

Senior Non-Preferred Notes constitute non preferred ordinary claims (*créditos ordinarios no preferentes*) under Additional Provision 14.2 of Law 11/2015 and, upon insolvency (*concurso*) of the Issuer, payment obligations of the Issuer in respect of principal under them will (unless they qualify as subordinated claims

(*créditos subordinados*) pursuant to Article 92 of the Insolvency Law) rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*) (including, without limitation, any deposits for the purposes of Additional Provision 14.1° of Law 11/2015) and any other ordinary claims (*créditos ordinarios*) against the Issuer, including without limitation, the Ordinary Senior Notes and other Senior Preferred Obligations.

Therefore, the Senior Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other obligations that rank senior under Spanish law.

The Senior Notes are also structurally subordinated to all indebtedness of subsidiaries of the Issuer insofar as any right of the Issuer to receive any assets of such companies upon their winding-up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

#### *Subordinated Notes*

The payment obligations of the Issuer under the Subordinated Notes in respect of principal constitute unsecured and subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92.2° of 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 Issuer: (i) for so long as the obligations of the Issuer under the Subordinated Notes do not constitute Tier 2 Instruments of the Issuer would rank as set out in Condition of the Notes 4.(b)(a) (unless they qualify as subordinated claims pursuant to Articles 92.3° to 92.7° of the Insolvency Law); and (ii) for so long as the obligations of the Issuer under the Subordinated Notes constitute Tier 2 Instruments of the Issuer will rank as set out in Condition of the Notes 4.(b)(b) (unless they qualify as subordinated claims pursuant to Articles 92.3° to 92.7° of the Insolvency Law). For these purposes, as of the date of this Base Prospectus and according to Additional Provision 14.3° of Law 11/2015, the ranking of the Subordinated Notes may depend on whether those Subordinated Notes qualify at the relevant time as Tier 2 Instruments or constitute subordinated obligations of the Issuer not qualifying as Tier 2 Instruments.

If the Issuer were wound up or liquidated, the Issuer's liquidator would first apply the assets of the Issuer to satisfy all claims of holders of unsubordinated obligations of the Issuer and other creditors ranking ahead of holders of Subordinated Notes. If the Issuer does not have sufficient assets to settle claims of prior ranking creditors in full, the claims of the holders under the Subordinated Notes may not be satisfied; and if the Issuer has sufficient assets would first apply the assets of the Issuer to satisfy all claims of holders of subordinated obligations of the Issuer not constituting Tier 2 Instruments of the Issuer and other obligations that are senior to subordinated obligations of the Issuer constituting Tier 2 Instruments of the Issuer. If the Issuer does not have sufficient assets to settle claims of prior ranking creditors in full, the claims of the holders under Subordinated Notes constituting Tier 2 Instruments of the Issuer may not be satisfied.

Holders of Subordinated Notes within each ranking 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 relevant Subordinated Notes if the Issuer does not have sufficient funds to make full payment to all of them. In such a situation, holders of Subordinated Notes could lose all or part of their investment.

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

Without prejudice to the provisions of the last paragraph below, the Conditions of the Notes 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 Issuer or if any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer (other than as permitted in Condition 12.(a) (*Events of Events of Default relating to the Notes*) of the Conditions of the Notes). Accordingly, in the event that any payment on the Notes is not made when due, each holder of the relevant

Notes will have a claim only for amounts then due and payable on their Notes but will have no right to accelerate such Notes unless proceedings for the winding-up, liquidation or dissolution of the Issuer have been instigated.

Pursuant to the SRM Regulation and BRRD as implemented through Law 11/2015 and Royal Decree 1012/2015, the Issuer 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 Issuer 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 Notes 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 SRM Regulation and 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 the SRM Regulation and 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 Issuer 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.

Notwithstanding the above and with respect to Ordinary Senior Notes, if the Issuer so decides by applying additional events of default in the Final Terms as permitted under Condition 12(b) (*Additional Events of Default*) of the Conditions of the Notes, each holder of the relevant Notes will have an individual acceleration right in case certain events occur (including failure of payment on the Notes when due and cross default). Consequently, only Ordinary Senior Notes for which the Issuer has selected Condition 12.(b) of the Terms and Conditions of the Notes as applicable in the relevant Notes Final Terms could be accelerated by the Holders in case of failure of payment on the Notes when due.

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

The Conditions of the Notes provide that holders of Notes waive all rights of or claims of for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note against any right, claim, or liability the Issuer has or may have or acquire against such holder, directly or indirectly, howsoever arising. As a result, holders of Notes will not at any time be entitled to set off the Issuer's obligations under the Notes against obligations owed by them to the Issuer.

***Substitution and variation of the Notes without holders' consent***

Subject to Condition 14 (*Substitution and Variation*) of the Conditions of the Notes, if a Tax Event, an Eligible Liabilities Event or a Capital Event has occurred and is continuing, the Issuer may, instead of redeeming the Notes, without any requirement for the consent or approval of the holders of the relevant Notes and subject to compliance with Applicable Banking Regulations and to obtaining the prior permission of the Competent Authority and/or Relevant Resolution Authority if and as applicable, (i) substitute all (but not some only) of the relevant Notes or (ii) vary the terms of all (but not some only) of the relevant Notes, without any requirement for the consent or approval of the holders of the relevant Notes, so that they are substituted for, or varied to become or remain, Qualifying Notes.

While Qualifying Notes must contain terms that are not materially less favourable to holders as the original terms of the relevant Notes, there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally favourable, or that the Qualifying Notes will trade at prices that are equal to the prices at which the relevant Notes would have traded on the basis of their original terms.

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

***Limitation on gross-up under Tier 2 Subordinated Notes and, if specified in the relevant Notes Final Terms, under Senior Notes and Senior Subordinated Notes***

For Tier 2 Subordinated Notes and, if specified in the relevant Notes Final Terms, Senior Notes and Senior Subordinated Notes, the Issuer's obligation to pay additional amounts in respect of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges required by law under the Conditions of the Notes does not apply in respect of the payment of any Outstanding Principal Amount. Accordingly, if any such withholding or deduction were to apply, holders of Tier 2 Subordinated Notes or, if specified in the relevant Notes Final Terms, Senior Notes or Senior Subordinated Notes may receive less than the full amount due under the relevant Notes upon redemption, and the market value of the relevant Notes may be adversely affected. Holders of Notes should note that Outstanding Principal Amount for these purposes will include any payments of premium.

**Risks applicable to the Covered Bonds**

***There is no assurance that the Cover Pool will generate sufficient proceeds to make all interest and principal payments on the Covered Bonds in the event of an insolvency of the Issuer. In addition, the Cover Pool is a dynamic pool of assets whose composition may change. However, no assets are earmarked or segregated for a specific series of cédulas hipotecarias or holders of cédulas hipotecarias.***

Although the Issuer has a statutory obligation to maintain a certain level of overcollateralisation ratio on an ongoing basis and such requirement is intended to ensure that the value of the Cover Pool will be sufficient to make payments of interest and principal on *cédulas hipotecarias* issued by the Issuer at any time, the Issuer cannot assure that the Cover Pool will generate sufficient proceeds to fulfil all of its obligations under the Covered Bonds (without prejudice to the fact that the Covered Bonds are general obligations of the Issuer) because:

- interest rate on variable rate mortgage loans may decrease resulting in decreased net interest income for the Issuer;
- the value of the properties securing the mortgage loans in the Cover Pool may decrease as the Spanish residential real estate market may experience an overall decline in property values; and
- the rates of delinquencies, defaults, foreclosures and losses on the mortgage loans may increase due to various factors such as the national or international economic climate, regional economic or housing conditions, changes in tax laws, the availability of financing, inflation, political developments and government policies. Also, unemployment, loss of earnings, illness, divorce, personal bankruptcy and other similar factors may lead to an increase in the rate of delinquencies and defaults.

The total overcollateralisation ratio of the Issuer as of 31 December 2019 was 527.1%. Please see "*Risks related to the Securities -Securities subject to optional redemption by the Issuer*" for further information on the Cover Pool.

The Cover Pool is a dynamic pool of assets whose composition may change. Therefore, the Issuer cannot assure that the composition of the Cover Pool at certain time in the future will resemble the current composition of the Cover Pool. The composition may change because:

- the Issuer may grant new loans / credits;
- existing loans / credits may be amortised, repaid or sold to third parties; and
- the legal and regulatory regime (including in relation to *cédulas hipotecarias*) may change or otherwise impact the Cover Pool.

Although *cédulas hipotecarias* are secured, unsubordinated obligations of the Issuer and upon insolvency, the holders of *cédulas hipotecarias* have a preferential claim to the Cover Pool, no assets are earmarked or segregated for a specific series of *cédulas hipotecarias* or holders of *cédulas hipotecarias*. Therefore, investors of other series of *cédulas hipotecarias* will have a same preferential claim to the Cover Pool as the holders of the Covered Bonds.

#### ***No gross-up under the Covered Bonds***

Under the Conditions of the Covered Bonds, the Issuer is not obliged to pay additional amounts in respect of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges required by law. Accordingly, if any such withholding or deduction were to apply, holders of Covered Bonds may receive less than the full amount due under the relevant Covered Bonds, and the market value of the Covered Bonds may be adversely affected.

#### ***Risk of harmonisation of the legal regime of covered bonds through the adoption of the proposal for a Directive on the issue of covered bonds and covered bond public supervision***

Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the "**Covered Bonds Directive**") was published in November 2019. The Covered Bonds Directive seeks to harmonise national schemes establishing requirements for the issuance of covered bonds in the single market, in order to ensure a smooth and continuous development of well-functioning covered bond markets in the EU and to limit potential risks and vulnerabilities to financial stability.

The Covered Bonds Directive is also intended to enhance investor protection by, among others, (i) requiring that the cover pool includes at all times a liquidity buffer composed of liquid assets available to cover the net liquidity outflow, or (ii) requiring EU Member States to lay down rules regulating the segregation of cover assets; which could be further enhanced if the options that it contains are implemented (such as the possibility of requiring issuers to appoint a cover pool monitor to perform ongoing monitoring of the cover pool). In addition, in accordance with the Covered Bonds Directive, Member States could require a level of overcollateralisation higher than the coverage requirement provided in the Directive.

Implementation of the Covered Bonds Directive by EU member states should take place before 8 July 2021 and the relevant provisions should apply at least from 8 July 2022. In the Kingdom of Spain, the Covered Bonds Directive is still in process of being implemented (a public consultation closed on 17 March 2020, which included a question on the minimum overcollateralisation level of 5% set by Regulation (EU) 2019/2160 of the European Parliament and of the Council (that may be reduced to 2% under certain circumstances) by comparing it with the current Spanish minimum mortgage bonds (*cédulas hipotecarias*) overcollateralisation level of 25%) and, consequently, as at the date of this Base Prospectus it remains uncertain how the Covered Bonds Directive is going to be implemented in the Kingdom of Spain and, therefore, the impact that it will have – once implemented and in force – on the Covered Bonds that may be issued under this Base Prospectus cannot be anticipated.



## INFORMATION INCORPORATED BY REFERENCE

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

1. 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 2019, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2019-es.pdf>) (together, the "**2019 Audited Consolidated Annual Accounts**").

The 2019 Audited Consolidated Annual Accounts were published by ABANCA as an announcement of material information (*anuncio de información relevante*) (registry number: 1,027) on 17 March 2020, which is available at the CNMV's website.

2. 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 Audited Consolidated Annual Accounts**").

The 2018 Audited 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.

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 Base Prospectus shall not form part of this Base Prospectus.

For the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on any website referred to in this Base Prospectus does not form part of this Base Prospectus and has not been scrutinised or approved by the CNMV.

### English translations

English translations of the 2019 Audited Consolidated Annual Accounts and of the 2018 Audited Consolidated Annual Accounts are available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2019-en.pdf>, <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2018-en.pdf>, respectively).

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

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be completed by the relevant Final Terms.

### 1. Introduction

- (a) *Programme:* ABANCA Corporación Bancaria, S.A. (the "**Issuer**") has established a Euro Medium Term Note and Covered Bond Programme (the "**Programme**") for the issuance of up to €4,000,000,000 in aggregate principal amount of notes (the "**Notes**") and covered bonds (*cédulas hipotecarias*).

The Notes may be Fixed Rate Notes, Floating Rate Notes, Reset Notes, Fixed to Floating Notes, Floating to Fixed Notes or Fixed to Reset Notes.

- (b) *Notes Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a final terms (the "**Notes Final Terms**") which supplements these terms and conditions (the "**Conditions of the Notes**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions of the Notes as supplemented, amended and/or replaced by the relevant Notes Final Terms. In the event of any inconsistency between these Conditions of the Notes and the relevant Notes Final Terms, the relevant Notes Final Terms shall prevail.
- (c) *Paying Agency:* For Notes listed on AIAF, all payments under the Conditions of the Notes will be carried out directly by the Issuer through Iberclear (as defined below).
- (d) *Deed of Covenant:* The Notes governed by English law have the benefit of an English law-governed Deed of Covenant (the "**Deed of Covenant**") entered into by the Issuer on or around the date of this Base Prospectus. In the Deed of Covenant, the Issuer has covenanted in favour of each Holder (as defined below) of Notes governed by English law that it will duly perform and comply with the obligations expressed to be undertaken by it in these Conditions of the Notes.
- (e) *The Notes:* All subsequent references in these Conditions of the Notes to "Notes" are to the Notes which are the subject of the relevant Notes Final Terms. Copies of the relevant Notes Final Terms are available for viewing at the Issuer's website ([www.abancacorporacionbancaria.com](http://www.abancacorporacionbancaria.com)).

### 2. Interpretation

- (a) *Definitions:* In these Conditions of the Notes the following expressions have the following meanings:

"**ABANCA Group**" means the Issuer together with its Subsidiaries;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Notes Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Notes Final Terms;

"**Additional Tier 1 Instrument**" means any contractually subordinated obligation (*créditos subordinados*) of the Issuer constituting an Additional Tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with Applicable Banking

Regulations and as referred to in Additional Provision 14.3°(c) of Law 11/2015, as amended or replaced from time to time;

**"Adjustment Spread"** means either a spread (which may be positive or negative or zero), or a formula or methodology for calculating a spread, in either case, to be applied to 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 recommended or formally provided as an option for parties to adopt in relation to the replacement of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) 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 Issuer, 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 in customary market usage in the debt capital markets for transactions which reference the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (c) (if no such determination has been made), the Independent Financial Adviser or the Issuer, 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 which reference the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (d) (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 having regard to the objective, so far as reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (d), of reducing any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) with the Successor Rate or the Alternative Rate (as the case may be);

**"Aggregate Nominal Amount"** has the meaning given in the relevant Notes Final Terms;

**"AIAF"** " means the Spanish AIAF Fixed Income Market (*AIAF Mercado de Renta Fija*);

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Financial Adviser or the Issuer, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser (in the event that one has been appointed), as applicable, determines in accordance with Condition 8 (*Benchmark Discontinuation*) 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 the relevant currency;

**"Amounts Due"** means the principal amount of or outstanding amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes under Condition 11 (*Taxation*). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Loss Absorbing Power by the Relevant Resolution Authority;

**"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 Issuer and/or the ABANCA 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 and/or the Relevant Resolution 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 Issuer and/or the ABANCA Group) (in all cases, as amended or replaced from time to time);

**"Applicable MREL Regulations"** means at any time the laws, regulations, requirements, guidelines and policies giving effect to the MREL including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those laws, regulations, requirements, guidelines and policies giving effect to the MREL, in each case to the extent then in effect in Spain (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 Issuer and/or the ABANCA Group) (in all cases, as amended from time to time);

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

**"Bank's Certificate"** means a certificate signed by two Authorised Signatories of the Issuer stating that, in the opinion of the Issuer, (i) the changes determined pursuant to a substitution or variation of the Notes under Condition 14 (*Substitution and Variation*) will result in the Qualifying Notes having terms not materially less favourable to the Holders than the terms of the Notes the subject of substitution and variation and (ii) the differences between the terms and conditions of the Qualifying Notes and the terms and conditions of the Notes subject of substitution and variation are only those strictly necessary to (a) in the case of a Capital Event, comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer and/or the ABANCA Group, in accordance with the Applicable Banking Regulations; (b) in the case of a Tax Event, to cure the relevant Tax Event; and/or (c) in the case of an Eligible Liabilities Event, (x) in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, comply with the then current requirements for MREL-Eligible Senior Preferred Instruments of the Issuer and/or the ABANCA Group; (y) in the case of Senior Non-Preferred Notes, comply with the then current requirements for MREL-Eligible Senior Non-Preferred Instruments of the Issuer and/or the ABANCA Group; (z) in the case of Senior Subordinated Notes, comply with the then current MREL Requirements, in each case in accordance with the Applicable MREL Regulations;

**"Benchmark Event"** means:

- (a) the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) ceasing to be published for a period of at least 5 consecutive Business Days or ceasing to exist;
- (b) a public statement by the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that it has ceased, or will, by

- a specified future date, cease, publishing such Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable)); or
- (c) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable), that such relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) has been or will, by a specified future date, be permanently or indefinitely discontinued; or
  - (d) a public statement by the supervisor of the administrator of the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) that means that such relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) 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 a specified future date; or
  - (e) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) is no longer representative of an underlying market; or
  - (f) it has become unlawful for the Issuer or other party to calculate any payments due to be made to any Holder using the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c) or (d) above and the "specified future date" in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Calculation Agent and the Paying Agent, if different to the Issuer. For the avoidance of doubt, neither the Calculation Agent nor the Paying Agent, if different to the Issuer, shall have any responsibility for making such determination;

**"Benchmarks Regulation"** means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014;

**"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 by BRRD II and as further 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;

**"BRRD II"** means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing

and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

**"Business Day"** means a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Notes Final Terms and, if so specified in the relevant Notes Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Notes Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Issuer or such other Person specified in the relevant Notes Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Notes Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Notes Final Terms;

"**Capital Event**" means a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Tier 2 Subordinated Notes which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes and that results (or would be likely to result) in:

- (a) the exclusion of that all or part of the Outstanding Principal Amount of the Tier 2 Subordinated Notes from the Tier 2 Capital of the Issuer or the ABANCA Group (in each case, to the extent required by Applicable Banking Regulations); or
- (b) the reclassification of all or part of the Outstanding Principal Amount of the Tier 2 Subordinated Notes as a lower quality form of own funds of the Issuer or the ABANCA Group, in accordance with the Applicable Banking Regulations (in each case, to the extent required by Applicable Banking Regulations);

"**Certificate**" has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer—Title and Transfer*);

"**Chairman**" has the meaning given to such term in Condition 16.(c) (*Meeting of Holders; Modification and Waiver – Chairman*);

"**Clearstream, Luxembourg**" means Clearstream Banking, S.A.;

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

"**Code**" has the meaning given in Condition 10(b) (*Payments – Payments subject to fiscal laws*);

"**Competent Authority**" means the European Central Bank or the Bank of Spain, as applicable, or such other or successor authority having primary bank supervisory authority with respect to prudential oversight and supervision in relation to the Issuer and/or the ABANCA Group, as applicable;

"**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 by CRD V Directive and as further amended or replaced from time to time;

"**CRD V Directive**" means Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

"**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 Issuer and/or the ABANCA 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;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions of the Notes or the relevant Notes Final Terms and:

- (a) if "**Actual/Actual (ICMA)**" is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:



"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Determination Agent**" means the agent specified as such in the relevant Notes Final Terms as the party responsible for agreeing with the Issuer the Reset Reference Bond for Reset Notes;

"**Early Redemption Amount**" means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in, or determined in accordance with, the relevant Notes Final Terms;

"**Eligible Liabilities**" means any liability which complies with the requirements set out in Applicable MREL Regulations to qualify as eligible liabilities for MREL purposes;

"**Eligible Liabilities Event**" means:

- (a) in respect of Ordinary Senior Notes eligible to comply with MREL Requirements, that all or part of the Outstanding Principal Amount of such Notes will not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Preferred Instruments of the Issuer and/or the ABANCA Group, except where the non-qualification as MREL-Eligible Senior Preferred Instruments is due:
  - (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or
  - (ii) to the relevant Notes being bought back by or on behalf of the Issuer; or
  - (iii) to a subordination requirement being applied by the Relevant Resolution Authority for such Notes to be eligible to comply with MREL Requirements; or
  - (iv) there being insufficient headroom for such Notes to qualify as Eligible Liabilities within prescribed limits established by Applicable Banking

Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain);

- (b) in respect of Senior Non-Preferred Notes, that all or part of the Outstanding Principal Amount of such Notes will not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Non-Preferred Instruments of the Issuer and/or the ABANCA Group, except where the non-qualification as MREL-Eligible Senior Non-Preferred Instruments is due:
  - (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or
  - (ii) to the relevant Notes being bought back by or on behalf of the Issuer; and
- (c) in respect of Subordinated Notes, that all or part of the Outstanding Principal Amount of such Notes will not at any time prior to the Maturity Date fully qualify as Eligible Liabilities of the Issuer and/or the ABANCA Group, except where the non-qualification as Eligible Liabilities is due:
  - (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or
  - (ii) to the relevant Notes being bought back by or on behalf of the Issuer.

