



ABANCA CORPORACIÓN BANCARIA, S.A.
*(incorporated as a limited liability company (sociedad anónima) under
the laws of the Kingdom of Spain)*

€375,000,000

Perpetual Non-Cumulative Additional Tier 1 Preferred Securities

The issue price of the €375,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities of €200,000 of Original Principal Amount each (as defined in the terms and conditions of the Preferred Securities (the "Conditions")) (the "Preferred Securities") of ABANCA Corporación Bancaria, S.A. (the "Issuer" or "Bank" or "ABANCA") is 100% of their principal amount. The Preferred Securities have been issued on 20 January 2021 (the "Issue Date"). The Bank and its consolidated subsidiaries are referred to herein as the "ABANCA Group".

The Preferred Securities will accrue non-cumulative cash distributions ("Distributions") on their Outstanding Principal Amount (as defined in the Conditions), as follows: (i) in respect of the period from (and including) the Issue Date to (but excluding) 20 July 2026 (the "First Reset Date"), at the rate of 6% per annum, and (ii) in respect of each period from (and including) the First Reset Date and every fifth anniversary thereof (each a "Reset Date") to (but excluding) the next succeeding Reset Date (each such period, a "Reset Period"), at the rate per annum, calculated on an annual basis and then converted to a quarterly rate in accordance with market convention, equal to the aggregate of 6.57% per annum (the "Initial Margin") and the 5-year Mid-Swap Rate (as defined in the Conditions) for the relevant Reset Period. Subject as provided in the Conditions, such Distributions will be payable quarterly in arrears on 20 January, 20 April, 20 July and 20 October in each year (each a "Distribution Payment Date").

The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution (including any additional amounts pursuant to Condition 12) in whole or in part at any time as further provided in Condition 4.3. Without prejudice to the right of the Bank to cancel the payments of any Distribution: (a) payments of Distributions in any financial year of the Bank shall be made only to the extent the Bank has sufficient Distributable Items (as defined in the Conditions). To the extent that the Bank has insufficient Distributable Items to make Distributions on the Preferred Securities, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities; (b) if the Competent Authority (as defined in the Conditions) requires the Bank to cancel a relevant Distribution in whole or in part, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities; (c) the Bank may make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities if and to the extent that such payment would cause the Maximum Distributable Amount (as defined in the Conditions) to be exceeded or otherwise would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital (as defined in the Conditions) pursuant to Applicable Banking Regulations (as defined in the Conditions); and (d) if a Trigger Event (as defined below) occurs at any time on or after the Issue Date, any accrued and unpaid Distributions up to (but excluding) the relevant Write Down Date (as defined in the Conditions), shall be automatically cancelled.

If at any time the CET1 ratio (as defined in the Conditions) of any of ABANCA and/or of the ABANCA Group falls below 5.125% (each, a "Trigger Event"), the Outstanding Principal Amount of the Preferred Securities will be Written Down by the relevant Write Down Amount, as further provided in Condition 6.1. The Outstanding Principal Amount may, in the sole and absolute discretion of the Bank and subject to certain conditions, be subsequently reinstated (in whole or in part), out of any Net Income (as defined in the Conditions) generated by each of ABANCA and the ABANCA Group, as applicable, as further described in Condition 6.2.

The Preferred Securities are perpetual. As further described in Condition 7.2, all, and not some only, of the Preferred Securities may be redeemed at the option of the Bank (i) on any day falling in the period commencing on (and including) 20 January 2026 and ending on (but excluding) the First Reset Date; and (ii) on the First Reset Date or on any Distribution Payment Date thereafter, in each case at the Outstanding Principal Amount plus, if applicable, where not cancelled, any accrued and unpaid Distributions for the then current Distribution Period (as defined in the Conditions) to (but excluding) the date fixed for redemption (the "Redemption Price") provided that any principal amount by which the Preferred Securities have been Written Down has first been reinstated in full. The Preferred Securities are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event (each as defined in the Conditions). Any such redemption will be subject to the prior consent of the Competent Authority and otherwise in accordance with the Applicable Banking Regulations then in force.

Subject to the prior consent of the Competent Authority (and/or otherwise in accordance with the Applicable Banking Regulations then in force), if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Preferred Securities or vary the terms of all (but not some only) of the Preferred Securities, without the consent of the Holders (as defined below), so that they become or remain Qualifying Preferred Securities (as defined in the Conditions).

In the event of any voluntary or involuntary liquidation or winding-up of the Bank, Holders (as defined below) will be entitled to receive (subject to the limitations described in the Conditions), in respect of each Preferred Security, the Liquidation Distribution (as defined in the Conditions).

The Preferred Securities are rated B+ by Fitch Ratings Ireland Spanish Branch, Sucursal en España ("Fitch"). Fitch is established in the European Union ("EU") and is registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the "CRA Regulation"). Fitch appears on the latest update of the list of registered credit rating agencies (as of 1 December 2020) on the European Securities and Markets Authority ("ESMA") website. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.**

This document (together with the information incorporated by reference) constitutes a listing prospectus (the "Prospectus") for the purposes of Article 3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 (the "Prospectus Regulation") and has been prepared in accordance with, and including the information required by Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019. This Prospectus has been approved by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) (the "CNMV") as competent authority under the Prospectus Regulation. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer or the quality of the Preferred Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Preferred Securities.

Application has been made for the Preferred Securities to be admitted to trading on the Spanish AIAF Fixed Income Securities Market ("AIAF"). AIAF is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments directive (as amended, "MiFID II"). The Preferred Securities may also be admitted to trading on any other secondary market as may be agreed by ABANCA.

Amounts payable under the Preferred Securities from and including the First Reset Date are calculated by reference to the 5-year Mid-Swap Rate which appears on the "ICESWAP2" screen, which is provided by ICE Benchmark Administration Limited, or by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the "EURIBOR01" screen, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration Limited does not appear on the register of administrators and benchmarks established and maintained by

ESMA pursuant to Article 36 of Regulation (EU) No 2016/1011 (the "**Benchmark Regulation**"). As far ABANCA is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). As of the date of this Prospectus, the European Money Markets Institute appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Benchmark Regulation.

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

The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors.

The Preferred 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 "Selling Restrictions" on pages 115 to 118 of this Prospectus for further information.

Investors in Hong Kong should not purchase the Preferred Securities in the primary or secondary markets unless they are professional investors (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and its subsidiary legislation, "Professional Investors") only and understand the risks involved. The Preferred Securities are generally not suitable for retail investors.

Prospective purchasers of the Preferred Securities should ensure that they understand the nature of the Preferred Securities and the extent of their exposure to risks and that they consider the suitability of the Preferred Securities as an investment in the light of their own circumstances and financial condition.

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "Risk Factors" beginning on page 8.

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

The period of validity of this Prospectus is up to (and including) the admission to trading of the Preferred Securities. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the admission to trading of the Preferred Securities.
--

Joint Lead Managers

Barclays

BofA Securities

Crédit Agricole CIB

Goldman Sachs Bank Europe SE

J.P. Morgan

21 January 2021

IMPORTANT NOTICES

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

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

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

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

Potential investors are advised to exercise caution in relation to any purchase of the Preferred Securities. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein. The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. Each potential investor in the Preferred 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 Preferred Securities, the merits and risks of investing in the Preferred Securities and the information contained or incorporated by reference in this Prospectus, taking into account that the Preferred Securities are a suitable investment for professional or institutional investors only;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Securities and the impact the Preferred Securities will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Securities, including where the currency for payments in respect of the Preferred Securities is different from the potential investor's currency;
- understands thoroughly the terms of the Preferred Securities, including the provisions relating to redemption or substitution of the Preferred Securities and any variation of their terms, and is familiar with the behavior of financial markets; 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 the Preferred Securities unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Preferred Securities will perform under changing conditions, the resulting effects on the value of the Preferred Securities and the impact this investment will have on the potential investor's overall portfolio.

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

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

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors (see also "*Risk Factors—Risks related to the Preferred Securities*"). In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Preferred Securities to retail investors. Each of the Joint Lead Managers has represented and agreed that the offers of the Preferred Securities in the EEA and in the UK shall only be made to eligible counterparties and professional clients, each as defined in MiFID II or COBS and UK MiFIR (each as defined below).

In particular, in June 2015, the UK Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018.

The provisions of the PRIIPs Regulation as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended) (the "**EUWA**") are referred to herein as the "**UK PRIIPs Regulation**"; and the provisions of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the EUWA are referred to herein as "**UK MiFIR**".

Together the PI Instrument, the PRIIPs Regulation, MiFID II, the UK PRIIPs Regulation and UK MiFIR are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and the (ii) offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent convertible or write-down securities such as the Preferred Securities.

In addition, in October 2018, the Hong Kong Monetary Authority (the "**HKMA**") issued guidance on enhanced investor protection measures on the sale and distribution of debt instruments with loss-absorption features and related products (the "**HKMA Circular**"). Under the HKMA Circular, debt instruments with loss absorption features, being subject to the risk of being written-down or converted to ordinary shares, and investment products that invest mainly in, or whose returns are closely linked to the performance of such instruments (together, "**Loss Absorption Products**"), are to be targeted in Hong Kong at Professional Investors only and are generally not suitable for retail investors in either the primary or secondary markets. Investors in Hong Kong should not purchase the Preferred Securities in the primary or secondary markets unless they are Professional Investors only and understand the risks involved.

The Preferred Securities are generally not suitable for retail investors.

The Joint Lead Managers are required to comply with some or all of the Regulations and/or the HKMA Circular. By purchasing, or making or accepting an offer to purchase any Preferred Securities (or a beneficial interest in the Preferred Securities) from ABANCA and/or the Joint Lead Managers each prospective investor represents, warrants, agrees with and undertakes to ABANCA and each of the Joint Lead Managers that:

1. it is not a retail client (as defined in MiFID II);
2. it is not a retail client (as defined in Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the EUWA);
3. whether or not it is subject to the Regulations or the HKMA Circular, it will not:
 - (A) sell or offer the Preferred Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II or Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the EUWA) or to retail investors in Hong Kong; or
 - (B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Preferred Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of the Regulations) or a client in Hong Kong who is not a Professional Investor.

In selling or offering the Preferred Securities or making or approving communications relating to the Preferred Securities, it may not rely on the limited exemptions set out in the PI Instrument;

4. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK or Hong Kong) relating to the promotion, offering, distribution and/or sale of the Preferred Securities (or any beneficial interests therein), including (without limitation) MiFID II, UK MiFIR and the HKMA Circular and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Preferred Securities (or any beneficial interests therein) by investors in any relevant jurisdiction having regard to the target market assessment for the Preferred Securities and the absence of a key information document (KID); and
5. if it is in Hong Kong, it is a Professional Investor.

Each prospective investor further acknowledges that:

- (i) the identified target market for the Preferred Securities (for the purposes of the product governance obligations in MiFID II and the FCA Handbook Product Intervention and Product Governance Sourcebook) is eligible counterparties and professional clients; and
- (ii) no key information document (KID) under the PRIIPs Regulation or the UK PRIIPs Regulation has been prepared and therefore offering or selling the Preferred Securities or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation or the UK PRIIPs Regulation.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Preferred Securities (or any beneficial interests therein) from ABANCA and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Each potential investor should inform itself of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Preferred Securities (or any beneficial interests therein), including the Regulations and the HKMA Circular.

As agreed by ABANCA and the Joint Lead Managers, offers of the Preferred Securities in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the restated text of the Spanish securities market law approved by Royal Legislative Decree 4/2015, of 23 October (the "**Spanish Securities Market Law**") and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Preferred 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Preferred Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Preferred Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Preferred Securities has led to the conclusion that: (i) the target market for the Preferred Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Preferred Securities to eligible counterparties and professional clients are appropriate. The target market assessment indicates that Preferred Securities are incompatible with the needs, characteristic and objectives of clients which have no risk tolerance or are seeking on-demand full repayment of the amounts invested. Any person subsequently offering, selling or recommending the Preferred Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Preferred Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Preferred Securities has led to the conclusion that: (i) the target market for the Preferred Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in the UK MiFIR; and (ii) all channels for distribution of the Preferred Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Preferred Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Preferred Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Preferred Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CONTENTS

	Page
OVERVIEW	2
RISK FACTORS	8
INFORMATION INCORPORATED BY REFERENCE.....	30
CONDITIONS OF THE PREFERRED SECURITIES	32
USE OF PROCEEDS	60
DESCRIPTION OF ABANCA.....	61
CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING REGULATION...97	
TAXATION.....	105
SUBSCRIPTION AND SALE	115
MARKET INFORMATION.....	119
GENERAL INFORMATION	121

OVERVIEW

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

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

Issuer	ABANCA Corporación Bancaria, S.A.
Joint Lead Managers	Barclays Bank Ireland PLC, BofA Securities Europe SA, Crédit Agricole Corporate and Investment Bank, Goldman Sachs Bank Europe SE and J.P. Morgan AG.
Risk Factors	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Preferred Securities. These are set out under " <i>Risk Factors</i> " below. In addition, there are certain factors which are material for the purpose of assessing the risks associated with the Preferred Securities which are described in detail under " <i>Risk Factors</i> ".
Issue size	€375,000,000
Issue date	20 January 2021
Issue details	€375,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities. ABANCA has requested that the Preferred Securities qualify as Additional Tier 1 Capital of ABANCA and the ABANCA Group pursuant to Applicable Banking Regulations.
Original Principal Amount	€200,000 per Preferred Security.
Outstanding Amount	Principal In respect of each Preferred Security, at any time, the Original Principal Amount of such Preferred Security as reduced from time to time by any Write Down or any other write down or cancellation, as the case may be, and, if applicable, as subsequently increased from time to time by any Write Up in accordance with Condition 6.
Use of Proceeds	The Bank intends to use the net proceeds from the issue of the Preferred Securities for its general corporate purposes.
Distributions	The Preferred Securities accrue Distributions on their Outstanding Principal Amount as follows: (i) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 6% per annum; and (ii) in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Period, first calculated on an annual basis and then converted to a quarterly rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Bank on the relevant Reset Determination Date. Subject as provided in Conditions 4.3 and 4.4 (see " <i>Limitations on Distributions</i> " below), such Distributions will be payable quarterly in arrear on each Distribution Payment Date.

For further information, see Condition 4.

Limitations on Distributions

The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution (including any additional amounts pursuant to Condition 12) in whole or in part at any time that it deems necessary or desirable and for any reason.

Without prejudice to the right of the Bank to cancel payments of any Distribution:

Payments of Distributions (including any additional amounts pursuant to Condition 12) in any financial year of the Bank shall be made only to the extent the Bank has sufficient Distributable Items. To the extent that the Bank has insufficient Distributable Items to make Distributions (including any additional amounts pursuant to Condition 12) on the Preferred Securities scheduled for payment in the then current financial year and any interest payments, distributions or other payments on own funds items that have been paid or made or are scheduled or required to be paid out of or conditional to sufficient Distributable Items in the then current financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Bank or which are not required to be made conditional upon Distributable Items, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.

If the Competent Authority, in accordance with Article 68 of Law 10/2014 and/or Article 16 of the SSM Regulation and/or with Applicable Banking Regulations, requires the Bank to cancel a relevant Distribution (including any additional amounts pursuant to Condition 12) in whole or in part, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.

The Bank may make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities if and to the extent that payment of any Distribution (including any additional amounts pursuant to Condition 12) would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Spanish law transposing or implementing CRD IV, which will include Article 48 of Law 10/2014 and any of its development provisions), the Maximum Distributable Amount to be exceeded or otherwise would cause any other breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital pursuant to Applicable Banking Regulations.

If a Trigger Event occurs at any time on or after the Closing Date, any accrued and unpaid Distributions up to (but excluding) the corresponding Write Down Date (whether or not such distributions have become due for payment) shall be automatically cancelled in accordance with Condition 6.1(a)(iii).

For further information, see Condition 4.

Status of the Preferred Securities

The Preferred Securities will constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1.2° of the Insolvency Law and Additional Provision 14.3° of Law 11/2015, but subject to any

other ranking that may apply as a result of any mandatory provision of law (or otherwise).

For further information, see Condition 3.

Optional Redemption

Provided that any principal amount by which the Preferred Securities have been Written Down has first been reinstated in full, all, and not some only, of the Preferred Securities may be redeemed at the option of the Bank (i) on any day falling in the period commencing on (and including) 20 January 2026 and ending on (but excluding) the First Reset Date; and (ii) on the First Reset Date or on any Distribution Payment Date thereafter, in each case, at the Redemption Price. Any optional redemption described in paragraphs (i) and (ii) above shall be subject to the prior consent of the Competent Authority and shall be made in compliance with Applicable Banking Regulations then in force.

The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event, subject, in each case, to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force.

For further information, see Condition 7.

Substitution and Variation

Subject to the prior consent of the Competent Authority (and in compliance with Applicable Banking Regulations then in force), if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Preferred Securities or vary the terms of all (but not some only) of the Preferred Securities, without the consent of the Holders, so that they become or remain Qualifying Preferred Securities.

For further information, see Condition 8.

Liquidation Distribution

Subject as provided below, in the event of any voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities will confer an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Outstanding Principal Amount per Preferred Security plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment of the relevant amount. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares of the Bank or any other instrument of the Bank ranking junior to the Preferred Securities.

If, before such liquidation or winding-up of the Bank described above, a Trigger Event occurs but the relevant reduction of the Outstanding Principal Amount is still to take place, the entitlement conferred by the Preferred Securities for the above purposes, will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which Holders would have received on any distribution of the assets of the Bank if such reduction had taken place immediately prior to such liquidation or winding-up.

Loss Absorption following a Trigger Event

If at any time on or after the Closing Date a Trigger Event occurs, the Bank will (i) immediately notify the Competent Authority that a Trigger Event has occurred; (ii) as soon as reasonably practicable

deliver a Write Down Notice to Holders; (iii) cancel any accrued and unpaid Distributions up to (but excluding) the relevant Write Down Date; and (iv) irrevocably and mandatorily (and without the need for the consent of the Holders) without delay, and by no later than one month from the occurrence of the relevant Trigger Event, reduce the then Outstanding Principal Amount of each Preferred Security by the relevant Write Down Amount.

For further information, see Condition 6.1.

Write Up

Subject to compliance with the prevailing Applicable Banking Regulations, if, following a Write Down, each of the Bank and the ABANCA Group records a positive Net Income at any time while the Outstanding Principal Amount of the Preferred Securities is less than their Original Principal Amount, the Bank may, at its full discretion, increase the Outstanding Principal Amount of each Preferred Security by such amount as the Bank may elect, provided that such Write Up shall not:

result in the Outstanding Principal Amount of the Preferred Securities being greater than their Original Principal Amount;

- (i) be operated whilst a Trigger Event has occurred and is continuing;
- (ii) result in the occurrence of a Trigger Event; or
- (iii) result in the Maximum Write Up Amount to be exceeded when taken together with the aggregate of:
 - a. any previous Write Up of the Preferred Securities out of the same Net Income since the end of the then previous financial year;
 - b. the aggregate amount of any Distribution payments on the Preferred Securities that were paid or calculated (but disregarding any Distributions cancelled) on the basis of an Outstanding Principal Amount that is lower than the Original Principal Amount at any time after the end of the then previous financial year;
 - c. the aggregate amount of the increase in principal amount of the Loss Absorbing Written Down Instruments to be written-up out of the same Net Income concurrently (or substantially concurrently) with the Write Up and (if applicable) any previous increase in principal amount of such Loss Absorbing Written Down Instruments out of the same Net Income since the end of the then previous financial year; and
 - d. the aggregate amount of any distribution payments on such Loss Absorbing Written Down Instruments that were paid or calculated (but disregarding any distributions cancelled) on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Written Down Instruments were issued at any time after the end of the then previous financial year.

A Write Up will also not be effected in circumstances in which it would cause any Maximum Distributable Amount (if any) to be exceeded.

For further information, see Condition 6.2.

Purchases

The Bank or any member of the ABANCA Group may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or in compliance with Applicable Banking Regulations in force at the relevant time and subject to the prior consent of the Competent Authority, if required. For further information, see Condition 9.

Waiver of set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.

For further information, see Condition 10.

Meetings of Holders

The Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally. The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Preferred Securities must be notified to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting.

For further information, see Condition 11.

Withholding Tax and Additional Amounts

All payments of Distributions and other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Preferred Securities by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of Distributions (but not any Outstanding Principal Amount or other amount), the Bank shall (to the extent such payment can be made on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such Distribution had no such withholding or deduction been required, subject to the exceptions provided in Condition 12.

For further information, see Condition 12.

Form

The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €375,000,000 and Original Principal Amount of €200,000 each.

Registration, clearing and settlement

The Preferred Securities have been registered with Iberclear as managing entity of the Spanish Central Registry (both, as defined in the Conditions). Holders of a beneficial interest in the Preferred

Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with Iberclear.

Title and transfer

Title to the Preferred Securities is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Preferred Securities recorded therein. For these purposes, the "Holder" means the person in whose name such Preferred Securities is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly. The Preferred Securities are issued without any restrictions on their transferability.

For further information, see Condition 2.

Rating

The Preferred Securities are rated B+ by Fitch.

Listing and admission to trading

Application has been made for the Preferred Securities to be admitted to trading on AIAF. The Preferred Securities may also be admitted to trading on any other secondary market as may be agreed by ABANCA.

Governing Law

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

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Preferred Securities in the United States, the United Kingdom, Canada, Spain, Singapore, Italy, Hong Kong, Switzerland and Belgium. Regulation S, category 2 restrictions under the U.S. Securities Act apply. The Preferred Securities have not and will not be eligible for sale in the United States under Rule 144A of the U.S. Securities Act.

RISK FACTORS

Any investment in the Preferred Securities is subject to a number of risks (including the risk that the Bank may become insolvent or otherwise be unable to make all payments due in respect of the Preferred Securities). Prior to investing in the Preferred Securities, prospective investors should carefully consider risk factors associated with any investment in the Preferred Securities, the business of ABANCA (and of the ABANCA Group) and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below.

Only risks which are specific to ABANCA or the ABANCA Group or to the Preferred 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, risks 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 Preferred Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Preferred Securities is suitable for them in light of the information in this Prospectus and their personal circumstances. Risks that apply generally to securities with the characteristics of the Preferred Securities (for instance, risks related to modifications of the Preferred Securities approved by a meeting of Holders of the Preferred Securities, risks related to the absence of limitations on the amount or type of further securities or indebtedness which the Bank may incur or risks related to fluctuations in market interest rates or risk related to the impact of the tax regime), that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations) and those related to the credit ratings assigned to the Preferred 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 Preferred Securities.

Words and expressions defined in the "Conditions of the Preferred Securities" below or elsewhere in this Prospectus have the same meanings in this section.

