



## ABANCA CORPORACIÓN BANCARIA, S.A.

(incorporated as a limited liability company (sociedad anónima) under the laws of the Kingdom of Spain)

### €350,000,000 Fixed Rate Reset Subordinated Notes due 2029

The issue price of the €350,000,000 Fixed Rate Reset Subordinated Notes due 18 January 2029 (the “Notes”) of ABANCA Corporación Bancaria, S.A. (the “Bank” or “ABANCA”) is 100 per cent. of their principal amount. The Notes were issued on 18 January 2019 (the “Issue Date”). The Bank and its consolidated subsidiaries are referred to herein as the “ABANCA Group” and its parent company, ABANCA Holding Financiero, S.A. (“ABANCA Holding”), together with its consolidated subsidiaries are referred to herein as the “ABANCA Holding Group”.

As described in the terms and conditions of the Notes (the “Conditions”) unless previously redeemed, the Notes will be redeemed at their principal amount on 18 January 2029. The Notes may be redeemed at the option of the Bank in whole, but not in part, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, if a Tax Event or a Capital Event occurs (as such terms are defined in the Conditions). See Conditions 4.4 and 4.5 in “Conditions of the Notes”.

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

The Notes bear interest on their outstanding principal amount (i) at a fixed rate of 6.125 per cent. per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions) payable annually in arrear on 18 January in each year, with the first Interest Payment Date on 18 January 2020, and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (as defined in the Conditions) plus 5.927 per cent. per annum (the “Margin”), as determined by the Bank, payable annually in arrear on 18 January in each year, with the first Interest Payment Date after the Reset Date on 18 January 2025 (see Condition 3 in “Conditions of the Notes”). Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in “Conditions of the Notes”.

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional unsecured and subordinated obligations (*créditos subordinados*) of the Bank, as more fully described in Condition 3 in “Conditions of the Notes”. The Notes are expected to qualify as Tier 2 Capital (as defined in the Conditions) of the Bank and the ABANCA Holding Group.

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

The Notes are expected to be rated BB by Fitch Ratings España, S.A. Unipersonal (“Fitch”) and Ba3 by Moody’s Investors Service Limited (“Moody’s”). Fitch and Moody’s are established in the European Union (“EU”) and are registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the “CRA Regulation”). Fitch and Moody’s appear on the latest update of the list of registered credit rating agencies (as of 10 October 2018) 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.

The Notes have been issued in denominations of €100,000. Application has been made for the Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market (“AIAF”). The Notes may also be admitted to trading on any other secondary market as may be agreed by ABANCA.

Amounts payable under the Notes from and including the Reset Date are calculated by reference to the 5-year Mid-Swap Rate which appears on the “ICESWAP2” screen, which is provided by ICE Benchmark Administration Limited or by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the “EURIBOR01” screen, which is provided by the European Money Markets Institute. As of the date of this Prospectus, the European Money Markets Institute does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Regulation (EU) No 2016/1011 (the “Benchmark Regulation”). As far as ABANCA is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the European Money Markets Institute is required to apply for authorisation or registration before 1 January 2020. As at the date of this Prospectus, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Benchmark Regulation.

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

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

**An investment in the Notes involves certain risks. For a discussion of these risks see “Risk Factors” beginning on page 10.**

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

#### Joint Lead Managers

BofA Merrill Lynch

Deutsche Bank

J.P. Morgan

UBS Investment Bank

## IMPORTANT NOTICES

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

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

Neither this Prospectus nor any such information or financial statements of ABANCA, the ABANCA Group or the ABANCA Holding Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by ABANCA or the Joint Lead Managers that any recipient of this Prospectus or such information or financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of ABANCA, the ABANCA Group or the ABANCA Holding Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers.

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

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

In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (“**U.S. Securities Act**”) and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area (“**EEA**”), references to “**USD**” are to United States dollars and references to “**€**”, to “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of European economic

and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to “**billions**” are to thousands of millions.