An Eligible Liabilities Event shall, without limitation, be deemed to include where such ineligibility for inclusion of the Notes in the Eligible Liabilities arises as a result of (a) any Spanish legislation implementing or giving effect to the EU Banking Reforms differing in any respect from the form of the EU Banking Reforms as adopted (including if the EU Banking Reforms are not implemented in full in the Kingdom of Spain), or (b) the official interpretation or application of the EU Banking Reforms or the EU Banking Reforms as implemented in the Kingdom of Spain (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the EU Banking Reforms have been reflected in these Conditions of the Notes;

**"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 Issuer or any of its Subsidiaries;

**"EU Banking Reforms"** means the CRD V Directive, BRRD II, CRR II and the SRM Regulation II;

**"EURIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is

calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any person which takes over administration of that rate);

**"Euroclear"** means Euroclear Bank SA/NV.

**"Extraordinary Resolution"** has the meaning given in Condition 16 (*Meeting of Holders; Modification and Waiver*);

**"FATCA"** has the meaning given in Condition 10(b) (*Payments – Payments subject to fiscal laws*);

**"FATCA Withholding Tax"** has the meaning given in Condition 10(b) (*Payments – Payments subject to fiscal laws*);

**"Final Redemption Amount"** means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in the relevant Notes Final Terms;

**"First Interest Payment Date"** means the date specified in the relevant Notes Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Notes Final Terms;

**"First Margin"** means the margin specified as such in the relevant Notes Final Terms;

**"First Reset Date"** means the date specified in the relevant Notes Final Terms;

**"First Reset Period"** means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Notes Final Terms, the Maturity Date or date of any final redemption;

**"First Reset Rate of Interest"** means, in respect of the First Reset Period and subject to Condition 6 (*Reset Note Provisions*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the First Margin;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**"Holder"** has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer – Title and Transfer*);

**"IA Determination Cut-off Date"** has the meaning given in Condition 8 (*Benchmark Discontinuation*);

**"Iberclear"** means the Spanish *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal*;

**"Iberclear Members"** has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer —Title and Transfer*);

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 calendar days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Independent Financial Adviser"** means an independent financial firm or financial adviser with appropriate expertise or financial institution of international repute appointed by the Issuer at its own expense. Independent Financial Advisers conduct functions in connection with the discontinuation of benchmarks (as provided under Condition 8 (*Benchmark Discontinuation*)) and the substitution and variation of Notes (as provided under Condition 14 (*Substitution and Variation*));

**"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 Issuer pursuant to a substitution or variation of the Notes under Condition 14 (*Substitution and Variation*) will result in the Qualifying Notes having terms not materially less favourable to the Holders than the terms of the Notes the subject of substitution and variation and (ii) the differences between the terms and conditions of the Qualifying Notes and the terms and conditions of the Notes the subject of substitution and variation are only those strictly necessary to (a) in the case of a Capital Event, comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer and/or the ABANCA Group, in accordance with the Applicable Banking Regulations; (b) in the case of a Tax Event, to cure the relevant Tax Event; and/or (c) in the case of an Eligible Liabilities Event, (x) in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, comply with the then current requirements for MREL-Eligible Senior Preferred Instruments of the Issuer and/or the ABANCA Group; (y) in the case of Senior Non-Preferred Notes, comply with the then current requirements for MREL-Eligible Senior Non-Preferred Instruments of the Issuer and/or the ABANCA Group; (z) in the case of Senior Subordinated Notes, comply with the then current MREL Requirements, in each case in accordance with the Applicable MREL Regulations;

**"Initial Rate of Interest"** has the meaning specified in the relevant Notes Final Terms;

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

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Notes Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Notes Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Notes Final Terms and, if a Business Day Convention is specified in the relevant Notes Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Notes Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Benchmarks Supplement"** means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Notes Final Terms)) published by the International Swaps and Derivatives Association, Inc;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Notes Final Terms) and, if specified in the relevant Notes Final Terms, as supplemented by the ISDA Benchmarks Supplement) as published by the International Swaps and Derivatives Association, Inc.);

**"ISIN"** means International Securities Identification Number Code.

**"Issue Date"** has the meaning given in the relevant Notes Final Terms;

**"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;

**"Loss Absorbing Power"** means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) the SRM Regulation and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity);

**"Margin"** means:

- (a) in the case of Notes in relation to which Floating Rate Note Provisions are specified in the relevant Notes Final Terms as being applicable, the margin(s) specified in the relevant Notes Final Terms; and
- (b) in the case of Notes in relation to which Reset Note Provisions are specified in the relevant Notes Final Terms as being applicable, the First Margin and/or the Subsequent Margin(s), as the case may be, as specified in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Notes Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Notes Final Terms;

**"Mid-Swap Maturity"** has the meaning given in the relevant Notes Final Terms;

**"Mid-Market Swap Rate"** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in 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 and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Notes Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency));

**"Mid-Market Swap Rate Quotation"** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**"Mid-Swap Floating Leg Benchmark Rate"** means the rate as specified in the relevant Notes Final Terms;

**"Mid-Swap Rate"** means, in relation to a Reset Determination Date and subject to Condition 6 (*Reset Note Provisions*), either:

- (a) if Single Mid-Swap Rate is specified in the relevant Notes Final Terms, the rate for swaps in the Specified Currency:
  - (i) with a term equal to the relevant Reset Period; and
  - (ii) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

- (b) if Mean Mid-Swap Rate is specified in the relevant Notes Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
  - (i) with a term equal to the relevant Reset Period; and
  - (ii) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Relevant Financial Centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

**"Minimum Redemption Amount"** has the meaning given in the relevant Notes Final Terms;

**"MREL"** means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in Spain), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, or any successor requirement under EU legislation and relevant implementing legislation and regulation in the Kingdom of Spain;

**"MREL-Eligible Senior Preferred Instrument"** means an instrument included in the Eligible Liabilities which are available to meet the MREL Requirements for the purposes of the Applicable MREL Regulations where such instrument ranks pari passu with the Senior Preferred Obligations of the Issuer;

**"MREL-Eligible Senior Non-Preferred Instrument"** means an instrument included in the Eligible Liabilities which are available to meet the MREL Requirements for the purposes of the Applicable MREL Regulations where such instrument ranks pari passu with the Senior Non-Preferred Obligations of the Issuer;

**"MREL Requirements"** means the minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the ABANCA Group under Applicable MREL Regulations;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in the relevant Notes Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its Outstanding Principal Amount or such other amount as may be specified in the relevant Notes Final Terms;

**"Optional Redemption Date (Call)"** means any date so specified in the applicable Notes Final Terms and/or any date falling in the Optional Redemption Period (call) specified in the applicable Notes Final Terms, the first and last days inclusive;

**"Optional Redemption Period (call)"** has the meaning given in the relevant Notes Final Terms;



**"Optional Redemption Date (Put)"** has the meaning given in the relevant Notes Final Terms;

**"Ordinary Senior Notes"** has the meaning give in Condition 4(a) (*Status — Status of the Senior Notes*);

**"outstanding"** means, in relation to the Notes, all the Notes issued other than those Notes (a) that have been redeemed; (b) that have been purchased (or acquired) and cancelled; (c) that have been substituted and cancelled or (d) that have become void or in respect of which claims have prescribed, 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 16 (*Meeting of Holders; Modification and Waiver*),

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

**"Outstanding Principal Amount"** means the principal amount of the Note on the Issue Date as reduced by any partial redemptions or repurchases from time to time or as adjusted as required by, or in application of, the Applicable Banking Regulations;

**"Payment Business Day"** means any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Option Notice"** means a notice which must be delivered to the relevant Iberclear Member by any Holder wanting to exercise a right to redeem a Note at the option of the Holder;

**"Qualifying Notes"** means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer 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 of the Notes being those strictly necessary to (a) in the case of a Capital Event, comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer and/or the ABANCA Group, in accordance with the Applicable Banking Regulations; (b) in the case of a Tax Event, to cure the relevant Tax Event; and/or (c) in the case of an Eligible Liabilities Event, (x) in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, comply with the then current requirements for MREL-Eligible Senior Preferred Instruments of the Issuer and/or the ABANCA Group; (y) in the case of Senior Non-Preferred Notes, comply with the then current

requirements for MREL-Eligible Senior Non-Preferred Instruments of the Issuer and/or the ABANCA Group; (z) in the case of Senior Subordinated Notes, comply with the then current MREL Requirements, in each case in accordance with the Applicable MREL Regulations; and

- (b) subject to (i) above, shall (1) have a ranking which is the same as or higher than the ranking of the Notes set out in the relevant Notes Final Terms, (2) have the same currency, the same (or higher) Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Notes prior to the relevant substitution or variation, (3) have the same maturity date and redemption rights as for the Holders; (4) preserve any existing rights under the Notes to any accrued interest or other amounts which have not been paid; (5) 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) not, immediately following such substitution or variation, be subject to (i) in the case of Senior Notes and Subordinated Notes, an Eligible Liabilities Event or a Tax Event; and (ii) in the case of Tier 2 Subordinated Notes, 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.

Any variation in the ranking of the relevant Notes as set out in Condition 4 (*Status*) resulting from any such substitution or modification shall not be subject to the condition of not being materially less favourable to the interests of the Holders of the Notes where the ranking of such Notes following such substitution or modification is at least the same ranking as is applicable to such Notes under Condition 4 (*Status*) on the issue date of such Notes;

**"Rate of Interest"** means (i) in the case of Notes other than Reset Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Notes Final Terms or calculated or determined in accordance with the provisions of these Conditions of the Notes and/or the relevant Notes Final Terms; and (ii) in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

**"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;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in the relevant Notes Final Terms;

**"Reference Banks"** has the meaning given in the relevant Notes Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

**"Reference Bond Price"** means, with respect to any Reset Determination Date (i) the arithmetic average (as determined by the Calculation Agent) of the Reference

Government Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (ii) if fewer than five such Reference Government Bond Dealer Quotations are received, the arithmetic average (as determined by the Calculation Agent) of all such quotations;

**"Reference Bond Rate"** means, with respect to any Reset Period, the rate per annum equal to the yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reset Reference Bond, assuming a price for the Reset Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Reset Determination Date, as determined by the Calculation Agent, provided that if only one Reference Government Bond Dealer Quotation is received or if no Reference Government Bond Dealer Quotations are received in respect of the determination of the Reference Bond Price, the Rate of Interest shall not be determined by reference to the Reference Bond Rate and the Rate of Interest shall instead be, in the case of the First Reset Rate of Interest, the Initial Rate of Interest and, in the case of any Subsequent Reset Rate of Interest, the Rate of Interest as at the last preceding Reset Date (though substituting, where a different Margin is to be applied to the relevant Reset Period from that which applied to the last preceding Reset Period, the Margin relating to the relevant Reset Period, in place of the Margin relating to that last preceding Reset Period);

**"Reference Government Bond Dealer"** means each of five banks selected by the Issuer (following, where practicable, consultation with the Calculation Agent) or their affiliates, which are (i) primary government securities dealers, and their respective successors, or (ii) market makers in pricing corporate bond issues;

**"Reference Government Bond Dealer Quotations"** means, with respect to any Reference Government Bond Dealer and any Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reset Reference Bond (expressed in each case as a percentage of its principal amount) as at the Reset Determination Time and quoted in writing to the Calculation Agent by such Reference Government Bond Dealer;

**"Reference Rate"** means EURIBOR as specified in the relevant Notes Final Terms in respect of the period specified in the relevant Notes Final Terms;

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year

to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Regulated Entity**" means any entity to which BRRD, as implemented in Spain (including but not limited to, by Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) and as amended or superseded from time to time, or any other Spanish piece of legislation relating to the Loss Absorbing Power, applies, which includes, certain credit institutions, investment firms, and certain of their parent or holding companies;

"**Relevant Date**" means, in relation to any payment, the date on which the payment in question first becomes due;

"**Relevant Financial Centre**" has the meaning given in the relevant Notes Final Terms;

"**relevant Holders**" has the meaning give in Condition 16.(a).(i) (*Meeting of Holders; Modification and Waiver - Convening meetings - Meetings convened by the Issuer*);

"**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;

"**Relevant Resolution Authority**" means the *Fondo de Resolución Ordenada Bancaria (FROB)*, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Loss Absorbing Power from time to time;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Notes Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Notes Final Terms;

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable), in each case as adjusted (if so specified in the relevant Notes Final Terms) in accordance with Condition 5 (*Fixed Rate Note Provisions*) as if the relevant Reset Date was an Interest Payment Date;

**"Reset Determination Date"** means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period, or in each case as specified in the relevant Notes Final Terms;

**"Reset Determination Time"** means in relation to a Reset Determination Date, 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date or such other time as may be specified in the relevant Notes Final Terms;

**"Reset Note"** means a Note that bears interest at an initial fixed rate of interest from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the rate *per annum* equal to the Initial Rate of Interest, that will be reset as described in Condition 6 (*Reset Notes Provisions*) on the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter;

**"Reset Period"** means the First Reset Period or a Subsequent Reset Period, as the case may be;

**"Reset Reference Bond"** means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be deemed to be Germany) agreed between the Issuer and the Determination Agent as having the nearest actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the Issuer, after consultation with the Determination Agent) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the relevant Reset Period;

**"Reset Reference Rate"** means either (i) the Mid-Swap Rate, or (ii) the Reference Bond Rate, as specified in the relevant Notes Final Terms;

**"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;

**"Second Reset Date"** means the date specified in the relevant Notes Final Terms;

**"Senior Non-Preferred Notes"** has the meaning given in Condition 4(a) (*Status - Status of the Senior Notes*);

**"Senior Non-Preferred Obligations"** means any obligation of the Issuer with respect to any non-preferred ordinary claims (*créditos ordinarios no preferentes*) against the Issuer referred to under Additional Provision 14.2° of Law 11/2015 and any other

obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non-Preferred Obligations;

"**Senior Notes**" has the meaning give in Condition 4(a) (*Status - Status of the Senior Notes*);

"**Senior Preferred Obligations**" means any obligations of the Issuer with respect to any ordinary claims (*créditos ordinarios*) against the Issuer, other than the Senior Non-Preferred Obligations;

"**Senior Subordinated Notes**" has the meaning given in Condition 4(b) (*Status - Status of the Subordinated Notes*);

"**Spanish Central Registry**" has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer —Title and Transfer*);

"**Specified Currency**" has the meaning given in the relevant Notes Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Notes Final Terms;

"**Specified Period**" has the meaning given in the relevant Notes Final Terms;

"**SRM Regulation**" means 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, as amended by SRM Regulation II and as further amended or replaced from time to time;

"**SRM Regulation II**" means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms;

"**Subordinated Notes**" has the meaning given in Condition 4(b) (*Status — Status of the Subordinated Notes*);

"**Subsequent Margin**" means the margin specified as such in the relevant Notes Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the relevant Notes Final Terms;

"**Subsequent Reset Period**" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date;

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 6 (*Reset Note Provisions*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the relevant Subsequent Margin;

"**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 Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) which is formally recommended by any Relevant Nominating Body;

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Tax Event"** means 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, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and that results in:

- (a) the Issuer 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 Issuer being materially reduced; or
- (b) the Issuer being obliged to pay additional amounts pursuant to Condition 11 (*Taxation*); or
- (c) the applicable tax treatment of the Notes being materially affected,

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

**"Tier 2 Capital"** means Tier 2 capital (*capital de nivel 2*) as provided under the Applicable Banking Regulations;

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

**"Tier 2 Subordinated Notes"** has the meaning given in Condition 4(b) (*Status — Status of the Subordinated Notes*);

**"Treaty"** means the Treaty on the Functioning of the European Union, as amended; 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.

- (b) *Interpretation:* In these Conditions of the Notes:
  - (i) any reference to principal shall be deemed to include the Redemption Amount, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions of the Notes;
  - (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions of the Notes; and

- (iii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Notes Final Terms, but the relevant Notes Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

### 3. **Form, Denomination, Title and Transfer**

- (a) *Form and denomination:* The Notes are issued in uncertified, dematerialised book-entry form (*anotaciones en cuenta*) in the Aggregate Nominal Amount, in the Specified Denomination and in the Specified Currency, provided that the minimum Specified Denomination shall be €100,000.
- (b) *Registration, clearing and settlement:* The Notes will be registered with Iberclear, which is the Spanish central securities depository, with its registered office at Plaza de la Lealtad, 1, 28014, Madrid, Spain. Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold the Notes through bridge accounts maintained by each of Euroclear and Clearstream, Luxembourg with Iberclear. Iberclear will manage the settlement of the Notes, notwithstanding the Issuer's commitment to assist, when appropriate, on the settlement of the Notes through Euroclear and Clearstream, Luxembourg.

The information concerning the ISIN of the Notes will be stated in the Notes Final Terms.

- (c) *Title and Transfer:* Title to the Notes will be evidenced by book-entries and each person shown in the central registry managed (the "**Spanish Central Registry**") by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the "**Iberclear Members**") as being the holder of the Notes shall be considered the holder of the principal amount of the Notes recorded therein. In these Conditions of the Notes, the "**Holder**" of a Note means the person in whose name such Note 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 and when appropriate, means owners of a beneficial interest in the Notes.

One or more certificates (each, a "**Certificate**") attesting to the relevant Holder's holding of the Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, 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 are issued without any restrictions on their free 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 treated as the legitimate owner (*titular legítimo*) 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.

### 4. **Status**

The Notes are not, and will not be, secured and are the obligations of the Issuer and not guaranteed by any other entity.



The applicable Notes Final Terms will indicate whether the Notes are Senior Notes or Subordinated Notes and, in the case of Senior Notes, Ordinary Senior Notes or Senior Non-Preferred Notes, and in the case of Subordinated Notes, Senior Subordinated Notes or Tier 2 Subordinated Notes.

(a) *Status of the Senior Notes:*

The payment obligations of the Issuer in respect of principal under Notes which specify their status as Ordinary Senior Notes ("**Ordinary Senior Notes**") or as Senior Non-Preferred Notes ("**Senior Non-Preferred Notes**", together with the Ordinary Senior Notes, "**Senior Notes**") in the relevant Notes Final Terms constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer (*créditos ordinarios*).

The Senior Non-Preferred Notes constitute non preferred ordinary claims (*créditos ordinarios no preferentes*) under Additional Provision 14.2° of Law 11/2015. It is expressly stated for the purposes of Additional Provision 14.2° of Law 11/2015 that upon the insolvency of the Issuer, the Senior Non-Preferred Notes will rank below any other ordinary claims (*créditos ordinarios*) against the Issuer and accordingly, claims in respect of the Senior Non-Preferred Notes shall be paid after payment of any such other ordinary (*créditos ordinarios*) claims of the Issuer.

Therefore, in accordance with the Insolvency Law and Additional Provision 14.2° 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 Issuer, the payment obligations of the Issuer under the Senior Notes in respect of principal (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of the Insolvency Law) will rank:

(a) in the case of Ordinary Senior Notes:

- (i) **senior** to (A) any Senior Non-Preferred Obligations and (B) any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); and
- (ii) **pari passu** among themselves and with any other Senior Preferred Obligations; and

(b) in the case of Senior Non-Preferred Notes:

- (i) **senior** to any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future);
- (ii) **pari passu** among themselves and with any other Senior Non-Preferred Obligations; and
- (iii) **junior** to any Senior Preferred Obligations.

*In the event of insolvency (concurso) of the Issuer, under the currently in force Insolvency Law, claims relating to Senior Notes (which are not subordinated pursuant to Article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados) (including, without limitation, any deposits for the purposes of Additional Provision 14.1° of Law 11/2015) which shall be paid in full before ordinary credits. Ordinary credits rank above subordinated credits and the rights of shareholders.*

*Pursuant to Article 59 of the Insolvency Law, accrual of interest shall be suspended from the date of declaration of the insolvency of the Issuer. Claims of Holders of Senior Notes in respect of interest accrued but unpaid as of the commencement of any insolvency procedure of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of Article 92 of the Insolvency Law (including without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Issuer).*

(b) *Status of the Subordinated Notes:*

The payment obligations of the Issuer in respect of principal under Notes which specify their status as Subordinated Notes in the relevant Notes Final Terms ("**Subordinated Notes**", which may be, in turn, Senior Subordinated Notes ("**Senior Subordinated Notes**") or Tier 2 Subordinated Notes ("**Tier 2 Subordinated Notes**"), as specified in the relevant Notes Final Terms) constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Issuer. In accordance with Article 92 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)), upon the insolvency of the Issuer the payment obligations of the Issuer under the Subordinated Notes in respect of principal (unless they qualify as subordinated claims pursuant to Articles 92.3° to 92.7° of the Insolvency Law), will rank:

- (a) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes do not constitute Tier 2 Instruments of the Issuer:
  - (i) **senior** to (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law; and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the Senior Subordinated Notes;
  - (ii) **pari passu** among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer and which are not subordinated obligations under Articles 92.3° to 92.7° of the Insolvency Law; and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* to the Issuer's obligations under the Senior Subordinated Notes; and
  - (iii) **junior** to (i) any unsubordinated obligations of the Issuer (including any Senior Non-Preferred Obligations); (ii) any subordinated obligations of the Issuer under Article 92.1° of the Insolvency Law; and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the Senior Subordinated Notes.
- (b) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes constitute Tier 2 Instruments of the Issuer:

- (i) **senior** to (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer qualifying as Additional Tier 1 Instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3° to 92.7° of the Insolvency Law, and (iii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the relevant Subordinated Notes;
- (ii) **pari passu** among themselves and with (i) any other claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Issuer qualifying as Tier 2 Instruments and which are not subordinated obligations under Articles 92.3° to 92.7° of the Insolvency Law, and (ii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank pari passu with the Issuer's obligations under the relevant Subordinated Notes; and
- (iii) **junior** to (i) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non-Preferred Obligations); (ii) any subordinated obligations (*créditos subordinados*) of the Issuer under Article 92.1 of the Insolvency Law; (iii) any claim for principal in respect of other contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments (such as the Senior Subordinated Notes, if and as applicable) and which are not subordinated obligations under Articles 92.3° to 92.7° of the Insolvency Law; and (iv) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes.

Senior Subordinated Notes are expected to rank as provided in paragraph (a) above on the basis that such Notes are not intended to qualify as Tier 2 Capital of the Issuer and/or the ABANCA Group. Tier 2 Subordinated Notes are expected to rank as provided in paragraph (b) above on the basis that such Notes are intended to qualify as Tier 2 Capital of the Issuer and/or the ABANCA Group.

## 5. Fixed Rate Note Provisions

- (a) *Application:* This Condition 5 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Notes Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest on their Outstanding Principal Amount from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder.
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount.

- (d) *Notes accruing interest otherwise than a Fixed Coupon Amount:* This Condition 5(d) shall apply to Notes which are Fixed Rate Notes only where the Notes Final Terms for such Notes specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The relevant amount of interest payable in respect of each Note for any Interest Period for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer (if applicable) and to the Holders in accordance with Condition 18 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.
- (e) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 6. **Reset Note Provisions**

- (a) *Application:* This Condition is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Notes Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes shall bear interest on their Outstanding Principal Amount:
  - (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
  - (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Notes Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
  - (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the Interest Payment Date(s) so specified in the relevant Notes Final Terms (subject to adjustment as described in Condition 5 (*Fixed Rate Note Provisions*)) and on the Maturity Date and subject further as provided in Condition 10 (*Payments*)).
- (c) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Notes Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Notes Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

- (d) *Rate of Interest:* The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 5 (*Fixed Rate Note Provisions*).
- (e) *Fallbacks:* If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page (other than in the circumstances provided for in Condition 8 (*Benchmark Discontinuation*)), the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 12 (noon) in the Relevant Financial Centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest (though substituting, where a different Margin is to be applied to the relevant Reset Period from that which applied to the last preceding Reset Period, the Margin relating to the relevant Reset Period, in place of the Margin relating to that last preceding Reset Period).

- (f) *Publication:* The Calculation Agent will cause each Rate of Interest determined by it to be notified to the Issuer (if applicable) and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also promptly be given to the Holders.
- (g) *Notifications, etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer (if applicable), the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## **7. Floating Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Notes Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest on their Outstanding Principal Amount from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest

in accordance with this Condition (as well after as before judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder.

(c) *Screen Rate Determination*: If Screen Rate Determination is specified in the relevant Notes Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

(A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(B) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Notes Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(1) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(2) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

*provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

(C) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(D) if, in the case of (A) above, such rate does not appear on that page or, in the case of (C) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent (other than in the circumstances described in Condition 8 (*Benchmark Discontinuation*)) will:

(1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean of such quotations; and

(E) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the

Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) *ISDA Determination*: If ISDA Determination is specified in the relevant Notes Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Notes Final Terms;
- (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Notes Final Terms;
- (C) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Notes Final Terms; and
- (D) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Notes Final Terms, the rate for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (1) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (2) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

**provided, however, that** if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall (other than in the circumstances described in Condition 8 (*Benchmark Discontinuation*)) determine such rate at such time and by reference to such sources as it determines appropriate.

(e) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Notes Final Terms, then the Rate of Interest

shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Notes Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer (if applicable) and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer (if applicable), the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## 8. **Benchmark Discontinuation**

Notwithstanding the foregoing provisions of Condition 6 (*Reset Note Provisions*) or Condition 7 (*Floating Rate Note Provisions*), if a Benchmark Event occurs when any Rate of Interest (or any component part thereof) remains to be determined by reference to a Mid-Swap Floating Leg Benchmark Rate or a Reference Rate (as applicable), then the following shall apply:

- (i) The Issuer 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 and, in either case, an Adjustment Spread, if any (in accordance with subparagraph (iv) below) no later than three Business Days prior to the relevant Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 8).
- (ii) If (i) the Issuer 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 Condition 8(i) prior to the IA Determination Cut-off Date, then the Issuer (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 for purposes of determining the Rate of Interest applicable to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 8).