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

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 30 September 2020, credits to clients and fixed income securities represented 61.1% and 20.7%, respectively, of the total assets of the ABANCA Group (63.1% and 18.8%, respectively, as of 31 December 2019). As of 30 September 2020, €6,195.23 million fixed income securities were valued as financial assets at fair value through other comprehensive income, €7,122.06 million as financial assets at amortised cost, €26.61 million as non-trading financial assets mandatorily at fair value through profit or

loss and €10.38 million as financial assets held for trading (€5,056.17 million, €5,895.75 million, €29.31 million and €76.98 million, respectively, as of 31 December 2019).

Non-performing or low credit quality loans have in the past negatively impacted the ABANCA Group's results of operations and, as well as to all the banking system, could do so in the future. As of 30 September 2020, the "non-performing loans" ("NPLs", which correspond to the item "impaired assets" of the consolidated balance sheet of the ABANCA Group) amounted to €1,040.28 million (€1,032.43 million as of 31 December 2019). As of 30 September 2020, 62.4% of the NPLs were secured by real estate mortgages, while 1.4% were secured by other types of *in rem* securities (such as pledges) and 36.2% benefited from personal guarantees (63.5%, 0.9% and 35.6%, respectively, as of 31 December 2019). 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 30 September 2020) represented 1.01% of the total new loan production during that period (the entries of NPLs amounted to €160.0 million in the nine-month period ended on 30 September 2020 and to €151.8 million in the year ended on 31 December 2019).

As of 30 September 2020 the performing loans portfolio¹ of the ABANCA Group amounted to €38,502.87 million (€35,963.28 million as of 31 December 2019).

As of 30 September 2020, the outstanding balances of refinancing and restructuring transactions amounted to €1,212.28 million (€1,298.11 million as of 31 December 2019), €566.38 million of which related to non-performing exposures (€609.59 million as of 31 December 2019).

Some of the ratios that can be used as a measure of the asset quality of the ABANCA Group and of the ability of the ABANCA Group to absorb potential losses arising from them, are the NPL Ratio² (that stood at 2.6% as of 30 September 2020 and 2.8% as of 31 December 2019), the NPL Coverage Ratio³ (that stood at 66.0% as of 30 September 2020 and 57.5% as of 31 December 2019) and the Texas Ratio⁴ (that stood at 31.0% as of 30 September 2020 and 33.6% as of 31 December 2019).

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 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 gross loans for property construction and/or development amounting to €1,210.85 million (3.0% of the ABANCA Group's total gross loans and receivables to customers) as of 30 September 2020 (€1,149.92 million (3.1% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2019). The non-performing exposure of the ABANCA Group to this segment was 2.9% as of 30 September 2020 and 2.1% as of 31 December 2019.

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 30 September 2020 the ABANCA Group portfolio of foreclosed real estate assets stood at €731.82 million⁵ (out of which, 42% corresponded to residential

¹ Performing loans 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*".

² NPL Ratio is an APM, the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

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

⁴ 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*".

⁵ As of that date, the "non-performing assets" ("NPAs") of the ABANCA Group amounted to €1,772.10 million (€1,040.28 million corresponding to total non-performing loans and €731.82 million

assets, 18% to non-residential assets and 40% to other assets); as of 31 December 2019, the ABANCA Group portfolio of foreclosed real estate assets stood at €790.38 million⁶ (out of which, 45% corresponded to residential assets, 18% to non-residential assets and 37% to other assets). The gross book value of foreclosed assets sold in 2019 was €139.53 million (€62.22 million in the nine-month period ended 30 September 2020). As of 30 September 2020, the Foreclosed Assets Coverage Ratio⁷ of the ABANCA Group was 61.2% (60.4% as of 31 December 2019), the NPA Coverage Ratio⁸ of the ABANCA Group stood at 64.0% (58.8% as of 31 December 2019) and the NPA Ratio⁹ of the ABANCA Group stood at 4.4% (4.8% as of 31 December 2019).

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 30 September 2020, 95% of the total consolidated assets and liabilities of the ABANCA Group were located in Spain (94% as of 31 December 2019)), with the remaining 5% located mostly in Portugal, where ABANCA has expanded its activity in recent years. In particular, it has a remarkable footprint in the autonomous region (*comunidad autónoma*) of Galicia (please see "*Description of ABANCA—Distribution channels*"). As of 30 September 2020, 46% of ABANCA Group's credit granted in Spain is located in Galicia (48% as of 31 December 2019). This concentration in Galicia gives the ABANCA Group 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 enterprises (representing 38% of the total portfolio of loans as of 30 September 2020 (39% as of 31 December 2019)) and mortgage and consumer loans granted to individual customers (representing 45% of the total portfolio of loans as of 30 September 2020 (50% 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

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*".

⁶ As of that date, the 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).

⁷ 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*".

⁸ NPA Coverage Ratio is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

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

of larger clients), any adverse economic developments affecting extraordinarily industrial activities can be especially material for the ABANCA Group.

Events affecting the global economy in general or the Spanish or Portuguese economies in particular, 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 Spain, Portugal or other 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.

Moreover, 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 30 September 2020, the ABANCA Group held Spanish debt (mainly sovereign) representing 12% of its total consolidated assets (13% as of 31 December 2019).

The coronavirus (COVID-19) pandemic is adversely affecting the ABANCA Group and may adversely affect it in the future

Since its outbreak, the coronavirus (COVID-19) pandemic has been affecting different industries and resulting in a slowdown in economic activity, having a material adverse effect on economic growth. In particular, the pandemic is significantly affecting economic activity in Spain and Portugal. At the end of the third quarter of 2020, Spanish GDP decreased by 8.7% year-on-year, a decrease of 6.2% in Galicia, and the Portuguese GDP decreased by 5.7% in Portugal (source: *Instituto Nacional de Estadística (INE), Instituto Galego de Estatística (IGE) and Instituto Nacional de Estatística (Portugal)*). As for the labour market, employment in Spain fell by 3.5% year-on-year in the third quarter of 2020, while in Galicia the drop was less pronounced (2.1%) (source: *National Statistics Institute of Spain, Economically Active Population Survey – Quarter 3/2020*). As a result, the unemployment rate in Galicia remained significantly below the Spanish average (11.8% Galicia compared to 16.3% in Spain) (source: *National Statistics Institute of Spain, Economically Active Population Survey – Quarter 3/2020*). Although the economy of Galicia has shown greater resistance to the crisis than that of Spain (due to a better situation in the health emergency accelerated de-escalation, a lower weight of tourism -which is the economic sector most affected by the pandemic- and lower dependence on foreigners, a greater foreign opening that reduces the shock in the domestic market and a greater weight of the food and agriculture and fisheries sector), the effects of the pandemic are having, and may still in the future have, an adverse effect on the ABANCA Group's business, financial condition and results of operations.

As stated above, the situation created by the coronavirus pandemic has already had a significant effect on the ABANCA Group. The ABANCA Group allocated provisions for credit amounting to €211 million in the nine-month period ended on 30 September 2020 (which include €92 million to cover the potential effect arising from the macroeconomic deterioration of the banking book based on the Bank's expected credit loss models) and, during that period, its NPL ratio only decreased by 18 basis points (despite the continuous efforts of the ABANCA Group to reduce it). The coronavirus pandemic may still have effects in the future, which are not predictable (as shown by the evolving forecasts on its impact on the economy: in November 2020 the European Commission forecasted a fall in Spain's GDP of 12.4% and a fall in Portugal's GDP of 9.3% in 2020 (source: *European Commission, European Economic Forecast Autumn 2020*), which are above its Spring forecasts (a fall of 9.4% for Spain and a fall of 6.8% for Portugal (source: *European Economic Forecast Spring 2020*)). Besides not being predictable, the future effects of the coronavirus pandemic in the ABANCA Group's business, financial condition and results of operations will depend on many circumstances and developments out of the ABANCA Group's control (including subsequent waves of infections, the measures adopted to contain the disease -including the effectiveness of the vaccination programmes to be implemented- and to mitigate its impact, or, specifically for the banking sector, the measures and financial stimulus packages implemented by regulators, central banks and governments).

The regulatory changes implemented by the Spanish authorities to mitigate the economic effects of COVID-19 included the establishment of a moratorium on both mortgage and other loans transactions applicable for three-months to those situations considered to be financially vulnerable (the "**Public Moratorium**"). In

the same vein, Spanish institutions 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 European Banking Authority ("**EBA**") (the "**Private Moratorium**"). Under the Private Moratorium each moratorium for non-mortgage loans was for a period of six months and up to 12 months for mortgage loans. If a moratorium under the Public Moratorium had been previously granted, the total moratorium considering both the Public Moratorium and the Private Moratorium was limited to six months for non-mortgage loans and a maximum of 12 months for mortgage loans.

Both categories of moratoria could be requested until 29 September 2020 and the breakdown, by moratorium and products, of the number of transactions and the amount of the moratoriums granted has been as follows:

	Volume of transactions	(thousands of euros)	
		Moratorium	
		Public	Private
Mortgages	798,400	495,848	302,552
Other loans	381,128	272,693	108,435
Total	1,179,528	768,541	410,987

As of 30 September 2020, the mortgage moratoriums and the moratoriums of consumer loans represented, respectively, a 5.5% and a 7.8% of the total mortgage portfolio and the total consumer portfolio, respectively.

Taking into account the announcements made by the European Central Bank ("**ECB**") and the EBA (please see "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations -Prudential treatment of NPLs*", including the reactivation by the EBA, in December 2020, of its Guidelines on legislative and non-legislative moratoria, which will apply until 31 March 2021, and which include additional safeguards against the risk of an undue increase in unrecognised losses on banks' balance sheet), the moratoria implemented by Spanish authorities have not had a material adverse effect in terms of provisions for NPLs. However, the lower interest generated during the moratorium periods of the Public Moratorium had a negative impact in the form of a lower net interest income. As regards Private Moratoria, given that it was on capital and not on interest, its main impact has been to help to reduce the number of clients who are at doubtful risk. These effects will continue in the future for the duration of each moratoria. Moreover, if additional measures similar to these ones are implemented in the future, this may have an adverse effect on the ABANCA Group's business, financial condition and results of operations.

Also in connection with the measures taken to be prepared to face the expected forthcoming environment generated by the COVID-19, the Bank has been following the recommendations of the ECB about dividend distribution (published in March, July and December 2020) and since the date the first recommendations were published the Bank has not paid dividends. The Bank will follow the December 2020 ECB recommendations.

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 and as at 30 September 2020 (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 and as at 30 September 2020. 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 -€24.53 million on the net interest income for the nine-month period ended 30 September 2020 and (b) -€53.66 million on the economic value of capital as of 31 December 2019 and -€10.75 million on the economic value of capital as of 30 September 2020; 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 -€19.61 million on the net interest income for the nine-month period ended 30 September 2020 and (b) €845.93 million on the economic value of capital as of 31 December 2019 and €834.31 million on the economic value of capital as of 30 September 2020. Please see the 2019 Consolidated Annual Accounts for further information on the sensitivity analysis conducted as at 31 December 2019.

In addition to the above, and although in the last financial periods the ABANCA Group has managed to increase its interest income¹⁰ as well as its net interest income¹¹ thanks to both the growth in business volume and the focus on some more profitable business lines, 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 ratio¹² of the ABANCA Group as of 30 September 2020 was 1.45% (1.62% as of 31 December 2019).

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 among the main ones (especially through the insurance business) but also optimising its cost base and analysing growth opportunities. For the nine-month period ended on 30 September 2020 the net fees and commissions¹³ of the ABANCA Group amounted to €175.15 million, which represented 19.97% of the gross margin of the ABANCA Group for that period (€205.46 million and 22.56%, respectively, for the year ended on 31 December 2019) with income from non-banking products commercialisation being €61.24 million, income from other services fees being €39.29 million, and income from payments and other services fees being €74.63 million (€73.92 million, €56.32 million and €75.22 million, respectively for the year ended 31 December 2019).

Liquidity risk

Liquidity risk comprises uncertainties as regards the ability of the ABANCA Group, under adverse conditions, to timely access funding necessary to cover its obligations to clients as they become due and to meet the maturity of its liabilities. This risk 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 its 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

¹⁰ For the nine-month period ended on 30 September 2020, the interest income of the ABANCA Group was €587.38 million (€760.91 million for the year ended on 31 December 2019).

¹¹ For the nine-month period ended on 30 September 2020, the net interest income of the ABANCA Group was €463.91 million and represented 52.90% of the gross margin (for the year ended on 31 December 2019, the net interest income was €574.64 million and represented 63.09% of the gross margin).

¹² Customer Spread Ratio is an APM the definition, explanation, use and reconciliation of which are set out in "*Description of ABANCA—Alternative Performance Measures*".

¹³ 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*".

less access to funds. If there were a deterioration in the situation of the international capital markets, or the credit ratings of ABANCA worsened, it would likely be more difficult for it to attract resources in such markets. Furthermore, given that ABANCA is a Spanish credit institution, a crisis in Spanish sovereign bonds could increase its financing costs.

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

As of 30 September 2020, the ABANCA Group had Liquid Assets amounting to €10,905.02 million (€7,867.69 million as of 31 December 2019) to face maturities of issuances for an amount of €3,193 million (€3,360 million as of 31 December 2019). However, the ABANCA Group 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 €5,333 million as of 30 September 2020 (€6,604 million as of 31 December 2019).

As of 30 September 2020, ABANCA Group's financing structure consisted of 6% of interbank funding, 15% of ECB funding, 6% of issuances and 73% of retail deposits (amounting to €40,811.84 million as of that date (€38,223.91 million, respectively, as of 31 December 2019), that compares with the €39,317.21 million of credit to customers as at that date (€36,792.08 million as of 31 December 2019)). This referred surplus is reflected in the Retail Loan to Deposits¹⁴ (LtD) ratio of the ABANCA Group that as of 30 September 2020 was 96.3% (96.3% as of 31 December 2019)). As of 31 December 2019, ABANCA Group's financing structure consisted of 10% of interbank funding, 9% of ECB funding, 7% of issuances and 74% of retail deposits. One of the ABANCA Group's major sources of funds are savings and demand deposits. As of 30 September 2020, 72.9% of the total consolidated liabilities of the ABANCA Group were customer deposits (76.3% as of 31 December 2019). 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 taxation of creditors' funds) or competition from investment funds or other products. As of 30 September 2020, the ABANCA Group's client resources consisted of 62% demand deposits, 19% term deposits and 19% off-balance-sheet funds¹⁵ (57% demand deposits, 22% term deposits and 21% off-balance-sheet funds as of 31 December 2019).

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 30 September 2020, the funding with the ECB amounted to €8,628.85 million, €4,658.65 million as of 31 December 2019, which represented 13.4% and 7.9%, respectively, of the total consolidated assets of the ABANCA Group, and 14.5% and 8.6% of the consolidated liabilities of the ABANCA Group, as of 30 September 2020 and 31 December 2019, 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

¹⁴ 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*".

¹⁵ 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*".

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 261% as at 30 September 2020 (217% as of 31 December 2019) and the NSFR ratio of the ABANCA Group was 134% as at 30 September 2020 (129% as of 31 December 2019).

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 currently continuing (through the merger between CaixaBank, S.A. and Bankia, S.A. and the negotiations between Unicaja Banco, S.A. and Liberbank, S.A.) and is expected to further 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, 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 44% of the market, in terms of total assets, as at 30 September 2020 their joint share was 68%, an increase of 56% (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 EU shadow banking system had total assets of over €45.5 trillion at the end of 2019, accounting for around 40% of the EU financial system (source: *EU Non-Bank Financial Intermediation Risk Monitor 2020, published by the European Systemic Risk Board*).

The degree of digitalisation of the ABANCA Group's customers (72% 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. For example, 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, credit spreads, 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, hold-to-collect and sell and trading portfolios. In some of the ABANCA Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the ABANCA Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the ABANCA Group for which there are less liquid markets. The volatile nature of the financial markets could result in unforeseen losses for the ABANCA Group.

As of 30 September 2020, excluding hold-to-collect portfolio and the credit investment portfolio, the exposure of the ABANCA Group subject to market risk came to a total €5,048.24 million in fixed income securities with fixed rate and €309.11 million in fixed income securities with floating rate (€4,109.66 million and €99.94 million, respectively, as of 31 December 2019) and €149.36 million in equity instruments (€257.06 million as of 31 December 2019). The fixed income portfolio exposed to market risk mainly comprises government bonds, as of 30 September 2020, 33.35% corresponds to sovereign bonds of the Spanish government, 46.73% to bonds of other countries of the Monetary Economic Union and 1.19% to bonds of government agencies, autonomous regions and bonds backed by the Spanish government (50.66%, 19.80%, and 2.71%, respectively, as of 31 December 2019).

A standard measure to evaluate market risk is "VaR" (Value at Risk)¹⁶. As of 30 September 2020, the VaR of the fixed income securities and equity portfolio (excluding the hold-to-collect portfolio and the credit investment portfolio) of the ABANCA Group, considering a daily time horizon and a confidence level of 99%, was €70.50 million (€14.23 million as of 31 December 2019). 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. Moreover, 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 30 September 2020, the ABANCA Group had deferred tax assets amounting to a total of €3,419.87 million (€3,401.74 million as of 31 December 2019). 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-

¹⁶ "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.

paid taxes); (ii) negative tax bases in corporation tax due to the losses of the corresponding financial year; and (iii) certain deductions in corporation tax which cannot be applied in the corresponding financial year if the tax base of such tax is negative.

Pursuant to Law 27/2014, of 27 November, on Corporate Income Tax, as amended (the "**CIT Law**"), of the €3,419.87 million deferred tax assets mentioned above, the ABANCA Group considers that €2,697.51 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, the ABANCA Group 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 2019 Consolidated Annual Accounts, that has been paid in July 2020, and a provision amounting to €24.42 million in the 2020 Consolidated Third Quarter Interim Financial Statements. 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 Bankoa, S.A. ("**Bankoa**") former Spanish subsidiary of the Crédit Agricole Group (the acquisition of Bankoa would have provided a business volume of €4,374 million¹⁷ as of 30 June 2020 (equivalent to approximately 5% of that of the ABANCA Group as of 30 September 2020)). 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.

¹⁷ Figures produced by ABANCA using Bankoa publicly available information and ABANCA's criteria.

Actuarial risk

Actuarial risk is associated with the insurance business within the ABANCA Group's existing business lines and types of insurance. Actuarial risk reflects the risk arising from the execution of life and other insurance contracts, considering events covered and the processes used in the conduct of business, and distinguishing mortality, longevity, disability and morbidity risk. Management of this risk depends on actuarial management policies relating to subscription, pricing and accident rates. If actuarial risk was not correctly monitored and managed, it could adversely affect the ABANCA Group's business, financial condition and results of operations. The ABANCA Group had general and life-risk insurance premiums for a value of €289.5 million as of 30 September 2020, representing an increase of 7.0% compared to 30 September 2019 (€261.3 million as of 31 December 2019, which represented an increase of 10.4% compared to 2018).

In addition, under the Solvency II framework, the insurance undertakings of the ABANCA Group are required to produce estimates that are based on assumptions and this exposes the ABANCA Group to the risk of these estimates being wrong either because the assumptions were not correct or because new factors not taken into account by the ABANCA Group arise.

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. In addition, 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.

As described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers —Capital, liquidity and funding requirements*", and after the April 2020 decision, the capital requirements for the Bank and the ABANCA Group are a Common Equity Tier 1 ("**CET1**") ratio requirement of 7.98% of risk weighted assets ("**RWAs**") and a total capital ratio requirement of 12.25% of RWAs. These capital requirements include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the "Pillar 2" capital requirements ("**P2R**") (CET1 ratio of 0.98% of RWAs, Tier 1 ratio of 1.31% of RWAs and total capital ratio of 1.75% of RWAs), and the capital conservation buffer (2.5% of RWAs to be satisfied with additional CET1 capital). As of 30 September 2020, the Bank's phased-in individual CET1 ratio was 13.1%, its phased-in Tier 1 ratio was 14.0% and its phased-in total capital ratio was 16.2%; as of that date the phased-in CET1 ratio of the ABANCA Group was 13.3%, its phased-in Tier 1 ratio was 14.2% and its phased in total capital ratio was 16.4%.

In addition, as described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers — MREL Requirements*" banks shall hold a minimum level of capital and eligible liabilities. In May 2019 ABANCA received a formal communication from the Bank of Spain regarding the MREL (as defined in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers*") requirement, as determined by the Single Resolution Board (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.

As described in the section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers*", 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*" 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 €5.62 million as of 30 September 2020 (€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 €0.73 million as of 30 September 2020 (€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 €3.08 million as of 30 September 2020 (€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 30 September 2020 amounted to €2.55 million (€2.23 million as of 31 December 2019)). In addition, as of 30 September 2020 the ABANCA Group had provisions amounting to €95.58 million to cover commitments with third parties in connection with its activity (€121.8 million as of 31

December 2019). No new provisions relating to new legal proceedings have been required in the nine-month period ended 30 September 2020 nor in the year 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.

RISKS RELATING TO THE PREFERRED SECURITIES

The Preferred Securities may be subject to the exercise of the Spanish Bail-in Power and/or the Non-Viability Loss Absorption by the Relevant Resolution Authority and in general to the powers that may be exercised by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation

As further explained 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 Preferred Securities may be subject to the bail-in tool (the Spanish Bail-in Power as defined therein) and to the write down and conversion powers (the Non-Viability Loss Absorption as defined therein) contemplated in article 59 of BRRD and in general to the powers that may be exercised by the Relevant Resolution Authority (as defined therein) under Law 11/2015 and the Regulation (EU) No 806/2014, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**").

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

The powers set out in the BRRD as implemented through Law 11/2015, Royal Decree 1012/2015 and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, Holders may be subject to, among other things, on any application of the Spanish Bail-in-Power a write down (including to zero) or conversion into equity or other securities or obligations of amounts due under the Preferred Securities and additionally may be subject to any Non-Viability Loss Absorption. The exercise of any such powers (or any other resolution powers and tools) may result in such Holders losing some or all of their investment or otherwise having their rights under the Preferred Securities adversely affected, including by becoming holders of further subordinated instruments (i.e., ordinary shares of the Bank). Such exercise could also involve modifications to, or the disapplication of, provisions in the terms and conditions of the Preferred Securities including alteration of the Liquidation Preference or any Distributions payable on the Preferred Securities or the dates on which payments may be due, as well as the suspension of payments for a certain period (but without limiting the right of the Bank under Condition 4 of the Preferred Securities to cancel payment of any Distributions at any time and for any reason).

Furthermore, the exercise of the Spanish Bail-in Power or, where applicable, the Non-Viability Loss Absorption, with respect to the Preferred Securities or the taking by the Relevant Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Holders, the market price or value or trading behaviour of any Preferred Securities and/or the ability of the Bank to satisfy its obligations under any Preferred Securities. There may be limited protections, if any, that will be available to holders of securities subject to the Spanish Bail-in Power (including the Preferred Securities) and to the broader resolution powers of the Relevant

Resolution Authority. Accordingly, Holders of the Preferred Securities may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise such powers.

The exercise of the Spanish Bail-in Power and/or the Non-Viability Loss Absorption by the Relevant Resolution Authority with respect to the Preferred Securities 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 Preferred Securities may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power and/or any Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

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

The Preferred Securities are perpetual

The Bank is under no obligation to redeem the Preferred Securities at any time and the Holders have no right to call for their redemption. Only in the event of any voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities will confer an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution (as defined in the Conditions).