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

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

Potential investors are advised to exercise caution in relation to any purchase of the Notes. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein. A potential investor should not invest in the Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio. See further “*Risk Factors—The Notes may not be a suitable investment for all investors*” for additional information.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC, as amended or superseded (“**IMD**”), 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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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## OVERVIEW

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

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

<b>Issuer</b>	ABANCA Corporación Bancaria, S.A.
<b>Joint Lead Managers</b>	Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Merrill Lynch International and UBS Limited.
<b>Risk Factors</b>	There are certain factors that may affect the Bank’s ability to fulfil its obligations under the Notes. These are set out under “ <i>Risk Factors</i> ” in the Registration Document and under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes which are described in detail under “ <i>Risk Factors</i> ” below.
<b>Issue size</b>	€350,000,000.
<b>Issue date</b>	18 January 2019.
<b>Issue details</b>	€350,000,000 Fixed Rate Reset Subordinated Notes due 18 January 2029.  ABANCA has requested that the Notes qualify as Tier 2 Capital of ABANCA and the ABANCA Holding Group pursuant to Applicable Banking Regulations.
<b>Denomination</b>	€100,000 per Note.
<b>Use of Proceeds</b>	The Bank intends to use the net proceeds from the issue of the Notes for its general corporate purposes.
<b>Interest</b>	The Notes bear interest on their outstanding principal amount as follows: (i) in respect of the period from (and including) the Issue Date to (but excluding) the Reset Date at the fixed rate of 6.125 per cent. per annum; and (ii) in respect of the Reset Period, at the rate per annum equal to the aggregate of the 5-year Mid-Swap Rate (quoted on an annual basis) and the Margin, payable annually in arrear on 18 January in each year, with the first Interest Payment Date after the Reset Date on 18 January 2025.  For further information, see Condition 3. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in the Conditions.
<b>Status of the Notes</b>	The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations of the Bank in accordance with Article

92.2° of the Insolvency Law and Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise). The Notes are expected to constitute Tier 2 Capital of the Bank and the ABANCA Holding Group.

For further information, see Condition 2.

### **Optional Redemption**

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

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

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

### **Substitution and Variation**

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

For further information, see Condition 4.6.

### **Purchases**

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

### **Waiver of set-off**

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

### **Meetings of Holders**

The Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally. The provisions governing the manner in which Holders may

attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.

For further information, see Condition 9.

**Withholding Tax and Additional Amounts**

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

For further information, see Condition 7.

**Form**

The Notes have been issued in uncertificated, dematerialised book-entry form in euro in an aggregate nominal amount of €350,000,000 and denomination of €100,000 each.

**Registration and settlement**

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

**Title and transfer**

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

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to

compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

**Rating**

The Notes are expected to be rated BB by Fitch and Ba3 by Moody's.

**Listing and admission to trading**

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

**Governing Law**

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

**Selling Restrictions**

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



## RISK FACTORS

*Before deciding to invest in the Notes the risks set out below, and also those outlined in the Registration Document drawn up pursuant to Annex XI of the Prospectus Regulation, approved by and registered with the CNMV on 31 October 2018 regarding the Bank and its business as updated in this Prospectus, among others, must be taken into account.*

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

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to ABANCA or the ABANCA Group that are not currently known to ABANCA or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of ABANCA or the ABANCA Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.*

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

#### ***The Notes may not be a suitable investment for all investors***

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

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

A potential investor should not invest in the Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Notes will perform under changing conditions, the resulting

effects on the value of the Notes and the impact this investment will have on the potential investor's overall portfolio.

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

Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) (which has been implemented in Spain through Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (“**Law 11/2015**”) and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 (“**Royal Decree 1012/2015**”)) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an “**institution**”) so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

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

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the Fondo de Reestructuración Ordenada Bancaria (the “**FROB**”), the Single Resolution Board (the “**SRB**”) established pursuant to 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**”), as the case may be and according to Law 11/2015 or any other entity with the authority to exercise any such tools and powers from time to time (each, a “**Relevant Resolution Authority**”) as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

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

The “**Spanish Bail-in Power**” is any write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not

limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 instruments; (ii) Additional Tier 1 instruments; (iii) Tier 2 instruments (which for so long as the obligations of the Bank in respect of the Notes qualify as Tier 2 Instruments (as defined in the Conditions), shall include the Notes); (iv) other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; (v) “non-preferred” senior liabilities; and (vi) the remaining eligible liabilities. The order of this sequence is consistent with the hierarchy of claims in normal insolvency proceedings prescribed by Law 22/2003, of 9 July, on Insolvency (the “**Insolvency Law**”) read in conjunction with Additional Provision 14.3° of Law 11/2015.