If this subparagraph (ii) applies and the Issuer is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) in accordance with this subparagraph (ii), the Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) shall be equal to the Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) for a term equivalent to the Reset Period or to the relevant Interest Period (as applicable) published on the Relevant Screen Page as at the last preceding Reset Date or Interest Determination Date (as applicable) (though substituting, where a different Margin is to be applied to the relevant Reset Period or Interest Period (as applicable) from that which applied to the last preceding Reset Period or Interest Period (as applicable), the Margin relating to the relevant Reset Period or Interest Period (as applicable), in place of the Margin relating to that last preceding Reset Period or Interest Period (as applicable)).

For the avoidance of doubt, this subparagraph (ii) shall apply to the relevant next succeeding Reset Period or Interest Period (as applicable), and any Subsequent Reset Periods or Interest Periods (as applicable) are subject to the subsequent operation of, and adjustment as provided in, subparagraph (i) of this Condition 8.

- (iii) If a Successor Rate or an Alternative Rate is determined in accordance with the preceding provisions, such Successor Rate or Alternative Rate shall be the benchmark in relation to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 8).
- (iv) If the Independent Financial Adviser or the Issuer, 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) for each subsequent determination of a relevant Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or the Alternative Rate.
- (v) If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with the above provisions and the Independent Financial Adviser or the Issuer, 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 amendments to the Day Count Fraction, Relevant Screen Page, the Business Days Convention, Business Day, the Reset Determination Date, the Reset Determination Time, the Interest Determination Date and/or the definition of Mid-Swap Floating Leg Benchmark Rate or the Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment

Spread, which changes shall apply to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 8).

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

- (vi) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any changes pursuant to subparagraph (v) will be notified promptly by the Issuer to the Holders in accordance with Condition 18 (*Notices*). Such notice shall be irrevocable and shall specify the effective date of the changes pursuant to subparagraph (v), if any, and will be binding on the Issuer and the Holders.

Notwithstanding any other provision of this Condition 8, no Successor Rate, Alternative Rate or Adjustment Spread (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 8, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the treatment of any relevant Series of Notes as Tier 2 capital or Eligible Liabilities, in each case of the Issuer and/or the ABANCA Group, as applicable, or could reasonably result in the Relevant Resolution Authority treating any future Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date.

## 9. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*). The Maturity Date of the Notes will not exceed 50 years from the Issue Date.

Senior Notes and Senior Subordinated Notes will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations.

Tier 2 Subordinated Notes will have an original maturity of at least five years from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations.

- (b) *Redemption due to a Tax Event*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Notes Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Notes Final Terms as being applicable),

subject to the Conditions to Redemption and Purchase set out in Condition 9(j) (*Conditions to Redemption and Purchase*), on giving not less than 15 nor more than 60 calendar days' notice to the Holders, or such other period(s) as may be specified in the relevant Notes Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if a Tax Event has occurred and is continuing.

- (c) *Redemption due to a Capital Event*: If the Notes are Tier 2 Subordinated Notes and Capital Event is specified as applicable in the applicable Notes Final Terms, then if a Capital Event

has occurred and is continuing, the Tier 2 Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to the Conditions to Redemption and Purchase set out in Condition 9(j) (*Conditions to Redemption and Purchase*), on giving not less than 15 nor more than 60 calendar days' notice to the Holders, or such other period(s) as may be specified in the relevant Notes Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption.

- (d) *Redemption due to an Eligible Liabilities Event*: If the Notes are Senior Notes or Subordinated Notes and Eligible Liabilities Event is specified as applicable in the applicable Notes Final Terms, then if an Eligible Liabilities Event has occurred and is continuing, the relevant Senior Notes or Subordinated Notes, as applicable, may be redeemed at the option of the Issuer in whole, but not in part, subject to the Conditions to Redemption and Purchase set out in Condition 9(j) (*Conditions to Redemption and Purchase*), on giving not less than 15 nor more than 60 calendar days' notice to the Holders, or such other period(s) as may be specified in the relevant Notes Final Terms, (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption.
- (e) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Notes Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Notes Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption on the Issuer's giving not less than 15 calendar days' nor more than 60 calendar days' notice to the Holders, or such other period(s) as may be specified in the relevant Notes Final Terms (which notice shall be irrevocable and upon expiry of which the redemption shall take place) subject to the Conditions to Redemption and Purchase set out in Condition 9(j) (*Conditions to Redemption and Purchase*).
- (f) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 9(e) (*Redemption at the option of the Issuer*), each Note shall be redeemed in part in the proportion which the aggregate Outstanding Principal Amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate Outstanding Principal Amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Notes Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Redemption at the option of Holders*: If the Put Option is specified in the relevant Notes Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued and unpaid to such date. In order to exercise the option contained in this Condition 9(g), the Holder of a Note must, not less than 30 nor more than 60 calendar days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Notes Final Terms), give written notice to the Issuer through Iberclear or the relevant Iberclear Member, as applicable.

In accordance with Article 63.(i) of CRR, the Put Option shall not be applicable to Tier 2 Subordinated Notes.

- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs 9(a) to 9(g) above.
- (i) *Purchase:* The Issuer or its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price subject to the Conditions to Redemption and Purchase set out in Condition 9(j) (*Conditions to Redemption and Purchase*).
- (j) *Conditions to Redemption and Purchase:* Other than in the case of a redemption at maturity in accordance with Condition 9(a) (*Scheduled Redemption*), the Issuer may redeem the Notes (and give notice thereof to the Holders) and the Issuer or its Subsidiaries may purchase Notes, only if such redemption or purchase, as applicable, is in accordance with the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and it has been granted the permission of the Competent Authority and/or the Relevant Resolution Authority (in each such case, if such permission is then required under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations)).

Prior to the publication of any notice of redemption pursuant to Conditions 9(b) (*Redemption due a Tax Event*), 9(c) (*Redemption due to a Capital Event*) and 9(d) (*Redemption due to an Eligible Liabilities Event*), the Issuer 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 is satisfied.

Pursuant to article 78 CRR and with respect to Tier 2 Subordinated Notes only, the Competent Authority shall grant permission for an institution to reduce, call, redeem, repay or repurchase Tier 2 instruments:

- (i) where either of the following conditions is met:
  - (a) before or at the same time as any of such actions, the institution replaces the instruments with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution;
  - (b) the institution has demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the institution would, following any of such actions, exceed the requirements laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Competent Authority considers necessary.
- (ii) in the case of any such actions during the five years following the issue date of the Notes if:
  - (a) the conditions listed in paragraphs (i)(a) or (i)(b) above are met; and
  - (b) in the case of the occurrence of a Capital Event, (i) the Competent Authority considers such a change to be sufficiently certain; and (ii) the institution demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification of those instruments was not reasonably foreseeable at the time of their issuance; or
  - (c) in the case of the occurrence of a Tax Event, the institution demonstrates to the satisfaction of the Competent Authority that the change is material and was not reasonably foreseeable at the time of their issuance; or

- (d) before or at the same time as any of such actions, the institution replaces the instruments with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution and the Competent Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or
- (e) the Notes are repurchased for market making purposes.

Pursuant to article 78 CRR, and with respect to Notes qualifying as Eligible Liabilities, the Relevant Resolution Authority shall grant permission for an institution to call, redeem, repay or repurchase eligible liabilities instruments where one of the following conditions is met:

- (a) before or at the same time as any of such actions, the institution replaces the eligible liabilities instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the institution;
- (b) the institution has demonstrated to the satisfaction of the resolution authority that the own funds and eligible liabilities of the institution would, following any of such actions, exceed the requirements for own funds and eligible liabilities laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Relevant Resolution Authority, in agreement with the Competent Authority, considers necessary;
- (c) the institution has demonstrated to the satisfaction of the Relevant Resolution Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR and in Directive 2013/36/EU for continuing authorisation.

## 10. Payments

- (a) *Principal and interest:* Payments in respect of the Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET2, 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 Business Day 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. None of the Issuer or, if applicable, any of the dealers will have any responsibility or liability for the records relating to payments made in respect of the Notes.
- (b) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof ("**FATCA**"), or (without prejudice to the provisions of

Condition 11 (*Taxation*) any law implementing an intergovernmental approach thereto (a "**FATCA Withholding Tax**").

- (c) *Payments on business days*: If the due date for payment of any amount in respect of any Note is not a Payment Business Day, the Holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

## 11. Taxation

- (a) *Gross up in respect of Senior Notes and Senior Subordinated Notes*: All payments of interest and, if so specified in the relevant Notes Final Terms, principal (and/or premium, if any) payable in respect of the Senior Notes or Senior Subordinated Notes by or on behalf of the Issuer 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, if so specified in the relevant Notes Final Terms, principal (and/or premium, if any), the Issuer 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, if so specified in the relevant Notes Final Terms, principal (and/or premium, if any) had no such withholding or deduction been required.

The Issuer shall not be required to pay any additional amounts in relation to any payment in respect of Senior Notes or Senior Subordinated Notes:

- (i) 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 Senior Notes or Senior Subordinated Notes by reason of his having some connection with the Kingdom of Spain other than:
- A the mere holding of Senior Notes or Senior Subordinated Notes; or
  - B the receipt of any payment in respect of Senior Notes or Senior Subordinated Notes;
- (ii) 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 Senior Note or Senior Subordinated Note, of a custodian, collection agent, person or entity acting on its behalf or similar person in relation to such Senior Note or Senior Subordinated Note; or
- (iii) 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
- (iv) to, or to a third party on behalf of, a Holder in respect of whose Senior Notes or Senior Subordinated Notes the Issuer (or an agent acting on behalf of the Issuer) 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 Senior Notes or Senior Subordinated Notes to be made free and clear of

withholding tax or deduction on account of any taxes imposed by Spain, including when the Issuer (or an agent acting on behalf of the Issuer) 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.

- (b) *Gross up in respect of Tier 2 Subordinated Notes:* All payments of interest in respect of the Tier 2 Subordinated Notes by or on behalf of the Issuer 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 (but not in respect of payments of principal or any premium), the Issuer shall pay such additional amounts as will result in Holders receiving the amount of interest as they would have received had no such withholding or deduction been required.

The Issuer shall not be required to pay any additional amounts in relation to any payment in respect of Tier 2 Subordinated Notes:

- (i) 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 Tier 2 Subordinated Notes by reason of his having some connection with the Kingdom of Spain other than:
- A the mere holding of Tier 2 Subordinated Notes; or
  - B the receipt of any payment in respect of Tier 2 Subordinated Notes;
- (ii) 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 Tier 2 Subordinated Note, of a custodian, collection agent, person or entity acting on its behalf or similar person in relation to such Tier 2 Subordinated Note; or
- (iii) 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
- (iv) to, or to a third party on behalf of, a Holder in respect of whose Tier 2 Subordinated Notes the Issuer (or an agent acting on behalf of the Issuer) 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 Tier 2 Subordinated Notes to be made free and clear of withholding tax or deduction on account of any taxes imposed by Spain, including when the Issuer (or an agent acting on behalf of the Issuer) 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.
- (c) For the avoidance of doubt, the Issuer shall not be required to pay any additional amounts in relation to any FATCA Withholding Tax.

## 12. Events of Default

### (a) *Events of Default relating to the Notes:*

If an order is made by any competent court commencing insolvency proceedings against the Issuer or if any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer (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 Issuer 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 Issuer and delivered to the Issuer, 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 12.(a), claims of Holders in respect of the Notes shall rank as set out under Condition 4 (*Status*).

Except as set out in this Condition 12.(a), Holders shall have no right to declare immediately due and payable any amounts of principal or interest in respect of the Notes.

By its acquisition of any Note, each Holder acknowledges and accepts that the taking by the Relevant Resolution Authority of an early intervention measure or a resolution action in respect of the Issuer under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) shall not constitute an event of default and Holders shall have no right to declare immediately due and payable any amounts of principal or interest in respect of the Notes.

### (b) *Additional Events of Default*

This Condition 12.(b) applies only to Ordinary Senior Notes if specified as applicable in the applicable Notes Final Terms and references to "Notes" shall be construed accordingly.

If any of the following events occurs and is continuing, then any Holder of any Note of the relevant Series may by written notice to the Issuer declare such Note and all interest then accrued and unpaid on such Note to be forthwith due and payable, whereupon the same shall, when permitted by applicable Spanish law, become immediately due and payable at its Outstanding Principal Amount together with accrued and unpaid interest (if any) without further action or formality:

- (i) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 14 calendar days of the due date for payment thereof; or
- (ii) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default



(i) is incapable of remedy or (ii) being a default which is capable of remedy, remains unremedied for 30 calendar days after the relevant Holder has after given written notice thereof to the Issuer; or

(iii) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes.

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Outstanding Principal Amount together with accrued and unpaid interest (if any) without further action or formality.

### **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 Issuer 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 Issuer 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 Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer 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. Substitution and Variation**

If a Tax Event, an Eligible Liabilities Event or a Capital Event has occurred and is continuing, the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Holders, so that they are substituted for, or varied to become or remain, Qualifying Notes, subject to having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 18 (*Notices*), subject to obtaining the prior permission of the Competent Authority and/or Relevant Resolution Authority if and as applicable (if such permission is required therefor under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations)) and in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time, and provided that the Issuer shall have obtained a Bank's Certificate and an Independent Financial Adviser Certificate (copies thereof will be available at the Issuer's registered office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant Notes.

Any notice provided in accordance with this Condition 14 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 14, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Holders shall, by virtue of subscribing and/or purchasing the relevant Notes, be deemed to accept the substitution or variation of the terms of such Notes and to grant the Issuer full power and authority to take any action and/or execute and deliver any document in the name and/or on behalf of the Holder which is necessary or convenient to complete the substitution or variation of the terms of the Notes.

**15. Prescription**

- (a) *English Law*: If English law is specified as the governing law of the Notes in the relevant Notes Final Terms, claims for principal shall become void unless made within ten years of the appropriate Relevant Date and claims for interest shall become void unless made within five years of the appropriate Relevant Date.
- (b) *Spanish Law*: If Spanish law is specified as the governing law of the Notes in the relevant Notes Final Terms, claims against the Issuer 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.

**16. Meetings of Holders; Modification and Waiver**

- (a) *Application*: this Condition 16 (*Meetings of Holders; Modification and Waiver*) will apply to all issuances of Notes.
- (b) *Convening meetings*
  - (i) *Meetings convened by the Issuer*: The Issuer may, at any time, and shall, if so directed in writing by Holders holding not less than 10% in aggregate principal amount of the Notes for the time being outstanding (the "**relevant Holders**"), convene a meeting of Holders.
  - (ii) *Meetings convened by the Holders*: If the Issuer has not delivered notice convening a meeting of the Holders prior to the expiry of seven clear days from the date on which the Issuer has received written directions from the relevant Holders to do so, the relevant Holders may themselves convene the meeting in place of the Issuer subject to and in accordance with the provisions of this Condition 16, provided however that, in such circumstances all references to the performance by the Issuer of a particular obligation in this Condition 16, or the delivery by the Issuer of any notice in accordance with Condition 18 (*Notices*), shall be deemed to be a reference to the performance by the relevant Holders of such obligation and/or the delivery of such notice. Any costs and expenses incurred by the relevant Holders as a result of, in connection with or related to the convening by them of a meeting of the Holders in such circumstances shall be for the account of the Issuer and shall be promptly paid by the Issuer to the account designated for such purpose in writing by the relevant Holders upon presentation of receipts, invoices or other documentary evidence of such costs.

Notwithstanding the foregoing, no refusal or failure by the Issuer to convene a meeting of the Holders when so directed by the relevant Holders shall give rise

to any right by any Holder to declare any principal amounts or interest in respect of the Notes immediately due and payable.

- (c) *Procedures for convening meetings:* 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 18 (*Notices*).

The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, where the meeting has been convened to vote on any matter requiring the approval of the Holders by means of an Extraordinary Resolution only, shall specify the terms of the Extraordinary Resolution to be proposed. This notice shall include information as to the manner in which Holders are entitled to attend and vote at the meeting.

If the meeting has been convened by the relevant Holders in the circumstances set out in Condition 16.(a).(ii) (*Convening meetings — Meetings convened by the Holders*), a copy of the notice shall also be sent by certified post to the Issuer.

- (d) *Chairman:* The person (who may but need not be a Holder) nominated in writing by the Issuer (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 Issuer 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.

- (e) *Quorums*

(i) *Regular Quorum:* At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5% 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 16.(c) (*Chairman*)) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

(ii) *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% in principal amount of the Notes for the time being outstanding.

(iii) *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):

- (A) a reduction or cancellation of the principal amount of the Notes for the time being outstanding; or
- (B) a reduction of the amount payable or modification of the Interest Payment Dates or variation of the method of calculating the Rate of Interest; or
- (C) a modification of the currency in which payments under the Notes are to be made; or

- (D) a modification of the majority required to pass an Extraordinary Resolution; or
- (E) the sanctioning of any scheme or proposal described in Condition 16.(h).(iii).(F) below; or
- (F) alteration of this proviso or the proviso to Condition 16.(e).(i) 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.

(f) *Adjourned Meeting*

- (i) 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 Issuer was required by Holders to convene such meeting pursuant to Condition 16.(a) (*Convening meetings*), 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 Issuer).

Otherwise, at least 7 clear days' notice specifying the place, day and hour of the adjourned meeting, and otherwise given in accordance with Condition 16.(b) (*Procedures for convening meetings*) shall be given to the Holders in the manner provided in Condition 18 (*Notices*) (which notice may be given at the same time as the notice convening the original meeting).

- (ii) 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
  - (A) for any matter other than to vote on an Extraordinary Resolution, not less than 14 clear days (but without any maximum number of clear days); or
  - (B) for any matter requiring approval by an Extraordinary Resolution, not less than 14 clear days nor more than 42 clear days,

and in either case to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Issuer, and the provisions of this sentence shall apply to all further adjourned meetings.

- (iii) 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 16.(d).(iii) (*Quorums —Enhanced Quorum*) 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.

(g) *Right to attend and vote*

- (i) The provisions governing the manner in which Holders may attend and vote at a meeting of the Holders must be notified to Holders in accordance with Condition 18 (*Notices*) and/or at the time of service of any notice convening a meeting.
- (ii) Any director or officer of the Issuer 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.
- (iii) Subject as provided in Condition 16.(f).(ii), at any meeting:
  - (A) on a show of hands every Eligible Person present shall have one vote; and
  - (B) on a poll every Eligible Person present shall have one vote in respect of each Note.

(h) *Holding of meetings*

- (i) 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.
- (ii) 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 Issuer 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.
- (iii) Subject to Condition 16.(g).(v), 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.
- (iv) 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.

- (v) 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.

(i) *Approval of the resolutions*

- (i) 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 18 (*Notices*) by the Issuer within 14 days of the result being known provided that non-publication shall not invalidate the resolution.

- (ii) The expression "**Extraordinary Resolution**" when used in this Condition 16 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 16 by a majority consisting of not less than 75% 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% of the votes given on the poll.

- (iii) 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 16.4(b) and 16.4(c)), namely:

- (A) power to approve any compromise or arrangement proposed to be made between the Issuer and the Holders;
- (B) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Issuer or against any of its property whether these rights arise under these Conditions of the Notes or the Notes or otherwise;
- (C) power to agree to any modification of the provisions contained in these Conditions of the Notes or the Notes which is proposed by the Issuer;
- (D) power to give any authority or approval which under the provisions of this Condition 16 or the Notes is required to be given by Extraordinary Resolution;
- (E) 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;
- (F) power to agree with the Issuer or any substitute, the substitution of any entity in place of the Issuer (or any substitute) as the principal debtor in respect of the Notes;

- (iv) Subject to Condition 16.(h).(i), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 16, 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.
- (v) The agreement or approval of the Holders shall not be required in the case of any amendments determined pursuant to Condition 8 (*Benchmark Discontinuation*).

(j) *Miscellaneous*

- (i) 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 Issuer 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.
- (ii) 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.
- (iii) Any modification or waiver of the Conditions of the Notes in accordance with this Condition 16 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.

**17. Further Issues**

The Issuer may from time to time, without the consent of the Holders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

**18. Notices**

The Issuer 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.

If the Notes are listed on AIAF, to the extent required by the applicable regulations, the Issuer shall ensure that (i) the communication of all notices will be made public to the market through an announcement 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 Issuer 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.

**19. Loss absorbing power**

- (a) *Acknowledgement:* Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Holders, by its subscription and/or purchase and holding of the Notes, each Holder (which for the purposes of this Condition 19 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:
- (i) to be bound by the effect of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
- (A) the reduction of all, or a portion, of the Amounts Due on a permanent basis;
- (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes, in which case the Holder agrees to accept in lieu of its rights under the Notes any such shares, other securities or other obligations of the Issuer or another person;
- (C) the cancellation of the Notes or Amounts Due;
- (D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) that the terms of the Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Loss Absorbing Power by the Relevant Resolution Authority.
- (b) *Payment of Interest and Other Outstanding Amounts Due:* No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Loss Absorbing Power by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.
- (c) *Notice to Holders:* Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority with respect to the Notes, the Issuer will make available a written notice to the Holders as soon as practicable regarding such exercise of the Loss Absorbing Power.
- (d) *Proration:* If the Relevant Resolution Authority exercises the Loss Absorbing Power with respect to less than the total Amounts Due, any cancellation, write-off or conversion made in respect of the Notes pursuant to the Loss Absorbing Power will be made on a pro-rata basis, unless the Relevant Resolution Authority instructs otherwise.
- (e) *Condition Exhaustive:* The matters set forth in this Condition 19 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any Holder.
- (f) *No Event of Default:* None of a cancellation of the Notes, a reduction in the Amount Due, the conversion thereof into another security or obligation of the Issuer or another person,



as a result of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Issuer or the exercise of the Loss Absorbing Power with respect to the Notes will be an Event of Default or otherwise constitute non-performance of a contractual obligation, or entitle the Holders to any remedies (including equitable remedies) which are hereby expressly waived.

## 20. Governing Law and Jurisdiction

The governing law and jurisdiction of the Notes will be specified in Part A of the relevant Notes Final Terms.

- (a) *English law:* If English law is specified as the governing law of the Notes in the relevant Notes Final Terms, the provisions of this Condition 20.(a) shall apply to the Notes.
- (i) *Governing law:* Save as described below, the Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. Condition 3 (*Form, Denomination, Title and Transfer*), Condition 4 (*Status*) and Condition 19 (*Loss Absorbing Power*) are governed by Spanish law.
- (ii) *English courts:* Subject to Condition 20.(a).(iv) below, the courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (iii) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (iv) *Rights of the Holders to take proceedings outside England:* Notwithstanding Condition 20.(a).(ii) (*English courts*), any Holder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.