Upon the occurrence of a Trigger Event, the principal amount of the Preferred Securities will be Written Down

The Preferred Securities are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as additional tier 1 capital of the Bank and the ABANCA Group. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions. One of these relates to the ability of the Preferred Securities and the proceeds of their issue to be available to readily absorb any losses of the Bank and the ABANCA Group, respectively.

Accordingly, if at any time the CET1 ratio of any one of the Bank and/or the ABANCA Group falls below 5.125% (a "**Trigger Event**"), ABANCA shall immediately notify the Competent Authority, shall cancel any accrued and unpaid Distributions up to (but excluding) the relevant Write Down Date (as defined in the Conditions) and, without delay and by no later than one month from the occurrence of the relevant Trigger Event, shall irrevocably and mandatorily (and without the need for the consent of the Holders), reduce the then Outstanding Principal Amount of each Preferred Security by the relevant Write Down Amount (as defined in the Conditions) (such reduction, a "**Write Down**" and "**Written Down**" being construed accordingly). Any such decision shall be binding on the Holders as described in the Conditions.

A Write Down of the Preferred Securities will affect the claims of the Holders in various respects. Firstly, in the event of a liquidation or winding-up of ABANCA, the claims of the Holders will be in respect of the Outstanding Principal Amount of the Preferred Securities at the time of the liquidation or winding-up of ABANCA, and not for the Original Principal Amount. Similarly, upon a redemption of the Preferred Securities by ABANCA following the occurrence of a Capital Event or a Tax Event, the redemption amount of each Preferred Security will be its Outstanding Principal Amount (together with accrued and unpaid interest) and not its Original Principal Amount. ABANCA is not permitted to redeem the Preferred Securities pursuant to Condition 7.2, until any principal amount by which the Preferred Securities have been Written Down pursuant to Condition 6.1 have first been reinstated in full pursuant to Condition 6.2; however, that restriction does not apply to a redemption following the occurrence of a Capital Event or a Tax Event.

Secondly, Distributions will accrue only on the Outstanding Principal Amount of the Preferred Securities from time to time, and accordingly for so long as the Outstanding Principal Amount of the Preferred Securities is less than their Original Principal Amount, the maximum amount of Distributions which may be paid by ABANCA (subject always to applicable payment restrictions and Distributions cancellation as provided in Condition 4) on any Distribution Payment Date shall be less than if no Write Down had occurred.

A Write Down may occur on any one or more occasions, and the Outstanding Principal Amount of the Preferred Securities may be reduced in part or in whole (save that no Preferred Security shall be Written Down below one cent (€0.01)). Holders will not be entitled to any compensation or other payment as a result of any Write Down of the Preferred Securities. Accordingly, if a Trigger Event occurs, Holders could lose all or part of the value of their investment in the Preferred Securities if ABANCA subsequently redeems the Preferred Securities following the occurrence of a Tax Event or a Capital Event or a liquidation or winding-up of ABANCA occurs.

Whilst the Conditions provide for a Write Up of the principal amount of the Preferred Securities in certain circumstances, any such Write Up will be in the sole and full discretion of ABANCA, there is no provision for the automatic Write Up of the Preferred Securities in any circumstances and any Write Up will be subject to certain restrictions. Write Up may only occur if each of the Bank and the ABANCA Group generates a positive Net Income (as defined in the Conditions) in any given financial year and up to the Maximum Write Up Amount (as defined in the Conditions). Write Up shall be operated at the sole and absolute discretion of the Bank. Further, a Write Up will not be effected in circumstances where it would cause a Trigger Event, or would result in any Maximum Distributable Amount (if any) to be exceeded. See Condition 6.2 for further details. Even if, following a Trigger Event, each of the Bank and the ABANCA Group records a positive Net Income, there can be no assurance that any Write Up of any part of the principal amount of the Preferred Securities will be effected.

The circumstances that may give rise to a Trigger Event are unpredictable

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Bank's control. For example, the occurrence of one or more of the risks described under "*Risks relating to ABANCA and the ABANCA Group*", or the deterioration of the circumstances described therein, will increase the likelihood of the occurrence of a Trigger Event (at any of its levels).

Furthermore, the occurrence of a Trigger Event depends on the calculation of the CET1 ratio, which can be affected, among other things, by the growth of the Bank's or the ABANCA Group's businesses and their future earnings; expected payments by the Bank in respect of dividends and distributions and other equivalent payments in respect of instruments ranking junior to the Preferred Securities as well as other instruments ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities; regulatory changes (including possible changes in regulatory capital definitions, calculations and RWAs –for example, the introduction of the output floor under the Basel IV framework); changes in the Bank's and the ABANCA Group's structure or organisation; and the Bank's and the ABANCA Group's ability to manage actively their RWAs. The CET1 ratios of each of the Bank and the ABANCA Group at any time may also depend on decisions taken by the Bank in relation to its business and operations, as well as the management of their capital position. The Bank will have no obligation to consider the interests of the Holders of the Preferred Securities in connection with its strategic decisions, including in respect of its capital management. Holders of the Preferred Securities will not have any claim against the Bank or any other member of the ABANCA Group in relation to any such decision.

In addition, since the Competent Authority may require the Bank to calculate the CET1 ratios at any time, a Trigger Event could occur at any time. Due to the inherent uncertainty in advance of any determination of such event regarding whether a Trigger Event may exist, it will be difficult to predict when, if at all, the Outstanding Principal Amount of the Preferred Securities will be written down. Accordingly, trading behaviour in respect of the Preferred Securities is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the CET1 ratio of the Bank and/or the ABANCA Group is decreasing (and hence the risk of a Trigger Event occurring is becoming increasingly proximate) may have an adverse effect on the market price of the Preferred Securities. Under such circumstances, investors may not be able to sell their Preferred Securities easily or at prices comparable to other similar yielding instruments.

Payments of Distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions and may be restricted as a result of a failure of the ABANCA Group to comply with its capital requirements

The Preferred Securities accrue Distributions as defined and further described in Condition 4, but the Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time and without any restriction on it thereafter.

Payments of Distributions in any financial year of the Bank shall be made only out of Distributable Items of the Bank. The level of the Bank's Distributable Items is affected by a number of factors such as changes to accounting rules, regulation or the requirements and expectations of applicable regulatory authorities, the performance of the business of the ABANCA Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the ABANCA Group operates and other factors outside of the Bank's control. In addition, adjustments to earnings, as determined by the Board, may fluctuate significantly and may materially adversely affect Distributable Items. The Bank's future Distributable Items, and therefore the ability of the Bank to make Distribution payments under the Preferred Securities, depend, among others, on the Bank's existing Distributable Items and its future profitability. Additionally, the Bank's Distributable Items may also be adversely affected by the servicing of more senior instruments or parity ranking instruments. The Bank will cancel any Distribution (in whole or in part) which could otherwise be paid on the Distribution Payment Date if and to the extent that payment of such Distribution would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Bank. Distributable Items for the Bank amount to €1,394,418,432.09 as of 31 December 2019¹⁸.

In addition, no payments will be made on the Preferred Securities if and to the extent that such payment would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 capital pursuant to Applicable Banking Regulations (including, without limitation, any such restriction or prohibition relating to any Maximum Distributable Amount, Article 48 of Law 10/2014 and any provisions implementing such Article, and any other provision of Spanish law transposing or implementing Article 141(2) of 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**") and any analogous payment restrictions arising in respect of capital buffers under the CRD IV Directive, the BRRD or any Applicable Banking Regulations). See "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers*" for additional information.

There are a number of factors that make the determination and application of the "Maximum Distributable Amount" particularly complex, including the following:

- the "Maximum Distributable Amount" applies when the "combined buffer requirement" is not maintained. The "combined buffer requirement" represents the amount of capital that a financial institution is required to maintain beyond the minimum "Pillar 1" and "Pillar 2" capital requirements. However, there are several different buffers, some of which are intended to encourage countercyclical behavior (with extra capital retained when profits are robust) and others which are intended to provide additional capital cushions for institutions whose failure would result in a significant systemic risk;
- as of 1 January 2019, the capital conservation buffer reached a fully-loaded value of 2.5% of RWAs. The institution-specific countercyclical buffer and the systemic risk buffer may be applied and varied at any time upon decision of the relevant authorities. As a result, the potential impact of the "Maximum Distributable Amount" will change over time; and
- payments made earlier in the year will reduce the remaining "Maximum Distributable Amount" available for payments later in the year, and the Bank will have no obligation to preserve any portion of the "Maximum Distributable Amount" for payments scheduled to be made later in a given year. Even if the Bank attempts to do so, there can be no assurance that it will be successful, as the "Maximum Distributable Amount" at any time depends on the amount of net income earned during the course of the relevant year, which will necessarily be difficult to predict.

Whether Distributions on the Preferred Securities may be subject to a Maximum Distributable Amount as a result of a breach of the "combined buffer requirement" will depend, among other things, on the applicable capital requirements, the amount of CET1 Capital and the "distributable profits" of the Bank, as applicable, which can be affected by, among other things, regulatory developments, management decisions taken by the ABANCA Group, and other such considerations similar to those discussed above in relation to the circumstances that may give rise to a Trigger Event.

¹⁸ Please see "*General Information – Significant/Material Change and Trend Information*" for information on certain transactions that will have an impact on the amount of ABANCA's Distributable Items.

Furthermore, the Competent Authority, in accordance with Applicable Banking Regulations, may also require the Bank to cancel the relevant Distribution in whole or in part.

If, as a result of any of the conditions set out above being applicable, only part of the Distributions under the Preferred Securities may be paid, the Bank may proceed, in its sole discretion, to make such partial Distributions under the Preferred Securities.

Furthermore, upon the occurrence of a Trigger Event, any accrued and unpaid Distributions up to (but excluding) the relevant Write Down Date shall be cancelled.

There can, therefore, be no assurance that a Holder will receive payments of Distributions in full or in part in respect of the Preferred Securities. Any unpaid Distributions are not cumulative or payable at any time thereafter and, accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any requirement for, or election of, the Bank to cancel such Distributions then the right of the Holders to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.

No such election to cancel the payment of any Distribution (or part thereof) or non-payment of any Distribution (or part thereof) will constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank.

Notwithstanding the applicability of any one or more of the conditions set out above resulting in Distributions under the Preferred Securities not being paid or being paid only in part, the Bank will not be in any way limited or restricted from making any Distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 capital) or in respect of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities.

Additionally, in relation to the foregoing, investors should be aware that the Bank shall only pay any additional amounts payable in accordance with Condition 12 to the extent such payment can be made on the same basis as for a payment of any Distribution in accordance with Condition 4.

Any failure by the Bank and/or the ABANCA Group to comply with its MREL Requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Bank, including the payment of Distributions on the Preferred Securities

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities, the MREL Requirements, that will be set by the Relevant Resolution Authority for each bank (and/or group) based on certain criteria including systemic importance. See "*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers*" for further information on the MREL Requirements.

Pursuant to the EU Banking Reforms, any failure by an institution to meet the capital buffers in excess of the applicable MREL Requirements may (taking into account certain conditions) result in the obligation to calculate the maximum distributable amount and the imposition of restrictions or prohibitions on discretionary payments by the Bank in a similar manner as a failure to meet minimum regulatory capital requirements, but subject to a potential nine months grace period.

Any failure or perceived failure by the ABANCA Group to comply with its MREL Requirements may have a material adverse effect on the Bank's or the ABANCA Group's business, results of operations and/or financial position and, upon implementation of the EU Banking Reforms in Spain, could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Bank, including the payment of Distributions on the Preferred Securities.

The obligations of the Bank under the Preferred Securities are subordinated

The payment obligations of the Bank under the Preferred Securities on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1.2º of the restated text of the Spanish Insolvency Law, approved by Royal Legislative Decree 1/2020, of 5 May (the "**Spanish Insolvency Law**") read in conjunction with Additional

Provision 14.3° of Law 11/2015, and upon the insolvency of the Bank, for so long as the obligations of the Bank under the Preferred Securities qualify as Additional Tier 1 Instruments but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) rank as set out in Condition 3. For these purposes, as of the date of this Prospectus and according to Additional Provision 14.3° of Law 11/2015, the ranking of the Preferred Securities and any other subordinated obligations of the Bank may depend on whether those obligations qualify at the relevant time as Additional Tier 1 Instruments or Tier 2 Instruments or constitute subordinated obligations of the Bank not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments. See Condition 3 for the complete provisions regarding the ranking of the Preferred Securities.

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

Furthermore, if a Trigger Event occurs but the relevant Write Down of the Preferred Securities pursuant to the Conditions is still to take place before the liquidation or winding-up of the Bank, the entitlement of Holders will be to receive out of the relevant assets of the Bank a monetary amount equal to that which Holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such Write Down had taken place immediately prior to such liquidation or winding-up.

There are no events of default

Holders of the Preferred Securities have no ability to require the Bank to redeem their Preferred Securities. The terms of the Preferred Securities do not provide for any events of default. The Bank is entitled to cancel the payment of any Distribution (including any additional amounts payable in accordance with Condition 12) in whole or in part at any time and as further contemplated in Condition 4 (see "*Payments of distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions and may be restricted as a result of a failure of the ABANCA Group to comply with its capital requirements*" for additional information) and such cancellation will not constitute any event of default or similar event or entitle Holders to take any related action against the Bank. Moreover, if the Preferred Securities are not Written Down following a Trigger Event, then on a liquidation or winding-up of the Bank the claim of a Holder will be an entitlement to receive out of the relevant assets a monetary amount equal to that which Holders would have received on any distribution of the assets of the Bank if such reduction had taken place immediately prior to such liquidation, dissolution or winding-up.

In the event that the Bank fails to make any payments when the same may be due, the remedies of Holders of the Preferred Securities are limited to bringing a claim for breach of contract.

The Preferred Securities may be redeemed at the option of the Bank

All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank, subject to the prior consent of the Competent Authority, (i) on any day falling in the period commencing on (and including) 20 January 2026 and ending on (but excluding) the First Reset Date; and (ii) on the First Reset Date or on any Distribution Payment Date thereafter, in each case at the Redemption Price and otherwise in accordance with Applicable Banking Regulations then in force.

Under 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**"), the Competent Authority shall give its consent to a reduction, call, redemption, repayment or repurchase of the Preferred Securities in such circumstances provided that either of the following conditions is met:

- (i) on or before such redemption of the Preferred Securities, the Bank replaces the Preferred Securities with own funds of an equal or higher quality on terms that are sustainable for the income capacity of the Bank; or

- (ii) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, exceed the own fund and eligible liabilities requirements set out under CRR, CRD IV and BRRD by a margin that the Competent Authority considers necessary.

The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price (subject to the prior consent of the Competent Authority and otherwise in accordance with Applicable Banking Regulations then in force) if there is a Capital Event or a Tax Event (as defined in the Conditions).

If any notice of redemption of the Preferred Securities is given pursuant to Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and, instead, the reduction of the Outstanding Principal Amount of the Preferred Securities shall take place as provided under Condition 6.2.

If the Bank exercised its right to redeem the Preferred Securities in accordance with Condition 7 but failed to make payment of the relevant Outstanding Principal Amount to redeem the Preferred Securities when due, such failure would only entitle Holders to bring a claim for breach of contract against the Bank, which, if successful, could result in damages. In such case, Distributions will continue to accrue in accordance with Condition 4 above from (and including) the proposed redemption date to (but excluding) the date of actual payment of the Redemption Price (as defined in the Conditions).

It is not possible to predict whether or not any further change in the laws or regulations applicable in Spain, Applicable Banking Regulations or, in the case of a redemption of the Preferred Securities for tax reasons, the application or official interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Bank is able to elect to redeem the Preferred Securities, and if so whether or not the Bank will elect to exercise such option to redeem the Preferred Securities or any prior consent of the Competent Authority required for such redemption will be given. There can be no assurance that, in the event of any such early redemption, Holders will be able to reinvest the proceeds at a rate that is equal to the return on the Preferred Securities. In the case of any early redemption of the Preferred Securities at the option of the Bank on any day falling in the period commencing on (and including) 20 January 2026 and ending on (but excluding) the First Reset Date or on the First Reset Date or on any Distribution Payment Date thereafter, the Bank may exercise this option (subject to the prior consent of the Competent Authority) when its funding costs are lower than the Distribution Rate at which Distributions are then payable in respect of the Preferred Securities. In these circumstances, the rate at which Holders are able to reinvest the proceeds of such redemption is unlikely to be as high as, and may be significantly lower than, that Distribution Rate.

In addition, the redemption feature of the Preferred Securities is likely to limit their market value. During any period when the Bank has the right to elect to redeem the Preferred Securities or there is a perceived increase in the likelihood that the Bank will exercise the right to elect to redeem the Preferred Securities, the market value of the Preferred Securities is unlikely to rise substantially above the price at which they can be redeemed. This may also be true prior to such period. Finally, a redemption below par could occur if a Capital Event or a Tax Event occurs after a Write Down.

The terms of the Preferred Securities contain a waiver of set-off rights

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

The interest rate on the Preferred Securities will be reset on each Reset Date, which may affect the market value of the Preferred Securities

The Preferred Securities will bear interest at an initial fixed rate of interest from (and including) the Closing Date to (but excluding) the First Reset Date. From (and including) the First Reset Date, and on every Reset Date thereafter, the interest rate will be reset as described in Condition 4. This reset rate could be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which could

affect the amount of any Distributions under the Preferred Securities and so the market value of an investment in the Preferred Securities.

Substitution and variation of the Preferred Securities without Holder consent

Subject to Condition 8, if a Tax Event or a Capital Event occurs, the Bank may, instead of redeeming the Preferred Securities, at any time, without the consent of the Holders, and subject to receiving consent from the Competent Authority, either (a) substitute new preferred securities for all (but not some only) the Preferred Securities whereby such new preferred securities shall replace the Preferred Securities or (b) vary the terms of all (but not some only) the Preferred Securities, so that the Preferred Securities may become or remain Qualifying Preferred Securities (as defined in the Conditions), provided that such substitution or variation shall not result in terms that are materially less favourable to the Holders, as certified by two Authorised Signatories (as defined in the Conditions) of ABANCA. In the exercise of its discretion, the Bank will have regard to the interest of the Holders as a class.

While Qualifying Preferred Securities must contain terms that are materially no less favourable to Holders as the original terms of the Preferred Securities, there can be no assurance that the terms of any Qualifying Preferred Securities will be viewed by the market as equally or more favourable, or that the Qualifying Preferred Securities will trade at prices that are equal to or higher than the prices at which the Preferred Securities would have traded on the basis of their original terms.

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

Risks relating to the 5-year Mid-Swap Rate and other "benchmarks"

The calculation of any Distributions in respect of the Preferred Securities from and including the First Reset Date are dependent upon the relevant 5-year Mid-Swap Rate (as defined in the Conditions) as determined at the relevant time (as specified in the Conditions). Certain interest rates and indices which are deemed to be "benchmarks" (including the 5-year Mid-Swap Rate) have been the subject of recent national and international regulatory guidance and proposals for reform, including 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.

These reforms could have a material impact on the Preferred Securities, its value and return, in particular, if the methodology or other terms of any benchmarks are changed in order to comply with new requirements. Such changes or the general increased regulatory scrutiny of benchmarks could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark and 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 following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark.

If at the time of determination of the Distribution Rate a Benchmark Event (as defined in the Conditions) (which, amongst other events, includes the permanent discontinuation of the 5-year Mid-Swap Rate) occurs or has occurred, then the Bank shall use its reasonable endeavors to appoint an Independent Financial Adviser (as defined in the Conditions), as soon as reasonably practicable, to determine a Successor Rate or Alternative Rate (as defined in the Conditions) to be used in place of the 5-year Mid-Swap Rate. If the Bank is unable to appoint an Independent Financial Adviser; or the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the Bank (following consultation with the Independent Financial Adviser, if any) 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.

The use of any such Successor Rate or Alternative Rate to determine a Distribution Rate will result in the Preferred Securities performing differently (which may include payment of a lower Distribution Rate) than they would do if the 5-year Mid-Swap Rate were to continue to apply.

If (i) the Bank 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 or (ii) in the determination of the Bank, the adoption of the Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) could reasonably be expected to prejudice the qualification of the Preferred Securities as Additional Tier 1 Capital of the Bank or the ABANCA Group, the Distribution Rate applicable to the next succeeding Reset Period (as defined in the Conditions) will be equal to the Distribution Rate last determined in relation to the Preferred Securities in respect of the immediately preceding Reset Period. If the Bank fails to make such a determination prior to the first Reset Determination Date, the Distribution Rate will be 6%. This may result in effective application of a fixed rate of interest for Preferred Securities which are initially designated to be fixed reset securities. 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 5-year Mid-Swap Rate 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 Holders 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 Bank (as applicable), may vary certain aspects of the Conditions, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, without any requirement for consent or approval of the Holders.

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 result in the Preferred Securities performing differently (which may include payment of a lower rate of interest) than they would if the if the relevant benchmark were to continue to apply.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms in making any investment decision with respect to the Preferred Securities.

Limitation on gross-up obligation under the Preferred Securities

The Bank's obligation under Condition 12 to pay additional amounts in the event of any withholding or deduction for or on account of taxes, duties, assessments or governmental charges of whatever nature on any payments of Distributions and other amounts payable does not apply to any repayment of principal. Accordingly, if any such withholding or deduction were to apply, Holders of the Preferred Securities may

receive less than the full amount of principal due under the Preferred Securities upon redemption, and the market value of the Preferred Securities may be adversely affected.

INFORMATION INCORPORATED BY REFERENCE

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

- (i) ABANCA Group's unaudited condensed consolidated interim financial statements prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the consolidated interim director's report as of and for the nine-month period ended 30 September 2020, together with the limited review report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-3t-2020-es.pdf>) (together, the "**2020 Consolidated Third Quarter Interim Financial Statements**").

The 2020 Consolidated Third Quarter Interim Financial Statements were published by ABANCA as an announcement of material information (*anuncio de información relevante*) (registry number: 5,486) on 3 November 2020, which is available at the CNMV's website.

- (ii) ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 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 Consolidated Annual Accounts**").

The 2019 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.

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

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

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

Any documents themselves contained in or incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

English translations

English translations of the 2020 Consolidated Third Quarter Interim Financial Statements, 2019 Consolidated Annual Accounts and the 2018 Consolidated Annual Accounts are available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-3t-2020-en.pdf>, <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2019-en.pdf>, and <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2018-en.pdf>).

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

CONDITIONS OF THE PREFERRED SECURITIES

The following is the text of the Conditions of the Preferred Securities:

The Preferred Securities (as defined below) have been issued by ABANCA Corporación Bancaria, S.A. (the "**Bank**") by virtue of the resolutions passed by the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 2 March 2020 (as amended on 18 December 2020) and in accordance with the First Additional Provision of Law 10/2014, of 26 June, on regulation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) ("**Law 10/2014**") and the CRR (as defined below).