In addition to the Spanish Bail-in Power, the BRRD, Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write down or convert into equity capital instruments, such as the Notes, at the point of non-viability (“**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).

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

The powers set out in the BRRD as implemented through Law 11/2015, Royal Decree 1012/2015 and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, Holders may be subject to, among other things, on any application of the Spanish Bail-in-Power a write down (including to zero) or conversion into equity or

other securities or obligations of amounts due under the Notes and additionally may be subject to any Non-Viability Loss Absorption. The exercise of any such powers (or any other resolution powers and tools) may result in such Holders losing some or all of their investment or otherwise having their rights under the Notes adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in Holders receiving a different security, which may be worth significantly less than the Notes.

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

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

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

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

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

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

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law read in conjunction with Additional Provision 14.3° of Law 11/2015, but subject to any

other ranking that may apply as a result of any mandatory provision of law (or otherwise) upon the insolvency of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments would rank as set out in Condition 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 Notes and any other subordinated obligations of the Bank may depend on whether those obligations qualify at the relevant time as Additional Tier 1 Instruments or Tier 2 Instruments or constitute subordinated obligations of the Bank not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments. See Condition 3 for the complete provisions regarding the ranking of the Notes.

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

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

The Conditions do not provide for any events of default, except in the case that an order is made by any competent court commencing insolvency proceedings against the Bank or for its winding up or dissolution. Accordingly, in the event that any payment on the Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their Notes.

As mentioned above, pursuant to the BRRD as implemented through Law 11/2015 and Royal Decree 1012/2015, the Bank may be subject to a procedure of early intervention or resolution. Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Bank to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

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

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

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

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

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

- (i) on or before such redemption of the Notes, the Bank replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank; or
- (ii) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Competent Authority may consider necessary on the basis set out in CRD IV.

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

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

Under the Notes, a Capital Event is a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Notes that results (or would be likely to result) in the exclusion of any of the aggregate principal amount of the Notes from the Tier 2 Capital of the Bank, the ABANCA Group or the ABANCA Holding Group (in each case, to the extent required by Applicable Banking Regulations); or (ii) the reclassification of any other principal amount of the Notes as a lower quality form of regulatory capital of the Bank, the ABANCA Group or the ABANCA Holding Group (in each case, to the extent required by Applicable Banking Regulations). See also Condition 4.5.

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

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

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

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

On 23 November 2016, the European Commission published among other a proposal for a European Directive amending CRR, the CRD IV Directive and the BRRD and a proposal for a European Regulation amending the SRM Regulation. Additionally, the European Commission proposed an amending directive to facilitate the creation of a new asset class of “non-preferred” senior debt (the aforementioned proposals, together, the “Proposals”). The Total Loss-Absorbing Capacity (“TLAC”) Principles and Term Sheet, published by the FSB on 9 November 2015, and the Proposals provide that eligible instruments may not be subject to set off or netting rights that would undermine their loss absorbing capacity in resolution. The exercise of set-off rights in respect of the Bank’s obligations under the Notes upon the opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Spanish law).

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

***The interest rate on the Notes will be reset on the Reset Date, which may affect the market value of the Notes***

The Notes will bear interest at the Initial Fixed Interest Rate during the Initial Fixed Rate Interest Period. On the Reset Date, the interest rate will be reset to the sum of the Reset Reference Rate and the Margin as determined by the Bank on the Reset Determination Date. The Reset Rate of Interest could be less than the Initial Fixed Interest Rate and could affect the market value of an investment in the Notes.

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

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

While Qualifying Tier 2 Notes must contain terms that are materially no less favourable to Holders as the original terms of the Notes, there can be no assurance that the terms of any Qualifying Tier 2 Notes will be viewed by the market as equally or more favourable, or that the Qualifying Tier 2 Notes will trade at prices that are equal to or higher than the prices at which the Notes would have traded on the basis of their original terms.

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

***In certain circumstances holders of the Notes may be bound by modifications to the Notes to which they did not consent***

Condition 9 contains provisions for calling meetings of holders of the Notes to consider matters affecting the interests of Holders of the Notes generally. These provisions permit defined majorities to bind all Holders of

the Notes including those Holders who did not attend and vote at the relevant meeting and who voted in a manner contrary to the majority.