Notwithstanding the above, each of the Issuer and any Holder submits to the exclusive jurisdiction of the Spanish courts, in particular, to the venue of the city of Madrid, in relation to any dispute arising out of or in connection with the application of any Loss Absorbing Power by the Relevant Resolution Authority (a "**Bail-in Dispute**"). Each of the Issuer and any Holder in relation to a Bail-in Dispute further waives any objection to the Spanish courts on the grounds that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

- (v) *Service of process:* The Issuer irrevocably and unconditionally agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to ABANCA Corporación Bancaria, S.A. Representation Office at 4<sup>th</sup> Floor Malta House, 36-38 Piccadilly, London W1J ODP, United Kingdom. The Issuer undertakes that in the event of such office ceasing so to act, it shall appoint such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Holders. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

- (b) *Spanish Law*: If Spanish law is specified as the governing law of the Notes in the relevant Notes Final Terms, the provisions of this Condition 20.(b) shall apply to the Notes.
  - (i) *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.
  - (ii) *Spanish courts*: 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).

## FORM OF NOTES FINAL TERMS

**[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 European Economic Area ("**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 Directive 2014/65/EU (as amended, "**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 required by Regulation (EU) No 1286/2014 (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.]

**[MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/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 Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[*s/s'*] 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 manufacturer[*s/s'*] target market assessment) and determining appropriate distribution channels.]

Notes Final Terms dated [•]

**ABANCA Corporación Bancaria, S.A.**

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]

**Legal Entity Identifier (LEI): 54930056IRBXX0Q1FP96**

**Euro Medium Term Note and Covered Bond Programme**

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Notes (the "**Conditions of the Notes**") set forth in the Base Prospectus dated [•] [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Notes Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information on the Issuer and the offer of the Notes.]

The Base Prospectus [and the supplement[s] to it dated [*date*] [and [*date*]] [has/have] been published on the website of the Issuer ([www.abancacorporacionbancaria.com](http://www.abancacorporacionbancaria.com)) and on the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)).

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

[In accordance with the Prospectus Regulation, no prospectus is required in connection with the issuance of the Notes described herein.]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Notes Final Terms.]*

1. Issuer: ABANCA Corporación Bancaria, S.A.
2. (i) Series Number: [•]  
 (ii) Tranche Number: [•]  
 (iii) Date on which the Notes become fungible: [Not Applicable / The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date].
3. Specified Currency [EUR]
4. (i) Aggregate Nominal Amount: [•]  
 (a) Series: [•]  
 (b) Tranche: [•]  
 (ii) Number of Notes: [•]  
 (a) Series: [•]  
 (b) Tranche: [•]
5. Issue Price: [•]% of the Aggregate Nominal Amount of the Tranche [plus accrued and unpaid interest from [•] (*in the case of fungible issues only, if applicable*)]
6. Minimum Subscription Amount: [EUR [•]]
7. (i) Specified Denominations: [•]  
*(No Notes may be issued which have a minimum denomination of less than EUR100,000 (or equivalent in another currency))*  
 (ii) Calculation Amount: [•]
8. (i) Issue Date: [•]  
 (ii) Interest Commencement Date: [[•] / Issue Date / Not Applicable]
9. Maturity Date: [[•] / Interest Payment Date in or nearest to [•] (*for Floating Rate Notes*)]
10. Interest Basis: [[•]% Fixed Rate] / [[•][•] [EURIBOR] [+/-] [•]% Floating Rate] / Reset Notes / [[•]% Fixed Rate to [•][•] [EURIBOR] [+/-] [•]% Floating Rate] / [[•][•] [EURIBOR] [+/-] [•]% Floating Rate to [•]% Fixed Rate] / [[•]% Fixed Rate to Reset]  
 (see paragraph [18/19/20] below)

11. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [•]/[100]% of their Outstanding Principal Amount.
12. Change of Interest or Redemption/Payment Basis: [*Specify the date when any Fixed to Floating rate, Floating to Fixed rate of Fixed to Reset rate change occurs or refer to paragraphs 18, 19 or 20 below and identify there / Not Applicable*]
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(See paragraph [21/22] below)]
14. Status of the Notes: [Senior Notes – Ordinary Senior Notes/Senior Notes – Senior Non-Preferred Notes][Subordinated Notes - Senior Subordinated Notes/Subordinated Notes - Tier 2 Subordinated Notes]
15. Governing Law: [English / Spanish] Law
16. Date relevant approval for issuance of Notes obtained: [•]
17. Gross-up in respect of principal and any premium (pursuant to Condition 11.(a)): [Applicable / Not Applicable]  
*(Only relevant for Senior Notes and Senior Subordinated Notes)*  
*(Include "Not Applicable" for Tier 2 Subordinated Notes)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

18. Fixed Rate Note Provisions [Applicable [from [•] to [•]] / Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•]% per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / No Adjustment]
- (iv) Additional Business Centre(s): [Not Applicable / [•]]
- (v) Fixed Coupon Amount: [•] per Calculation Amount
- (vi) Broken Amount(s): [Not Applicable / [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]]
- (vii) Day Count Fraction: [30/360 / Actual/Actual [(ICMA/ISDA)] / Actual/365 (Fixed) / Actual/360 / 30E/360 [(ISDA)]]
19. Reset Note Provisions Applicable / Not applicable

*(If not applicable delete the remaining sub paragraphs of this paragraph)*

- (i) Initial Rate of Interest: [•]% per annum payable in arrear [on each Interest Payment Date]
- (ii) First Margin: [+/-][•]% per annum
- (iii) Subsequent Margin: [+/-][•]% per annum / Not Applicable
- (iv) Interest Payment Date(s): [•][and [•]] in each year up to and including the Maturity Date
- (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: [•] per Calculation Amount / Not Applicable
- (vi) Broken Amount(s): [•] per Calculation Amount payable on the Interest Payment date falling [in/on] [•] / Not Applicable
- (vii) First Reset Date: [•]
- (viii) Second Reset Date: Not Applicable / [•]
- (ix) Subsequent Reset Date(s): Not Applicable / [•] [and [•]]
- (x) Relevant Screen Page: [•]
- (xi) Reset Reference Rate: Reference Bond Rate / Mid-Swap Rate
- (xii) Mid-Swap Rate: Single Mid-Swap Rate / Mean Mid-Swap Rate / Not Applicable
- (xiii) Mid-Swap Maturity: [•]
- (xiv) Reference Banks: [•]
- (xv) Day Count Fraction: [30/360 / Actual/Actual [(ICMA/ISDA)] / Actual/365 (Fixed) / Actual/360 / 30E/360 [(ISDA)]]
- (xvi) Reset Determination Date: [•] in each year / The provisions in the Conditions of the Notes apply
- (xvii) Reset Determination Time: [•]
- (xviii) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / No Adjustment]
- (xix) Relevant Financial Centre: [•]
- (xx) Determination Agent: [•]

- (xxi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): [•] shall be the Calculation Agent
- (xxii) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR]
- (xxiii) Minimum Rate of Interest: [[•]% per annum / Not applicable]
- (xxiv) Maximum Rate of Interest: [[•]% per annum / Not applicable]
20. Floating Rate Note Provisions [Applicable [from [•] to [•]] / Not Applicable]  
*(If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: [•]
- (ii) Interest Payment Date(s): [•]
- (iii) [First Interest Payment Date]: [•]
- (iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / No Adjustment]
- (v) Additional Business Centre(s): [Not Applicable / [•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination / ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): [•] shall be the Calculation Agent
- (ix) Screen Rate Determination:
- Reference Rate: [•][•] [EURIBOR]
  - Interest Determination Date(s): [•]  
*(in the case of EURIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period)*
  - Relevant Screen Page: [•]

- Relevant Time: [•]  
*(in the case of EURIBOR, 11.00 a.m. Brussels time)*
  - Relevant Financial Centre: [•]
- (x) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Benchmarks Supplement: [Applicable / Not Applicable]
- (xi) Linear interpolation Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xii) Margin(s): [+/-] [•]% per annum
- (xiii) Minimum Rate of Interest: [[•]% per annum / Not applicable]
- (xiv) Maximum Rate of Interest: [[•]% per annum / Not applicable]
- (xv) Day Count Fraction: [30/360 / Actual/Actual [(ICMA/ISDA)] / Actual/365 (Fixed) / Actual/360 / 30E/360 [(ISDA)]]

**PROVISIONS RELATING TO REDEMPTION**

21. Call Option [Applicable / Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [[•] / Any date falling in the Optional Redemption Period (call) / Not Applicable]
  - (ii) Optional Redemption Period (call) [[•] / Not Applicable]
  - (iii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount / [•]]
  - (iv) Redemption due to a Tax Event: Not Applicable / The provisions in Condition 9(b) apply



- (v) Redemption due to a Capital Event: Not Applicable / The provisions in Condition 9(c) apply
  - (vi) Redemption due to an Eligible Liabilities Event: Not Applicable / The provisions in Condition 9(d) apply
  - (vii) Redemption in part: [Applicable/Not Applicable]
    - (a) Minimum Redemption Amount: [•] per Calculation Amount
    - (b) Maximum Redemption Amount: [•] per Calculation Amount
  - (viii) Notice period: [•]
22. Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount / [•]]
  - (iii) Notice period: [•]
23. Final Redemption Amount of each Note [Par / [•] per Calculation Amount]
24. Early Redemption Amount of each Note and method, if any, of calculation of such amount(s): [Par / [•] per Calculation Amount / [•]]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 25. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable /give details].
- 26. Additional Events of Default (Ordinary Senior Notes): [Condition 12.(b) is applicable / Not Applicable]

Signed on behalf of ABANCA Corporación Bancaria, S.A.:

By: .....

Duly authorised

Date:

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading: [Application has been made by the Issuer for the Notes to be admitted to trading on [AIAF / other stock exchange or market (either Spanish, European or non-European, including regulated markets, multilateral trading facilities or any other organised markets)] [within 30 days following the Issue Date / Other time period].]

*(When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

Ratings:

[Standard & Poor's: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

#### ***Option 1 - CRA established in the EEA and registered under the CRA Regulation***

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

#### ***Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration***

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].

#### ***Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration***

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the EEA and is neither registered nor has it applied for registration under

Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation***

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation***

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation***

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Dealers/Calculation Agent/Determination Agent] and those that may eventually payable to any Independent financial Advisor (if eventually appointed), so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. Notwithstanding the above, [any of] the Dealer[s] might be appointed as Independent Financial Adviser (should one be eventually appointed). The [Dealers/Calculation Agent/Determination Agent] and any Independent financial Advisor (if eventually appointed) and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests (including when the Issuer, any member of the ABANCA Group or any dealer or any member of their groups acts as Calculation Agent or Determination Agent)*)]

**4. YIELD**

Indication of yield: [•]

*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

**5. OPERATIONAL INFORMATION**

ISIN: [•]

Common Code: [•]

Delivery: Delivery [against/free of] payment

Relevant Benchmark[s]: *[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011]/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [name of administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)]/ [Not Applicable]*

**6. DISTRIBUTION**

(i) Method of Distribution: [Syndicated / Non-syndicated]

(ii) If syndicated:

(A) Names of dealers [Not Applicable/give names]

(B) Stabilisation Manager(s), if any: [Not Applicable/give names]

(iii) If non-syndicated, name of dealer:

(iv) Countries to which the Base Prospectus has been communicated:

(v) U.S. Selling Restrictions: Reg S Compliance Category [1/2] – Not Rule 144A Eligible

**7. REASONS FOR THE OFFER AND ESTIMATED**

**NET AMOUNT OF  
PROCEEDS**

Reasons for the offer: [See ["Use of Proceeds"] in Base Prospectus/Give details]

Estimated net proceeds: [•]

## TERMS AND CONDITIONS OF THE COVERED BONDS (*CÉDULAS HIPOTECARIAS*)

The following is the text of the terms and conditions of the Covered Bonds which will be completed by the relevant Covered Bonds Final Terms.

### 1. Introduction

- (a) *Programme*: ABANCA Corporación Bancaria, S.A. (the "**Issuer**") has established a Euro Medium Term Note and Covered Bond Programme (the "**Programme**") for the issuance of, among others, up to €4,000,000,000 in aggregate principal amount of covered bonds (*cédulas hipotecarias*) (the "**Covered Bonds**") and notes.

The Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Fixed to Floating Covered Bonds or Floating to Fixed Covered Bonds.

- (b) *Covered Bonds Final Terms*: Covered Bonds issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Covered Bonds. Each Tranche is the subject of a final terms (the "**Covered Bonds Final Terms**") which supplements these terms and conditions (the "**Conditions of the Covered Bonds**"). The terms and conditions applicable to any particular Tranche of Covered Bonds are these Conditions of the Covered Bonds as supplemented, amended and/or replaced by the relevant Covered Bonds Final Terms. In the event of any inconsistency between these Conditions of the Covered Bonds and the relevant Covered Bonds Final Terms, the relevant Covered Bonds Final Terms shall prevail.
- (c) *Paying Agency*: For Covered Bonds listed on AIAF, all payments under the Conditions of the Covered Bonds will be carried out directly by the Issuer through Iberclear (as defined below).
- (d) *The Covered Bonds*: All subsequent references in these Conditions of the Covered Bonds to "Covered Bonds" are to the Covered Bonds which are the subject of the relevant Covered Bonds Final Terms. Copies of the relevant Covered Bonds Final Terms are available for viewing at the Issuer's website ([www.abancacorporacionbancaria.com](http://www.abancacorporacionbancaria.com)).

### 2. Interpretation

- (a) *Definitions*: In these Conditions of the Covered Bonds the following expressions have the following meanings:

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Covered Bonds Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Covered Bonds Final Terms;

"**Adjustment Spread**" means either a spread (which may be positive or negative or zero), or a formula or methodology for calculating a spread, in either case, to be applied to 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 recommended or formally provided as an option for parties to adopt in relation to the replacement of the relevant Reference 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 Issuer, 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 in customary market usage in the debt capital markets for transactions which reference the relevant Reference 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 determination has been made), the Independent Financial Adviser or the Issuer, 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 which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (d) (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 having regard to the objective, so far as reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (d), of reducing any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the relevant Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

"**Aggregate Nominal Amount**" has the meaning given in the relevant Covered Bonds Final Terms;

"**AIAF**" means the Spanish AIAF Fixed Income Market (*AIAF Mercado de Renta Fija*);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Financial Adviser or the Issuer, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser (in the event that one has been appointed), as applicable, determines in accordance with Condition 6(i) (*Floating Rate Provisions — Benchmark Discontinuation*) 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 the relevant currency;

"**Benchmark Event**" means:

- (a) the relevant Mid-Swap Floating Leg Benchmark Rate or Reference Rate (as applicable) ceasing to be published for a period of at least 5 consecutive Business Days or ceasing to exist;
- (b) a public statement by the administrator of the relevant Reference Rate that it has ceased, or will, by a specified future date, cease, publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the relevant Reference Rate, that such relevant Reference Rate has been or will, by a specified future date, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such relevant Reference 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 Covered Bonds, in each case within a specified future date; or

- (e) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such relevant Reference Rate is no longer representative of an underlying market; or
- (f) it has become unlawful for the Issuer or other party to calculate any payments due to be made to any Holder using the relevant Reference Rate (including, without limitation, under the Benchmarks Regulation, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (b), (c) or (d) above and the "specified future date" in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Calculation Agent and the Paying Agent, if different to the Issuer. For the avoidance of doubt, neither the Calculation Agent nor the Paying Agent, if different to the Issuer, shall have any responsibility for making such determination;

**"Benchmarks Regulation"** means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014;

**"Business Day"** means a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Covered Bonds Final Terms and, if so specified in the relevant Covered Bonds Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Covered Bonds Final Terms as the

Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**

- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Issuer or such other Person specified in the relevant Covered Bonds Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Covered Bonds Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Certificate"** has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer — Title and Transfer*);

**"Clearstream, Luxembourg"** means Clearstream Banking, S.A.;

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

**"Code"** has the meaning given in Condition 8 (*Payments*);

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions of the Covered Bonds or the relevant Covered Bonds Final Terms and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

- (f) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any person which takes over administration of that rate);

"**Euroclear**" means Euroclear Bank SA/NV.

"**FATCA**" has the meaning given in Condition 8 (*Payments*);

**"Final Redemption Amount"** means, in respect of any Covered Bond, its principal amount or such other amount as may be specified in the relevant Covered Bonds Final Terms;

**"First Interest Payment Date"** means the date specified in the relevant Covered Bonds Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Holder"** has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer —Title and Transfer*);

**"IA Determination Cut-off Date"** has the meaning given in Condition 6(i) (*Floating Rate Provisions —Benchmark Discontinuation*);

**"Iberclear"** means the *Spanish Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal*;

**"Iberclear Members"** has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer —Title and Transfer*);

**"Independent Financial Adviser"** means an independent financial firm or financial adviser with appropriate expertise or financial institution of international repute appointed by the Issuer at its own expense. Independent Financial Advisers conduct functions in connection with the discontinuation of benchmarks (as provided under Condition 6.(i) (*Floating Rate Provisions -Benchmark Discontinuation*));

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

**"Interest Amount"** means, in relation to a Covered Bond and an Interest Period, the amount of interest payable in respect of that Covered Bond for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Covered Bonds Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Interest Payment Date"** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Covered Bonds Final Terms and, if a Business Day Convention is specified in the relevant Covered Bonds Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Covered Bonds Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Benchmarks Supplement"** means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Covered Bonds Final Terms)) published by the International Swaps and Derivatives Association, Inc;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Covered Bonds Final Terms) and, if specified in the relevant Covered Bonds Final Terms, as supplemented by the ISDA Benchmarks Supplement) as published by the International Swaps and Derivatives Association, Inc.);

**"ISIN"** means International Securities Identification Number Code.

**"Issuance Limit"** means the maximum amount of cédulas hipotecarias (including any Covered Bonds) that may be issued by the Issuer from time to time.

*As of the date of this Base Prospectus, the Issuance Limit is 80% of the outstanding principal amount of the mortgage loans and credits in the issuer's portfolio which meet the requirements laid down in Section II of Law 2/1981 excluding any mortgage loans and credits serving affected to bonos hipotecarios or which are the object of participaciones hipotecarias. Such eligible loans and credits will include the principal of the participaciones hipotecarias acquired by the Issuer, which are in its portfolio and are also eligible;*

**"Issue Date"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Law 2/1981"** means Law 2/1981, of 25 March, on the regulation of the mortgage market (*Ley 2/1981, de 24 de abril, de regulación del mercado hipotecario y otras normas del Sistema hipotecario y financiero*), as amended from time to time;

**"Margin"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Maturity Date"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Optional Redemption Amount"** means, in respect of any Covered Bond, its Outstanding Principal Amount or such other amount as may be specified in the relevant Covered Bonds Final Terms;

**"Optional Redemption Date"** means any date so specified in the applicable Covered Bonds Final Terms and/or any date falling in the Optional Redemption Period (call) specified in the applicable Covered Bonds Final Terms, the first and last days inclusive;

**"Optional Redemption Period"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Outstanding Principal Amount"** means the principal amount of the Covered Bond on the Issue Date as reduced by any partial redemptions or repurchases from time to time;

**"Payment Business Day"** means any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Covered Bonds specified in the relevant Covered Bonds Final Terms or calculated or determined in accordance with the provisions of these Conditions of the Covered Bonds and/or the relevant Covered Bonds Final Terms;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call) or such other amount in the nature of a redemption amount as may be specified in the relevant Covered Bonds Final Terms;

**"Reference Banks"** has the meaning given in the relevant Covered Bonds Final Terms or, if none, four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

**"Reference Rate"** means EURIBOR as specified in the relevant Covered Bonds Final Terms in respect of the currency and period specified in the relevant Covered Bonds Final Terms;

**"Regular Period"** means:

- (a) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**"Relevant Date"** means, in relation to any payment, the date on which the payment in question first becomes due;

**"Relevant Financial Centre"** has the meaning given in the relevant Covered Bonds Final Terms;

**"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;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Covered Bonds Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Royal Decree 716/2009"** means Royal Decree 716/2009, of 24 April, which implements certain aspects of Law 2/1981 (*Real Decreto 716/2009, de 24 de abril, por el que se desarrollan determinados aspectos de la Ley 2/1981*), as amended from time to time;

**"Spanish Central Registry"** has the meaning given in Condition 3(c) (*Form, Denomination, Title and Transfer —Title and Transfer*);

**"Specified Currency"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Covered Bonds Final Terms;

**"Specified Period"** has the meaning given in the relevant Covered Bonds Final Terms;

**"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;

**"Successor Rate"** means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body;



"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

- (b) *Interpretation:* In these Conditions of the Covered Bonds:
- (i) any reference to principal shall be deemed to include the Redemption Amount, any premium payable in respect of a Covered Bond and any other amount in the nature of principal payable pursuant to these Conditions of the Covered Bonds;
  - (ii) any reference to interest shall be deemed to include any other amount in the nature of interest payable pursuant to these Conditions of the Covered Bonds; and
  - (iii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Covered Bonds Final Terms, but the relevant Covered Bonds Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds.

### 3. **Form, Denomination, Title and Transfer**

- (a) *Form and denomination:* The Covered Bonds are issued in uncertified, dematerialised book-entry form (*anotaciones en cuenta*) in the Aggregate Nominal Amount, in the Specified Denomination and in the Specified Currency, provided that the minimum Specified Denomination shall be €100,000.
- (b) *Registration, clearing and settlement:* The Covered Bonds will be registered with Iberclear, which is the Spanish central securities depository, with its registered office at Plaza de la Lealtad, 1, 28014, Madrid, Spain. Holders of a beneficial interest in the Covered Bonds who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold the Covered Bonds through bridge accounts maintained by each of Euroclear and Clearstream, Luxembourg with Iberclear. Iberclear will manage the settlement of the Covered Bonds, notwithstanding the Issuer's commitment to assist, when appropriate, on the settlement of the Covered Bonds through Euroclear and Clearstream, Luxembourg.

The information concerning the ISIN of the Covered Bonds will be stated in the Covered Bonds Final Terms.

- (c) *Title and Transfer:* Title to the Covered Bonds will be evidenced by book-entries and each person shown in the central registry managed (the "**Spanish Central Registry**") by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the "**Iberclear Members**") as being the holder of the Covered Bonds shall be considered the holder of the principal amount of the Covered Bonds recorded therein. In these Conditions of the Covered Bonds, the "**Holder**" of a Covered Bond means the person in whose name such Covered Bonds 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 and when appropriate, means owners of a beneficial interest in the Covered Bonds.

One or more certificates (each, a "**Certificate**") attesting to the relevant Holder's holding of the Covered Bonds in the relevant registry will be delivered by the relevant Iberclear

Member or, where the Holder is itself an Iberclear Member, 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 Covered Bonds are issued without any restrictions on their free transferability. Consequently, the Covered Bonds may be transferred and title to the Covered Bonds 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 treated as the legitimate owner (*titular legítimo*) of the relevant Covered Bonds 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.

#### 4. Status

Principal and interest due in respect of all *cédulas hipotecarias* issued by the Issuer from time to time (including Covered Bonds) are secured by a statutory mortgage over all mortgages which are at any time registered for the benefit of the Issuer except those affected to *bonos hipotecarios* or which are the object of *participaciones hipotecarias* or *certificados de transmisión de hipoteca*, without prejudice to the universal liability of the Issuer, and, if they exist, by the substitute assets (*activos de sustitución*) listed in article 17.2 of Law 2/1981 and by the economic flows generated by the derivative financial instruments linked to each issue, in accordance with the provisions of Law 2/1981 and of Royal Decree 716/2009.