1. Definitions

1.1 For the purposes of the Preferred Securities, the following expressions shall have the following meanings:

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

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading "EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT" as of 11.00 am (CET) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate for such Reset Period, unless a Benchmark Event has occurred, in which case the 5-year Mid-Swap Rate shall be determined pursuant to Condition 4.9;

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

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

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

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

"**Accounting Currency**" means euro or such other primary currency used in the presentation of the accounts of the Bank and/or the ABANCA Group (as the context requires) from time to time;

"**Accrual Date**" has the meaning given to such term in Condition 4.1;

"**Additional Tier 1 Capital**" means additional tier 1 capital (*capital de nivel 1 adicional*) in accordance with Chapter 3 (Additional Tier 1 capital) of Title I (Elements of own funds) of Part Two (Own Funds and Eligible Liabilities) of the CRR and/or the Applicable Banking Regulations at any time;

"**Additional Tier 1 Instrument**" means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 281.1.2° of the Insolvency Law constituting an additional tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3°(c) of Law 11/2015, as amended or replaced from time to time;

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

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

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser, as applicable, determines in accordance with Condition 4.9(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in euro;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank 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 relating to capital adequacy, resolution and/or solvency then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the ABANCA Group) (in all cases, as amended or replaced from time to time);

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

"**Bank**" has the meaning given to such term in the introductory paragraph;

"**Bank's Certificate**" means a certificate signed by two Authorised Signatories of the Bank stating that, in the opinion of the Bank, (i) the changes determined pursuant to a substitution or variation of the Preferred Securities under Condition 8 will result in the Qualifying Preferred Securities having terms not materially less favourable to the Holders than the terms of the

Preferred Securities on issue and (ii) the differences between the terms and conditions of the Qualifying Preferred Securities and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Additional Tier 1 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

"**Benchmark Amendments**" has the meaning given to it in Condition 4.9(d);

"**Benchmark Event**" means:

- (a) the 5-year Mid-Swap Rate ceasing to be published for a period of at least 5 consecutive Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the 5-year Mid-Swap Rate that it has ceased, or will, by a specified future date (a "**Specified Future Date**"), cease publishing the 5-year Mid-Swap Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate); or
- (c) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate, that the 5-year Mid-Swap Rate has been or will, by a Specified Future Date, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate that means the 5-year Mid-Swap Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Preferred Securities, in each case by a Specified Future Date; or
- (e) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate that, in the view of such supervisor, the 5-year Mid-Swap Rate is no longer representative of an underlying market; or
- (f) it has become unlawful for the Bank or other party to calculate any payments due to be made to any Holder using the 5-year Mid-Swap Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, 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;

"**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 day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in A Coruña, Madrid and London;

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

- (a) the exclusion of any of the aggregate Outstanding Principal Amount of the Preferred Securities from the Additional Tier 1 Capital of the Bank or the ABANCA Group (in each case, to the extent required by Applicable Banking Regulations); or
- (b) the reclassification of any of the aggregate Outstanding Principal Amount of the Preferred Securities as a lower quality form of own funds of the Bank 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 to such term in Condition 2.3;

"**CET**" means Central European Time;

"**CET1 Capital**" means common equity tier 1 capital (*capital de nivel 1 ordinario*) in accordance with Chapter 2 (Common Equity Tier 1 capital) of Title I (Elements of own funds) of Part Two (Own Funds and Eligible Liabilities) of the CRR and/or Applicable Banking Regulations at any time, including any applicable transitional, phasing-in or similar provisions;

"**CET1 ratio**" means with respect to the Bank or the ABANCA Group, as the case may be, the ratio (expressed as a percentage) of the aggregate amount (in the Accounting Currency) of the CET1 Capital of the Bank or the ABANCA Group, respectively, divided by the Risk-Weighted Assets Amount of the Bank or the ABANCA Group, respectively, as calculated by the Bank, at any time in accordance with Applicable Banking Regulations and reported to the Competent Authority, if and as applicable;

"**Chairman**" has the meaning given to such term in Condition 11.3;

"**Clearstream Luxembourg**" has the meaning given to such term in Condition 2.2;

"**Closing Date**" means 20 January 2021;

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

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

"**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 IV Implementing Measures**" means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Bank 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;

"**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;

"**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 Regulation 2020/873 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, as amended by Regulation 2020/873 and as further amended or replaced from time to time;

"**Distributable Items**" means, in respect of the payment of a Distribution at any time, those profits and reserves (if any) of the Bank that are available in accordance with Applicable Banking Regulations for the payment of that Distribution at such time.

As of the Closing Date, CRR II defines "*distributable items*" as the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments (excluding for avoidance of doubt any Tier 2 instruments) less any losses brought forward, any profits which are non-distributable pursuant to European Union or national law or the institution's bylaws and any sums placed in non-distributable reserves in accordance with national law or the statutes of the institution, in each case with respect to the specific category of own funds instruments to which European Union or national law, institution's by-laws or statutes relates; such profits, losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts.

"**Distribution**" means the non-cumulative cash distribution in respect of the Preferred Securities and a Distribution Period determined in accordance with Condition 4;

"**Distribution Payment Date**" means each of 20 January, 20 April, 20 July and 20 October, in each year, with the first Distribution Payment Date falling on 20 April 2021;

"**Distribution Period**" means the period from and including one Distribution Payment Date (or, in the case of the first Distribution Period, the Closing Date) to but excluding the next (or first) Distribution Payment Date;

"**Distribution Rate**" means the rate at which the Preferred Securities accrue Distributions in accordance with Condition 4;

"**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 Preferred Securities held by or for the benefit, or on behalf, of the Bank or any of its Subsidiaries;

"**EUR**", "**€**" and "**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

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

- (a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as of 11.00 am (CET) on the Reset Determination Date for the relevant Reset Period; or
- (b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the arithmetic mean (rounded if necessary to the fifth decimal place

with 0.000005 being rounded upwards) of the rates at which deposits in euros are offered by four major banks in the Eurozone interbank market, as selected by the Bank, at such time on such Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

"**Euroclear**" has the meaning given to such term in Condition 2.2;

"**Extraordinary Resolution**" has the meaning given to such term in Condition 11;

"**First Reset Date**" means 20 July 2026;

"**Full Loss Absorbing Instruments**" has the meaning given to such term in Condition 6.1(c);

"**Holders**" means the holders of the Preferred Securities in the terms provided in Condition 2.3;

"**Iberclear**" means the Spanish clearing and settlement system (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal);

"**Iberclear Members**" means the respective participating entities (*entidades participantes*) in Iberclear;

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

"**Initial Margin**" means 6.57% per annum;

"**Insolvency Law**" means the restated text of the Spanish Insolvency Law, approved by Royal Legislative Decree 1/2020, of 5 May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*), as amended from time to time;

"**Law 10/2014**" has the meaning given to such term in the introductory paragraph;

"**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;

"**Liquidation Distribution**" means the Outstanding Principal Amount per Preferred Security plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in Condition 4, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment of the Liquidation Distribution;

"**Loss Absorbing Instruments**" means, at any time, any instrument (other than the Preferred Securities) issued directly or indirectly by the Bank or, as applicable, any member of the ABANCA Group, which qualifies as Additional Tier 1 Capital of the Bank or the ABANCA Group, as applicable, and has terms pursuant to which all or some of its principal amount may be written down (whether on a permanent or a temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result, of a trigger event set by reference to the CET1 ratio of the Bank and/or the ABANCA Group falling below a specific threshold;

"**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 the Kingdom of 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, among others, 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);

"Loss Absorbing Written Down Instruments" means, at any time, any instrument (other than the Preferred Securities) issued directly or indirectly by the Bank or, as applicable, any member of the ABANCA Group, which qualifies as Additional Tier 1 Capital of the Bank or the ABANCA Group, as applicable, and which, immediately prior to the relevant Write Up, has a prevailing principal amount lower than the principal amount that it was originally issued with due to such principal amount having been written down on a temporary basis pursuant to its conditions;

"Maximum Distributable Amount" means, at any time, any maximum distributable amount required to be calculated, if applicable, at such time in accordance with Article 48 of Law 10/2014 and any provision developing such Article, and any other provision of Spanish law transposing or implementing Article 141 of the CRD IV Directive, Article 16a of BRRD and/or Applicable Banking Regulations;

"Maximum Write Up Amount" means the lowest of:

- (a) the Net Income of the Bank multiplied by the amount obtained by dividing (i) the sum of the aggregate Original Principal Amount of the Preferred Securities and the aggregate initial principal amount of all Loss Absorbing Written Down Instruments of the Bank and (ii) the total Tier 1 Capital of the Bank as of the Write Up Date; and
- (b) the Net Income of the ABANCA Group multiplied by the amount obtained by dividing (i) the sum of the aggregate Original Principal Amount of the Preferred Securities and the aggregate initial principal amount of all Loss Absorbing Written Down Instruments of the ABANCA Group and (ii) the total Tier 1 Capital of the ABANCA Group as of the Write Up Date;

"Net Income" means, at any time, (i) with respect to the Bank, the non-consolidated net income (excluding minority interests) of the Bank; and (ii) with respect to the ABANCA Group, the consolidated net income (excluding minority interests) of the ABANCA Group, as calculated and set out in the most recent published audited annual accounts of the Bank and/or the ABANCA Group, as approved by the Bank;

"Original Principal Amount" means, in respect of each Preferred Security, the principal amount of such Preferred Security as issued on the Closing Date, not taking into account any Write Down or any other write down or cancellation or any subsequent Write Up;

"outstanding" means, in relation to the Preferred Securities, all the Preferred Securities issued other than those Preferred Securities (a) that have been redeemed pursuant to Condition 7 or otherwise pursuant to the Conditions; (b) that have been purchased and cancelled under Condition 9; or (c) that have become void or in respect of which claims have prescribed under Condition 14,

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 Preferred Securities are for the time being outstanding for the purposes of Condition 11,

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

"Outstanding Principal Amount" means, in respect of each Preferred Security, at any time, the Original Principal Amount of such Preferred Security as reduced from time to time by any Write Down or any other write down or cancellation, as the case may be, and, if applicable, as subsequently increased from time to time by any Write Up in accordance with Condition 6;

"Preferred Securities" means the €375,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities issued by the Bank on the Closing Date;

"Proceedings" has the meaning given to such term in Condition 15;

"Qualifying Preferred Securities" means preferred securities issued directly or indirectly by the Bank where such securities:

- (a) have terms not materially less favourable to the Holders than the terms of the Preferred Securities with any differences between their terms and conditions and these Conditions being those strictly necessary to (in the case of a Capital Event) comply with the requirements of the Competent Authority in relation to Additional Tier 1 Capital in accordance with the Applicable Banking Regulations and/or (in the case of a Tax Event) cure the relevant Tax Event (provided that the Bank shall have obtained a Bank's Certificate (copies of it will be available at the Bank's specified office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant securities); and
- (b) subject to (a) above, shall (1) rank at least equal to the ranking of the Preferred Securities, (2) have the same currency, the same (or higher) Distribution Rates and the same Distribution Payment Dates as those from time to time applying to the Preferred Securities, (3) have the same redemption rights as the Preferred Securities, provided that (if and only to the extent required in order for the Preferred Securities to qualify, or to continue to qualify, as Additional Tier 1 Capital of either the Bank or the ABANCA Group pursuant to the Applicable Banking Regulations) the optional redemption rights provided in Condition 7.2(i) may be disappplied; (4) comply with the then current requirements of Applicable Banking Regulations in relation to Additional Tier 1 Capital; (5) preserve any existing rights under the Preferred Securities to any accrued Distribution which has not been paid in respect of the period from (and including) the Distribution Payment Date immediately preceding the date of substitution or variation, subject to Condition 4, and (6) are assigned (or maintain) at least the same solicited credit ratings as the solicited credit ratings that were assigned to the Preferred Securities immediately prior to such variation or substitution, and (7) shall not at such time be subject to a Capital Event or a Tax Event; and
- (c) are (i) listed and admitted to trading on AIAF or (ii) listed on a Recognised Stock Exchange, if the Preferred Securities were listed immediately prior to such variation or substitution;

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

"Redemption Price" means, per Preferred Security, the Liquidation Distribution upon the date fixed for redemption of the Preferred Securities;

"Reference Banks" means five leading swap dealers in the Eurozone interbank market as selected by the Bank;

"Regulated Entity" means any entity to which BRRD, as implemented in the Kingdom of Spain (including but not limited to, 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;

"Regulation 2020/873" means Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending CRR and CRR II as regards certain adjustments in response to the COVID-19 pandemic;

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

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

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

"Reset Date" means the First Reset Date and every fifth anniversary thereof;

"Reset Determination Date" means, in relation to each Reset Date, the second TARGET Business Day immediately preceding such Reset Date;

"Reset Period" means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

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

- (a) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period; or
- (b) in the case of the Reset Period commencing on the First Reset Date, -0.434% per annum;

"Risk-Weighted Assets Amount" means, at any time, the aggregate amount (in the Accounting Currency) of the risk-weighted assets of the Bank or the ABANCA Group, as applicable, calculated in accordance with the CRR and/or Applicable Banking Regulations at such time;

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

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

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

- (a) in the case of the 5-year Mid-Swap Rate, the "ICE SWAP/ISDAFIX2" page; or

(b) in the case of EURIBOR 6-month, the "EURIBOR01" page;

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

"**Spanish Central Registry**" has the meaning given in Condition 2.2;

"**SRM Regulation**" means 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 in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended or superseded from time to time);

"**SSM Regulation**" means Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended or replaced from time to time;

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

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

"**TARGET Business Day**" means any day on which the Trans-European Automated Real Time Gross Settlement Transfer (TARGET 2) system is open;

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

- (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Bank being materially reduced; or
- (b) the Bank being obliged to pay additional amounts pursuant to Condition 12 below; or
- (c) the applicable tax treatment of the Preferred Securities being materially affected,

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

"**Trigger Event**" means if, at any time, as determined by the Bank or the Competent Authority (or any other agent appointed for such purpose by the Competent Authority), the CET1 ratio of any of the Bank and/or the ABANCA Group is less than 5.125%;

"**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 Preferred Security;

"**Write Down**" and "**Written Down**" have the meanings given to such terms in Condition 6.1(a)

"**Write Down Amount**" means, on any Write Down Date, the amount by which the then Outstanding Principal Amount of each Preferred Security is to be Written Down on such date, being (save as may otherwise be required by the Applicable Banking Regulations) the lower of (i) and (ii) below:

- (i) the amount per Preferred Security which is determined by the Bank to be necessary (in conjunction with (a) the concurrent Write Down of the other Preferred Securities; and (b) the concurrent (or substantially concurrent) write down or conversion into equity of,

or other loss absorption measures taken in respect of, any other Loss Absorbing Instruments, in each case in the manner and to the extent provided in Condition 6.1(b)) to restore the CET1 ratio of each of the Bank or the ABANCA Group, as applicable, to at least 5.125%; and

- (ii) the amount necessary to reduce the Outstanding Principal Amount of each Preferred Security to one cent (€0.01).

The Outstanding Principal Amount of a Preferred Security shall not at any time be reduced below one cent (€0.01) as a result of a Write Down;

"Write Down Date" means the date on which a Write Down will take effect;

"Write Down Notice" means the notice to the Holders in accordance with Condition 13 stating:

- (i) that a Trigger Event has occurred;
- (ii) the Write Down Date; and
- (iii) if then determined, the principal amount (expressed per Original Principal Amount or as a percentage) by which each Preferred Security will be Written Down on the Write Down Date.

If the Write Down Amount has not been determined when the Write Down Notice is given, the Bank shall, as soon as reasonably practicable following such determination, notify Holders of the Write Down Amount in accordance with Condition 13;

"Write Up" has the meaning given to such term in Condition 6.2(a); and

"Write Up Date" means the date on which a Write Up will take effect.

- 1.2 References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or in accordance therewith or under or in accordance with such modification or re-enactment.

2. Form, Denomination and Title

- 2.1 The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €375,000,000 and Original Principal Amount of €200,000.
- 2.2 The Preferred Securities have been registered with Iberclear as managing entity of the central registry of the Spanish clearance and settlement system (the "**Spanish Central Registry**"). Holders of a beneficial interest in the Preferred Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream Luxembourg**") with Iberclear.

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

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Preferred Securities: ES0865936019. The Common Code for this issue is 228432865.

- 2.3 Title to the Preferred Securities is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Preferred Securities

recorded therein. In these Conditions, the "Holder" means the person in whose name such Preferred Securities is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

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

The Preferred Securities have been issued without any restrictions on their transferability. Consequently, the Preferred Securities may be transferred and title to the Preferred Securities may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Preferred Securities 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.

3. Status of the Preferred Securities

The payment obligations of the Bank under the Preferred Securities on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1.2º of the Insolvency Law and, in accordance with Additional Provision 14.3º of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Bank, for so long as the obligations of the Bank under the Preferred Securities qualify as Additional Tier 1 Instruments, rank:

- (a) *pari passu* among themselves and with:
 - (i) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1.2º of the Insolvency Law qualifying as Additional Tier 1 Instruments; and
 - (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Bank's obligations under the Preferred Securities;
- (b) *junior* to:
 - (i) any claims for principal in respect of unsubordinated obligations of the Bank;
 - (ii) any subordinated obligations (*créditos subordinados*) of the Bank under Article 281.1.1º of the Insolvency Law;
 - (iii) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1.2º of the Insolvency Law not qualifying as Additional Tier 1 Instruments; and
 - (iv) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Bank's obligations under the Preferred Securities; and
- (c) senior to:
 - (i) any claims for the liquidation amount of the ordinary shares of the Bank; and

- (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the Bank's obligations under the Preferred Securities.

The payment obligations of the Bank under the Preferred Securities are subject to, and may be limited by, the exercise of any power pursuant to Law 11/2015, Royal Decree 1012/2015, the SRM Regulation or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain. The Preferred Securities are not subject to any set-off or netting arrangements that would undermine their capacity to absorb losses in resolution. The Preferred Securities are neither secured, nor subject to a guarantee or any other arrangement that enhances the seniority of the claims under the Preferred Securities.

4. Distributions

4.1 The Preferred Securities accrue Distributions on their Outstanding Principal Amount:

- (a) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 6% per annum; and
- (b) in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Period, first calculated on an annual basis and then converted to a quarterly rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Bank on the relevant Reset Determination Date.

Subject as provided in Conditions 4.3 and 4.4, such Distributions will be payable quarterly in arrear on each Distribution Payment Date.

If a Distribution is required to be paid in respect of a Preferred Security on any other date (other than as a result of the postponement of such payment as a result of the operation of Condition 4.2), it shall be calculated by the Bank by applying the Distribution Rate to the Outstanding Principal Amount in respect of each Preferred Security, multiplying the product by (i) the actual number of days in the period from (and including) the date from which Distributions began to accrue (the "**Accrual Date**") to (but excluding) the date on which Distributions fall due divided by (ii) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Distribution Payment Date multiplied by four, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

4.2 Subject to any applicable fiscal or other laws and regulations, the payment of Distributions on the Preferred Securities will be made in euros by the Bank on the relevant Distribution Payment Date by transfer to an account capable of receiving euro payments, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the date on which the payment of Distributions 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 Preferred Securities. The Bank will have no responsibility or liability for the records relating to payments made in respect of the Preferred Securities.

If any date on which any payment is due to be made on the Preferred Securities would otherwise fall on a date which is not a TARGET Business Day, the payment will be postponed to the next TARGET Business Day and the Holder shall not be entitled to any interest or other payment in respect of any such delay.

4.3 The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution (including any additional amounts pursuant to Condition 12) in whole or in part at any time that it deems necessary or desirable and for any reason.

4.4 Without prejudice to the right of the Bank to cancel the payments of any Distribution under Condition 4.3 above:

- (a) payments of Distributions (including any additional amounts pursuant to Condition 12) in any financial year of the Bank shall be made only to the extent the Bank has sufficient Distributable Items. To the extent that the Bank has insufficient Distributable Items to make Distributions (including any additional amounts pursuant to Condition 12) on the Preferred Securities scheduled for payment in the then current financial year and any interest payments, distributions or other payments on own funds items that have been paid or made or are scheduled or required to be paid out of or conditional to sufficient Distributable Items in the then current financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Bank or which are not required to be made conditional upon Distributable Items, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.
 - (b) If the Competent Authority, in accordance with Article 68 of Law 10/2014 and/or Article 16 of the SSM Regulation and/or with Applicable Banking Regulations, requires the Bank to cancel a relevant Distribution (including any additional amounts pursuant to Condition 12) in whole or in part, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.
 - (c) The Bank may make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities if and to the extent that payment of any Distribution (including any additional amounts pursuant to Condition 12) would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Spanish law transposing or implementing CRD IV, which will include Article 48 of Law 10/2014 and any of its development provisions), the Maximum Distributable Amount to be exceeded or otherwise would cause any other breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital pursuant to Applicable Banking Regulations.
 - (d) If a Trigger Event occurs at any time on or after the Closing Date, any accrued and unpaid Distributions up to (but excluding) the corresponding Write Down Date (whether or not such distributions have become due for payment) shall be automatically cancelled in accordance with Condition 6.1(a)(iii).
- 4.5 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any election of the Bank to cancel such Distribution pursuant to Condition 4.3 above or the limitations on payment set out in Condition 4.4 above and Condition 6.1(a)(iii) below then the right of the Holders to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.
- 4.6 No such election to cancel the payment of any Distribution (or part thereof) pursuant to Condition 4.3 above or non-payment of any Distribution (or part thereof) as a result of the limitations on payment set out in Condition 4.4 above and Condition 6.1(a)(iii) below will constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding-up of the Bank or in any way limit or restrict the Bank from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 Capital) or in respect of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities. If the Bank does not pay a Distribution or part thereof on the relevant Distribution Payment Date, such non-payment shall evidence the cancellation of such Distribution (or relevant part thereof) or, as appropriate, the Bank's exercise of its discretion to cancel such Distribution (or relevant part thereof) and accordingly, such Distribution shall not in any such case be due and payable. Notwithstanding the previous sentence, the Bank will give notice to the Holders in

accordance with Condition 13 of any election under Condition 4.3 and of any limitation set out in Condition 4.4 occurring or applying and for avoidance of doubt, failure to deliver such notice shall not affect the validity of the cancellation.

- 4.7 The Bank will at, or as soon as practicable after, the relevant time on each Reset Determination Date at which the Distribution Rate is to be determined, determine the Distribution Rate for the relevant Reset Period. The Bank will cause the Distribution Rate for each Reset Period to be notified to any stock exchange or other relevant authority on which the Preferred Securities are for the time being listed or by which they have been admitted to listing and notice thereof is to be published in accordance with Condition 13 as soon as possible after its determination but in no event later than the fourth Business Day thereafter.
- 4.8 All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on all Holders.
- 4.9 Benchmark discontinuation

(a) Independent Financial Adviser

If at the time of determination of the Distribution Rate, a Benchmark Event occurs or has occurred and is continuing, then the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.9(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.9(c)) and any Benchmark Amendments (in accordance with Condition 4.9(d)).