***There is no restriction on the amount or type of further securities or indebtedness which the Bank may incur***

There is no restriction on the amount or type of further securities or indebtedness which the Bank may issue or incur which ranks senior to, or *pari passu* with, the Notes. The incurrence of any such further indebtedness may reduce the amount recoverable by Holders of the Notes on a liquidation or winding-up of the Bank in respect of the Notes and may limit the ability of the Bank to meet its obligations in respect of the Notes, and result in a Holder losing all or some of its investment in the Notes. In addition, the Notes do not contain any restriction on the Bank issuing securities ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Notes and having similar or preferential terms to the Notes.

***The value of the Notes could be adversely affected by a change in law or administrative practice***

The Conditions are governed by and shall be construed in accordance with Spanish law. No assurance can be given as to the impact of any possible judicial decision, change to Spanish law or regulations, their official interpretation by regulatory authorities or administrative practice after the date of this Prospectus and any such change could materially adversely impact the rights of the holders of the Notes or the value of the Notes affected.

In particular, any such change may, in certain circumstances, result in the Bank having the option to redeem the Notes (see “–*The Notes may be redeemed at the option of the Bank*”).

***Impact of financial transaction taxes***

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the “**Commission’s proposal**”), for a financial transaction tax (the “**FTT**”) to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission’s proposal was adopted, the FTT would be a tax primarily on “financial institutions” (which would include the Bank) in relation to “financial transactions” (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under the Commission’s proposal, the FTT could apply under certain circumstances to persons both within and outside of the participating member states. Generally, it would apply 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 financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Bank with respect to certain transactions if it is adopted based on the Commission’s proposal. Examples of such transactions are the conclusion of a derivative contract in the context of the Bank’s hedging arrangements or the purchase or sale of securities. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission’s proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempted.

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



In particular, the Spanish government has recently announced specific tax measures that may *inter alia* introduce a FTT in Spain. In principle, the FTT should not affect transactions involving bonds or debt or similar instruments, such as the Notes.

Prospective Holders are advised to seek their own professional advice in relation to the FTT.

On 4 July 2014, Royal Decree-Law 8/2014, of 4 July was introduced in Spain setting forth a tax rate of 0.03 per cent. on bank deposits in Spain. Such tax was established in 2013 (but previously with a 0 per cent. rate) and is payable annually by Spanish banks. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Bank operates. Any such additional levies and taxes could have a material adverse effect on the Bank's business, financial condition and results of operations.

#### ***Risks related to the Spanish withholding tax regime***

Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011 ("**Royal Decree 1065/2007**") sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014. The procedures apply to interest deriving from Notes (*obligaciones subordinadas*) and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the wording of section 4 of Article 44 of Royal Decree 1065/2007, income derived from securities originally registered with Iberclear will be paid by the Bank net of Spanish withholding tax (currently, at a rate of 19 per cent.) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Personal Income Tax ("**PIT**"). The Bank will not pay any additional amounts in respect of any such withholding tax.

On the other hand, interest payments made by the Bank in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish Corporate Income Tax taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Bank, in a timely manner, with a duly executed and completed statement (a Payment Statement), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, with the following information:

1. Identification of the Notes.
2. Total amount of the income paid by the Bank.
3. Amount of the income corresponding to individuals' residents in Spain that are PIT taxpayers.
4. 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 the Bank in a timely manner in respect of a payment of income made by the Bank under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent.

Should this occur, affected beneficial owners would 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 the Bank no later than the 10th 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 Non-Resident Income Tax Law ("**NRIT**") (as defined in "*Taxation*").

***Prospective investors should note that the Bank does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by Iberclear Members in connection with each payment of income under the Notes. Accordingly, the Bank 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 the Bank. Moreover, the Bank will not pay any additional amounts with respect to any such withholding tax.***

Holders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. The Bank does not assume any responsibility in this regard.

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

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

#### ***U.S. Foreign Account Tax Compliance Withholding***

While the Notes are in book-entry form and held within Iberclear, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by Iberclear (see "*Taxation—FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Bank's obligations under the Notes are discharged once it has made payment to the Holders, and the Bank has therefore no responsibility for any amount thereafter transmitted through the Iberclear and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

### **Risks in relation to the market**

#### ***The secondary market in general***

Although the Notes have been registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal ("**Iberclear**") as managing entity of the central registry of the Spanish settlement system (the "**Spanish Central Registry**") and application has been made for admission to listing and trading on AIAF, there is no assurance that such application will be accepted or that an active trading market will develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If a market does develop, it may not be very liquid and any

liquidity in such market could be significantly affected by any purchase and cancellation of the Notes by the Bank or any member of the ABANCA Group or the ABANCA Holding Group as provided in Condition 4. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Notes.