Pursuant to article 16 of Law 2/1981 and article 24 of Royal Decree 716/2009, the volume of *cédulas hipotecarias* issued by the Issuer and outstanding cannot not exceed 80% of the outstanding principal amount of the mortgage loans and credits in its portfolio which meet the requirements laid down in section II of Law 2/1981, excluding any mortgage loans and credits affected to *bonos hipotecarios* or which are the object of *participaciones hipotecarias*. Such eligible loans and credits will include the principal of the *participaciones hipotecarias* acquired by the Issuer, which are in its portfolio and are also eligible.

In addition, the Covered Bonds can be covered up to 5% of their principal amount outstanding by the substitute assets (*activos de sustitución*) listed in article 17.2 of Law 2/1981, if any.

According to article 14 of Law 2/1981, holders of *cédulas hipotecarias* (including Covered Bonds) shall be treated as creditors with special preference, ranking in accordance with the provisions of article 1923.3 of the Spanish Civil Code, *vis-à-vis* any other creditors, as regards all the mortgage loans and credits registered in favour of the Issuer, except for those affected to *bonos hipotecarios* or which are the object of *participaciones hipotecarias* or *certificados de transmisión de hipoteca*, and with regard to the substitute assets (*activos de sustitución*) and the economic flows generated from the derivative financial instruments linked to the issues, if any. All holders of *cédulas hipotecarias* (including Covered Bonds), whatever their issue date, shall have the same priority over the loans and credits that secure them, and over the substitute assets (*activos de sustitución*) and the economic flows generated by the derivative instruments linked to the particular issues, if any.

In the event of the insolvency (*concurso*) of the Issuer, holders of *cédulas hipotecarias* (including Covered Bonds) shall enjoy the special privilege established in article 90.1.1 of the Insolvency Law. This notwithstanding, during any such insolvency (*concurso*), in accordance with article 84.2.7 of the Insolvency Law, any payments arising from repayment of principal and interest of *cédulas hipotecarias* (including Covered Bonds) which are outstanding as of the date of such

insolvency (*concurso*) proceedings shall be treated as credits against the insolvent estate (*créditos contra la masa*) up to the amount collected by the Issuer from the mortgage loans and credits and, if they exist, from the substitute assets (*activos de sustitución*) which cover the relevant *cédulas hipotecarias* and from the economic flows generated by derivative financial instruments linked to the relevant issues.

Pursuant to article 12 of Law 2/1981 and article 21 of Royal Decree 716/2009, the Issuer will keep a special accounting registry of the mortgage loans and credits which serve as collateral for *cédulas hipotecarias* (stating whether they are eligible in accordance with article 3 of Royal Decree 716/2009) and of the substitute assets (*activos de sustitución*) and the derivative financial instruments linked to each issue, if any.

## 5. Fixed Rate Provisions

- (a) *Application:* This Condition 5 (*Fixed Rate Provisions*) is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Covered Bonds Final Terms as being applicable.
- (b) *Accrual of interest:* The Covered Bonds bear interest on their Outstanding Principal Amount from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment) until the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Holder.
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount.
- (d) *Covered Bonds accruing interest otherwise than a Fixed Coupon Amount:* This Condition 5(d) shall apply to Covered Bonds which are Fixed Rate Covered Bonds only where the Covered Bonds Final Terms for such Covered Bonds specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The relevant amount of interest payable in respect of each Covered Bond for any Interest Period for such Covered Bonds shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer (if applicable) and to the Holders in accordance with Condition 12 (*Notices*) and, if the Covered Bonds are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.
- (e) *Calculation of interest amount:* The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded

figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means one cent.

## 6. Floating Rate Provisions

- (a) *Application:* This Condition 6 (*Floating Rate Provisions*) is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Covered Bonds Final Terms as being applicable.
- (b) *Accrual of interest:* The Covered Bonds bear interest on their Outstanding Principal Amount from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Holder.
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Covered Bonds Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Calculation Agent on the following basis:
- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (B) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Covered Bonds Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
- (1) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (2) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;
- provided, however, that* if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;
- (C) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (D) if, in the case of (A) above, such rate does not appear on that page or, in the case of (C) above, fewer than two such rates appear on that page or if, in either case,

the Relevant Screen Page is unavailable, the Calculation Agent (other than in the circumstances described in Condition 6(i) (*Benchmark Discontinuation*)) will:

- (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (2) determine the arithmetic mean of such quotations; and
- (E) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period.
- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Covered Bonds Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Covered Bonds Final Terms;
  - (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Covered Bonds Final Terms;
  - (C) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Covered Bonds Final Terms; and
  - (D) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Covered Bonds Final Terms, the rate for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

- (1) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (2) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

*provided, however, that* if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall (other than in the circumstances described in Condition 6(i) (*Benchmark Discontinuation*)) determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Covered Bonds Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the relevant Covered Bonds Final Terms, the Minimum Rate of Interest shall be deemed to be zero.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer (if applicable) and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Holders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer (if applicable), the Holders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (i) *Benchmark Discontinuation:* Notwithstanding the foregoing provisions of this Condition 6, if a Benchmark Event occurs when any Rate of Interest (or any component

part thereof) remains to be determined by reference to a Reference Rate, then the following shall apply:

- (i) The Issuer 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 and, in either case, an Adjustment Spread, if any (in accordance with subparagraph (iv) below) no later than three Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the "**IA Determination Cut-off Date**") for purposes of determining the Rate of Interest applicable to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 6(i)).
- (ii) If (i) the Issuer 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 6(i) prior to the IA Determination Cut-off Date, then the Issuer (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 for purposes of determining the Rate of Interest applicable to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 6(i)).

If this subparagraph (ii) applies and the Issuer is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the Interest Determination Date relating to the next succeeding Interest Period in accordance with this subparagraph (ii), the Reference Rate shall be equal to the Reference Rate for a term equivalent to the relevant Interest Period published on the Relevant Screen Page as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

For the avoidance of doubt, this subparagraph (ii) shall apply to the relevant next succeeding Interest Period, and any subsequent Interest Periods are subject to the subsequent operation of, and adjustment as provided in, subparagraph (i) of this Condition 6(i).

- (iii) If a Successor Rate or an Alternative Rate is determined in accordance with the preceding provisions, such Successor Rate or Alternative Rate shall be the benchmark in relation to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 6(i)).
- (iv) If the Independent Financial Adviser or the Issuer, 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) for each subsequent determination of a relevant Rate of Interest and Interest Amount(s) (or a component part thereof) by reference to such Successor Rate or the Alternative Rate.

- (v) If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with the above provisions and the Independent Financial Adviser or the Issuer, 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, Relevant Screen Page, the Business Days Convention, Business Day, the Interest Determination Date and/or the definition of Reference Rate applicable to the Covered Bonds, and the method for determining the fallback rate in relation to the Covered Bonds, in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread, which changes shall apply to the Covered Bonds for all future Interest Periods (subject to the subsequent operation of this Condition 6(i)).

In connection with any such variation in accordance with this subparagraph (v), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

- (vi) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any changes pursuant to subparagraph (v) will be notified promptly by the Issuer to the Holders in accordance with Condition 12 (*Notices*). Such notice shall be irrevocable and shall specify the effective date of the changes pursuant to subparagraph (v), if any, and will be binding on the Issuer and the Holders.

## 7. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 8 (*Payments*). The Maturity Date of the Covered Bonds will not exceed 50 years from the Issue Date.
- (b) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Covered Bonds Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Covered Bonds Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption on the Issuer's giving not less than 15 calendar days' notice nor more than 60 calendar days' to the Holders, or such other period(s) as may be specified in the relevant Covered Bonds Final Terms (which notice shall be irrevocable and upon expiry of which the redemption shall take place).
- (c) *Partial redemption*: If the Covered Bonds are to be redeemed in part only on any date in accordance with this Condition 9(c) (*Redemption at the option of the Issuer*), each Covered Bond shall be redeemed in part in the proportion which the aggregate Outstanding Principal Amount of the outstanding Covered Bonds to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate Outstanding Principal Amount of outstanding Covered Bonds on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Covered Bonds Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (d) *Redemption due to legal reasons*: If the Issuance Limit is exceeded for any reason, the Covered Bonds may be redeemed at the option of the Issuer up to the amount in excess over the Issuance Limit in accordance with Spanish legislation by decreasing the



Outstanding Principal Amount of all *cédulas hipotecarias* (including any Covered Bonds) in the proportion which the aggregate Outstanding Principal Amount of each issuance of *cédulas hipotecarias* (including any Covered Bonds) to be redeemed on the relevant redemption date bears to the aggregate Outstanding Principal Amount of all *cédulas hipotecarias* (including any Covered Bonds) on such date, with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, on the Issuer's giving not less than 10 calendar days' notice to the Holders, or such other period(s) as may be specified in the relevant Covered Bonds Final Terms (which notice shall be irrevocable and upon expiry of which the redemption shall take place).

*Pursuant to current Spanish law, the amount of cédulas hipotecarias (including any Covered Bonds) exceeding the Issuance Limit must be reduced by the Issuer within four months by undertaking any of the actions described in article 25 of Royal Decree 716/2009. As a result, the Issuer may proceed to redeem cédulas hipotecarias early either (i) as described in the paragraph above; or (ii) by cancelling any cédulas hipotecarias (including any Covered Bonds) that the Issuer may hold in its portfolio, up to the amount of the excess in accordance with applicable legislation.*

- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in paragraphs (a) to (c) above.
- (f) *Purchase:* The Issuer or its Subsidiaries may at any time purchase Covered Bonds in the open market or otherwise and at any price.

## **8. Payments**

- (a) *Principal and interest:* Payments in respect of the Covered Bonds (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET2 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 Business Day 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 Covered Bonds. None of the Issuer or, if applicable, any of the dealers will have any responsibility or liability for the records relating to payments made in respect of the Covered Bonds.
- (b) *Payments subject to fiscal laws:* All payments in respect of the Covered Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof ("**FATCA**"), or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (c) *Payments on business days:* If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day, the Holder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

**9. Taxation**

- (a) *No gross up:* All payments made by or on behalf of the Issuer in respect of the Covered Bonds will be made subject to and after deduction or withholding required to be made by law for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax. The Issuer will not be required to pay any additional or further amounts in respect of such deduction or withholding.
- (b) For the avoidance of doubt, the Issuer shall not be required to pay any additional amounts in relation to any FATCA Withholding Tax.

**10. Prescription**

Claims for payment in respect of Covered Bonds will become void unless made within a period of three years after the Relevant Date therefor.

**11. Further Issues**

The Issuer may from time to time, without the consent of the Holders, create and issue further notes having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

**12. Notices**

The Issuer 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 Covered Bonds are for the time being listed and/or admitted to trading.

If the Covered Bonds are listed on AIAF, to the extent required by the applicable regulations, the Issuer shall ensure that (i) the communication of all notices will be made public to the market through an announcement 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 Issuer may approve.

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

**13. Governing Law and Jurisdiction**

- (a) *Governing law:* The Covered Bonds and any non-contractual obligations arising out of or in connection with the Covered Bonds shall be governed by, and construed in accordance with, Spanish law.
- (b) *Spanish courts:* 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 Covered Bonds (including a dispute relating to any non-contractual obligations arising out of or in connection with the Covered Bonds).

## FORM OF COVERED BONDS FINAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Covered Bonds 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 European Economic Area ("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 Directive 2014/65/EU (as amended, "**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 required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

**[MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); AND (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**Covered Bonds Final Terms dated [•]**

**ABANCA Corporación Bancaria, S.A.**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]**

**Legal Entity Identifier (LEI): 54930056IRBXX0Q1FP96**

**Euro Medium Term Note and Covered Bond Programme**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Covered Bonds (the "**Conditions of the Covered Bonds**") set forth in the Base Prospectus dated [•] [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Covered Bonds Final Terms of the Covered Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information on the Issuer and the offer of Covered Bonds.]

The Base Prospectus [and the supplement[s] to it dated [date] [and [date]] [has/have] been published on the website of the Issuer ([www.abancacorporacionbancaria.com](http://www.abancacorporacionbancaria.com)) and on the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)).

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

[In accordance with the Prospectus Regulation, no prospectus is required in connection with the issuance of the Covered Bonds described herein.]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Covered Bonds Final Terms.]*

1. Issuer: ABANCA Corporación Bancaria, S.A.
2. (i) Series Number: [•]  
(ii) Tranche Number: [•]  
(iii) Date on which the Covered Bonds become fungible: [Not Applicable / The Covered Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date].
3. Specified Currency [EUR]
4. (i) Aggregate Nominal Amount: [•]  
(a) Series: [•]  
(b) Tranche: [•]  
(ii) Number of Covered Bonds: [•]  
(a) Series: [•]  
(b) Tranche: [•]
5. Issue Price: [•]% of the Aggregate Nominal Amount of the Tranche [plus accrued and unpaid interest from [•] (*in the case of fungible issues only, if applicable*)]
6. Minimum Subscription Amount: [EUR [•]]
7. (i) Specified Denominations: [EUR]  
*(No Covered Bonds may be issued which have a minimum denomination of less than EUR100,000 (or equivalent in another currency))*  
(ii) Calculation Amount: [•]
8. (i) Issue Date: [•]  
(ii) Interest Commencement Date: [[•] / Issue Date / Not Applicable]
9. Maturity Date: [[•] / Interest Payment Date in or nearest to [•] (*for Floating Rate Covered Bonds*)]
10. Interest Basis: [[•]% Fixed Rate]

[[•][•] [EURIBOR] [+/-] [•]% Floating Rate]  
 [[•]% Fixed Rate to [[•][•] [EURIBOR] [+/-] [•]% Floating Rate]]  
 [[[•][•] [EURIBOR] [+/-] [•]% Floating Rate] to [•]% Fixed Rate]  
 (see paragraph [15/16] below)

11. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at [•]/[100]% of their nominal amount.
12. Change of Interest or Redemption/Payment Basis: [*Specify the date when any Fixed to Floating or Floating to Fixed rate change occurs or refer to paragraphs 16 and 17 below and identify there / Not Applicable*]
13. Call Options: [Issuer Call]  
 [(See paragraph [17] below)]
14. Date relevant approval for issuance of Covered Bonds obtained: [•]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Provisions [Applicable [from [•] to [•]] / Not Applicable]  
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate(s) of Interest: [•]% per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / No Adjustment]
- (iv) Additional Business Centre(s): [Not Applicable / [•]]
- (v) Fixed Coupon Amount: [•] per Calculation Amount
- (vi) Broken Amount(s): [Not Applicable / [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]]
- (vii) Day Count Fraction: [30/360 / Actual/Actual [(ICMA/ISDA)] / Actual/365 (Fixed) / Actual/360 / 30E/360 [(ISDA)]]
16. Floating Rate Provisions [Applicable/Not Applicable]  
 (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
- (i) Specified Period: [•]

- (ii) Interest Payment Date(s): [•]
- (iii) [First Interest Payment Date]: [•]
- (iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / No Adjustment]
- (v) Additional Business Centre(s): [Not Applicable / [•]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination / ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s): [•] shall be the Calculation Agent
- (viii) Screen Rate Determination:
- Reference Rate: [•][•] [EURIBOR]
  - Interest Determination Date(s): [•]  
*(in the case of EURIBOR, the second TARGET2 Settlement Day before the first day of the relevant Interest Period)*
  - Relevant Screen Page: [•]
  - Relevant Time: [•]  
*(in the case of EURIBOR, 11.00 a.m. Brussels time)*
  - Relevant Financial Centre: [•]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - ISDA Benchmarks Supplement: [Applicable / Not Applicable]
- (x) Linear interpolation Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xi) Margin(s): [+/-] [•]% per annum

- (xii) Minimum Rate of Interest: [[•]% per annum / Not applicable]
- (xiii) Maximum Rate of Interest: [[•]% per annum / Not applicable]
- (xiv) Day Count Fraction: [30/360 / Actual/Actual [(ICMA/ISDA)] / Actual/365 (Fixed) / Actual/360 / 30E/360 [(ISDA)]]

**PROVISIONS RELATING TO REDEMPTION**

- 17. Call Option [Applicable / Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
  - (i) Optional Redemption Date(s): [[•] / Any date falling in the Optional Redemption Period (call) / Not Applicable]
  - (ii) Optional Redemption Period: [[•] / Not Applicable]
  - (iii) Optional Redemption Amount(s) (Call) of each Covered Bond and method, if any, of calculation of such amount(s): [[•] per Calculation Amount / [•]]
  - (iv) Redemption in part: [Applicable/Not Applicable]
  - (a) Minimum Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Redemption Amount: [•] per Calculation Amount
  - (iv) Notice period: [•]
- 18. Notice period for Redemption due to legal reasons [•]
- 19. Final Redemption Amount of each Covered Bond [•] per Calculation Amount

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

- 20. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable /give details].
- 21. Substitute assets (*activos de sustitución*) or derivative financial instruments linked to each issue: [No / [details]]

Signed on behalf of ABANCA Corporación Bancaria, S.A.:

By: .....  
Duly authorised

Date:



## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Admission to Trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [AIAF / other stock exchange or market (either Spanish, European or non-European, including regulated markets, multilateral trading facilities or any other organised markets)] [with effect from [•] / within 30 days following the Issue Date / Other time period].]
- (When documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

The Covered Bonds to be issued [have been/are expected to be] rated/[The following ratings reflect ratings assigned to Covered Bonds of this type issued under the Programme generally]:

- Ratings: [Standard & Poor's: [•]]
- [Moody's: [•]]
- [Fitch: [•]]
- [[Other]: [•]]

#### ***Option 1 - CRA established in the EEA and registered under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").

#### ***Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration***

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].

***Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration***

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Covered Bonds is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Dealers/Calculation Agent] and those that may eventually payable to any Independent financial Advisor (if eventually appointed), so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer. Notwithstanding the above, [any of the] the Dealer[s] might be appointed as Independent Financial Adviser (should one be eventually appointed). The [Dealers/Calculation Agent] and any Independent financial Advisor (if eventually appointed) and their affiliates have engaged,

and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests (including when the Issuer, any member of the ABANCA Group or any dealer or any member of their groups acts as Calculation Agent))*

#### 4. YIELD

Indication of yield: [•]

*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

#### 5. OPERATIONAL INFORMATION

ISIN: [•]

Common Code: [•]

Delivery: Delivery [against/free of] payment

Relevant Benchmark[s]: *[[specify benchmark] is provided by [administrator legal name]][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011]/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [name of administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)]/ [Not Applicable]*

#### 6. DISTRIBUTION

(i) Method of Distribution: [Syndicated / Non-syndicated]

(ii) If syndicated:

(A) Names of dealers [Not Applicable/give names]

(B) Stabilisation Manager(s), if any: [Not Applicable/give names]

(iii) If non-syndicated, name of dealer:

(iv) Countries to which the Base Prospectus has been communicated:

(v) U.S. Selling Restrictions: Reg S Compliance Category [1/2] – Not Rule 144A Eligible

7. **REASONS FOR THE OFFER  
AND ESTIMATED NET  
AMOUNT OF PROCEEDS**

Reasons for the offer: [See ["Use of Proceeds"] in Base Prospectus/Give details]

Estimated net proceeds: [ ]

## **USE OF PROCEEDS**

The net proceeds from each issue of Securities will be applied by the Issuer for the general financing requirements of the ABANCA Group. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## 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 the registered address of ABANCA is (+34) 981 18 70 00 and its corporate website is "[www.abancacorporacionbancaria.com/](http://www.abancacorporacionbancaria.com/)" (the information on the corporate website of the Issuer does not form part of this Base Prospectus unless that information is incorporated by reference into this Base 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). 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.

### History

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

- On 25 June 2014, the transfer to ABANCA Holding Financiero, S.A. ("**ABANCA Holding**") (a company that was mainly owned by Mr. Juan Carlos Escotet Rodríguez) 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.
- In August 2014, the boards of directors of the Bank and Banco Etcheverría, S.A. approved the absorption of Banco Etcheverría by the Bank (the merger was registered with the Commercial Registry in November 2014). The activities of Banco Etcheverría, S.A. were located in the autonomous regions (*comunidades autónomas*) of Galicia, Madrid, Asturias, Castilla-La Mancha, Aragón and Canarias and also in the provinces of León and Valladolid.
- In December 2014, the General Shareholders' Meeting of the Bank agreed to amend the Bank's name, thus becoming "ABANCA Corporación Bancaria, S.A.".
- 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. Popular Servicios Financieros, E.F.C., S.A.U. had a deep knowledge of consumer business and a historic base of prescribers focused on transactions with good quality in terms of payment capacity.
- On 9 June 2019, ABANCA completed the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal ("**DB PCB**"). DB PCB is a business unit specialised in retail and private

banking services (specially focused on personal and private banking), whose business generation capacity with corporations is expected to be leveraged on the ABANCA Group's know-how. This acquisition also contributes private and personal clients to the ABANCA Group, which in turn contributes to fees potential.

- On 10 June 2019, the annual general shareholders' meeting of ABANCA approved the absorption of ABANCA Holding by ABANCA (the "**Merger**"). The Merger was approved on 14 June 2019 by the annual general shareholders' meeting of ABANCA Holding and has been registered with the Commercial Registry in February 2020.
- On 14 October 2019, ABANCA completed the acquisition of 99.8% of the shares in Banco Caixa Geral, S.A. ("**BCG**"), the former Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos. The main business segments of BCG were retail banking, private banking and corporate banking. This acquisition allowed the ABANCA Group to extend its commercial network (mainly in the autonomous region of Castilla y León) and to reinforce its presence in Extremadura and Galicia.

Following that acquisition, the relevant corporate bodies of ABANCA and BCG approved the absorption of BCG by ABANCA (the "**BCG Absorption**"), this absorption has been registered with the Commercial Registry in March 2020.

- On 10 February 2020, ABANCA reached an agreement for the acquisition of 95% of the shares in EuroBic (the "**EuroBic Transaction**"), a credit entity belonging to group headed by Banco BIC, S.A., details of the transaction were reported to the Banco de Portugal. The EuroBic Transaction is conditional on carrying out a satisfactory due diligence.

The acquisition is expected to strengthen the presence of the ABANCA Group in Portugal thanks to its solid customer network, complementing the recent acquisition of DB PCB. In accordance with publicly available financial report published by Eurobic, as of 31 December 2019, its business volume amounted to €11,700 million and it had a loan portfolio of €5,198 million and €6,148 million of deposits. The NPL Ratio of EuroBic stood at 6.6% as at that date; and it had 1,482 employees, 266,670 customers and 185 branches.

### **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:

1. *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.
2. *Customer experience* is intended to bring a multi-channel relation with clients, as well as a homogenous client experience, with high standards and 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).
3. *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).

In the first two years 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:

- A. *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.

This business line contributed 82.91% of the gross margin of the ABANCA Group for the one year period ended on 31 December 2019 (63.92% for the one year period ended on 31 December 2018) and 71.19% of the profit before tax from continuing operations of the ABANCA Group for the one year period ended on 31 December 2019 (46.24% for the one year period ended on 31 December 2018).

- B. *Wholesale Banking*: market activity (treasury, issues, fixed income portfolio, etc.) and management of the equity portfolio in which ABANCA has non-significant shareholdings.