If the Bank (i) is unable to appoint an Independent Financial Adviser; or, (ii) the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.9(a) prior to the relevant Reset Determination Date, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

If the Bank is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the relevant Reset Determination Date, the Distribution Rate applicable to the next succeeding Reset Period shall be equal to the Distribution Rate last determined in relation to the Preferred Securities in respect of the immediately preceding Reset Period. If the Bank fails to make such a determination prior to the first Reset Determination Date, the Distribution Rate shall be 6%. For the avoidance of doubt, this Condition 4.9(a) shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and adjustments as provided in, this Condition 4.9(a).

(b) Successor Rate or Alternative Rate

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

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.9(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Distribution Rate (or the relevant component part thereof) for all future Distributions (subject to the operation of this Condition 4.9); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.9(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the

Distribution Rate (or the relevant component part thereof) for all future Distributions (subject to the operation of this Condition 4.9).

(c) Adjustment Spread

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

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 4.9 and the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Bank shall, subject to giving notice thereof in accordance with Condition 4.9(e), without any requirement for consent or approval of the Holders, vary these Conditions to give effect to such Benchmark Amendments with the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.9(d), the Bank shall comply with the rules of any stock exchange on which the Preferred Securities are for the time being listed or admitted to trading.

(e) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4.9 will be notified promptly by the Bank to the Holders in accordance with Condition 13. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any, and will be binding on the Bank and the Holders.

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

Without prejudice to the obligations of the Bank under this Condition 4.9, the 5-year Mid-Swap Rate and the fallback provisions otherwise provided for in these conditions will continue to apply unless and until a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 4.9, no Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Preferred Securities as Additional Tier 1 Capital of the Bank or the ABANCA Group.

5. Liquidation Distribution

- 5.1 Subject as provided in Condition 5.2 below, in the event of any voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities will confer an entitlement to receive, out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares of the Bank or any other instrument of the Bank ranking junior to the Preferred Securities.
- 5.2 If, before such liquidation or winding-up of the Bank described in Condition 5.1, a Trigger Event occurs but the relevant reduction of the Outstanding Principal Amount pursuant to

Condition 6.2 below is still to take place, the entitlement conferred by the Preferred Securities for the purposes of Condition 5.1, will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such reduction had taken place immediately prior to such liquidation or winding-up.

- 5.3 After payment of the relevant entitlement in respect of a Preferred Security as described in Conditions 5.1 and 5.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Bank.

6. Loss Absorption following a Trigger Event and Write Up of the Preferred Securities

6.1 Loss Absorption following a Trigger Event

- (a) If a Trigger Event occurs at any time on or after the Closing Date, then the Bank will:
- (i) immediately notify the Competent Authority that a Trigger Event has occurred;
 - (ii) as soon as reasonably practicable deliver a Write Down Notice to Holders in accordance with Condition 13;
 - (iii) cancel any accrued and unpaid Distributions up to (but excluding) the Write Down Date in accordance with Condition 4.4 above; and
 - (iv) irrevocably and mandatorily (and without the need for the consent of the Holders) without delay, and by no later than one month from the occurrence of the relevant Trigger Event, reduce the then Outstanding Principal Amount of each Preferred Security by the relevant Write Down Amount (such reduction, a "**Write Down**" and "**Written Down**" being construed accordingly).

Any failure or delay by the Bank in giving the Write Down Notice to the Holders or the notification to the Competent Authority under Condition 6.1(a)(i) will not in any way impact on the effectiveness of, or otherwise invalidate, any Write Down, or give Holders any rights as a result of such failure or delay, and shall not constitute a default by the Bank under the Preferred Securities or for any purpose.

For the purposes of determining whether a Trigger Event has occurred, the Bank will (i) calculate the relevant CET1 ratio based on information (whether or not published) available to management of the Bank, including information internally reported pursuant to its procedures for ensuring effective monitoring of the capital ratios and (ii) publish the CET1 ratios of the Bank and the ABANCA Group on at least a quarterly basis.

Holders shall have no claim against the Bank in respect of the Outstanding Principal Amount of the Preferred Securities reduced as described above or any accrued and unpaid Distributions cancelled, in each case pursuant to the operation of the loss absorption provisions following a Trigger Event as described above.

- (b) Write Down of the Preferred Securities will be effected, save as may otherwise be required by the Competent Authority, pro rata with (a) the concurrent Write Down of the other Preferred Securities; and (b) the concurrent (or substantially concurrent) write down or conversion into equity, as the case may be, of any Loss Absorbing Instruments (based on the prevailing principal amount of the relevant Loss Absorbing Instrument), provided that:
- (i) with respect to each Loss Absorbing Instrument (if any), such pro rata write down or conversion shall only be taken into account to the extent required to restore the relevant CET1 ratio(s) to the lower of (a) such Loss Absorbing Instrument's trigger level and (b) 5.125% (being the level at which a Trigger Event occurs in respect of the Preferred Securities); and

- (ii) if for any reason the Bank is unable to effect the concurrent (or substantially concurrent) write down or conversion of any given Loss Absorbing Instruments within the period required by the Competent Authority, the Preferred Securities will be Written Down notwithstanding that the relevant Loss Absorbing Instruments are not also written down or converted.

For the avoidance of doubt, to the extent that the Bank is unable to write down or convert any Loss Absorbing Instruments as aforesaid, the Write Down Amount determined in accordance with part (i) of the definition of "Write Down Amount" will be calculated on the basis that such Loss Absorbing Instruments are not available to be written down or converted, and accordingly the Write Down Amount determined in accordance with that part (i) will be higher than it would otherwise have been if such Loss Absorbing Instruments had been available to be written down or converted.

- (c) If, in connection with the Write Down or the calculation of the Write Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down or converted into equity in full and not in part only ("**Full Loss Absorbing Instruments**") then:
 - (i) the requirement that a Write Down of the Preferred Securities shall be effected pro rata with the write down or conversion into equity, as the case may be, of any such Loss Absorbing Instruments shall not be construed as requiring the Preferred Securities to be Written Down in full (or in full save for one cent (€0.01)) simply by virtue of the fact that such Full Loss Absorbing Instruments will be written down or converted in full; and
 - (ii) for the purposes of calculating the Write Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write down of principal or conversion into equity, as the case may be, among the Preferred Securities and such other Loss Absorbing Instruments on a pro rata basis) as if their terms permitted partial write down or conversion into equity, such that the write down or conversion into equity of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written down or converted into equity pro rata with the Preferred Securities and all other Loss Absorbing Instruments (in each case subject to and as provided in Condition 6.1(b)) to the extent necessary to restore the relevant CET1 ratio(s) to at least 5.125%; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-off or converted into equity, as the case may be, with the effect of increasing the applicable CET1 ratio above the minimum required level under (a) above.
- (d) Following a reduction of the Outstanding Principal Amount of the Preferred Securities as described above, Distributions will accrue on the reduced Outstanding Principal Amount of each Preferred Security from (and including) the relevant Write Down Date, and (for the avoidance of doubt) such Distributions will be subject to Condition 4 and Condition 6.1(a).
- (e) A Write Down may occur on one or more occasions and accordingly the Preferred Securities may be Written Down on one or more occasions (provided however, for the avoidance of doubt, that the principal amount of a Preferred Security shall not at any time be reduced to below one cent (€0.01)). Any reduction of the Outstanding Principal Amount pursuant to Condition 6.1(a) shall not constitute a default by the Bank under the Preferred Securities or for any purpose and shall not entitle Holders to petition for the liquidation, dissolution or winding-up of the Bank.

Any Write Down pursuant to this Condition 6.1 shall not in any way limit or restrict the Bank from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 Capital) or in respect of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities.

- (f) If the Outstanding Principal Amount of the Preferred Securities is Written Down to one cent (€0.01), the Preferred Securities will not be automatically cancelled.
- (g) For the purposes of any calculation in connection with a Write Down or Write Up of the Preferred Securities which necessarily requires the determination of a figure in the Accounting Currency (or in an otherwise consistent manner across obligations denominated in different currencies), including (without limitation) any determination of a Write Down Amount and/or a Maximum Write Up Amount, any relevant obligations (including the Preferred Securities) which are not denominated in the Accounting Currency shall, (for the purposes of such calculation only) be deemed notionally to be converted into the Accounting Currency at the foreign exchange rates determined, in the sole discretion of the Bank, to be applicable based on its regulatory reporting requirements under the Applicable Banking Regulations.
- (h) The Bank will conduct the relevant arrangements with Iberclear on or before the Write Down Date to complete the corresponding reduction of the Outstanding Principal Amount of the Preferred Securities.

6.2 Write Up of the Preferred Securities

- (a) Subject to compliance with the prevailing Applicable Banking Regulation, if, following a Write Down in accordance with Condition 6.1, each of the Bank and the ABANCA Group records a positive Net Income at any time while the Outstanding Principal Amount of the Preferred Securities is less than their Original Principal Amount, the Bank may, at its full discretion, increase the Outstanding Principal Amount of each Preferred Security (such increase, a "**Write Up**") by such amount (calculated per Original Principal Amount) as the Bank may elect, provided that such Write Up shall not:
 - (i) result in the Outstanding Principal Amount of the Preferred Securities being greater than their Original Principal Amount;
 - (ii) be operated whilst a Trigger Event has occurred and is continuing;
 - (iii) result in the occurrence of a Trigger Event; or
 - (iv) result in the Maximum Write Up Amount to be exceeded when taken together with the aggregate of:
 - (a) any previous Write Up of the Preferred Securities out of the same Net Income since the end of the then previous financial year;
 - (b) the aggregate amount of any Distribution payments on the Preferred Securities that were paid or calculated (but disregarding any Distributions cancelled) on the basis of an Outstanding Principal Amount that is lower than the Original Principal Amount at any time after the end of the then previous financial year;
 - (c) the aggregate amount of the increase in principal amount of the Loss Absorbing Written Down Instruments to be written-up out of the same Net Income concurrently (or substantially concurrently) with the Write Up and (if applicable) any previous increase in principal amount of such Loss Absorbing Written Down Instruments out of the same Net Income since the end of the then previous financial year; and
 - (d) the aggregate amount of any distribution payments on such Loss Absorbing Written Down Instruments that were paid or calculated (but disregarding any distributions cancelled) on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Written Down Instruments were issued at any time after the end of the then previous financial year.

A Write Up will also not be effected in circumstances in which it would cause any Maximum Distributable Amount (if any) to be exceeded.

- (b) In the event of a Write Up in accordance with Condition 6.2(a), the Bank will give notice to Holders in accordance with Condition 13 not more than 10 Business Days following the day on which it resolves to effect such Write Up, which notice shall specify the amount of such Write Up (expressed per Original Principal Amount or as a percentage) and the Write Up Date.
- (c) Any Write Up shall be applied concurrently (or substantially concurrently) and pro rata with other write ups to be effected out of the Net Income in respect of any Loss Absorbing Written Down Instruments.
- (d) Following a Write Up in respect of the Preferred Securities, Distributions will accrue on the increased Outstanding Principal Amount of each Preferred Security from (and including) the Write Up Date, and (for the avoidance of doubt) such Distributions will be subject to Condition 4 and Condition 6.1(a).
- (e) A Write Up may occur on one or more occasions until the Outstanding Principal Amount of the Preferred Securities has been reinstated to the Original Principal Amount. Any decision by the Bank to effect or not to effect any Write Up on any occasion shall not preclude it from effecting or not effecting any Write Up on any other occasion.

The decision of the Bank to Write Up or not the Preferred Securities will not limit or restrict the Bank from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 Capital) or in respect of any other instrument issued by ABANCA ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities.

- (f) A Write Up shall be operated at the sole and absolute discretion of the Bank and there shall be no obligation for the Bank to operate or accelerate a Write Up in any circumstance.
- (g) The Bank will conduct the relevant arrangement with Iberclear on or before the Write Up Date to complete the corresponding Write Up of the Outstanding Principal Amount of the Preferred Securities.

7. Optional Redemption

7.1 The Preferred Securities are perpetual and are only redeemable in accordance with the following provisions of this Condition 7.

7.2 Subject to Conditions 7.3 and 7.4 below, the Preferred Securities shall not be redeemable prior to 20 January 2026. All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank:

- (i) on any day falling in the period commencing on (and including) 20 January 2026 and ending on (but excluding) the First Reset Date; or
- (ii) on the First Reset Date or on any Distribution Payment Date thereafter;

at the Redemption Price, subject to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force.

As of the Closing Date, Article 78(1) of the CRR provides that the Competent Authority shall give its consent to a reduction, call, redemption, repayment or repurchase of the Preferred Securities provided that either of the following conditions is met:

- (a) on or before such redemption, repayment or repurchase of the Preferred Securities, the Bank replaces the Preferred Securities with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Bank;
- (b) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, repayment or

repurchase, exceed the requirements laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Competent Authority considers necessary.

- 7.3 If, on or after the Closing Date, there is a Capital Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force, at any time, at the Redemption Price.

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

- 7.4 If, on or after the Closing Date, there is a Tax Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force, at the Redemption Price.

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

- 7.5 The decision to redeem the Preferred Securities must be, subject to Condition 7.7 below, irrevocably notified by the Bank to the Holders not less than 15 and not more than 60 calendar days prior to the relevant redemption date in accordance with Condition 13.

The Bank will not give notice under this Condition 7.5 unless, at least 15 calendar days prior to the publication of any notice of redemption, it will make available to the Holders at its registered office, a certificate signed by two of its duly authorised officers stating that a Capital Event or a Tax Event has occurred, or there is sufficient certainty that it will occur, as the case may be.

- 7.6 If the notice of redemption has been given, and the funds deposited and instructions and authority to pay given as required above, then on the date of such deposit:

- (a) Distributions on the Preferred Securities shall cease;
- (b) such Preferred Securities will no longer be considered outstanding; and
- (c) the Holders will no longer have any rights as Holders except the right to receive the Redemption Price.

- 7.7 The Bank may not give a notice of redemption pursuant to this Condition 7 if a Trigger Event notice has been given. If any notice of redemption of the Preferred Securities is given pursuant to this Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and, instead, a Write Down of the principal amount of the Preferred Securities will occur as provided under Condition 6.1. The Bank shall give notice of any such automatic rescission of a redemption notice to the Holders in accordance with Condition 13 as soon as possible thereafter.

- 7.8 If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Bank improperly withholds or refuses to pay the Redemption Price of the Preferred Securities, Distributions will continue to accrue in accordance with Condition 4 above from (and including) the redemption date to (but excluding) the date of actual payment of the Redemption Price.

7.9 The Bank shall not be entitled to redeem the Preferred Securities pursuant to Condition 7.2 (but this restriction shall not, for the avoidance of doubt, apply to a redemption pursuant to Conditions 7.3 and 7.4) if, on the relevant redemption date, the Outstanding Principal Amount of the Preferred Securities is lower than their Original Principal Amount as a result of a Write Down until any principal amount by which the Preferred Securities have been Written Down pursuant to Condition 6.1 have first been reinstated in full pursuant to Condition 6.2 (and any notice of redemption which have been given in such circumstances shall be automatically rescinded and shall be of no force and effect).

8. Substitution and Variation

8.1 Subject to the prior consent of the Competent Authority and in accordance with Applicable Banking Regulations then in force and having given no less than 15 nor more than 60 calendar days' notice to the Holders (in accordance with Condition 13), if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Preferred Securities or vary the terms of all (but not some only) of the Preferred Securities, without the consent of the Holders, so that they become or remain Qualifying Preferred Securities. Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Preferred Securities. Such substitution or variation will be effected without any cost or charge to the Holders.

8.2 The Bank will not give a notice of substitution or variation after a Trigger Event notice has been given. If the Bank has given a notice of substitution or variation in accordance with these Conditions but prior to such substitution or variation a Trigger Event is effective, the relevant substitution or variation notice shall be automatically rescinded and shall be of no force and effect. The Bank shall give notice thereof to the Holders in accordance with Condition 13 as soon as possible following any such automatic rescission of a substitution or variation notice.

9. Purchases of Preferred Securities

The Bank or any member of the ABANCA Group may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise in accordance with Applicable Banking Regulations in force at the relevant time and subject to the prior consent of the Competent Authority, if required.

Any Preferred Securities so acquired by the Bank or any member of the ABANCA Group may (subject to the approval of the Competent Authority and in accordance with Applicable Banking Regulations then in place) be held, resold or, at the option of the Bank or such member of the ABANCA Group, cancelled.

10. Waiver of Set-off

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

For the avoidance of doubt, nothing in this Condition 10 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 Preferred Security but for this Condition 10.

11. Meetings of Holders

11.1 Convening meetings

The Bank may, at any time, and shall, if required in writing by Holders holding not less than 10% in aggregate Outstanding Principal Amount of the Preferred Securities for the time being outstanding, convene a meeting of the Holders and if the Bank fails for a period of seven days to convene the meeting, the meeting may be convened by the relevant Holders.

11.2 Procedures for convening meetings

- (a) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 13. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either:
- (i) specify the terms of the Extraordinary Resolution to be proposed; or
 - (ii) inform Holders that the terms of the Extraordinary Resolution are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii), such resolution is so available in its final form with effect on and from the date on which the notice convening such meeting is given as aforesaid.

The notice shall:

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

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

- (b) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if ten were substituted for 21 in Condition 11.2(a) and the notice shall state the relevant quorum. Subject to the foregoing it shall not be necessary to give any notice of an adjourned meeting.

11.3 Chairman

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

11.4 Quorums

- (a) Regular Quorum

At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5% in Outstanding Principal Amount of the Preferred Securities 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 11.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

(b) Extraordinary Quorum

The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50% in Outstanding Principal Amount of the Preferred Securities for the time being outstanding.

(c) Enhanced Quorum

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

- (i) a reduction or cancellation of the Outstanding Principal Amount of the Preferred Securities (other than by virtue of a Write Down); or
- (ii) without prejudice to the provisions of Condition 4 (including, without limitation, the right of the Bank to cancel the payment of any Distributions on the Preferred Securities), a reduction of the amount payable or modification of the payment date in respect of any Distributions or variation of the method of calculating the Distribution Rate; or
- (iii) a modification of the currency in which payments under the Preferred Securities are to be made; or
- (iv) a modification of the majority required to pass an Extraordinary Resolution; or
- (v) the sanctioning of any scheme or proposal described in Condition 11.8(b)(vi) below; or
- (vi) alteration of this proviso or the proviso to Condition 11.5(a) below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in Outstanding Principal Amount of the Preferred Securities for the time being outstanding.

11.5 Adjourned Meeting

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 11.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Bank). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.

- (b) At any adjourned meeting one or more Eligible Persons present (whatever the Outstanding Principal Amount of the Preferred Securities 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 11.4(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in Outstanding Principal Amount of the Preferred Securities for the time being outstanding.

11.6 Right to attend and vote

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Preferred Securities must be notified to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting.
- (b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the definition of "outstanding", no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- (c) Subject as provided in Condition 11.6(b), at any meeting:
 - (i) on a show of hands every Eligible Person present shall have one vote; and
 - (ii) on a poll every Eligible Person present shall have one vote in respect of each Preferred Security.

11.7 Holding of meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the Outstanding Principal Amount of the Preferred Securities held by him), a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (c) Subject to Condition 11.7(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as of the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business, which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

11.8 Approval of the resolutions

- (a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 13 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (b) The expression "Extraordinary Resolution" when used in this Condition 11 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 11 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.

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 11.4(b) and 11.4(c)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
 - (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Preferred Securities or otherwise;
 - (iii) power to agree to any modification of the provisions contained in these Conditions or the Preferred Securities, including, in particular, any provision relating to the Write Down and Write Up of the Preferred Securities, which is proposed by the Bank;
 - (iv) power to give any authority or approval which under the provisions of this Condition 11 or the Preferred Securities is required to be given by Extraordinary Resolution;
 - (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;
 - (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the Preferred Securities.
- (c) Subject to Condition 11.8(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 11, 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.

11.9 Miscellaneous

- (a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened

and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.

- (b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (c) Any modification or waiver of the Conditions in accordance with this Condition 11 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.

12. Taxation

12.1 All payments of Distributions and other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Preferred Securities by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payments of Distributions (but not any Outstanding Principal Amount or other amount), the Bank shall (to the extent such payment can be made on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such Distributions had no such withholding or deduction been required.

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

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

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the Preferred Securities will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed

pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("FATCA") or any law implementing an intergovernmental approach to FATCA.

For the purposes of this Condition 12, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due, and is available for payment to Holders, notice to that effect is duly given to the Holders in accordance with Condition 13 below.

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

13. Notices

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

So long as the Preferred Securities are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public to the market through announcements of inside information (*información privilegiada*) or of relevant information (*información relevante*), as the case may be, to be filed with the CNMV and to be published at the CNMV's official website at www.cnmv.es and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

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

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

14. Prescription

To the extent that Article 950 of the Spanish Commercial Code (*Código de Comercio*) applies to the Preferred Securities, claims relating to the Preferred Securities will be extinguished unless such claims are duly made within three years of the relevant payment date.

15. Governing Law and Jurisdiction

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

15.2 Each of the Bank 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 Preferred Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Preferred Securities).

USE OF PROCEEDS

The estimated net amount of proceeds of the issue of the Preferred Securities is €375,000,000 and will be used by ABANCA for general corporate purposes.

DESCRIPTION OF ABANCA

HISTORY AND DEVELOPMENTS

ABANCA, whose corporate name is "ABANCA Corporación Bancaria, S.A." is a Spanish bank which conducts its business under the commercial name "ABANCA".

ABANCA is registered with the Commercial Registry of A Coruña in tome 3,426 of the General Section, folio 1 et seq, sheet C-47,803. In addition, ABANCA is registered with the Special Registry of Banks and Bankers of the Bank of Spain, under code number 2080. ABANCA has its corporate address at Calle Cantón Claudino Pita, no. 2, Betanzos 15300 A Coruña, Spain, it holds Tax Identification Number (Número de Identificación Fiscal) A-70302039 and its Legal Entity Identifier (LEI) code is 54930056IRBXXK0Q1FP96.

The telephone number of the registered address of ABANCA is (+34) 981 18 70 00 and its corporate website is "www.abancacorporacionbancaria.com/" (the information on the corporate website of the Issuer does not form part of this Prospectus unless that information is incorporated by reference into this 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 was a business unit specialised in retail and private banking services (specially focused on personal and private banking), whose business generation capacity with corporations was leveraged on the ABANCA Group's know-how. This acquisition also contributed 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 29 September 2020, ABANCA and Crédit Agricole signed the sale and purchase agreement for the acquisition of Bankoa by ABANCA following the announcement, in July, of the preliminary agreement between both parties. Completion of this acquisition is subject to obtention of customary regulatory approvals. This acquisition is expected to reinforce the ABANCA Group position in the Basque Country, to strengthen the enterprises and asset management business areas, which are considered to be strategic for the ABANCA Group, and also to provide growth potential in other business lines such as working capital, business, consumer and insurance. The transaction is expected to have an impact in the CET1 Ratio of the ABANCA Group of -42 basis points and is also expected to generate income and cost synergies.