***As the Notes are registered with Iberclear, Holders will have to rely on their procedures for transfer, payment and communication with ABANCA***

The Notes have been registered with Iberclear. Consequently, no physical notes have been or will be issued. Settlement relating to the Notes, as well as payment of interest and redemption of principal amounts, will be performed within Iberclear's account-based system. The investors are therefore dependent on the functionality of Iberclear's account-based system.

Title to the Notes is evidenced by book entries (*anotaciones en cuenta*), and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein.

ABANCA will discharge its payment obligation under the Conditions by making payments through Iberclear. Holders must rely on the procedures of Iberclear and the Iberclear Members to receive payments. ABANCA has no responsibility or liability for the records relating to, or payments made in respect of, Holders according to book entries and registries as described in the previous paragraph. In addition, ABANCA has no responsibility for the proper performance by Iberclear or their participants of their obligations under their respective rules and operating procedures.

A summary of clearance and settlement procedures applicable to book-entry notes in Spain is contained under Section "*Market Information—Summary of Clearance and Settlement Procedures*".

***Exchange rate risks and exchange controls***

Payments made by the Bank in respect of the Notes will be in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro, as the case may be, or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the redemption moneys payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Bank to make payments in respect of the Notes. As a result, investors may receive less than expected, or may receive nothing at all.

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

The determination of the interest in respect of the Notes after the Reset Date is dependent upon the relevant 6-month Euro Interbank Offered Rate ("**EURIBOR**") calculated at the relevant time (as specified in the Conditions). The EURIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential 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, which was published in the Official Journal of the EU on 29 June 2016, applies to "contributors", "administrators" and "users" of "benchmarks" in the EU, and will, among other

things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of “benchmarks” (or, if non-EU based, to be subject to equivalent requirements) and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed). As of the date of this Prospectus, the European Money Markets Institute (the “EMMI”) does not appear on the register of administrators and benchmarks established and maintained by ESMA.

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

The Benchmark Regulation could have a material impact on securities traded on a trading venue or via a “systematic internaliser” linked to a “benchmark” index, including in any of the following circumstances: (i) an index which is a “benchmark” could not be used by a supervised entity in certain ways if its administrator does not obtain authorisation or registration or, if based in a non-EU jurisdiction, the administrator is not recognised as equivalent or recognised or endorsed and the transitional provisions do not apply; and (ii) the methodology or other terms of the “benchmark” could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the benchmark.

Either of the above could potentially lead to the securities being de-listed, adjusted or redeemed early or otherwise impacted depending on the particular “benchmark” and the applicable terms of the securities or have other adverse effects or unforeseen consequences.

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

Any such consequence could affect the manner in which interest determinations are required to be made pursuant to the Conditions, and have a material adverse effect on the value of and return on any the Notes.

***Future discontinuation of EURIBOR may adversely affect the value of the Notes***

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London InterBank Offered Rate (“LIBOR”), announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. In a further speech on 12 July 2018, the UK Financial Conduct Authority emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021, which indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Other interbank offered rates such as EURIBOR suffer from similar weaknesses to LIBOR and as a result (although no deadline has been set for their discontinuation), they may be discontinued or be subject to changes in their administration. The FSB also made certain recommendations to reform major interest rate benchmarks, such as key interbank offered rates. It is not possible to predict whether, and to what extent, banks will continue to provide EURIBOR submissions to the administrator of EURIBOR going forwards.