This business line contributed 7.50% of the gross margin of the ABANCA Group for the one year period ended on 31 December 2019 (27.60% for the one year period ended on 31 December 2018) and 21.33% of the profit before tax from continuing operations of the ABANCA Group for the one year period ended on 31 December 2019 (45.61% for the one year period ended on 31 December 2018).

- 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.

This business line contributed 9.59% of the gross margin of the ABANCA Group for the one year period ended on 31 December 2019 (8.48% for the one year period ended on 31 December 2018) and 7.48% of the profit before tax from continuing operations of the ABANCA Group for the one year period ended on 31 December 2019 (8.15% for the one year period ended on 31 December 2018).



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 2019 and 2018:

*Financial year 2019*

SEGMENTATION 2019 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	<i>(€ million)</i>			
<b>Net interest income</b>	<b>616.75</b>	<b>(75.40)</b>	<b>33.28</b>	<b>574.64</b>
Dividend income	-	12.99	-	12.99
Share of profit or loss of equity-accounted investees	-	-	(1.19)	(1.19)
Fee and commission income and expense	205.50	(0.04)	-	205.46
Gains or losses on financial assets and liabilities	-	121.88	0.21	122.09
Exchange differences, net	-	4.81	(0.03)	4.78
Other operating income and expenses	(67.04)	4.05	55.05	(7.94)
<b>Gross margin</b>	<b>755.21</b>	<b>68.31</b>	<b>87.32</b>	<b>910.84</b>
Personnel expenses	(331.46)	(10.66)	(14.45)	(356.56)
Other administrative expenses, depreciation and amortization	(252.86)	(20.16)	(40.54)	(313.55)
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	(95.27)	2.62	(0.28)	(92.93)
<b>Net Operating Income</b>	<b>75.62</b>	<b>40.12</b>	<b>32.06</b>	<b>147.80</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.84)	60.37	0.01	57.54
Gains or losses on derecognition of non-financial assets and investments, net	(13.09)	56.37	0.21	43.49
Negative goodwill recognised in profit or loss	231.68	-	-	231.68
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	14.89	(65.10)	(0.10)	(50.31)
<b>Profit before tax from continuing operations</b>	<b>306.26</b>	<b>91.76</b>	<b>32.18</b>	<b>430.20</b>

*Financial year 2018*

SEGMENTATION 2018 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	<i>(€ million)</i>			
<b>Net interest income</b>	<b>545.57</b>	<b>(17.48)</b>	<b>33.18</b>	<b>561.27</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	(0.02)	-	176.23
Gains or losses on financial assets and liabilities	-	289.25	(0.44)	288.81
Exchange differences, net	(0.04)	4.46	(0.08)	4.34
Other operating income and expenses	(39.73)	6.33	48.02	14.62
<b>Gross margin</b>	<b>682.05</b>	<b>294.51</b>	<b>90.45</b>	<b>1,067.00</b>
Personnel expenses	(298.17)	(9.55)	(12.01)	(319.73)
Other administrative expenses, depreciation and amortization	(209.05)	(98.79)	(42.87)	(350.72)
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)	(1.11)	(1.81)	(38.03)
<b>Net Operating Income</b>	<b>139.71</b>	<b>185.06</b>	<b>33.76</b>	<b>358.53</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	(1.02)	-	(1.02)
Gains or losses on derecognition of non-financial assets and investments, net	3.78	7.73	(1.91)	9.60
Negative goodwill recognised in 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	(13.16)	0.05	24.46
<b>Profit before tax from continuing operations</b>	<b>181.07</b>	<b>178.61</b>	<b>31.90</b>	<b>391.58</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 in 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 2019 and 2018:

#### ***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, León and Extremadura, (ii) rest of Spain, and (iii) Portugal. Please see "*Distribution channels*" below.

As of 31 December 2019, ABANCA had approximately 2.2 million customers, of whom 2.1 million were active customers. In turn, these 2.1 million active customers are divided into 1.8 million individual customers and 0.3 million self-employed and corporate clients.

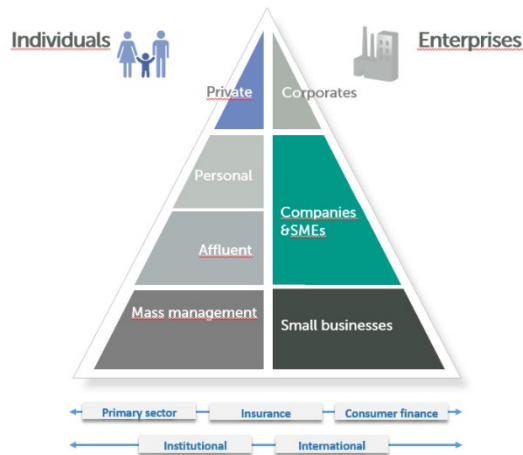
The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Retail Banking" business segment for the financial years 2019 and 2018:

<b>RETAIL BANKING (in accordance with IFRS-EU)</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>Var.</b>
		<i>(€ million)</i>	
<b>Net interest income</b>	<b>616.75</b>	<b>545.57</b>	<b>13.05%</b>
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	205.50	176.24	16.60%
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	-	(0.04)	(100.00%)
Other operating income and expenses	(67.04)	(39.73)	68.75%
<b>Gross margin</b>	<b>755.21</b>	<b>682.05</b>	<b>10.73%</b>
Personnel expenses	(331.46)	(298.17)	11.16%
Other administrative expenses, depreciation and amortization	(252.86)	(209.05)	20.96%
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	(95.27)	(35.11)	171.32%
<b>Net Operating Income</b>	<b>75.62</b>	<b>139.71</b>	<b>(45.87%)</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.84)	-	n.a.
Gains or losses on derecognition of non-financial assets and investments, net	(13.09)	3.78	n.a.
Negative goodwill recognised in profit or loss	231.68	-	n.a.
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	14.89	37.58	(60.37%)
<b>Profit before tax from continuing operations</b>	<b>306.26</b>	<b>181.07</b>	<b>69.14%</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 87% of its total active customers and 50% of the financing granted to customers as of 31 December 2019. Within this total, as of 31 December 2019, €14.7 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 monthly 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 31 December 2019, this segment represented 8% of the total number of active customers, and it is one of the main pillars of 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 31 December 2019, this segment had more than 7,400 customers.

The team of professionals who form the private banking unit include both senior advisers and the asset planner. Portfolio delegated management service is 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 31 December 2019, the ABANCA Group had a customer base of more than 289,400 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 171,500 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 31 December 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 a 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 102 branches as of 31 December 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 218 branches as of 31 December 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 y Pensiones" 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 initial 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 corporate restructuring concluded in 2016 with the merger of both companies. Finally, in 2019, the insourcing of ABANCA Vida y Pensiones was completed, which equipped ABANCA Vida y Pensiones with a technological system to now conduct internally its processes (without external suppliers taking part); hence greater management efficiency, improved customer experience, greater product customization, and better sales support are expected to be obtained.

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 (the "**Crédit Agricole Assurances Agreement**"). 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 to 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 €35.9 million new general insurance premiums in 2019, representing an increase of 18.7% compared to 2018.

#### *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 1,530 customers throughout Spain as of 31 December 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 355 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 UK, 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.

### Recoveries and Real Estate 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<sup>20</sup> decreased significantly from 13.9% as of 31 December 2014 to 2.8% as of 31 December 2019.

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 31 December 2019, the internal commercial team directed and co-ordinated a group of more than 520 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).

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20 The NPL ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "Description of ABANCA—Alternative Performance Measures".



## B. Wholesale Banking

Although ABANCA finances its credit activity as a retail business (with a Retail Loan to Deposits ratio<sup>21</sup> of 96.3% as of 31 December 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.

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 before tax of the ABANCA Group's "Wholesale Banking" business segment for the financial years 2019 and 2018:

WHOLESALE BANKING (in accordance with IFRS-EU)	31 December 2019	31 December 2018 (€ million)	Var.
<b>Net interest income</b>	<b>(75.40)</b>	<b>(17.48)</b>	<b>331.46%</b>
Dividend income	12.99	11.97	8.58%
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	(0.04)	(0.02)	117.65%
Gains or losses on financial assets and liabilities	121.88	289.25	(57.86%)
Exchange differences, net	4.81	4.46	7.99%
Other operating income and expenses	4.05	6.33	(35.98%)
<b>Gross margin</b>	<b>68.31</b>	<b>294.51</b>	<b>(76.81%)</b>
Personnel expenses	(10.66)	(9.55)	11.58%
Other administrative expenses, depreciation and amortization	(20.16)	(98.79)	(79.60%)
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	2.62	(1.11)	n.a.
<b>Net Operating Income</b>	<b>40.12</b>	<b>185.06</b>	<b>(78.32%)</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	60.37	(1.02)	n.a.
Gains or losses on derecognition of non-financial assets and investments, net	56.37	7.73	629.53%
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(65.10)	(13.16)	394.71%
<b>Profit before tax from continuing operations</b>	<b>91.76</b>	<b>178.61</b>	<b>(48.63%)</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

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

companies of ABANCA except for the income and expenditure from commissions, which are incorporated into the retail banking segment).

As of 31 December 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 2019 and 2018:

NON FINANCIAL SUBSIDIARIES (in accordance with IFRS-EU)	31 December 2019	31 December 2018 (€ million)	Var.
<b>Net interest income</b>	<b>33.28</b>	<b>33.18</b>	<b>0.33%</b>
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	(1.19)	9.77	n.a.
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	0.21	(0.44)	n.a.
Exchange differences, net	(0.03)	(0.08)	(58.02%)
Other operating income and expenses	55.05	48.02	14.63%
<b>Gross margin</b>	<b>87.32</b>	<b>90.45</b>	<b>(3.46%)</b>
Personnel expenses	(14.45)	(12.01)	20.31%
Other administrative expenses, depreciation and amortization	(40.54)	(42.87)	(5.45%)
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	(0.28)	(1.81)	(84.63%)
<b>Net Operating Income</b>	<b>32.06</b>	<b>33.76</b>	<b>(5.02%)</b>
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	0.01	-	n.a.
Gains or losses on derecognition of non-financial assets and investments, net	0.21	(1.91)	n.a.
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(0.10)	0.05	n.a.
<b>Profit before tax from continuing operations</b>	<b>32.18</b>	<b>31.90</b>	<b>0.89%</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, Extremadura and the province of León: the "natural market" of ABANCA, where it has its major market share (as of 31 December 2019, ABANCA was the market leader in Galicia with a share of more than 40% (source: *Statement FI 132.E December 2019 of the Bank of Spain*)). ABANCA has a broad network of branches in its "natural market" (636 branches as at 31 December 2019).
- Rest of Spain: where the presence of ABANCA is selective and focused on larger towns (91 branches as of 31 December 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 a presence in the international markets through two operational branches in Switzerland and Miami (as of 31 December 2019) and representative offices (France, the UK, 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>Number of branches</b>	<b>Dec 2019</b>	<b>Dec 2018</b>
Spain .....	727	616
Galicia, Asturias, León and Extremadura .....	636	553
Rest of Spain .....	91	63
Portugal .....	71 <sup>(1)</sup>	4
Abroad .....	2	2
Representative offices abroad .....	8	8
<b>Total .....</b>	<b>808<sup>(1)</sup></b>	<b>630</b>

(1) Includes 27 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 DB PCB and BCG transactions (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. In addition, the EuroBic Transaction that is currently being sought would be aligned with the purpose of the DB PCB acquisition and, thus, if eventually executed, it is expected to reinforce the ABANCA Group's presence in the Portuguese market (specially within the SMEs sector).

### ***Digital channels***

ABANCA also has a virtual banking service (electronic, telephone and mobile banking) for all of its products that is used by 56% 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 9.3% during 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 2019, more than 843,000 customers of the ABANCA Group have used remote services for their queries and transactions; moreover, 60.2% 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 16.9%.

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 31 December 2019, ABANCA offers its customers a network of 1,254 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 31 December 2019, ABANCA had a wide network of point of sale terminals (39,563 units) and cards (2.2 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 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, Extremadura 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, León and Extremadura) as of 31 December 2019 exceeded 20% in credit, 24% in deposits and more than 22% in total turnover (source: *FI 132.E Statement of Bank of Spain dated 31 December 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 31 December 2019, ABANCA provided its services in 98 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 currently manages 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 ABANCA's mentioned "*natural market*". If the EuroBic transaction is finally executed, the incorporation to the ABANCA Group of EuroBic's business is expected to strengthen even more the ABANCA Group's position in Portugal, which would allow it to be present in all districts of the country. Additionally, 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 Base 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
Mr. Francisco Botas Ratera	Chief Executive Officer	Executive
Mr. Pedro Raúl López Jácome	Director	Other external(1)
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
Ms. Ana Valente da Cunha Barros	Director	Independent
Mr. Manuel Víctor López Figueroa	Director	Independent
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)	
Ms. María Consolación Borrás Retamero	Vice Secretary (non-member)	

- (1) 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 was 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. 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 Base Prospectus that are significant with respect to ABANCA:

Director	Company	Title
Mr. Juan Carlos Escotet Rodríguez	Confederación Española de Cajas de Ahorro	Director
	Banesco Holding, C.A.	Chairman
	Banesco Banco Universal, C.A.	Chairman
	Banesco Holding Latinoamérica, S.A.	Director
	Banesco Seguros, S.A. (República Dominicana)	Vice-Chairman
	Banesco USA	Vice-Chairman
	Banesco, S.A.	Director
	Banesco Seguros, S.A. (Panamá)	Director
	Banesco Banco Múltiple, S.A.	Vice-Chairman
	Cecabank, S.A.	Director
Mr. Francisco Botas Ratera	Miura Holding, C.V.	Director/ Chairman
	Miura Capital Panamá, Inc.	Director/ Chairman
	Imantia Capital S.G.I.I.C., S.A.	Vice-Chairman
Mr. Pedro Raúl López Jácome	Grifols, S.A.	Director
	Kanoar Ventures SGEIC, S.A.	Chairman
Ms. Carina Szpilka Lázaro	Asociación Española de la Economía Digital (Adigital)	Chairman
	Meliá Hotels International, S.A.	Director
	Banco Lafise Bancentro, S.A. (Nicaragua)	Director
Mr. Eduardo Eraña Guerra	Banco Lafise, S.A. (Costa Rica)	Director
	Banco Múltiple Lafise, S.A. (República Dominicana)	Director
	Banco Lafise (Honduras)	Director
	Banco Lafise Valores Puesto de Bolsa	Director
Ms. Leticia Iglesias Herraiz	AENA SME, S.A.	Director
	LAR España Real Estate Socimi, S.A.	Director
Ms. Ana Valente da Cunha Barros	Luis Pacheco de Melo, Lda.	Partner
	ECS Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Director

As of the date of this Base 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 Base 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. Manuel Víctor López Figueroa	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 Base 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 Base 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 authorised by ABANCA so that they are 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 said remunerations.

As of the date of this Base 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 Base 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
Ms. Ana Valente da Cunha Barros	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 Base 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

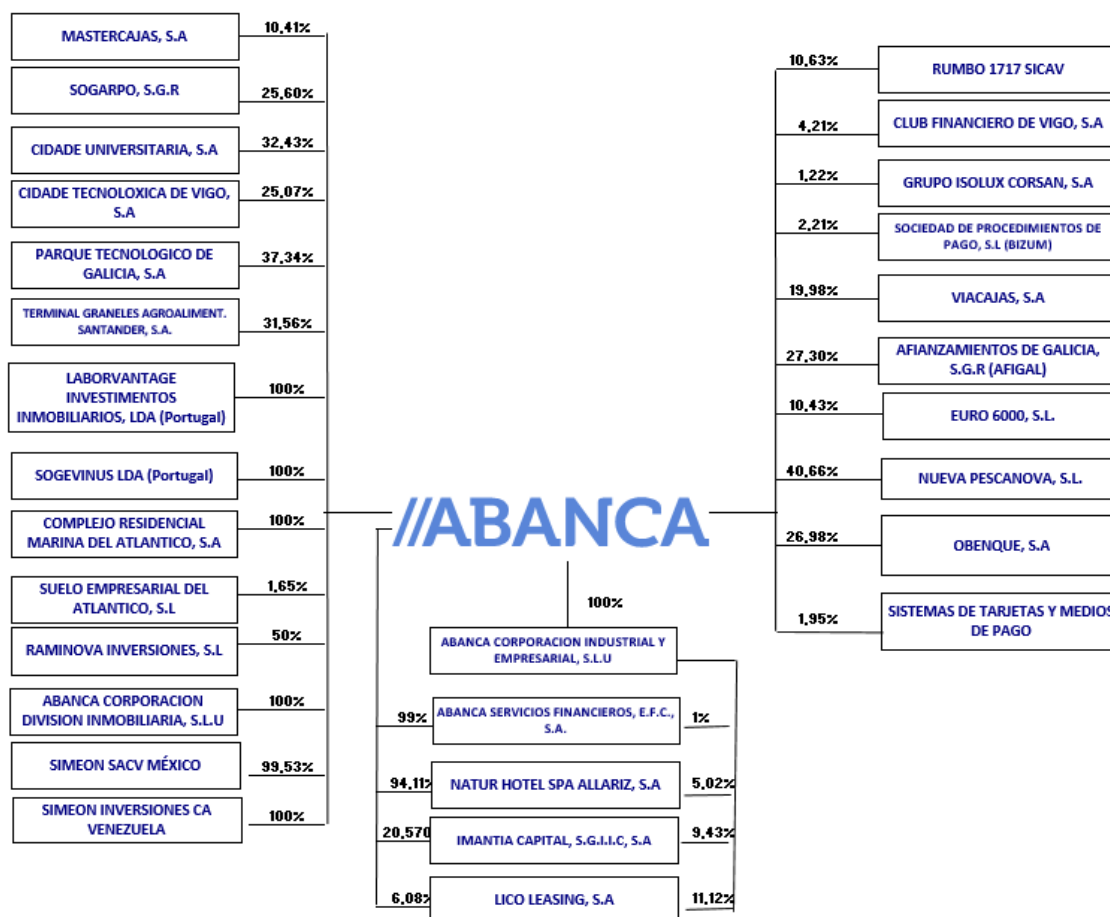
There are no members of the management team of ABANCA with activities performed outside ABANCA or companies or members of the ABANCA Group as of the date of this Base Prospectus that are significant with respect to ABANCA.

As of the date of this Base 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 31 March 2020:



The book value of the investees portfolio of the ABANCA Group (excluding fully consolidated subsidiaries and associates) and of ABANCA Corporación Industrial y Empresarial, S.L.U. amounted to €281.04 million as of 31 December 2019 (€351.85 million as of 31 December 2018) and as of that date there were no material pending recapitalisation commitments.

## CAPITAL STRUCTURE

### Share capital

As of the date of this Base 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 December 2019 the shareholders of ABANCA were:

Shareholder	Interest <sup>(*)</sup>
Mr. Juan Carlos Escotet Rodríguez	77.76%
Other shareholders	13.47%
Treasury shares	8.77%

(\*) These percentages reflect what would have been the effects of the absorption of ABANCA Holding by ABANCA on the shareholdings in ABANCA as of 31 December 2019.

## 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 Base Prospectus, a significant effect on the financial position or profitability of the ABANCA Group.

Notwithstanding the above, the ABANCA Group is involved in proceedings related to mortgage "floor clauses" (in connection with which the provisions of ABANCA Group amounted to €8.73 million as of 31 December 2019 (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with mortgage "floor clauses" as this type of clauses have not been included in the ABANCA Group agreements since 2011)), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which the provisions of ABANCA Group amounted to €0.86 million as of 31 December 2019), proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which the provisions of ABANCA Group amounted to €3.52 million as of 31 December 2019 (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with this matter)) and proceedings related to payment of stamp duty in mortgage loans (as further described below). In addition, the ABANCA Group has provisions amounting to €121 million to cover commitments with third parties in connection with its activity. No new provisions relating to legal proceedings have been required in the one year period ended 31 December 2019.

***Proceedings related to payment of stamp duty in mortgage loans***

On 5 November 2018, the Spanish 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 Spanish 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 Spanish 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 in relation to mortgage loans notarised prior to 10 November 2018 and first instance courts may rule in their favour on the basis of the recent case law of the Third Chamber (Administrative) of the Spanish Supreme Court. Also, courts may request to the European Court of Justice a preliminary ruling on the interpretation of the Spanish Stamp Duty Act, and the European Court of Justice could decide that lenders must pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018. The provisions set aside by the ABANCA Group in connection with this potential requirement to pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018 are included, together with provisions for other matters, in a provision for loan execution expenses that as of 31 December 2019 amounted to €2.23 million.

**OVERVIEW OF FINANCIAL INFORMATION**

The sections below contain financial information of the ABANCA Group extracted from its audited consolidated annual accounts, which have been prepared in accordance with IFRS-EU. The variations in the following tables have been calculated using the amounts in thousands of euros as to more accurately reflect the actual variation.

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

*(millions of euros)*

ASSETS	2019	2018	Var.

<b>Cash, cash balances with central banks and other demand deposits</b>	<b>3,136.57</b>	<b>1,367.69</b>	<b>129.33%</b>
<b>Financial assets held for trading</b>			
Derivatives	117.67	99.22	18.60%
Debt securities	76.98	3.82	1,916.79%
	194.66	103.03	88.92%
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>			
Equity instruments	285.22	338.96	(15.85%)
Debt securities	29.31	32.63	(10.17%)
Loans and advances			
Other debtors	-	1.01	(100.00%)
	314.54	372.59	(15.58%)
<b>Financial assets designated at fair value through profit or loss</b>			
Equity instruments	-	-	-
Debt securities	-	-	-
<b>Financial assets at fair value through other comprehensive income</b>			
Equity instruments	24.19	43.03	(43.78%)
Debt securities	5,056.17	7,736.79	(34.65%)
	5,080.36	7,779.82	(34.70%)
<b>Financial assets at amortized cost<sup>(1)</sup></b>			
Debt securities	5,895.75	3,868.85	52.39%
Loans and advances			
Credit institutions	855.07	1,334.56	(35.93%)
Other debtors	37,139.77	30,168.21	23.11%
	43,890.59	35,371.62	24.08%
<b>Derivatives - hedge accounting</b>	<b>53.09</b>	<b>31.09</b>	<b>70.77%</b>
<b>Investments in joint ventures and associates</b>			
Associates	219.49	226.38	(3.04%)
	219.49	226.38	(3.04%)
<b>Assets covered by insurance or reinsurance contracts</b>	<b>4.14</b>	<b>4.48</b>	<b>(7.46%)</b>
<b>Tangible assets</b>			
Fixed asset			
For own use	971.48	799.32	21.54%
Leased out under operating leases	0.24	-	n.a.
Investment property	296.13	311.27	(4.86%)
	1,267.85	1,110.59	14.16%
<b>Intangible assets</b>			
Goodwill	61.73	61.73	-
Other intangible assets	407.10	381.52	6.71%
	468.83	443.25	5.77%
<b>Tax asset</b>			
Current tax assets	102.87	91.47	12.46%
Deferred tax assets	3,401.74	3,399.59	0.06%
	3,504.61	3,491.06	0.39%
<b>Other assets</b>			
Insurance contracts linked to pensions	142.41	136.23	4.53%
Inventories	55.90	61.95	(9.77%)
Other assets	166.87	157.82	5.74%
	365.18	356.00	2.58%
<b>Non-current assets and disposal groups classified as held for sale</b>	<b>379.43</b>	<b>497.15</b>	<b>(23.68%)</b>
<b>TOTAL ASSETS</b>	<b>58,879.32</b>	<b>51,154.74</b>	<b>15.10%</b>

(1) For information on the evolution of this item please see subsection b) (*Business*) of section 4.2 (*Business and results*) of the Consolidated Management Report of the ABANCA for the year ended 31 December 2019 that is incorporated by reference.