In accordance with the latest available information, the consolidated total assets of Bankoa amounted to €2,314 million as of 30 June 2020 and its consolidated total equity as of that date to €173 million. Additionally, for the six-month period ended on 30 June 2020, the consolidated business volume of Bankoa amounted to €4,374 million¹⁹, of which €1,788 million¹⁹ corresponded to loans and advances to customers, €1,575 million¹⁹ to retail customer deposits and €1,011 million¹⁹ to off-balance sheet funds. For the year ended 31 December 2019, Bankoa reported a gross income of €40.8 million.

2018-2020 Strategic Initiatives

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

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 medium and small enterprises ("**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).

¹⁹ Figures produced by ABANCA using Bankoa publicly available information and ABANCA's criteria.

Although the strategic priorities established for 2018-2020 are maintained, it is necessary to annually incorporate adjustments that reflect changes in the macro scenario, interest rates, regulations, market, or performance; each year adding an additional year to the forecasting horizon. Thus, the strategic plan is updated annually reflecting these changes. Moreover, in 2020, after the radical change of scenario driven by COVID-19 that significantly altered activity in different business lines, it was considered necessary to review the aspirational objectives set for the second semester of the year. In this context, ABANCA's strategic plan has been updated taking into account the much more depressed new market and business scenario although partially offset by ICO (*Instituto de Crédito Oficial*) (public guarantees) programs, and taking into account the new changes in regulatory environment and ECB liquidity measures.

As of the date of this Prospectus, ABANCA is working on its new Strategic Plan 2021-2023, which is expected to be submitted to the Board of Directors of the Bank during the first months of 2021 for the purpose of its review and subsequent approval.

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 71.45% of the gross margin of the ABANCA Group for the nine-month period ended on 30 September 2020 (82.91% for the year ended on 31 December 2019) and 6.23% of the profit before tax from continuing operations of the ABANCA Group for the nine-month period ended on 30 September 2020 (71.19% for the year ended on 31 December 2019).

- 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 also includes advisory activities in merger and acquisitions, that consist mainly in the comprehensive management of external purchase and sale transactions and the entry of partners in companies from the Iberian market, in addition to capital increase, debt restructuring and other corporate transactions.

This business line contributed 23.70% of the gross margin of the ABANCA Group for the nine-month period ended on 30 September 2020 (7.50% for the year ended on 31 December 2019) and 90.03% of the profit before tax from continuing operations of the ABANCA Group for the nine-month period ended on 30 September 2020 (21.33% for the year ended on 31 December 2019).

- 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 4.85% of the gross margin of the ABANCA Group for the nine-month period ended on 30 September 2020 (9.59% for the year ended on 31 December 2019) and 3.74% of the profit before tax from continuing operations of the ABANCA Group for the nine-month period ended on 30 September 2020 (7.48% for the year ended on 31 December 2019).

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 and to the nine-month periods ended 30 September 2020 and 2019:

Financial year 2019

SEGMENTATION 2019 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
			(€ million)	
Net interest income	616.75	(75.40)	33.28	574.64
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)
Gross margin	755.21	68.31	87.32	910.84
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)
Net Operating Income	75.62	40.12	32.06	147.80
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)
Profit before tax from continuing operations	306.26	91.76	32.18	430.20

Financial year 2018

SEGMENTATION 2018 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
			(€ million)	
Net interest income	545.57	(17.48)	33.18	561.27
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
Gross margin	682.05	294.51	90.45	1,067.00
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)
Net Operating Income	139.71	185.06	33.76	358.53
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
Profit before tax from continuing operations	181.07	178.61	31.90	391.58

Nine-month period ended 30 September 2020

SEGMENTATION 3Q 2020 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
			(€ million)	
Net interest income	477.98	(33.78)	19.71	463.91
Dividend income	-	3.80	-	3.80
Share of profit or loss of equity-accounted investees	-	-	(13.18)	(13.18)
Fee and commission income and expense	175.15	-	-	175.15
Gains or losses on financial assets and liabilities	-	226.43	-	226.43
Exchange differences, net	-	6.95	(0.29)	6.65
Other operating income and expenses	(26.63)	4.45	36.30	14.12
Gross margin	626.51	207.84	42.54	876.89
Personnel expenses	(261.86)	(11.69)	(11.42)	(284.97)
Other administrative expenses, depreciation and amortisation	(188.88)	(20.01)	(23.60)	(232.49)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(165.56)	1.26	(0.27)	(164.58)
Net Operating Income	10.21	177.40	7.24	194.85
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(9.47)	(0.71)	-	(10.18)
Gains or losses on derecognition of non-financial assets, net	(0.15)	1.53	(0.27)	1.12
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	11.03	(10.14)	-	0.89
Profit before tax from continuing operations	11.63	168.07	6.98	186.68

Nine-month period ended 30 September 2019

SEGMENTATION 3Q 2019 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
			(€ million)	
Net interest income	451.96	(57.66)	26.39	420.69
Dividend income	-	7.65	-	7.65
Share of profit or loss of equity-accounted investees	-	-	(2.20)	(2.20)
Fee and commission income and expense	147.14	(0.02)	-	147.12
Gains or losses on financial assets and liabilities	-	97.39	-	97.39
Exchange differences, net	0.04	2.76	-	2.81
Other operating income and expenses	(16.99)	3.90	37.39	24.30
Gross margin	582.16	54.02	61.58	697.76
Personnel expenses	(234.32)	(10.49)	(10.14)	(254.95)
Other administrative expenses, depreciation and amortisation	(160.62)	(36.87)	(33.82)	(231.31)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(64.63)	3.68	(0.09)	(61.04)
Net Operating Income	122.59	10.34	17.53	150.46
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.25)	0.65	0.02	(1.59)
Gains or losses on derecognition of non-financial assets, net	(0.14)	15.04	(0.52)	14.38
Negative goodwill recognised in profit or loss	51.19	171.25	-	222.45
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	13.48	(4.40)	-	9.08
Profit before tax from continuing operations	184.86	192.88	17.02	394.76

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 the 2018 Consolidated Annual Accounts, the 2019 Consolidated Annual Accounts and the 2020 Consolidated Third Quarter Interim Financial Statements:

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 30 September 2020, ABANCA had approximately 2.2 million customers, of whom 2.0 million were active customers. In turn, these 2.0 million active customers are divided into 1.7 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 and for nine-month periods ended 30 September 2020 and 2019:

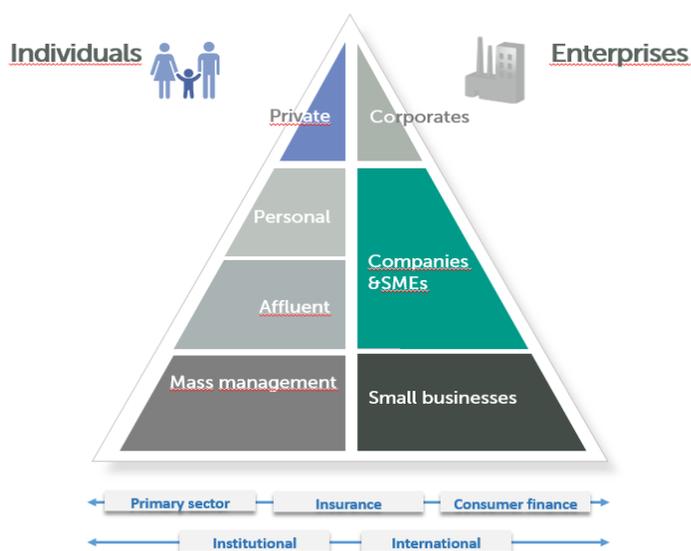
RETAIL BANKING (in accordance with IFRS-EU)	31 December 2019	31 December 2018	Var.
		<i>(€ million)</i>	
Net interest income	616.75	545.57	13.05%
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	205.50	176.24	16.60%
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	-	(0.04)	(100.00%)
Other operating income and expenses	(67.04)	(39.73)	68.75%
Gross margin	755.21	682.05	10.73%
Personnel expenses	(331.46)	(298.17)	11.16%
Other administrative expenses, depreciation and amortization	(252.86)	(209.05)	20.96%
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)	(35.11)	171.32%
Net Operating Income	75.62	139.71	(45.87%)
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%)
Profit before tax from continuing operations	306.26	181.07	69.14%

RETAIL BANKING (in accordance with IFRS-EU)	30 September 2020	30 September 2019 <i>(€ million)</i>	Var.
Net interest income	477.98	451.96	5.76%
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	175.15	147.14	19.04%
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	-	0.04	(97.67%)
Other operating income and expenses	(26.63)	(16.99)	56.73%
Gross margin	626.51	582.16	7.62%
Personnel expenses	(261.86)	(234.32)	11.75%
Other administrative expenses, depreciation and amortisation	(188.88)	(160.62)	17.59%
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(165.56)	(64.63)	156.16%
Net Operating Income	10.21	122.59	(91.67%)
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(9.47)	(2.25)	320.29%
Gains or losses on derecognition of non-financial assets, net	(0.15)	(0.14)	2.82%
Negative goodwill recognised in profit or loss	-	51.19	(100.00%)
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	11.03	13.48	(18.15%)
Profit before tax from continuing operations	11.63	184.86	(93.71%)

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 85% of its total active customers and 45% of the financing granted to customers as of 30 September 2020. Within this total, as of 30 September 2020, €14.4 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 acquisition of DB PCB, ABANCA took advantage of the strong positioning in value-added products and experience that DB PCB had with this type of customer to export these best practices to the management of the total client portfolio.

- *Personal banking*: this unit serves customers whose net worth is between €100,000 and €500,000 and/or whose monthly income is higher than €3,000, and who therefore have a great interest in purchasing products which are an alternative to the fixed term and request more differentiated and personalised services. As of 30 September 2020, this segment represented 9% 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 30 September 2020, this segment had almost 8,500 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 30 September 2020, the ABANCA Group had a customer base of almost 310,000 enterprises and freelancers who are served by specialised managers assigned according to their needs. The breakdown of the lending portfolio of the ABANCA Group is well diversified in different business sectors, including manufacturing, wholesale and retail trade or transport and storage.

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. As of 30 September 2020, almost 190,000 enterprises used the electronic banking services rendered by the ABANCA Group.

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

- *Small Business Unit*: this unit is intended for micro-businesses (turnover below €2 million annually), small shops and freelancers (micropymes, comercios y autónomos). It defines itself as one of the main businesses on which ABANCA bases its growth objectives. As of 30 September 2020, this segment represented 9% 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 104 branches as of 30 September 2020 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 249 branches as of 30 September 2020 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 Cr dit 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 Corporaci n 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 Cr dit Agricole Assurances (the first European bancassurance trader —source: *Cr dit 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 "**Cr dit Agricole Assurances Agreement**"). This agreement resulted in a joint venture between ABANCA (50% interest) and Cr dit 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 Corredur a (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.

The ABANCA Group had general and life-risk insurance premiums for a value of €289.5 million as of 30 September 2020, representing an increase of 7.0% compared to 30 September 2019 (€261.3 million as of 31 December 2019, which represented an increase of 10.4% compared to 2018).

Consumer finance

This business unit provides a specific structure for consumer credit, focusing on the point of sale, prescribers (cessionaires, retailers, etc.) and preauthorised credits for customers (cards/loans). ABANCA Consumer Finance has a team of managers that promotes the activity with businesses/cessionaires, 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 1,580 customers throughout Spain as of 30 September 2020. 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 230 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 ratio²⁰ decreased significantly from 13.9% as of 31 December 2014 to 2.6% as of 30 September 2020 (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. Please see "*General Information – Significant/Material Change and Trend Information*" for information on a transaction that will imply a decrease in the balance of NPL loans.

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.

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".

As of 30 September 2020, the internal commercial team directed and co-ordinated a group of 471 real estate broker (REBs) distributed throughout the Spanish territory.

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

B. Wholesale Banking

Although ABANCA finances its credit activity as a retail business (with a Retail Loan to Deposits (LtD) ratio²¹ of 96.3% as of 30 September 2020 (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. It is also 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. Moreover, this business line also includes advisory activities in merger and acquisitions, that consist mainly in the comprehensive management of external purchase and sale transactions and the entry of partners in companies from the Iberian market, in addition to capital increase, debt restructuring and other corporate transactions.

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 and for nine-month periods ended 30 September 2020 and 2019:

WHOLESALE BANKING (in accordance with IFRS-EU)	31 December 2019	31 December 2018	Var.
		<i>(€ million)</i>	
Net interest income	(75.40)	(17.48)	331.46%
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%)
Gross margin	68.31	294.51	(76.81%)
Personnel expenses	(10.66)	(9.55)	11.58%
Other administrative expenses, depreciation and amortization	(20.16)	(98.79)	(79.60%)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss, and modification net gains or losses	2.62	(1.11)	n.a.
Net Operating Income	40.12	185.06	(78.32%)
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%
Profit before tax from continuing operations	91.76	178.61	(48.63%)

21 The Retail Loan to Deposits (LtD) ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "—Alternative Performance Measures".

WHOLESALE BANKING (in accordance with IFRS-EU)	30 September 2020	30 September 2019 <i>(€ million)</i>	Var.
Net interest income	(33.78)	(57.66)	(41.42%)
Dividend income	3.80	7.65	(50.36%)
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	-	(0.02)	(100.00%)
Gains or losses on financial assets and liabilities	226.43	97.39	132.49%
Exchange differences, net	6.95	2.76	151.27%
Other operating income and expenses	4.45	3.90	14.14%
Gross margin	207.84	54.02	284.73%
Personnel expenses	(11.69)	(10.49)	11.44%
Other administrative expenses, depreciation and amortisation	(20.01)	(36.87)	(45.73%)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	1.26	3.68	(65.82%)
Net Operating Income	177.40	10.34	1,615.66%
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(0.71)	0.65	n.a.
Gains or losses on derecognition of non-financial assets, net	1.53	15.04	(89.84%)
Negative goodwill recognised in profit or loss	-	171.25	(100.00%)
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(10.14)	(4.40)	130.31%
Profit before tax from continuing operations	168.07	192.88	(12.86%)

C. Non-Financial Subsidiaries

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

As of 30 September 2020, 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 (motorway concessionaires) 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 and for nine-month periods ended 30 September 2020 and 2019:

NON FINANCIAL SUBSIDIARIES (in accordance with IFRS-EU)	31 December 2019	31 December 2018 (€ million)	Var.
Net interest income	33.28	33.18	0.33%
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%
Gross margin	87.32	90.45	(3.46%)
Personnel expenses	(14.45)	(12.01)	20.31%
Other administrative expenses, depreciation and amortization	(40.54)	(42.87)	(5.45%)
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	(0.28)	(1.81)	(84.63%)
Net Operating Income	32.06	33.76	(5.02%)
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.
Profit before tax from continuing operations	32.18	31.90	0.89%

NON FINANCIAL SUBSIDIARIES (in accordance with IFRS-EU)	30 September 2020	30 September 2019 (€ million)	Var.
Net interest income	19.71	26.39	(25.29%)
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	(13.18)	(2.20)	500.00%
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	(0.29)	-	n.a.
Other operating income and expenses	36.30	37.39	(2.93%)
Gross margin	42.54	61.58	(30.92%)
Personnel expenses	(11.42)	(10.14)	12.63%
Other administrative expenses, depreciation and amortisation	(23.60)	(33.82)	(30.21%)
Provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(0.27)	(0.09)	203.37%
Net Operating Income	7.24	17.53	(58.68%)
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	0.02	(100.00%)
Gains or losses on derecognition of non-financial assets, net	(0.27)	(0.52)	(49.04%)
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	-	-	-
Profit before tax from continuing operations	6.98	17.02	(59.02%)

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 30 September 2020, ABANCA was the market leader in Galicia with a share of more than 40% (source: Statement FI 132.E September 2020 of the Bank of Spain; latest publicly available information)). ABANCA has a broad network of branches in its "natural market" (580 branches as at 30 September 2020).
- Rest of Spain: where the presence of ABANCA is selective and focused on larger towns (82 branches as of 30 September 2020). The Bankoia transaction will provide further presence in the rest of Spain, especially in the Basque Country, thanks to its 30 branches.
- 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 30 September 2020) 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).

Number of branches	September 2020	Dec 2019
Spain	662	727
Galicia, Asturias, Extremadura and León.....	580	636
Rest of Spain	82	91
Portugal.....	71 ⁽¹⁾	71 ⁽¹⁾
Abroad	2	2
Representative offices abroad	8	8
Total	743 ⁽¹⁾	808 ⁽¹⁾

(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 Bankoa transaction will provide further inorganic growth and reinforce the ABANCA Group position in the Basque Country.

Digital channels

ABANCA also has a virtual banking service (electronic, telephone and mobile banking) for all of its products that is used by 72% 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. ABANCA has also launched *Abanca Conecta*, a new customer relationship model which supplements its remote communication tools with a comprehensive and personalised management through an agent. *Abanca Conecta* has specialised management agents to improve the customer experience along with a multi-channel approach.

This digital strategy allowed ABANCA to increase the number of active digital customers by 13.6% during the nine-month period ended 30 September 2020 (and 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 the nine-month period ended 30 September 2020, more than 981,000 customers of the ABANCA Group used remote services for their queries and transactions (more than 843,000 during 2019); moreover, 64.0% (60.2% in 2019) 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 16.4% (16.9% in 2019).

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

As of 30 September 2020, ABANCA offers its customers a network of 1,159 integrated ATMs within the EURO 6000 network. ABANCA is also continuing with the implementation of state-of-the-art fully equipped ATMs as well as the implementation of new functionalities to respond to the demands reported by customers and branches. These devices allow recurring transactions that involve a high administrative load for the branch employees, such as making cash withdrawals with return of coins, multiple payment of receipts and deposits of exact amounts and return of change with the card. Moreover, as of 30 September 2020, ABANCA had a wide network of point of sale terminals (44,159 units) and cards (2.3 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 30 September 2020 amounted approximately to 21% in credit, 25% in deposits and 23% in total turnover (source: *FI 132.E Statement of Bank of Spain dated 30 September 2020*; latest publicly available information).

In Galicia, the large branch network of the ABANCA Group makes it easier for the Galician population to access financial services in an environment with a dispersed population. As of 30 September 2020, ABANCA provided its services in 121 small towns where it is the only financial institution present and as of 30 September 2020 ABANCA Group had 2 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. The acquisition of Bankoia will reinforce the ABANCA Group position in the Basque Country as well as to strengthen the enterprises and asset management business areas.
- 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*". 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 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 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 USA	Vice-Chairman
Mr. Francisco Botas Ratera	Cecabank, S.A.	Director
	Mr. Pedro Raúl López Jácome	Miura Holding, C.V.
Ms. Carina Szpilka Lázaro	Miura Capital Panamá, Inc.	Director/ Chairman
	Imantia Capital S.G.I.I.C., S.A.	Vice-Chairman
	Grifols, S.A.	Director
	Kanoar Ventures SGEIC, S.A.	Chairman
	Asociación Española de la Economía Digital (Adigital)	Chairman
Mr. Eduardo Eraña Guerra	Meliá Hotels International, S.A.	Director
	Banco Lafise Bancentro, S.A. (Nicaragua)	Director
	Banco Lafise, S.A. (Costa Rica)	Director
	Banco Múltiple Lafise, S.A. (República Dominicana)	Director
	Banco Lafise (Honduras)	Director
Ms. Leticia Iglesias Herraiz	Banco Lafise Valores Puesto de Bolsa	Director
	AENA SME, S.A.	Director
	LAR España Real Estate Socimi, S.A.	Director
Ms. Ana Valente da Cunha Barros	Luís Pacheco de Melo, Lda.	Partner
	ECS Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Director

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

Executive Credit Commission

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

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

Name	Position
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 ABANCAs' governance rules and make the necessary proposals for their improvement; (v) to supervise compliance with and the performance of the internal control manual for criminal risk prevention approved by the Board of Directors; (vi) to report to the Board of Directors in advance on all matters set forth in the law, the bylaws and in the Regulations of the Board of Directors; (vii) to submit to the Board of Directors as many proposals it deems appropriate on matters within the purview of its powers.

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

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

Appointments Commission

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

(x) to define policies and guidelines for the management of the human capital of ABANCA; and (xi) to report on the appointment of a Chairperson of Honour.

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

Name	Position
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 Prospectus, the Remuneration Commission is composed of the following directors:

Name	Position
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 Chief Risk Officer.

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

Name	Position
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 Prospectus:

Name	Position
Mr. Francisco Botas Ratera	Chief Executive Officer
Mr. Juan Luis Vargas-Zúñiga Mendoza	Chief Investment Officer
Mr. Luis Beraza de Diego	Chief Business Unit Officer – Spain
Mr. José Luis Vázquez Fernández	Chief Credit Officer
Mr. Miguel Angel Escotet Alvarez	Chief CSR & Communications Officer
Mr. José Manuel Valiño Blanco	Chief Information & Processes Officer
Mr. Pablo Triñanes Lago	Chief Risk Officer
Mr. Alberto de Francisco Guisasola	Chief Financial Officer (CFO)
Mrs. Maria Camino Agra	Chief Human Resources Officer
Mr. José Eduardo Álvarez-Naveiro	Chief Legal Officer
Mr. Alfonso Caruana Cámara	Chief Business Unit Officer – International
Mr. Julián José Serrapio Vigo	Chief Audit Officer (CAO)
Mr. Pedro Veiga Fernández	Chief Strategy & Planning Officer

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

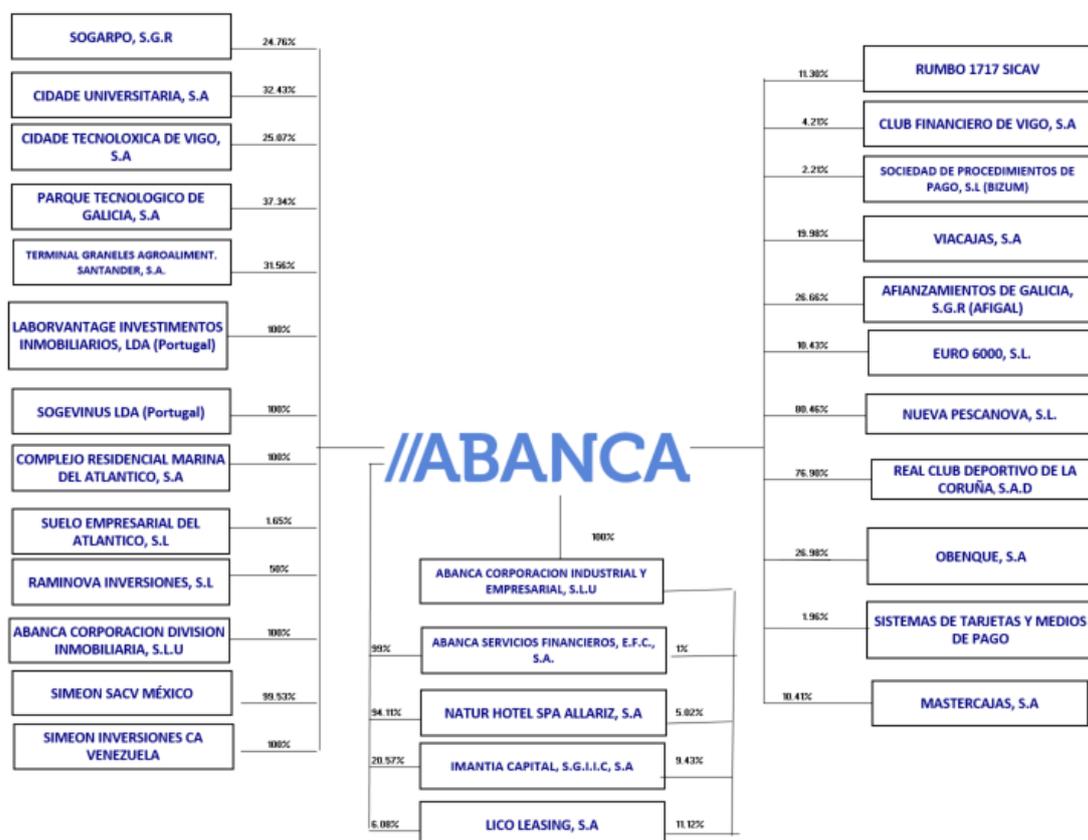
As of the date of this Prospectus, there are no conflicts of interest in relation to members of the management team of ABANCA between any duties owed to ABANCA and their private interests and other duties.