The European Central Bank (the “ECB”) and other European authorities have discussed proposals for alternative benchmarks. For example, the ECB announced plans for a new overnight rate for interbank unsecured lending among Euro-area banks in September 2017. The impact of such an overnight rate on six-month EURIBOR is currently unclear. In March 2017, the EMMI published a position paper referring to certain proposed reforms to EURIBOR, which reforms aim to clarify the EURIBOR specification, to develop a transaction-based methodology for EURIBOR and to align the relevant methodology with the Benchmark Regulation, the IOSCO Principles for Financial Benchmarks and other regulatory recommendations. The EMMI has since indicated that there has been a “change in market activity as a result of the current regulatory requirements and a negative interest rate environment” and “under the current market conditions it will not be feasible to evolve the current EURIBOR methodology to a fully transaction-based methodology following a seamless transition path”. In March 2018, EMMI published its first consultation paper on a hybrid methodology for EURIBOR, seeking the market’s views on the proposed methodology. Following this, EMMI undertook a 3-month test of the hybrid methodology. In October 2018, EMMI published its second consultation setting out further details regarding the hybrid methodology and summarised the results of its test, based on submissions made by 15 of the 20 EURIBOR panel banks during the test phase. EMMI is now seeking feedback on this consultation.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Notes for the Reset Period is based on a reset mid-swap rate and may be determined for the Reset Period by the fall-back provisions applicable to the Notes. The fall-back provisions applicable to the Notes also provide in certain circumstances for the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page. The Conditions also include alternative fall-back provisions which apply in the event that a Benchmark Event occurs. See “*Risks related to the Notes—Discontinuation of the Original Reference Rate*” and “*Conditions of the Notes—Interest Payments — Benchmark discontinuation*”.

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

If a Benchmark Event (as defined in Condition 14 (which, amongst other events, includes the permanent discontinuation of the 5-year Mid-Swap Rate)) occurs, the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser to determine a Successor Rate or Alternative Rate to be used in place of the 5-year Mid-Swap Rate. If the Bank is unable to appoint an Independent Financial Adviser; or the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate. The use of any such Successor Rate or Alternative Rate to determine a Reset Rate of Interest will result in the Notes performing differently (which may include payment of a lower Reset Rate of Interest) than they would do if the 5-year Mid-Swap Rate were to continue to apply.

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

If a Successor Rate or Alternative Rate is determined by the Independent Financial Adviser or the Bank (as applicable), the Conditions also provide that an Adjustment Spread may be determined by the Bank and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Holders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Reset

Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in the Notes performing differently (which may include payment of a lower Reset Rate of Interest) than they would if the 5-year Mid-Swap Rate were to continue to apply.

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

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

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

Applying the Initial Fixed Interest Rate as at the Reset Rate of Interest before the occurrence of the Benchmark Event, would result in the Notes performing differently (which may include payment of a lower Reset Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

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

### ***Interest rate risk***

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes. Holders should be aware that movements of the interest rate can adversely affect the price of the Notes and can lead to losses for the Holders if they sell the Notes.

Holders are exposed to the risk of fluctuating interest rate levels. Fluctuating interest rate levels make it impossible to determine the yield of the Notes in advance.

### ***Credit ratings may not reflect all risks associated with an investment in the Notes***

The Notes are expected to be rated BB by Fitch and Ba3 by Moody’s and they may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.

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

Any change in the credit ratings assigned to the Notes may affect the market value of the Notes. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with similar structures to the Notes, as opposed to any revaluation of the Bank’s financial strength or other factors such as conditions affecting the financial services industry generally.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Potential investors should not rely on any rating

of the Notes and should make their investment decision on the basis of considerations such as those outlined above (see “*The Notes may not be a suitable investment for all investors*” for additional information). 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.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain credit rating information is set out on the cover of this Prospectus.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Bank to rate the Notes may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to the Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Bank could adversely affect the market value and liquidity of the Notes.

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

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) the Notes are lawful investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## 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's Registration Document drawn up pursuant to Annex XI of the Prospectus Regulation, approved by and registered with the CNMV on 31 October, 2018 (the "**Registration Document**") (available at
- (ii) ABANCA Group's unaudited condensed consolidated interim financial statements and the directors' report, together with the limited review report of KPMG Auditores, S.L. as of and for the six months ended 30 June 2018, available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-1s-2018-es.pdf>) (together, the "**2018 Consolidated First Semester Interim Financial Statements**").

The 2018 Consolidated First Semester Interim Financial Statements were published by ABANCA as a regulatory announcement (*hecho relevante*) (registry number: 268,641) on 30 July 2018, which is available at the CNMV's website.

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

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

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

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

- (v) ABANCA Group's audited consolidated annual accounts and the directors' report, together with the audit report of KPMG Auditores, S.L. as of and for the year ended 31 December 2015, prepared in accordance with IFRS-EU, available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2015-es.pdf>) (together, the "**2015 Consolidated Annual Accounts**").