<b>LIABILITIES AND EQUITY</b>	<b>2019</b>	<b>2018</b>	<b>Var.</b>
<b>Financial liabilities held for trading</b>			
Derivatives	116.54	72.72	60.27%

	116.54	72.72	60.27%
<b>Financial liabilities at amortized cost<sup>(1)</sup></b>			
Deposits			
Central banks	4,658.65	3,435.88	35.59%
Credit institutions	3,648.80	4,294.14	(15.03%)
Customers	41,350.19	35,457.89	16.62%
Debt securities issued	1,476.58	951.45	55.19%
Other financial liabilities	358.97	244.71	46.69%
<i>Memorandum item: subordinated liabilities</i>	672.78	5.79	11,521.66%
	51,493.18	44,384.06	16.02%
<b>Derivatives - hedge accounting</b>	<b>179.80</b>	<b>135.30</b>	<b>32.89%</b>
<b>Liabilities covered by insurance or reinsurance contracts</b>	<b>1,562.14</b>	<b>1,395.97</b>	<b>11.90%</b>
<b>Provisions</b>			
Pensions and other post-employment defined benefit obligations	160.90	158.44	1.55%
Outstanding taxes legal proceedings and litigation	16.68	17.20	(2.97%)
Commitments and guarantees given	77.42	83.64	(7.45%)
Other provisions <sup>(2)</sup>	134.92	86.20	56.51%
	389.91	345.48	12.86%
<b>Tax liabilities</b>			
Current tax liabilities	17.17	10.08	70.25%
Deferred tax liabilities	194.19	234.88	(17.32%)
	211.36	244.96	(13.72%)
<b>Other liabilities</b>	<b>271.81</b>	<b>245.16</b>	<b>10.87%</b>
<b>TOTAL LIABILITIES</b>	<b>54,224.74</b>	<b>46,823.64</b>	<b>15.81%</b>
<b>EQUITY</b>			
Own funds			
<b>Capital</b>			
Paid-up capital	2,453.66	2,453.66	-
<b>Share premium</b>	<b>433.90</b>	<b>433.90</b>	-
Equity instruments issued other than capital			
Other equity instruments issued	250.00	250.00	-
<b>Retained earnings</b>	<b>1,519.74</b>	<b>1,303.72</b>	<b>16.57%</b>
<b>Other reserves</b>			
Reserves or accumulated losses of investments in joint ventures and associates	(19.01)	(8.60)	121.20%
Other	(33.95)	2.47	n.a.
<b>Treasury shares</b>	<b>(230.54)</b>	<b>(229.73)</b>	<b>0.35%</b>
<b>Profit attributable to the owners of the Parent</b>	<b>405.02</b>	<b>360.58</b>	<b>12.32%</b>
<b>Interim dividends</b>	<b>(160.75)</b>	<b>(143.30)</b>	<b>12.18%</b>
	<b>4,618.06</b>	<b>4,422.70</b>	<b>4.42%</b>
<b>Accumulated other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
Actuarial gains or losses on defined benefit pension plans	(20.58)	(19.18)	7.26%
Fair value changes of equity instruments measured at fair value through other comprehensive income	3.61	2.70	33.90%
<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)	12.14	(18.70)	n.a.
Fair value changes of debt securities at fair value through other comprehensive income	40.52	(45.32)	n.a.
Share of other recognized income and expense of investments in joint ventures and associates	(0.33)	(11.13)	(97.01%)
	35.38	(91.62)	n.a.
<b>Minority interests (non-controlling interests)</b>			
Accumulated other comprehensive income	(0.03)	-	n.a.
Other items	1.16	0.01	10,463.64%
	1.14	0.01	10,218.18%
<b>TOTAL EQUITY</b>	<b>4,654.58</b>	<b>4,331.10</b>	<b>7.47%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>58,879.32</b>	<b>51,154.74</b>	<b>15.10%</b>

(1) For information on the evolution of this item please see subsection b) (*Business*) of section 4.2 (*Business and results*) of the Consolidated Management Report of the ABANCA for the year ended 31 December 2019 that is incorporated by reference.

(2) The increase in provisions is mainly due to providing for the estimated costs necessary to complete the BCG integration.

The table below includes the consolidated statements of profit and loss of the ABANCA Group for the years ended 31 December 2019 and 2018:

	<i>(millions of euros)</i>		
	<i>Income / (Expenses)</i>		
	<b>2019</b>	<b>2018</b>	<b>Var.</b>
<b>Interest Income</b>	<b>760.91</b>	<b>724.66</b>	<b>5.00%</b>
Financial assets at fair value through other comprehensive income	64.89	117.41	(44.73%)
Financial assets at amortized cost	715.43	632.68	13.08%
Other of interest income	(19.42)	(25.43)	(23.62%)
<b>Interest expense</b>	<b>(186.27)</b>	<b>(163.39)</b>	<b>14.00%</b>
<b>NET INTEREST INCOME<sup>(1)</sup></b>	<b>574.64</b>	<b>561.27</b>	<b>2.38%</b>
<b>Dividend income</b>	<b>12.99</b>	<b>11.97</b>	<b>8.58%</b>
<b>Share of profit or loss of equity-accounted investees</b>	<b>(1.19)</b>	<b>9.77</b>	<b>n.a.</b>
<b>Fee and commission income</b>	<b>234.32</b>	<b>197.75</b>	<b>18.50%</b>
<b>Fee and commission expense</b>	<b>(28.86)</b>	<b>(21.52)</b>	<b>34.10%</b>
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net<sup>(2)</sup></b>	<b>81.39</b>	<b>105.68</b>	<b>(22.99%)</b>
Financial assets at amortized cost	(0.29)	(0.64)	(54.91%)
Other financial assets and liabilities	81.68	106.32	(23.18%)
<b>Gains or losses on financial assets and liabilities held for trading, net<sup>(2)</sup></b>	<b>(1.80)</b>	<b>0.66</b>	<b>n.a.</b>
Other gains or (-) losses	(1.80)	0.66	n.a.
<b>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net<sup>(2)</sup></b>	<b>44.71</b>	<b>190.04</b>	<b>(76.47%)</b>
Other gains or (-) losses	44.71	190.04	(76.47%)
<b>Gains or losses from hedge accounting, net<sup>(2)</sup></b>	<b>(2.20)</b>	<b>(7.58)</b>	<b>(70.95%)</b>
<b>Exchange differences, net</b>	<b>4.78</b>	<b>4.34</b>	<b>10.24%</b>
<b>Other operating income<sup>(3)</sup></b>	<b>75.94</b>	<b>87.61</b>	<b>(13.32%)</b>
<b>Other operating expenses<sup>(4)</sup></b>	<b>(109.79)</b>	<b>(94.01)</b>	<b>16.79%</b>
<b>Income from assets covered by insurance or reinsurance contracts</b>	<b>281.32</b>	<b>295.80</b>	<b>(4.89%)</b>

Expenses from liabilities covered by insurance or reinsurance contracts	(255.42)	(274.78)	(7.05%)
<b>GROSS INCOME<sup>(5)</sup></b>	<b>910.84</b>	<b>1,067.00</b>	<b>(14.64%)</b>
<b>Administrative expenses<sup>(6)</sup></b>	<b>(580.27)</b>	<b>(541.70)</b>	<b>7.12%</b>
Personnel expenses	(356.56)	(319.73)	11.52%
Other administrative expenses	(223.71)	(221.97)	0.78%
<b>Depreciation and amortization<sup>(6)</sup></b>	<b>(89.84)</b>	<b>(128.75)</b>	<b>(30.22%)</b>
<b>Provisions or reversals of provisions<sup>(7)</sup></b>	<b>(53.34)</b>	<b>(12.17)</b>	<b>338.32%</b>
<b>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</b>	<b>(39.59)</b>	<b>(25.86)</b>	<b>53.07%</b>
Financial assets at fair value through other comprehensive income	0.18	(2.21)	n.a.
Financial assets at amortized cost <sup>(8)</sup>	(39.76)	(23.65)	68.13%
<b>NET OPERATING INCOME</b>	<b>147.80</b>	<b>358.53</b>	<b>(58.78%)</b>
<b>Impairment or reversal of impairment on investments in joint ventures or associates</b>	<b>0.01</b>	<b>0.80</b>	<b>(98.763%)</b>
<b>Impairment or reversal of impairment on non-financial assets<sup>(9)</sup></b>	<b>57.53</b>	<b>(1.82)</b>	<b>n.a.</b>
Tangible assets	62.53	(1.82)	n.a.
Intangible assets	(5.00)	-	n.a.
Others	-	-	(50.00%)
<b>Gains or losses on derecognition of non-financial assets, net<sup>(10)</sup></b>	<b>43.49</b>	<b>9.60</b>	<b>352.95%</b>
<b>Negative goodwill recognised in profit or loss<sup>(11)</sup></b>	<b>231.68</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<sup>(12)</sup></b>	<b>(50.31)</b>	<b>24.46</b>	<b>n.a.</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS<sup>(13)</sup></b>	<b>430.20</b>	<b>391.58</b>	<b>9.86%</b>
<b>Tax expense or income related to profit or loss from continuing operations</b>	<b>(25.18)</b>	<b>(11.88)</b>	<b>111.93%</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>405.03</b>	<b>379.70</b>	<b>6.67%</b>
<b>Profit or loss after tax from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT FOR THE YEAR</b>	<b>405.03</b>	<b>379.70</b>	<b>6.67%</b>
<b>Attributable to minority interests (non-controlling interests)</b>	<b>0.01</b>	<b>19.12</b>	<b>(99.97%)</b>
<b>Attributable to the owners of the Parent</b>	<b>405.02</b>	<b>360.58</b>	<b>12.32%</b>

(1) Despite of the current low interest rate environment, the ABANCA Group has achieved these positive paths in net interest income thanks to both the growth in business volume and the focus on some more profitable business lines. Please see "Risk Factors Risks Relating to the ABANCA Group Business and financial risks and macroeconomic risk Structural interest rates risk and risk deriving from a low interest rate environment".

(2) For information on the evolution of these items please see note 37 of the 2019 Audited Consolidated Annual Accounts.

(3) As described in note 38 of the 2019 Audited Consolidated Annual Accounts, "Other operating income" includes "Income from investment properties and operating leases" for an amount of €15.13 million as of 31 December 2019 (€14.16 million as of 31 December 2018), "Sales and income from the provision of non-financial services" for an amount of €48.23 million as of 31 December 2019 (€44.86 million as of 31 December 2018) and "Other" for an amount of €12.58 million as of 31 December 2019 (€28.59 million as of 31 December 2018).

(4) For information on this item please see note 41 of the 2019 Audited Consolidated Annual Accounts.

(5) For the year ended 31 December 2019, the net interest income of the ABANCA Group represented 63.09% of the gross income (52.60% for the year ended 31 December 2018), the net fees and commissions represented 22.56% of the gross income (16.52% for the year ended 31 December 2018) and Gains or losses on financial assets and liabilities and Exchange differences represented 13.93% of the gross income (27.47% for the year ended 31 December 2018).

(6) For information on the evolution of these items please see subsection a) (Results) of section 4.2 (Business and results) of the Consolidated Management Report of the ABANCA for the year ended 31 December 2019 that is incorporated by reference. For

information on the items included under "Depreciation and amortization" please see notes 14 and 15 of the 2019 Audited Consolidated Annual Accounts.

(7) The increase in provisions is mainly due to providing for the estimated costs necessary to complete the BCG integration.

(8) For information on this item please see note 10 of the 2019 Audited Consolidated Annual Accounts.

(9) For information on this item please see note 14 of the 2019 Audited Consolidated Annual Accounts.

(10) For information on this item please see note 42 of the 2019 Audited Consolidated Annual Accounts.

(11) For information on this figure please see both note 5 of the 2019 Audited Consolidated Annual Accounts and subsection a) (*Results*) of section 4.2 (*Business and results*) of the Consolidated Management Report of the ABANCA for the year ended 31 December 2019 that is incorporated by reference.

(12) For information on this item please see note 12 of the 2019 Audited Consolidated Annual Accounts.

(13) For information on the contribution of the different subsidiaries to the "Profit or Loss before Tax from Continuing Operations" please see note 27 of the 2019 Audited Consolidated Annual Accounts.

## CREDIT RATINGS

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

Agency	Modification date	Short-term rating	Long-term rating	Outlook
Moody's	April 2020	NP	Ba1	Stable
S&P	April 2020	B	BB+	Negative
Fitch	March 2020	F3	BBB-	RWN <sup>(*)</sup>
DBRS	July 2019	R-2 (high)	BBB	Stable

(\*) Rating Watch Negative.

Each of Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited, Fitch Ratings España, S.A. Unipersonal 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 Base Prospectus (and the documents incorporated by reference in this Base 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 Base Prospectus.

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

The following are the APMs used in this Base 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.

		December	
		2019	2018
		(€ million)	
Numerator .....	1/2 Dec year-1 Total Assets	51,154.74	51,056.22
	+ Mar year Total Assets	50,253.61	49,080.31
	+ Jun year Total Assets	52,771.70	50,036.94
	+ Sep year Total Assets	57,148.52	49,802.00
	+1/2 Dec year Total Assets	58,879.32	51,154.74
Denominator ...	4 or 2 (depending on the date)	4	4
<b>ATA .....</b>		<b>53,797.71</b>	<b>50,006.18</b>

**Customer spread ratio:** difference between the quarterly average yield on the performing loan portfolio and the quarterly 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.

		December	
		2019	2018
		(%)	
	Yield on performing loan to customers (rate) (*)	1.72	1.84
Minus .....	Cost of retail funds (rate) (**)	0.10	0.08
<b>Customer spread ratio .....</b>		<b>1.62</b>	<b>1.76</b>

Source: ABANCA's internal information with management criteria.

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

(\*\*) Interest expenses on retail deposits on the balance sheet 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 indicator of asset quality.

		December	
		2019	2018
		(€ million, except %)	
Numerator .....	Impairment losses of assets foreclosed or received in payment of debt	477.01	532.43
Denominator .....	Gross assets foreclosed or received in payment of debt	790.38	942.15
<b>Foreclosed assets coverage ratio .....</b>		<b>60.4%</b>	<b>56.5%</b>

**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 ECB 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.

		December	
		2019	2018
		(€ million)	
	Cash and central bank accounts	2,885.2	1,103.4
Plus .....	Collateral available for ECB operations inside of ECB guarantee pool	1,958.6	2,792.8
Plus .....	Collateral available for ECB operations outside of ECB guarantee pool	2,702.6	2,290.4
Plus .....	Other marketable assets non eligible for ECB	321.2	279.6
<b>Liquid Assets</b> .....		<b>7,867.7</b>	<b>6,466.2</b>

Source: ABANCA's internal information with management criteria.

**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.

		December	
		2019	2018
		(€ million)	
	Fee and commission income	234.32	197.75
Minus .....	Fee and commission expense	28.86	21.52
<b>Net fees and commissions</b> .....		<b>205.46</b>	<b>176.23</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.

		December	
		2019	2018
		(€ million)	
	Impaired assets in loans and advances to other debtors	1,032.43	1,093.81
Plus .....	Gross assets foreclosed or received in payment of debt	790.38	942.15
<b>NPA</b> .....		<b>1,822.82</b>	<b>2,035.95</b>

**NPA coverage ratio:** accumulated impairment of foreclosed assets plus impairment losses on loans and advances to other debtors 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 indicator of asset quality.

		December	
		2019	2018
		(€ million, except %)	
Numerator .....	Accumulated impairment losses of loans and advances to other debtors	593.98	613.34
Plus	Accumulated impairment of assets foreclosed or received in payment of debt	477.01	532.43
Denominator .....	Impaired assets in loans and advances to other debtors	1,032.43	1,093.81
Plus	Gross assets foreclosed or received in payment of debt	790.38	942.15
<b>NPA coverage ratio</b> .....		<b>58.8%</b>	<b>56.3%</b>

**NPA ratio:** gross non-performing assets divided by gross loans and advances to other debtors 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.

		December	
		2019	2018
		(€ million, except %)	
Numerator .....	NPA	1,822.82	2,035.95
Denominator .....	Gross loans and advances to other debtors	37,612.28	30,799.61
Minus	Repurchase agreements <sup>(*)</sup>	347.69	—
Minus	Extraordinary activities <sup>(*)</sup>	268.89	412.20
Plus	Gross assets foreclosed or received in payment of debt	790.38	942.15
<b>NPA ratio .....</b>		<b>4.8%</b>	<b>6.5%</b>

(\*) For information on the items "Extraordinary activities" and "Repurchase agreements" please see note 10 of the 2019 Audited Consolidated Annual Accounts.

**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.

		December	
		2019	2018
		(€ million, except %)	
Numerator .....	Accumulated impairment losses of loans and advances to other debtors	593.98	613.34
Denominator .....	Impaired assets in loans and advances to other debtors	1,032.43	1,093.81
<b>NPL coverage ratio .....</b>		<b>57.5%</b>	<b>56.1%</b>

**NPL ratio: NPL loans in respect** of gross other debtors loans (for calculation purposes, the amounts corresponding to extraordinary activities of loans and advances to other debtors 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.

		December	
		2019	2018
		(€ million, except %)	
Numerator .....	Impaired assets in loans and advances to other debtors	1,032.43	1,093.81
Denominator .....	Gross loans and advances to other debtors	37,612.28	30,799.61
Minus	Repurchase agreements <sup>(*)</sup>	347.69	-
Minus	Extraordinary activities <sup>(*)</sup>	268.89	412.20
<b>NPL ratio .....</b>		<b>2.8%</b>	<b>3.6%</b>

(\*) For information on the items "Extraordinary activities" and "Repurchase agreements" please see note 10 of the 2019 Audited Consolidated Annual Accounts.

**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.

		December	
		2019	2018
		(€ million, except %)	
Plus .....	Investment funds	6,313.59	3,757.36
Plus .....	Pension funds	1,531.97	1,372.03
Plus .....	Structured products	680.35	-
Plus .....	Insurance products	1,536.64	1,241.42
<b>Off-balance-sheet funds .....</b>		<b>10,062.56</b>	<b>6,370.80</b>

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

		<b>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million)</i>	
	Administrative expenses	580.27	541.70
Plus.....	Depreciation and amortization	89.84	128.75
	<b>Operating expenses</b> .....	<b>670.11</b>	<b>670.45</b>

**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>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million)</i>	
	Gross loans and advances to other debtors	37,612.28	30,799.61
Minus .....	Repurchase agreements (*)	347.69	-
Minus .....	Extraordinary activities (*)	268.89	412.20
Minus .....	Impaired assets in loans and advances to other debtors	1,032.43	1,093.81
Minus .....	Advance to Social Security due to extra payment	-	-
	<b>Performing Credit Portfolio</b> .....	<b>35,963.28</b>	<b>29,293.60</b>

(\*) For information on the items "Extraordinary activities" and "Repurchase agreements" please see note 10 of the 2019 Audited Consolidated Annual Accounts.

**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).

		<b>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million)</i>	
	Net interest income	574.64	561.27
Plus .....	Net fees and commissions	205.46	176.23
	<b>Recurring revenues</b> .....	<b>780.10</b>	<b>737.50</b>

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

		<b>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million)</i>	
	Net loans and advances to other debtors	37,139.77	30,169.21
Minus .....	Repurchase agreements	347.69	-
Plus .....	Gross deposits from customers	41,273.17	35,374.05
Minus .....	Securitization	0.11	-
Minus .....	Assets acquired or sold under resale or repurchase agreements	1,340.85	906.55
Minus .....	Covered bond issues classified as deposits from customers	1,656.55	1,733.38
Minus .....	Other long term funding classified as deposits from customers	51.74	66.68
Plus .....	Off-balance-sheet funds	10,062.56	6,370.80
	<b>Retail Business Volume</b> .....	<b>85,078.55</b>	<b>69,207.46</b>

**Retail Business Volume per employee:** sum of the total of loans to other debtors, 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.

		<b>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million)</i>	
Numerator -----	Retail Business Volume	85,078.55	69,207.46
Denominator .....	Employees of the Issuer (units)	5,598	4,675
<b>Retail Business Volume per employee</b>		<b>15.20</b>	<b>14.8</b>

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

		<b>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million, except %)</i>	
Numerator.....	Net loans and advances to other debtors	37,139.77	30,169.21
Minus	Repurchase agreements	347.69	—
Denominator .....	Gross deposits from customers	41,273.17	35,374.05
Minus	Securitization	0.11	-
Minus	Assets acquired or sold under resale or repurchase agreements	1,340.85	906.55
Minus	Covered bond issues classified as deposits from customers	1,656.55	1,733.38
Minus	Other long term funding classified as deposits from customers	51.74	66.68
<b>Retail Loan to Deposits ratio .....</b>		<b>96.3%</b>	<b>92.4%</b>

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

		<b>December</b>	
		<b>2019</b>	<b>2018</b>
		<i>(€ million, except %)</i>	
Numerator	Profit for the period attributable to the owners of the parent	405.02	360.58
Denominator	Average shareholder's equity (*)	4,580.17	3,985.62
<b>ROE .....</b>		<b>8.8%</b>	<b>9.0%</b>

(\*) 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>December</b>	
			<b>2019</b>	<b>2018</b>
			<i>(€ million, except %)</i>	
Numerator	.....	NPA	1,822.82	2,035.95
	Plus	Non-performing debt securities	-	-
Denominator	.....	Paid-up Capital	2,453.66	2,453.66
	Plus	Share premium	433.90	433.90
	Plus	Retained earnings	1,519.74	1,303.72
	Plus	Other reserves	(52.96)	(6.13)
	Plus	Risk hedging for debt securities	2.03	2.21
	Plus	Impairment losses of loans of advances to other debtors	593.98	613.34
	Plus	Impairment losses of asset foreclosed of received in payment of debt	477.01	532.43
<b>Texas Ratio</b>	.....		<b>33.6%</b>	<b>38.2%</b>

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

### **CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS**

The regulatory framework regarding the solvency of credit entities (which includes requirements to hold a certain level of own funds) ("**CRD IV**") is established by Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV Directive**"), 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 ("**CRR**") and any CRD IV Implementing Measures (as this term is defined in the Conditions of the Notes). 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 (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 Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") and Regulation (EU) No 806/2014 of the European Parliament and of the Council, of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms (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) 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) 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 Group are required to hold a minimum amount of regulatory capital of 8% of risk weighted assets ("**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 in Spain by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013, of 15 October 2013, conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, 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 additional capital requirements on ABANCA and/or the ABANCA 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 global systemically important institutions ("**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 competent authority).

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 second quarter of 2020 (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. CRD V Directive clarifies that P2R should be positioned in the relevant stacking order of own funds requirements above the Minimum "Pillar 1" capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as relevant.