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

The Annual Corporate Governance Report (*Informe Anual de Gobierno Corporativo*) of the Bank corresponding to the 2019 financial year is available on the corporate website of the Bank (www.abancacorporacionbanca.com) and on the website of the CNMV (www.cnmv.es). The Bank is currently working on its Annual Corporate Governance Report (*Informe Anual de Gobierno Corporativo*) for the 2020 financial year (which will take into consideration the June 2020 review of the CNMV Good Governance Code for Listed Companies). Once issued, the Annual Corporate Governance Report (*Informe Anual de Gobierno Corporativo*) of the Bank for the 2020 financial year is expected to also be available on the corporate website of the Bank (www.abancacorporacionbanca.com) and on the website of the CNMV (www.cnmv.es).

ORGANISATIONAL STRUCTURE

The following chart summarises the companies making up the ABANCA Group and ABANCA's ownership of such companies as of 30 September 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 €169.15 million as of 30 September 2020 (€281.04 million as of 31 December 2019) and as of that date there were no material pending recapitalisation commitments.

Furthermore, as of 30 September 2020 the Group has classified group entities for a value of €885.8 million recorded in "non-current assets and disposal groups classified as held for sale" and for a value of €694.6 million recorded in "liabilities included in disposal groups classified as held for sale".

CAPITAL STRUCTURE

Share capital

As of the date of this Prospectus, ABANCA's share capital is €2,476,208,900 divided into 2,251,099,000 fully subscribed and paid ordinary shares with a par value of €1.10 each. All shares are of the same class with the same rights attached.

Shareholders

As of the date of this Prospectus, the shareholders of ABANCA are:

Shareholder	Interest
Mr. Juan Carlos Escotet Rodríguez	84.748%
Other shareholders	14.724%
Treasury shares	0.528%

LEGAL AND ARBITRATION PROCEEDINGS

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which ABANCA is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the ABANCA Group. Notwithstanding this, the members of the ABANCA Group are and in the future may be involved in various claims, disputes, legal proceedings and governmental investigations.

In particular, the ABANCA Group is involved in proceedings related to mortgage "floor clauses" (in connection with which the provisions of ABANCA Group amounted to €5.62 million as of 30 September 2020 (€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 €0.73 million as of 30 September 2020 (€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 €3.08 million as of 30 September 2020 (€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 €95.58 million to cover commitments with third parties in connection with its activity (€121.8 million as of 31 December 2019). No new provisions relating to new legal proceedings have been required in the nine-month period ended 30 September 2020 nor in the year 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 30 September 2020 amounted to €2.55 million (€2.23 million as of 31 December 2019).

OVERVIEW OF FINANCIAL INFORMATION

The sections below contain financial information of the ABANCA Group extracted from its relevant financial statements, which have been prepared in accordance with IFRS-EU/IAS 34. The variations in the following tables have been calculated using the amounts in thousands of euros as to more accurately reflect the actual variation.

2019 Consolidated Annual Accounts

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

ASSETS	<i>(millions of euros)</i>		
	2019	2018	Var.
Cash, cash balances with central banks and other demand deposits	3,136.57	1,367.69	129.33%
Financial assets held for trading			
Derivatives	117.67	99.22	18.60%
Debt securities	76.98	3.82	1,916.79%
	194.66	103.03	88.92%
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	285.22	338.96	(15.85%)
Debt securities	29.31	32.63	(10.17%)
Loans and advances	-	1.01	(100.00%)
Customers	-	-	-
	314.54	372.59	(15.58%)
Financial assets designated at fair value through profit or loss			
Equity instruments	-	-	-
Debt securities	-	-	-
Financial assets at fair value through other comprehensive income			
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%)
Financial assets at amortised cost			
Debt securities	5,895.75	3,868.85	52.39%
Loans and advances	-	-	-
Credit institutions	855.07	1,334.56	(35.93%)
Customers	37,139.77	30,168.21	23.11%
	43,890.59	35,371.62	24.08%
Derivatives - hedge accounting	53.09	31.09	70.77%
Investments in joint ventures and associates			
Associates	219.49	226.38	(3.04%)
	219.49	226.38	(3.04%)
Assets covered by insurance or reinsurance contracts	4.14	4.48	(7.46%)
Tangible assets			
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%
Intangible assets			
Goodwill	61.73	61.73	-
Other intangible assets	407.10	381.52	6.71%
	468.83	443.25	5.77%
Tax asset			
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%
Other assets			
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%

Non-current assets and disposal groups classified as held for sale	379.43	497.15	(23.68%)
TOTAL ASSETS	58,879.32	51,154.74	15.10%

LIABILITIES AND EQUITY	(millions of euros)		
	2019	2018	Var.
LIABILITIES			
Financial liabilities held for trading			
Derivatives	116.54	72.72	60.27%
	116.54	72.72	60.27%
Financial liabilities at amortised cost			
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%
Derivatives - hedge accounting	179.80	135.30	32.89%
Liabilities covered by insurance or reinsurance contracts	1,562.14	1,395.97	11.90%
Provisions			
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	134.92	86.20	56.51%
	389.91	345.48	12.86%
Tax liabilities			
Current tax liabilities	17.17	10.08	70.25%
Deferred tax liabilities	194.19	234.88	(17.32%)
	211.36	244.96	(13.72%)
Other liabilities	271.81	245.16	10.87%
TOTAL LIABILITIES	54,224.74	46,823.64	15.81%
EQUITY			
SHAREHOLDER'S EQUITY			
Capital			
Paid-up capital	2,453.66	2,453.66	-
Share premium	433.90	433.90	-
Equity instruments issued other than capital			
Other equity instruments issued	250.00	250.00	-
Retained earnings	1,519.74	1,303.72	16.57%
Other reserves			
Reserves or accumulated losses of investments in joint ventures and associates	(19.01)	(8.60)	121.20%
Other	(33.95)	2.47	n.a.
Treasury shares	(230.54)	(229.73)	0.35%
Profit attributable to the owners of the Parent	405.02	360.58	12.32%
Interim dividends	(160.75)	(143.30)	12.18%

	4,618.06	4,422.70	4.42%
Accumulated other comprehensive income			
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%
Items that may be reclassified to profit or loss			
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 measured 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.
Minority interests (non-controlling interests)			
Accumulated other comprehensive income	(0.03)	-	n.a.
Other items	1.16	0.01	10,463.64%
	1.14	0.01	10,218.18%
TOTAL EQUITY	4,654.58	4,331.10	7.47%
TOTAL LIABILITIES AND EQUITY	58,879.32	51,154.74	15.10%

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>		
	Income / (Expenses)		
	2019	2018	Var.
Interest Income	760.91	724.66	5.00%
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%)
Interest expense	(186.27)	(163.39)	14.00%
NET INTEREST INCOME	574.64	561.27	2.38%
Dividend income	12.99	11.97	8.58%
Share of profit or loss of equity-accounted investees	(1.19)	9.77	n.a.
Fee and commission income	234.32	197.75	18.50%
Fee and commission expense	(28.86)	(21.52)	34.10%
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	81.39	105.68	(22.99%)
Financial assets at amortised cost	(0.29)	(0.64)	(54.91%)
Other financial assets and liabilities	81.68	106.32	(23.18%)
Gains or losses on financial assets and liabilities held for trading, net	(1.80)	0.66	n.a.
Other gains or (-) losses	(1.80)	0.66	n.a.
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	44.71	190.04	(76.47%)
Other gains or (-) losses	44.71	190.04	(76.47%)
Gains or losses from hedge accounting, net	(2.20)	(7.58)	(70.95%)
Exchange differences, net	4.78	4.34	10.24%

Other operating income	75.94	87.61	(13.32%)
Other operating expenses	(109.79)	(94.01)	16.79%
Income from assets covered by insurance or reinsurance contracts	281.32	295.80	(4.89%)
Expenses from liabilities covered by insurance or reinsurance contracts	(255.42)	(274.78)	(7.05%)
GROSS MARGIN	910.84	1,067.00	(14.64%)
Administrative expenses	(580.27)	(541.70)	7.12%
Personnel expenses	(356.56)	(319.73)	11.52%
Other administrative expenses	(223.71)	(221.97)	0.78%
Depreciation and amortisation	(89.84)	(128.75)	(30.22%)
Provisions or reversals of provisions	(53.34)	(12.17)	338.32%
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	(39.59)	(25.86)	53.07%
Financial assets at fair value through other comprehensive income	0.18	(2.21)	n.a.
Financial assets at amortised cost	(39.76)	(23.65)	68.13%
NET OPERATING INCOME	147.80	358.53	(58.78%)
Impairment or reversal of impairment on investments in joint ventures or associates	0.01	0.80	(98.63%)
Impairment or reversal of impairment on non-financial assets	57.53	(1.82)	n.a.
Tangible assets	62.53	(1.82)	n.a.
Intangible assets	(5.00)	-	n.a.
Others	-	-	(50.00%)
Gains or losses on derecognition of non-financial assets, net	43.49	9.60	352.95%
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	(50.31)	24.46	n.a.
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	430.20	391.58	9.86%
Tax expense or income related to profit or loss from continuing operations	(25.18)	(11.88)	111.93%
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	405.03	379.70	6.67%
Profit or loss after tax from discontinued operations	-	-	-
PROFIT FOR THE YEAR	405.03	379.70	6.67%
Attributable to minority interests (non-controlling interests)	0.01	19.12	(99.97%)
Attributable to the owners of the Parent	405.02	360.58	12.32%

2020 Consolidated Third Quarter Interim Financial Statements

The table below includes the consolidated balance sheets of the ABANCA Group as of 30 September 2020 and 31 December 2019:

ASSETS	<i>(millions of euros)</i>		
	30 September 2020	31 December 2019	Var.
Cash, cash balances with central banks and other demand deposits	3,540.03	3,136.57	12.86%
Financial assets held for trading	166.56	194.66	(14.43%)
Non-trading financial assets mandatorily at fair value through profit or loss	207.59	314.54	(34.00%)

Financial assets at fair value through other comprehensive income	6,215.02	5,080.36	22.33%
Financial assets at amortised cost	47,387.47	43,890.59	7.97%
Derivatives – hedge accounting	22.12	53.09	(58.34%)
Investments in joint ventures or associates			
Associates	148.11	219.49	(32.52%)
	148.11	219.49	(32.52%)
Assets covered by insurance or reinsurance contracts	4.62	4.14	11.49%
Tangible assets			
Property, plant and equipment / Fixed assets			
For own use	940.50	971.48	(3.19%)
Leased out under operating leases	-	0.24	(100.00%)
Investment property	291.58	296.13	(1.54%)
	1,232.08	1,267.85	(2.82%)
Intangible assets			
Goodwill	151.56	61.73	145.52%
Other intangible assets	394.94	407.10	(2.99%)
	546.50	468.83	16.57%
Tax asset			
Current tax assets	13.32	102.87	(87.05%)
Deferred tax assets	3,419.87	3,401.74	0.53%
	3,433.18	3,504.61	(2.04%)
Other assets			
Insurance contracts linked to pensions	133.40	142.41	(6.33%)
Inventories	61.61	55.90	10.22%
Other assets	128.94	166.87	(22.73%)
	323.95	365.18	(11.29%)
Non-current assets and disposal groups classified as held for sale	1,224.65	379.43	222.76%
TOTAL ASSETS	64,451.87	58,879.32	9.46%

LIABILITIES AND EQUITY	<i>(millions of euros)</i>		Var.
	30 September 2020	31 December 2019	
Financial liabilities held for trading	146.86	116.54	26.01%
Financial liabilities at amortised cost	56,302.04	51,493.18	9.34%
Derivatives - hedge accounting	271.08	179.80	50.77%
Liabilities covered by insurance or reinsurance contracts	1,531.15	1,562.14	(1.98%)
Provisions			
Pensions and other post-employment defined benefit obligations	166.23	160.90	3.31%
Outstanding (tax-related legal / taxes legal) proceedings and litigation	15.27	16.68	(8.47%)
Commitments and guarantees given	66.08	77.42	(14.64%)
Other provisions	105.01	134.92	(22.17%)
	352.58	389.91	(9.57%)
Tax liabilities			
Current tax liabilities	3.17	17.17	(81.56%)
Deferred tax liabilities	176.29	194.19	(9.22%)
	179.46	211.36	(15.09%)
Other liabilities	208.54	271.81	(23.28%)
Liabilities included in disposal groups classified as held for sale	694.60	-	n.a.
TOTAL LIABILITIES	59,686.31	54,224.74	10.07%
EQUITY			
SHAREHOLDERS' EQUITY			
Capital			
Paid-up capital	2,453.66	2,453.66	-
	2,453.66	2,453.66	-

Share premium	433.90	433.90	-
Equity instruments issued other than capital	250.00	250.00	-
Retained earnings	1,723.04	1,519.74	13.38%
Other reserves	(27.08)	(52.96)	(48.87%)
Treasury shares	(230.76)	(230.54)	0.09%
Profit attributable to the owners of the Parent	143.35	405.02	(64.61%)
Interim dividend	-	(160.75)	(100.00%)
Accumulated other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains or losses on defined benefit pension plans	(20.55)	(20.58)	(0.10%)
Fair value changes of equity instruments measured at fair value through other comprehensive income	1.66	3.61	(53.91%)
Items that may be reclassified to profit or loss			
Foreign currency translation	0.71	0.02	3,266.67%
Hedging derivatives. Cash flow hedges reserve (effective portion)	6.29	12.14	(48.22%)
Fair value changes of debt securities measured at fair value through other comprehensive income	53.36	40.52	31.70%
Share of other recognised income and expense of investments in joint ventures and associates	(11.22)	(0.33)	3,269.67%
	30.24	35.38	(14.53%)
Minority interests (non-controlling interests)			
Accumulated other comprehensive income	(0.61)	(0.03)	2,151.85%
Other items	(10.18)	1.16	n.a.
	(10.79)	1.14	n.a.
TOTAL EQUITY	4,765.57	4,654.58	2.38%
TOTAL EQUITY AND LIABILITIES	64,451.87	58,879.32	9.46%

The table below includes the consolidated statements of profit and loss of the ABANCA Group for the nine-month periods ended 30 September 2020 and 2019:

	<i>(millions of euros)</i>		
	Income / (Expenses)		
	30 September 2020	30 September 2019	Var.
Interest income	587.38	559.53	4.98%
Interest expense	(123.47)	(138.83)	(11.07%)
NET INTEREST INCOME	463.91	420.69	10.27%
Dividend income	3.80	7.65	(50.36%)
Share of profit or loss of equity-accounted investees	(13.18)	(2.20)	500.00%
Fee and commission income	199.20	166.45	19.68%
Fee and commission expense	(24.05)	(19.33)	24.44%
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	196.00	77.60	152.58%
Gains or losses on financial assets and liabilities held for trading, net	7.19	(0.17)	n.a.
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	12.08	19.26	(37.26%)
Gains or losses from hedge accounting, net	11.16	0.70	1,489.17%
Exchange differences, net	6.65	2.81	137.05%
Other operating income	43.73	51.82	(15.63%)
Other operating expenses	(53.09)	(45.45)	16.80%

Income from assets covered by insurance or reinsurance contracts	77.67	225.75	(65.60%)
Expenses from liabilities covered by insurance or reinsurance contracts	(54.18)	(207.82)	(73.93%)
GROSS MARGIN	876.89	697.76	25.67%
Administrative expenses	(444.23)	(421.83)	5.31%
Personnel expenses	(284.97)	(254.95)	11.77%
Other administrative expenses	(159.26)	(166.88)	(4.57%)
Depreciation and amortisation	(73.23)	(64.43)	13.65%
Provisions or reversals of provisions	15.71	(31.75)	n.a.
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(180.29)	(29.29)	515.47%
Financial assets at fair value through other comprehensive income	0.11	0.22	(48.17%)
Financial assets at amortized cost	(180.40)	(29.51)	511.30%
NET OPERATING INCOME	194.85	150.46	29.51%
Impairment or reversal of impairment on investments in joint ventures or associates	-	0.01	n.a.
Impairment or reversal of impairment on non-financial assets	(10.17)	(1.60)	536.09%
Others	-	0.01	(100.00%)
Tangible assets	(10.17)	(1.61)	533.31%
Gains or losses on derecognition of non-financial assets, net	1.12	14.38	(92.24%)
Negative goodwill recognised in profit or loss	-	222.45	(100.00%)
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0.89	9.08	(90.20%)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	186.68	394.76	(52.71%)
Tax expense or income related to profit or loss from continuing operations	(24.93)	(15.33)	62.57%
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	161.76	379.43	(57.37%)
Profit or loss after tax from discontinued operations	(23.72)	-	n.a.
Profit for the period	138.04	379.43	(63.62%)
Attributable to minority interests (non-controlling interests)	(5.31)	-	n.a.
Attributable to the owners of the parent	143.35	379.43	(62.22%)

Distributable Items

The following table shows the Distributable Items of ABANCA as of 31 December 2019 and 31 December 2018:

	31/12/2019	31/12/2018
	<i>(thousand (€))</i>	
Distributable items of the Bank^(*)	1,394,418	1,398,611

(*) This figure is calculated as net income for the period, plus voluntary reserves, plus share premium, minus dividends distributed during the period. Please see "General Information – Significant/Material Change and Trend Information" for information on certain transactions that will have a negative impact of approximately €445 million on the amount of ABANCA's Distributable Items.

CREDIT RATINGS

As of the date of this 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	September 2020	F3	BBB-	Negative
DBRS	July 2020	R-2 (high)	BBB	Negative

Each of Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited, Fitch Ratings Ireland Spanish Branch, Sucursal en España and DBRS Rating GmbH 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.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

The following are the APMs used in this Prospectus.

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

		September		December	
		2020	2019	2019	2018
		<i>(€ million)</i>			
Numerator	1/2 Dec year-1 Total Assets	58,879.32	51,154.74		51,056.22
	+ Mar year Total Assets	58,912.09	50,253.61		49,080.31
	+ Jun year Total Assets	63,326.12	52,771.70		50,036.94
	+ Sep year Total Assets	64,451.87	57,148.52		49,802.00
	+1/2 Dec year Total Assets	-	58,879.32		51,154.74
Denominator	4 or 3 (depending on the date)	3	4		4
ATA		61,301.27	53,797.71		50,006.18

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

		September		December	
		2020	2019	2018	
		(€ million, except %)			
Numerator	Administrative expenses	444.23	580.27	541.70	
	Plus Depreciation and amortisation	73.23	89.84	128.75	
Denominator	Gross Margin/Gross Income	876.89	910.84	1,067.00	
Cost to income ratio		59.0%	73.6%	62.8%	

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.

		September		December	
		2020	2019	2018	
		(%)			
	Yield on performing loan to customers (rate) (*)	1.51	1.72	1.84	
Minus	Cost of retail funds (rate) (**)	0.06	0.10	0.08	
Customer spread ratio		1.45	1.62	1.76	

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.

		September		December	
		2020	2019	2018	
		(€ million, except %)			
Numerator	Impairment losses of assets foreclosed or received in payment of debt	447.93	477.01	532.43	
Denominator	Gross assets foreclosed or received in payment of debt	731.82	790.38	942.15	
Foreclosed assets coverage ratio		61.2%	60.4%	56.5%	

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.

		September		December	
		2020	2019	2018	
		(€ million)			
	Fee and commission income	199.20	234.32	197.75	
Minus	Fee and commission expense	24.05	28.86	21.52	
Net fees and commissions		175.15	205.46	176.23	

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.

		September		December	
		2020	2019	2018	
		(€ million)			
	Impaired assets in loans and advances to customers	1,040.28	1,032.43	1,093.81	
Plus	Gross assets foreclosed or received in payment of debt	731.82	790.38	942.15	
NPA		1,772.10	1,822.82	2,035.95	

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

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

		September		December	
		2020	2019	2018	
<i>(€ million, except %)</i>					
Numerator	Accumulated impairment losses of loans and advances to customers	686.99	593.98	613.34	
	Plus Accumulated impairment of assets foreclosed or received in payment of debt	447.93	477.01	532.43	
Denominator	Impaired assets in loans and advances to customers	1,040.28	1,032.43	1,093.81	
	Plus Gross assets foreclosed or received in payment of debt	731.82	790.38	942.15	
NPA coverage ratio		64.0%	58.8%	56.3%	

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

		September		December	
		2020	2019	2018	
<i>(€ million, except %)</i>					
Numerator	NPA	1,772.10	1,822.82	2,035.95	
Denominator	Gross loans and advances to customers	39,823.88	37,612.28	30,799.61	
	Minus Reverse repurchase agreements ^(*)	45.35	347.69	-	
	Minus Extraordinary activities ^(*)	235.39	268.89	412.20	
	Plus Gross assets foreclosed or received in payment of debt	731.82	790.38	942.15	
NPA ratio		4.4%	4.8%	6.5%	

(*) For information on the items "Extraordinary activities" and "Repurchase agreements" please see note 10 of the 2019 Consolidated Annual Accounts and note 8 of 2020 Consolidated Third Quarter Interim Financial Statements.

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.

		September		December	
		2020	2019	2018	
<i>(€ million, except %)</i>					
Numerator	Accumulated impairment losses of loans and advances to customers	686.99	593.98	613.34	
Denominator	Impaired assets in loans and advances to customers	1,040.28	1,032.43	1,093.81	
NPL coverage ratio		66.0%	57.5%	56.1%	

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

		September		December	
		2020	2019	2018	
<i>(€ million, except %)</i>					
Numerator	Impaired assets in loans and advances to customers	1,040.28	1,032.43	1,093.81	
Denominator ...	Gross loans and advances to customers	39,823.88	37,612.28	30,799.61	
	Minus Reverse repurchase agreements ^(*)	45.35	347.69	-	
	Minus Extraordinary activities ^(*)	235.39	268.89	412.20	
NPL ratio		2.6%	2.8%	3.6%	

(*) For information on the items "Extraordinary activities" and "Repurchase agreements" please see note 10 of the 2019 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.

	September	December	
	2020	2019	2018
	<i>(€ million, except %)</i>		
Investment funds	5,909.13	6,313.59	3,757.36
Plus Pension funds	1,511.49	1,531.97	1,372.03
Plus Structured products	501.41	680.35	-
Plus Insurance products	1,531.78	1,536.64	1,241.42
Off-balance sheet funds	9,453.81	10,062.56	6,370.80

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

	September	December	
	2020	2019	2018
	<i>(€ million)</i>		
Administrative expenses	444.23	580.27	541.70
Plus Depreciation and amortisation	73.23	89.84	128.75
Operating expenses	517.46	670.11	670.45

Performing Loans 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.

	September	December	
	2020	2019	2018
	<i>(€ million)</i>		
Gross loans and advances to other customers	39,823.88	37,612.28	30,799.61
Minus Reverse repurchase agreements (*)	45.35	347.69	-
Minus Extraordinary activities (*)	235.39	268.89	412.20
Minus Impaired assets in loans and advances to customers	1,040.28	1,032.43	1,093.81
Minus Advance to Social Security due to extra payment	-	-	-
Performing Loans Portfolio	38,502.87	35,963.28	29,293.60

(*) For information on the items "Extraordinary activities" and "Repurchase agreements" please see note 10 of the 2019 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).

	September	December	
	2020	2019	2018
	<i>(€ million)</i>		
Net interest income	463.91	574.64	561.27
Plus Net fees and commissions	175.15	205.46	176.23
Recurring revenues	639.07	780.10	737.50

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

	September	December	
	2020	2019	2018
	<i>(€ million)</i>		
Net loans and advances to customers	39,362.56	37,139.77	30,169.21
Minus Reverse repurchase agreements	45.35	347.69	-
Plus Gross deposits from customers	43,398.46	41,273.17	35,374.05
Minus Securitization	-	0.11	-
Minus Assets acquired or sold under resale or repurchase agreements	1,046.73	1,340.85	906.55
Minus Covered bond issues classified as deposits from customers	1,539.89	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	9,453.81	10,062.56	6,370.80
Retail Business Volume	89,582.86	85,078.55	69,207.46

Retail Business Volume per employee: sum of the total of loans to customers, plus deposits from customers 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.

		September		December	
		2020	2019	2018	2018
		(€ million)			
Numerator	Retail Business Volume	89,582.86	85,078.55	69,207.46	
Denominator ...	Employees of the Issuer (units)	5,395	5,598	4,675	
Retail Business Volume per employee		16.6	15.2	14.8	

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.

		September		December	
		2020	2019	2018	2018
		(€ million, except %)			
Numerator.....	Net loans and advances to customers	39,362.56	37,139.77	30,169.21	
Minus	Reverse repurchase agreements	45.35	347.69	—	
Denominator	Gross deposits from customers	43,398.46	41,273.17	35,374.05	
Minus	Securitization	-	0.11	-	
Minus	Assets acquired or sold under resale or repurchase agreements	1,046.73	1,340.85	906.55	
Minus	Covered bond issues classified as deposits from customers	1,539.89	1,656.55	1,733.38	
Minus	Other long term funding classified as deposits from customers	-	51.74	66.68	
Retail Loan to Deposits (LtD) ratio		96.3%	96.3%	92.4%	

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

		September		December	
		2020	2019	2018	2018
		(€ million, except %)			
Numerator	Profit for the period attributable to the owners of the parent	143.35	405.02	360.58	
Denominator ...	Average shareholders' equity (**)	4,719.89	4,580.17	3,985.62	
ROE		4.0% (*)	8.8%	9.0%	

(*) Calculated as "Profit for the period attributable to the owners of the parent " at 30 September 2020 multiplied by 1.33".

(**) 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.

		September		December	
		2020	2019	2018	2018
		(€ million, except %)			
Numerator	NPA	1,772.10	1,822.82	2,035.95	
Plus	Non-performing debt securities	-	-	-	
Denominator	Paid-up Capital	2,453.66	2,453.66	2,453.66	
Plus	Share premium	433.90	433.90	433.90	
Plus	Retained earnings	1,723.04	1,519.74	1,303.72	
Plus	Other reserves	(27.08)	(52.96)	(6.13)	
Plus	Risk hedging for debt securities	1.92	2.03	2.21	
Plus	Impairment losses of loans of advances to customers	686.99	593.98	613.34	
Plus	Impairment losses of asset foreclosed of received in payment of debt	447.93	477.01	532.43	
Texas Ratio		31.0%	33.6%	38.2%	

CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING REGULATION

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 Preferred Securities). 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) Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**BRRD II**") amending, among other things, the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**CRR II**") amending, among other things, the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**SRM Regulation II**") amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the CRD V Directive, BRRD II, CRR II and the SRM Regulation II, the "**EU Banking Reforms**"). The EU Banking Reforms entered into force on 27 June 2019 and apply since 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.

In addition, in reaction to the COVID-19 outbreak, in June 2020 the European Parliament and the Council of the European Union adopted a banking package (the "**COVID-19 Banking Package**") that provides targeted and exceptional legislative changes to CRR II intended to allow credit institutions to fully play their role in managing the economic shock that stems from the COVID-19 pandemic by fostering credit flows. The targeted amendments concern, among others: (i) the introduction in advance of some capital relief measures for banks under CRR II; (ii) changes to the calculation of the leverage ratio; and (iii) changes to the minimum amount of capital that banks are required to hold for NPLs under the "prudential backstop".

Capital Requirements

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

Moreover, Article 104 of CRD IV Directive, as implemented 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 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 first quarter of 2021 (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. In addition, CRD V Directive also clarifies that P2R should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution) and it also allows the P2R to be partially covered with AT1 and Tier 2 instruments.

As communicated by the European Banking Authority ("**EBA**") in July 2016 and included in the CRD V Directive, 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 discretionary payments 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 of the prior 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.

Afterwards, in April 2020, the Bank received a decision amending the composition of the P2R (allowing the P2R to be held in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum), that resulted in a CET1 ratio requirement of 7.98% of RWAs and a total capital ratio requirement of 12.25% of RWAs. These capital requirements, as amended after the April 2020 decision, include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the P2R (CET1 ratio of 0.98% of RWAs, Tier 1 ratio of 1.31% of RWAs and total capital ratio of 1.75% of RWAs), and the capital conservation buffer (2.5% of RWAs to be satisfied with additional CET1 capital).

The table below sets out ABANCA's and the ABANCA Group's CET1 ratios, Tier 1 ratios, total capital ratios as of 30 September 2020, 31 December 2019 and 31 December 2018:

	Phased in		Fully Loaded	
	ABANCA ^(*)	ABANCA Group ^(**)	ABANCA ^(*)	ABANCA Group ^(**)
CET1 ratio as at 30 September 2020	13.1%	13.3%	12.8%	12.7%
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 30 September 2020	14.0%	14.2%	13.6%	13.6%
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 30 September 2020	16.2%	16.4%	15.8%	15.8%
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 2020 and 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 2020 and 2019 as shown in the table are not comparable to the ABANCA 2018 capital ratios.

(**) The ABANCA Group 2020 and 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 2020 and 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 2020 and 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 46.11% as at 30 September 2020 (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*".

Also in reaction to the COVID-19 outbreak and in addition to the COVID-19 Banking Package, in 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 partially meet P2R (as disclosed above). 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.

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 30 September 2020, 31 December 2019 and 31 December 2018:

	Phased in		Fully Loaded	
	Abanca ^(*)	Abanca Group ^(**)	Abanca ^(*)	Abanca Group ^(**)
LR as at 30 September 2020	6.2%	6.4%	6.1%	6.2%
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 2020 and 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 2020 and 2019 as shown in the table are not comparable to the ABANCA 2018 LRs.

(**) The ABANCA Group 2020 and 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 2020 and 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 2020 and 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".

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 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 making discretionary payments above 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 261% as at 30 September 2020 (217% as of 31 December 2019).

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 134% as at 30 September 2020 (129% as of 31 December 2019).

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 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.

Besides the measures contained in the COVID-19 Banking Package, in connection with the measures adopted in reaction to the COVID-19 outbreak and more specifically in connection with the measures announced by the ECB to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations, the ECB 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 that scenario, the EBA has also issued statements 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 has 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 has 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 Preferred Securities).

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 (which for so long as the obligations of the Bank in respect of the Preferred Securities constitute Additional Tier 1 instruments, shall include the Preferred Securities); (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 following is a general description of certain Bank's country tax considerations relating to the Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Preferred Securities whether in those countries or elsewhere. Prospective purchasers of Preferred Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Bank's country of acquiring, holding and disposing of Preferred Securities and receiving payments of interest, principal and/or other amounts under the Preferred Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

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

Spanish tax considerations

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Preferred Securities by individuals or entities who are the beneficial owners of the Preferred 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 Preferred Securities are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the Preferred 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 Preferred Securities.

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

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

Tax treatment of the Preferred Securities

Indirect taxation

Whatever the nature and residence of the Holder, the acquisition and transfer of Preferred 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 Preferred 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 Preferred 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 per cent. for taxable income up to €6,000; 21 per cent. for taxable income between €6,000.01 and €50,000 and 23 per cent. for taxable income in excess of €50,000.

Income from the transfer of the Preferred 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 Preferred 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 Preferred Securities will be deductible, excluding those pertaining to discretionary or individual portfolio management.

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

However, income derived from the transfer of the Preferred Securities should not be subject to withholding on account of PIT provided that the Preferred 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 per cent. withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Preferred 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 Preferred 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 Preferred 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 Preferred Securities which they hold as of 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with Article 3 of Royal Decree-Law 18/2019, of 27 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 Preferred 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 per cent. and 81.6 per cent., although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

(b) Spanish tax resident legal entities

Corporate Income Tax (*Impuesto sobre Sociedades*)

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

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

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Preferred Securities, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the Preferred 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 Preferred Securities, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the Preferred Securities obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Preferred 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 Preferred 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 Preferred 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 Preferred Securities by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but generally must include the market value of the Preferred 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 Preferred Securities through a permanent establishment in Spain

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

If the Preferred 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 Preferred 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 Preferred 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 Preferred Securities that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Preferred Securities through a permanent establishment in Spain.

- (ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the Preferred 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 Preferred Securities and income derived from the transfer, redemption or repayment of the Preferred Securities, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Preferred 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 Preferred Securities carried out by ABANCA, the Iberclear Members that have the Preferred 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 Preferred Securities, ABANCA will withhold Spanish withholding tax at the applicable rate (currently 19 per cent.) on such payment of income on the Preferred 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 Preferred 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 per cent. and 2.5 per cent. although some reductions may apply.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Preferred 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 article 3 of Royal Decree-Law 18/2019 of 27 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 Preferred 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 per cent. and 81.6 per cent, depending on relevant factors.

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

Non-Spanish resident legal entities which acquire ownership or other rights over the Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred Securities, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent. If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to ABANCA no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

Prospective investors should note that ABANCA does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the Preferred 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.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Preferred Securities (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Preferred 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.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Preferred Securities are advised to seek their own professional advice in relation to the FTT.

The Spanish Financial Transactions Tax ("Spanish FTT")

On 16 October 2020, Spanish Law 5/2020 on the Financial Transactions Tax was published in the Spanish Official Gazette and will enter into force on 16 January 2021.

It has been established as an indirect tax applied at a rate of 0.2% on acquisitions for consideration of shares in Spanish companies admitted to trading on a regulated market in an EU member state – or in a third country market considered equivalent – with a market cap exceeding €1 billion. Thus, the Spanish FTT should not affect transactions involving bonds or debt or analogous instruments.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. ABANCA may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of ABANCA) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Preferred Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred 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 Preferred 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 Preferred Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Preferred Securities, no person will be required to pay additional amounts as a result of the withholding.

Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus.

ANNEX I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal ()⁽¹⁾, en nombre y representación de (entidad declarante), con número de identificación fiscal ()⁽¹⁾ y domicilio en () en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number ()⁽¹⁾, in the name and on behalf of (entity), with tax identification number ()⁽¹⁾ 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

The Joint Lead Managers have, in a subscription agreement dated 13 January 2021 (the "**Subscription Agreement**") and made between ABANCA and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscribers, or subscribe and pay for the Preferred Securities on the Issue Date at their issue price of 100% of their principal amount. ABANCA has agreed to pay the Joint Lead Managers a combined management and underwriting commission and to reimburse them for certain of their expenses incurred in connection with the management of the issue of the Preferred Securities.

ABANCA will use all reasonable endeavours to procure that the Preferred Securities are admitted to listing on AIAF within 30 days from the Issue Date and to maintain such admission until none of the Preferred Securities is outstanding.

Selling Restrictions

Canada

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell any of the Preferred Securities in Canada except to purchasers in the provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Preferred Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Prohibition of sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Preferred Securities to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Preferred Securities to any retail investor in the UK. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Spain

Each of the Joint Lead Managers has represented and agreed that the Preferred Securities have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law and related legislation, to provide investment services in Spain, and as agreed between ABANCA and the Joint Lead Managers, offers of the Preferred Securities in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to ABANCA; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

United States of America

The Preferred Securities have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Preferred 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.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Preferred Securities, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering of the Preferred Securities and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells any Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering of the Preferred Securities, an offer or sale of the Preferred Securities within the United States by a dealer (whether or not participating in the offering of the Preferred Securities) may violate the registration requirements of the U.S. Securities Act.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Preferred Securities or caused the Preferred Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Preferred Securities or cause the Preferred Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of

the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Preferred Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Preferred Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Bank has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Preferred Securities are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Republic of Italy

The offering of the Preferred Securities has not been registered pursuant to Italian securities legislation and, accordingly, each Joint Lead Manager has agreed that no Preferred Securities may be offered, sold or delivered, nor may copies of the Prospectus or of any other offering material relating to the Preferred Securities be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and/or Italian CONSOB regulations; or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Preferred Securities or distribution of copies of the Prospectus or any other document relating to the Preferred Securities in the Republic of Italy under (i) or (ii) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Consolidated Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Preferred Securities (except for Preferred Securities which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Preferred Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Switzerland

The offering of the Preferred Securities in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**"). This Prospectus does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Preferred Securities.

Belgium

Each Joint Lead Manager has represented and agreed that an offering of Preferred Securities may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1, 2^o of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Preferred Securities, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Preferred Securities, directly or indirectly, to any Belgian Consumer.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or possesses, distributes or publishes this Prospectus or any other offering material relating to the Preferred Securities.

Persons into whose hands this Prospectus comes are required by ABANCA and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Preferred Securities or possess, distribute or publish this Prospectus or any other offering material relating to the Preferred 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 Preferred 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% 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 legitimization 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 Preferred 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 Preferred 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 Statement

1. ABANCA and the undersigned, Mr Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*) of the Bank, and Mr Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of the Bank, accept responsibility for the information contained in this Prospectus and declare, to the best of their knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus contains no omissions likely to affect its import.

Authorisation

2. The creation and issue of the Preferred Securities has been authorised by a resolution of the Board of Directors of ABANCA dated 2 March 2020 (as amended on 18 December 2020).

Significant/Material Change and Trend Information

3. Save as disclosed in this Prospectus, since 31 December 2019 there has been no material adverse change in the prospects of ABANCA.
4. Save as disclosed in this Prospectus, since 30 September 2020 there has been no significant change in the financial performance or in the financial position of the ABANCA Group.

Without prejudice to the above, the annual general shareholders' meeting of ABANCA held on 29 June 2020 approved two transactions intended to strengthen the Bank's capitalisation and to adapt its capital structure and the volume of treasury shares to the industry's average levels. The transactions approved, which have no impact whatsoever on the Bank's capital adequacy or on the solvency of its shareholders, consist in the reduction of treasury shares' weight by increasing restricted voluntary reserves, and in a capital increase charged to the issue premium account. The execution of these transactions will have a negative impact of approximately €445 million on the amount of ABANCA's Distributable Items. For further information on these transactions please see the report prepared by the Board of Directors of ABANCA for the purposes of the general shareholders' meeting of ABANCA that approved them, that is available on ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/informe-administradores-propuestas-punto-9-2020-es.pdf>).

On 30 December 2020, ABANCA has signed a letter of agreement binding to both parties from that date. The execution of this letter of agreement will be made with the issuance and underwriting of mortgage participations ("PHs" Spanish acronym) and/or mortgage transfer certificates ("CTHs" Spanish acronym). The sold portfolio is made up of assets whose impaired balance to date amounts to approximately €250 million and its coverage stands at 20%.

Auditors

5. The Spanish-language individual and consolidated annual accounts of ABANCA have been audited without qualification for each of the years ended 31 December 2019 and 31 December 2018 by KPMG Auditores, S.L., independent auditors.
6. The Spanish-language condensed consolidated interim financial statements of the ABANCA Group as of and for the nine-month period ended 30 September 2020 have been subject to a limited review by KPMG Auditores, S.L., independent auditors.

KPMG Auditores, S.L.'s office is at Paseo de la Castellana 259 C, 28046, Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas* (ROAC)) under number S0702.

Third party information

7. Information included in this Prospectus sourced from a third party has been accurately reproduced, and so far as ABANCA is aware and is able to ascertain from information published by such third

party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Approval of financial information

8. The 2018 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 10 June 2019.
9. The 2019 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 29 June 2020.

Certain financial information relating to the year ended 31 December 2018 has been restated in the 2019 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 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 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 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 in this Prospectus as restated in the 2019 Consolidated Annual Accounts. Consequently, the 2018 financial information included in this Prospectus differs from that included in the 2018 Consolidated Annual Accounts.

10. The 2020 Consolidated Third Quarter Interim Financial Statements were drafted (*fueron formulados*) by the Board of Directors of ABANCA on its meeting held on 26 October 2020.

Certain consolidated financial information relating to the nine-month period ended on 30 September 2019 has been restated in the 2020 Consolidated Third Quarter Interim Financial Statements for comparative purposes in order to reflect the impact of the Merger, so that the consolidated 2019 third quarter financial information appearing in the 2020 Consolidated Third Quarter Interim Financial Statements is presented in a manner comparable to the financial information relating to the nine-month period ended on 30 September 2020.

The financial information relating to the nine-month period ended on 30 September 2019 appearing in the 2020 Consolidated Third Quarter Interim Financial Statements is that which would correspond to ABANCA Holding as of and for the nine-month period ended on 30 September 2019 (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 relating to the nine-month period ended on 30 September 2019 (including the financial information included in the section "*Description of ABANCA – Overview of Financial Information*") has been included in this Prospectus as restated in the 2020 Consolidated Third Quarter Interim Financial Statements. Consequently, the 2019 third quarter financial information included in this Prospectus differs from that included in the 2019 unaudited condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2019.

11. The audit reports for the 2018 Consolidated Annual Accounts and the 2019 Consolidated Annual Accounts do not contain qualifications, modifications of opinions, disclaimers or emphasis of matter.

Certain definitions and rounding

12. In this Prospectus, references to "**billions**" are to thousands of millions.

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

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

Documents on display

13. Electronic copies of the bylaws (*Estatutos Sociales*) of ABANCA (as the same may be updated from time to time) may be inspected on ABANCA's website.

For avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the corporate website of the Bank does not form part of this Prospectus.

Material Contracts

14. 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 Preferred Securities.

Yield

15. On the basis of the issue price of the Preferred Securities of 100% of their principal amount, the annual yield of the Preferred Securities for the period from (and including) the Issue Date to (but excluding) the First Reset Date is 6.136%. This yield was calculated on the Issue Date and is not an indication of future yield.

Clearing: ISIN and Common Code

16. The Preferred Securities will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The Preferred Securities bear the ISIN ES0865936019 and the common code 228432865.

Listing

17. This Prospectus has been approved by the CNMV as competent authority under the Prospectus Regulation. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the Preferred Securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Preferred Securities.

Application has been made for the Preferred Securities to be admitted to trading on AIAF. AIAF is a regulated market for the purposes of MiFID II. The Preferred Securities may also be admitted to trading on any other European regulated market or multilateral trading facility as may be agreed by ABANCA.

Paying agency

18. All payments under the Conditions will be carried out directly by ABANCA through Iberclear. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

Ratings

19. The Preferred Securities are expected to be rated "B+" by Fitch.

In accordance with Fitch's ratings definitions, B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the Preferred Securities does not address the likelihood that Distributions (including any additional amounts payable in accordance with Condition 12) or any other payments in respect of the Preferred Securities will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

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

Stabilisation

20. In connection with the issue of the Preferred Securities, Crédit Agricole Corporate and Investment Bank (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Preferred Securities or effect transactions with a view to supporting the market price of the Preferred 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 Preferred Securities 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 Preferred Securities and 60 days after the date of the allotment of the Preferred Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and any other applicable laws and rules.

Interests of natural and legal persons involved in the offer of the Preferred Securities

21. Save as discussed in "*Subscription and Sale*", so far as ABANCA is aware, no person involved in the offer of the Preferred Securities had an interest material to the offer.

Other relationships

22. Certain Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, ABANCA and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ABANCA or its affiliates. Certain Joint Lead Managers or their affiliates that have a lending relationship with ABANCA routinely hedge their credit exposure to ABANCA consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Preferred Securities issued under the Prospectus. Any such short positions could adversely affect future trading prices of Preferred Securities issued under the Prospectus. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Expenses related to the admission to trading

23. For informative purposes only, an approximate estimate of the expenses payable by ABANCA in relation to the admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear	9,250
CNMV fees (listing)	42,600.50
Total	51,850.50

SIGNATURES

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed 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 18 January 2021.

REGISTERED OFFICE OF ABANCA

ABANCA Corporación Bancaria, S.A.

Calle Cantón Claudino Pita, 2
Betanzos
A Coruña
Spain

JOINT LEAD MANAGERS

Barclays Bank Ireland PLC

One Molesworth Street
Dublin
DO2RF29
Ireland

BofA Securities Europe SA

51 rue la Boétie
75008 Paris
France

Crédit Agricole Corporate and Investment Bank

12, place des Etats-Unis
CS 70052
92547 Montrouge Cedex
France

Goldman Sachs Bank Europe SE

Marienturm
Taunusanlage 9-10
D-60329 Frankfurt am Main
Germany

J.P. Morgan AG

Taunustor 1 (TaunusTurm)
60310 Frankfurt am Main
Germany

LEGAL ADVISORS

To ABANCA 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 Joint Lead Managers as to Spanish law and as to English law

Linklaters, S.L.P.

Calle Almagro, 40
28010 Madrid
Spain

AUDITORS TO ABANCA

KPMG Auditores, S.L.

Paseo de la Castellana, 259 C
28046, Madrid
Spain