As communicated by the European Banking Authority ("**EBA**") in 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. Following this clarification, the clarifications contained in the



"EBA Pillar 2 Roadmap" (April 2017) and the guidelines on the revised common procedures and methodologies for the SREP and supervisor stress testing published by the EBA on 19 July 2018, banks are expected to meet the P2G with CET1 capital on top of the level of binding capital requirements ("Pillar 1" capital requirements, P2R and the "combined buffer requirements"). 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. CRD V provides that when an institution repeatedly fails to meet the P2G, the competent authority should be entitled to take supervisory measures and, where appropriate, to impose additional own funds requirements.

In December 2019, the Bank received the decisions of the ECB regarding minimum capital requirements for 2020 following the outcomes of the most recent SREP. These decisions required ABANCA to maintain, on the basis of the consolidated situation on ABANCA Holding and its consolidated subsidiaries, 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). Following the SREP outcomes, the ECB authorised a reverse merger by which ABANCA absorbed ABANCA Holding (please see "*Description of ABANCA — History*") and therefore the current highest level of consolidation is at ABANCA consolidated level (ABANCA Group), thus, the SREP outcomes remain unchanged but applicable to the consolidated situation on the ABANCA Group.

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

	Phased in		Fully Loaded	
	ABANCA <sup>(*)</sup>	ABANCA Group <sup>(**)</sup>	ABANCA <sup>(*)</sup>	ABANCA Group <sup>(**)</sup>
CET1 ratio as at 31 December 2019	12.4%	12.8%	11.9%	12.0%
CET1 ratio as at 31 December 2018	14.6%	14.9%	13.9%	14.0%
Tier 1 ratio as at 31 December 2019	13.2%	13.6%	12.7%	12.8%
Tier 1 ratio as at 31 December 2018	15.5%	15.8%	14.8%	14.9%
Total Capital ratio as at 31 December 2019	15.3%	15.7%	14.8%	15.0%
Total Capital ratio as at 31 December 2018	15.5%	15.8%	14.9%	14.9%

(\*) The ABANCA 2019 capital ratios shown in the table reflect the impact of the BCG Absorption but the ABANCA 2018 capital ratios shown in the table do not reflect it, and thus, the ABANCA capital ratios for both years as shown in the table are not comparable. The ABANCA capital ratios as of 31 December 2019 without the impact of the BCG Absorption, and thus comparable to the Abanca 2018 capital ratios, would be: a CET1 phased-in ratio of 11.6%, a Tier 1 phased-in ratio of 12.5% and a Total Capital phased-in ratio of 14.6%, and a CET1 fully-loaded ratio of 10.9%, a Tier 1 fully-loaded ratio of 11.8% and a Total Capital fully-loaded ratio of 13.9%.

(\*\*) The ABANCA Group 2019 capital ratios shown in the table reflect the impact of the Merger but the ABANCA Group 2018 capital ratios shown in the table do not reflect it and, thus, are not comparable to the Abanca Group 2019 capital ratios. The ABANCA Group capital ratios reflecting what would have been impact of the Merger as of 31 December 2018, and thus comparable to the Abanca Group 2019 capital ratios, would be: a CET1 phased-in ratio of 13.7%, a Tier 1 phased-in ratio of 14.4% and a Total Capital phased-in ratio of 14.6%, and a CET1 fully-loaded ratio of 12.8%, a Tier 1 fully-loaded ratio of 13.5% and a Total Capital fully-loaded ratio of 13.7%.

The ABANCA Group also has a solid capitalisation, with an asset density (i.e., the percentage of RWAs over Total Assets) of 52.18% as at 31 December 2019.

Any failure by the Bank 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. See "*Risk Factors — Risk relating to the ABANCA Group — Legal and Regulatory Risks — Regulatory challenges on capital, liquidity or funding requirements*".

In reaction to the COVID-19 outbreak, on 12 March 2020 the ECB announced temporary measures expected to provide capital relief to banks in support of the economy. These measures include the

permission to (i) operate temporarily below the level of capital defined by P2G, the "capital conservation buffer" and the LCR and (ii) use capital instruments that do not qualify as CET1 (for example Additional Tier 1 instruments and Tier 2 instruments) to meet P2R. Also on that date, the EBA announced its decision to postpone the EU-wide stress test exercise to 2021 to allow banks to prioritise operational continuity and has announced that flexibility will guide supervisory approaches. In addition, on 28 April 2020 the EU Commission adopted a banking package proposing a few amendments to the EU's banking prudential rules (including adapting the timeline of the application of international accounting standards on banks' capital or treating more favourably public guarantees granted during this crisis) in order to maximise the ability of banks to lend and absorb losses related to COVID-19. The Commission also proposed to advance the date of application of several agreed measures that incentivise banks to finance employees, SMEs and infrastructure projects.

### Leverage Ratio

In addition to the above, Article 429 of the CRR requires institutions to calculate their 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.

The table below sets out ABANCA's and the ABANCA Group's LRs as of 31 December 2019 and 31 December 2018:

	Phased in		Fully Loaded	
	Abanca <sup>(*)</sup>	Abanca Group <sup>(**)</sup>	Abanca <sup>(*)</sup>	Abanca Group <sup>(**)</sup>
LR as at 31 December 2019	6.8%	7.0%	6.5%	6.6%
LR as at 31 December 2018	7.9%	8.2%	7.6%	7.7%

(\*) The ABANCA 2019 LRs shown in the table reflect the impact of the BCG Absorption but the ABANCA 2018 capital ratios shown in the table do not reflect it, and thus, the ABANCA LRs for both years as shown in the table are not comparable. The ABANCA LRs as of 31 December 2019 without the impact of the BCG Absorption, and thus comparable to the Abanca 2018 LRs, would be: a phased-in LR of 6.4% and a fully-loaded LR of 6.1%.

(\*\*) The ABANCA Group 2019 LRs shown in the table reflect the impact of the Merger but the ABANCA Group 2018 LRs shown in the table do not reflect it and, thus, are not comparable to the Abanca Group 2019 LRs. The ABANCA Group LRs reflecting what would have been impact of the Merger as of 31 December 2018, and thus comparable to the Abanca Group 2019 LRs, would be: a phased-in LR of 7.4% and a fully-loaded LR of 6.9%.

This LR requirement is a parallel requirement to the risk-based own funds requirements described above. Thus, any additional own funds requirements imposed by competent authorities to address the risk of excessive leverage should be added to the minimum leverage ratio requirement and not to the minimum riskbased own funds requirement. Furthermore, institutions should also be able to use any CET1 instruments that they use to meet their leverage-related requirements to meet their risk-based own funds requirements, including the "combined buffer requirement".

The banking package adopted by the EU Commission on 28 April 2020 referred to above also proposed certain measures related to the LR.

### MREL Requirements

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 total liabilities and own funds of the institution (pursuant to BRRD II, it shall be expressed as a percentage of the total risk exposure amount or the total exposure measure of the institution, calculated in each case in accordance with CRR). 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).

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, calculated taking into account the information at 31 December 2017. In terms of risk-weighted assets, the MREL requirement at consolidated level would amount to 20.06% as of that date. The MREL requirement is aligned with ABANCA's expectations and the funding plan as described in its strategic plan.

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 as other eligible MREL instruments). Resolution authorities may also impose "Pillar 2" subordination requirements (including to institutions not constituting G-SIIs or "top tier" banks), which would be determined on a case-by-case basis but subject to certain caps.

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.

If any Relevant Resolution Authority (as defined below) finds that there could exist any obstacles to resolvability of the Bank and/or the ABANCA Group, a higher MREL could be imposed.

### **Maximum Distributable Amount**

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 accordance with Article 73 of Royal Decree 84/2015 and Rule 24 of the Bank of Spain Circular 2/2016, restrictions of discretionary payments will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution generated since the last annual decision on the distribution of profits. Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no "discretionary payments" will be permitted to be made. As a consequence, in the event of breach of the "combined buffer requirement" (including where additional capital

requirements are imposed that have the result of increasing the regulatory minimum required under CRD IV) it may be necessary to reduce discretionary payments (in whole or in part).

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 such provisions (subject to certain limited exceptions).

### **Liquidity Requirements**

The ABANCA Group should also comply with the 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 217% as at 31 December 2019 (191% as of 31 December 2018<sup>22</sup>).

The BCBS 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 31 December 2019 (126% as of 31 December 2018<sup>23</sup>).

### **Prudential Treatment of NPLs**

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 but 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

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<sup>22</sup> The ABANCA Group LCR as of 31 December 2019 reflects the impact of the Merger however, the ABANCA Group LCR as of 31 December 2018 is calculated prior to the Merger and, thus, is not comparable to the Abanca Group LCR as of 31 December 2019. The ABANCA Group LCR reflecting what would have been the impact of the Merger as of 31 December 2018, would be 188% and thus comparable to the Abanca Group LCR as of 31 December 2019.

<sup>23</sup> The ABANCA Group NSFR as of 31 December 2019 reflects the impact of the Merger however, the ABANCA Group NSFR as of 31 December 2018 is calculated prior to the Merger and, thus, is not comparable to the Abanca Group NSFR as of 31 December 2019. The ABANCA Group NSFR reflecting what would have been the impact of the Merger as of 31 December 2018, would be 126% and thus comparable to the Abanca Group NSFR as of 31 December 2019.

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.

In connection with the measures announced by the ECB measures to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the COVID-19-related economic shock to the global economy, on 20 March 2020 it announced additional measures introducing supervisory flexibility regarding the treatment of NPLs, in particular to allow banks to fully benefit from guarantees and moratoriums put in place by public authorities to tackle the current distress. In light of the current scenario, the EBA has also issued a statement regarding the prudential framework in relation to the classification of loans in default, classification of exposures under the definition of forbearance or as defaulted under distressed restructuring, and their accounting treatment. In particular, the EBA clarified that generalised payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeliness to pay (individual assessments of the likeliness to pay should be prioritized) and clarified the requirements for public and private moratoria, which if fulfilled, are expected to help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring.

#### **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. The BRRD further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a member state as a last resort, after having assessed and exploited the other resolution tools set out below to the maximum extent practicable whilst maintaining financial stability.

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, the Bank of Spain or the CNMV, or any other entity with the authority to exercise any such tools and powers from time to time or to perform the role of primary bank resolution authority (each, a "**Relevant Resolution Authority**") as appropriate, considers that (a) an institution is failing or likely to fail in the near future, (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 bail-in (which includes certain elements of the Spanish Bail-in Power, as defined below). The bail-in 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; (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, 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 instruments or Tier 2 instruments of an institution and that are not excluded from the scope of the bail-in tool).

In addition to the Spanish Bail-in Power, (i) 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 at the point of non-viability of an institution or a group, and (ii) the BRRD II (pending implementation in Spain) and the SRM Regulation II, which shall apply from 28 December 2020, provide for the Relevant Resolution Authority to have the further power to also permanently write down or convert into equity certain internal eligible liabilities at the point of non-viability (both of them, together, 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 tax laws of the investor's Member State and of the issuer's Member State of incorporation might have an impact on the income received from the securities. Prospective purchasers of Securities should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Securities and receiving payments of interest, principal and/or other amounts under the Securities and the consequences of such actions under the tax laws of those countries**

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

### SPANISH TAX CONSIDERATIONS

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Securities by individuals or entities who are the beneficial owners of the Securities. 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 Securities are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the Securities 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 Securities.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base 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 CIT 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 Securities**

### ***Indirect taxation***

Whatever the nature and residence of the Holder, the acquisition and transfer of Securities 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 Securities 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 Securities 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% for taxable income up to €6,000; 21% for taxable income between €6,000.01 and €50,000 and 23% for taxable income in excess of €50,000.

Income from the transfer of the Securities 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 Securities, 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 Securities will be deductible, excluding those pertaining to discretionary or individual portfolio management.

A (current) 19% 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 Securities, by individual investors subject to PIT.

However, income derived from the transfer of the Securities should not be subject to withholding on account of PIT provided that the Securities 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% withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Securities 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 Securities 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 Securities 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 Securities which they hold as of 31 December in each year, the applicable rates ranging between 0.2% and 2.5% although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with Second section of Article 1 of the Royal Decree-13/2011, of 16 September, as amended by Royal Law-Decree 18/2019, of 27 of December, a full exemption on Net Wealth Tax (*bonificación del 100%*) would apply as from the year 2021 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 Securities 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% and 81.6%, 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 Securities are subject to CIT at the current general flat tax rate of 25%.

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%).

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Securities, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear participating entities (the "**Iberclear Members**") that have the Securities 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 Securities, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the Securities obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Securities 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 Securities 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 Securities 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 Securities by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but generally must include the market value of the Securities 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 Securities through a permanent establishment in Spain

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

If the Securities 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 Securities 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 Securities 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 Securities that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Securities through a permanent establishment in Spain.

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

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

Both interest payments periodically received under the Securities and income derived from the transfer, redemption or repayment of the Securities, obtained by individuals or

entities who are not resident in Spain for tax purposes and who do not act, with respect to the Securities, 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 Securities carried out by ABANCA, the Iberclear Members that have the Securities 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 Securities, ABANCA will withhold Spanish withholding tax at the applicable rate (currently 19%) on such payment of income on the Securities 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 Securities 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% and 2.5% although some reductions may apply.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Securities 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 Second section of Article 1 of the Royal Decree-13/2011, of 16 September, as amended by Royal Law-Decree 18/2019, of 27 of December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from year 2021. 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 Securities 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% and 81.6%, 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 Securities 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 Securities 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 Securities 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 Securities.
- (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 Securities, such payment will be made net of Spanish withholding tax, currently at the rate of 19%. 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 Securities. 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.**

*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 Base 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 Base Prospectus.*

### **THE PROPOSED FINANCIAL TRANSACTIONS TAX ("EU FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's proposal, EU 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 Securities 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.

In the ECOFIN meeting of 17 June 2016, the EU FTT was discussed between the EU Member States. It was reiterated in this meeting that participating Member States envisage introducing an EU FTT by means of the so-called enhanced cooperation process.

The proposed Directive defines how the EU FTT would be implemented in participating Member States. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

On 3 December 2018, the finance ministers of France and Germany outlined a joint proposal for a limited FTT based on a system already in place in France. Under the new proposal, the tax obligation would apply only to transactions involving shares issued by domestic companies with a market capitalisation of over €1 billion.

However, the Commission's 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 and participating Members States may withdraw.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the EU 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. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) 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 Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, 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 Securities, 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 Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

## 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 ...

- (1) **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

Securities may be sold from time to time by the Issuer to any one or more dealers. The arrangements under which Securities may from time to time be agreed to be sold by the Issuer to, and subscribed by, dealers are set out in a Programme Agreement dated 26 May 2020 (the "**Programme Agreement**") and made between the Issuer and the Arranger. If in the case of any Tranche the method of distribution is an agreement between the Issuer and a single dealer for that Tranche to be issued by the Issuer and subscribed by that dealer, the method of distribution will be described in the relevant Final Terms as "Non-Syndicated" and the name of that dealer and any other interest of that dealer which is material to the issue of that Tranche beyond the fact of the appointment of that dealer will be set out in the relevant Final Terms. If in the case of any Tranche the method of distribution is an agreement between the Issuer and more than one dealer for that Tranche to be issued by the Issuer and subscribed by those dealers, the method of distribution will be described in the relevant Final Terms as "Syndicated", the obligations of those dealers to subscribe the relevant Securities will be joint and several and the names and addresses of those dealers and any other interests of any of those dealers which is material to the issue of that Tranche beyond the fact of the appointment of those dealers (including whether any of those dealers has also been appointed to act as Stabilising Manager in relation to that Tranche) will be set out in the relevant Final Terms.

Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Securities, the price at which such Securities will be subscribed by the dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Programme Agreement makes provision for the resignation or termination of appointment of the Arranger and for the appointment of additional or other dealers either generally in respect of the Programme or in relation to a particular Tranche.

## SELLING RESTRICTIONS

### Prohibition of sales to EEA and UK Retail Investors

The Arranger has represented and agreed, and each further dealer appointed under the Programme Agreement will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA or in the UK. For the purposes of this provision:

- (a) 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; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities

### Spain

The Securities may not be sold or distributed, nor may any subsequent resale of Securities be carried out in Spain other than by institutions authorised under the Spanish Securities Market Law and related legislation, to provide investment services in Spain and except in compliance with the provisions of the Prospectus Regulation and the consolidated text of the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Spanish Securities Market Law**").

The Arranger has represented and agreed, and each further dealer appointed under the Programme Agreement will be required to represent and agree, that the offers of Securities in Spain have been and will only be 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.

#### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

The Arranger has represented and agreed, and each further dealer appointed under the Programme Agreement will be required to represent and agree, that:

- (a) **No deposit-taking:** in relation to any Securities having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Securities other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Security in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Security in, from or otherwise involving the United Kingdom.

#### **United States of America**

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities 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.

The Arranger has represented and agreed, and each further dealer appointed under the Programme Agreement will be required to represent and agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities comprising the relevant Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such dealer will have sent to each dealer to which it sells Securities during the distribution compliance period relating thereto a confirmation

or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Securities comprising any Tranche, any offer or sale of Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **General**

The Arranger has represented and agreed, and each further dealer appointed under the Programme Agreement will be required to represent and agree, 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 Securities or possesses, distributes or publishes this Base Prospectus or any other offering material relating to the Securities.

Persons into whose hands this Base Prospectus comes are required by ABANCA and the Arranger to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Base Prospectus or any other offering material relating to the Securities, 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 Securities 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 SECURITIES**

### **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 Securities through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with participating entities in Iberclear.

## GENERAL INFORMATION

### Responsibility for this Base Prospectus

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 Base Prospectus and declare, to the best of their knowledge, that the information contained in this Base Prospectus is in accordance with the facts and that the Base Prospectus contains no omissions likely to affect its import.

### Authorisation

2. The establishment of the Programme was authorised by a resolution of the Board Directors of the Issuer passed on 13 December 2019. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities.

### Significant/Material Change

3. Since 31 December 2019 there has been no material adverse change in the prospects of ABANCA other than those described in the section "*Risk Factors –Risks Relating to ABANCA and the ABANCA Group*" of this Base Prospectus (and, in particular, in the Risk Factor "*Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, in Portugal or in Galicia or any deterioration in the European, Spanish and Portuguese financial system, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations*").

In the three-month period ended 31 March 2020:

- Customer deposits increased by 1.21%, from €38,223.91 million as of 31 December 2019 to €38,688.08 million as of 31 March 2020.
- The net profit for the three-month period ended on 31 March 2020 amounted to €127 million (which compares against a net profit for the three -month period ended on 31 March 2019 of €146.3 million). The net profit for the three -month period ended on 31 March 2020 was affected by the additional overlay provisions amounting to €20 million were recorded at 31 March 2020 in connection with the estimations related to an impairment of the economic environment generated by the COVID-19 pandemic.

In addition, despite the volatility experienced in capital markets during that period, the phased-in and fully loaded total capital ratios of the ABANCA Group as of 31 March 2020 were, respectively, 15.6% and 14.9% (these ratios stood at 15.7% and 15.0%, respectively, as of 31 December 2019).

Since 31 March 2020 there has been no significant change in the financial performance or in the financial position of the ABANCA Group.

### Auditors

4. The 2019 Audited Consolidated Annual Accounts and the 2018 Audited Consolidated Annual Accounts have been audited without qualification 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.

#### **Certain information on the financial information**

5. The 2018 Audited Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 10 June 2019.
6. Certain financial information relating to the year ended 31 December 2018 has been restated in the 2019 Audited Consolidated Annual Accounts for comparative purposes in order to reflect the impact of the Merger, so that the consolidated 2018 financial information appearing in the 2019 Audited Consolidated Annual Accounts is presented in a manner comparable to the consolidated financial information relating to the year ended 31 December 2019.

As the Merger was a merger between entities under joint control, the Merger was not within the scope of International Financial Reporting Standard 3 – Business Combinations (IFRS 3). Since the group resulting from the Merger is a continuation of the group that was headed by ABANCA Holding, the Board of Directors of ABANCA deemed it appropriate to record the Merger by using the balances in the ABANCA Holding's annual accounts as of and for the year ended 31 December 2018. Consequently, the financial information relating to the year ended 31 December 2018 appearing in the 2019 Audited Consolidated Annual Accounts is that which would correspond to ABANCA Holding as of and for the year ended 31 December 2018 (excluding the equity items that have been reclassified to reflect the authorised capital, share premium and other equity items of ABANCA).

Except where otherwise indicated, the financial information in this Base Prospectus relating to the year ended 31 December 2018 (including the financial information included in the section "*Description of ABANCA – Overview of Financial Information*") has been included as restated in the 2019 Audited Consolidated Annual Accounts. Consequently, the 2018 financial information included in this Base Prospectus differs from that included in the 2018 Audited Consolidated Annual Accounts.

7. The audit reports for the 2018 Audited Consolidated Annual Accounts and the 2019 Audited Consolidated Annual Accounts do not contain qualifications, modifications of opinions, disclaimers or emphasis of matter.

#### **Third party information**

8. Information included in this Base 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.

#### **Documents on Display**

9. 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 the 12 months from the date of this Base Prospectus: [www.abancacorporacionbancaria.com](http://www.abancacorporacionbancaria.com). For the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the website does not form part of this Base Prospectus.

A copy of the Deed of Covenant may be inspected on ABANCA's corporate address for the 12 months from the date of this Base Prospectus.

### **Material Contracts**

10. 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 Securities.

### **Issue Price and Yield**

11. Securities may be issued at any price. The issue price of each Tranche to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Securities or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In the case of different Tranches of a Series of Securities, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

### **Listing**

12. Application may be made for Securities issued under the Programme to be listed on AIAF. Securities may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets (either Spanish, European or non-European, including regulated markets, multilateral trading facilities or any other organised markets) agreed between the Issuer and the relevant dealers in relation to the Series. The applicable Final Terms will state on which stock exchanges and/or markets the relevant Securities are to be listed and/or admitted to trading. No unlisted Securities may be issued under the Programme.

### **Paying agency**

13. For Securities listed on AIAF, all payments under the Conditions of the Securities will be carried out directly by ABANCA through Iberclear. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

### **Conflicts of Interest**

14. Certain of the Dealers 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 the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Securities issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers 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 the Issuer and its affiliates. Certain of the Dealers of their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Dealers

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 Securities issued under the Programme. Any such positions could adversely affect future trading prices of Securities issued under the Programme. The Dealers 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.

In addition, the relevant Final Terms will contain information on the interests of natural and legal persons involved in the issuances.

**Validity of prospectus and prospectus supplements**

15. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

## **SIGNATURES**

In witness to their knowledge and approval of the contents of this Base 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 26 May 2020.

**REGISTERED OFFICE OF THE ISSUER**

ABANCA Corporación Bancaria, S.A.  
Calle Cantón Claudino Pita, 2  
Betanzos  
A Coruña  
Spain

**ARRANGER AND DEALER**

**Crédit Agricole Corporate and Investment Bank**  
12, place des Etats-Unis, CS 70052,  
92547 Montrouge,  
France

**LEGAL ADVISERS**

*To the Issuer  
as to Spanish law and as to English law*

**Clifford Chance, S.L.P.U.**  
Paseo de la Castellana, 110  
28046 Madrid  
Spain

*To the Dealers  
as to Spanish law and as to English law:*

**Allen & Overy**  
Serrano 73  
28006 Madrid  
Spain

**AUDITORS TO ABANCA**

**KPMG Auditores, S.L.**  
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28046, Madrid  
Spain