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



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

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

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

- (viii) ABANCA's audited individual annual accounts and the directors' report, together with the audit report of KPMG Auditores, S.L. as of and for the year ended 31 December 2015, prepared in accordance with Bank of Spain Circular 4/2004 (as amended), available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-individuales-2015-es.pdf>) (together, the "**2015 Individual Annual Accounts**").

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 incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

## **English translations**

English translations of the unaudited condensed consolidated interim financial statements and the directors' report as of and for the for the six months ended 30 June 2018, together with the English translation of the limited review report thereon, of the audited individual and consolidated annual accounts and the individual and consolidated directors' reports as of and for the years ended 31 December 2017 and 31 December 2016 and of the audited consolidated annual accounts and the consolidated directors' report as of and for the year ended 31 December 2015, together with the English translations of the auditors' reports thereon, are available at ABANCA's website (<http://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-1s-2018-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-individuales-2017-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-consolidadas-2017-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-anuales-individuales-2016-en.pdf>, <http://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2016-en.pdf> and <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2015-en.pdf> respectively).

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

## CONDITIONS OF THE NOTES

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

The Notes (as defined below) have been issued by ABANCA Corporación Bancaria, S.A. (the “**Bank**”) by virtue of the resolutions passed by the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 26 November 2018.

### 1 Form, Denomination and Title

- 1.1 The Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €350,000,000 and in the denomination of €100,000 (as reduced from time to time by any write down or cancellation, as the case may be, the “**principal amount**” of a Note).
- 1.2 The Notes have been registered with Iberclear as managing entity of the central registry of the Spanish settlement system (the “**Spanish Central Registry**”). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream Luxembourg**”) with Iberclear.

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

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Notes: ES0265936007. The Common Code for this issue is 193704859.

- 1.3 Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the “**Holder**” means the person in whose name such Notes 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 Notes in the relevant registry will be delivered by the relevant Iberclear Member or by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member’s or, as the case may be, Iberclear’s procedures) to such Holder upon such Holder’s request.

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

## 2 Status of Notes

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

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

## 3 Interest Payments

### 3.1 Interest Rate

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

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

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

### 3.2 Interest Accrual

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

### 3.3 Initial Fixed Interest Rate

During the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 6.125 per cent. per annum (the “**Initial Fixed Interest Rate**”).

### 3.4 Reset Rate of Interest

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

### 3.5 Determination of Reset Rate of Interest

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

### 3.6 Publication of Reset Rate of Interest

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

### 3.7 Benchmark discontinuation

#### (a) Independent Financial Adviser

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

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

consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

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

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

(b) Successor Rate or Alternative Rate

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

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

(c) Adjustment Spread

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

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 3.7 and the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that amendments to the day count fraction, the business days convention, the Reset Determination Date, the floating leg of the 5-year Mid-Swap Rate, the Reset Rate of Interest, and the method for determining the fallback rate in relation to the Notes are necessary in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Bank shall, subject to giving notice thereof in accordance with Condition

3.7(e), without any requirement for consent or approval of the Holders, vary these Conditions to give effect to such Benchmark Amendments with the date specified in such notice.

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

(e) Notices, etc.

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

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

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

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

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

### **4.1 Final Redemption**

Unless previously redeemed or purchased and cancelled pursuant to Conditions 4.7 and 4.8 or substituted and cancelled pursuant to Conditions 4.6 and 4.8, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 18 January 2029. The Notes may not be redeemed at the option of the Bank other than in accordance with this Condition 4.

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

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

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

- (a) on or before such redemption or repurchase of the Notes, the Bank replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Bank; or
- (b) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds would, following such redemption or repurchase, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirement as defined in point (6) of Article 128 of the CRD IV Directive by a margin that the Competent Authority may consider necessary on the basis of Article 104(3) of the CRD IV Directive.

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

#### 4.3 Bank's Call Option

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

#### 4.4 Redemption Due to Tax Event

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

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

#### 4.5 Redemption Due to Capital Event

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

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

#### 4.6 Substitution or Variation

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

become, Qualifying Tier 2 Notes. Upon the expiry of such notice, the Bank shall either vary the terms of or substitute the Notes in accordance with this Condition 4.6, as the case may be.

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

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

#### 4.7 Purchases

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

#### 4.8 Cancellation

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

## 5 Payments

### 5.1 Method of Payment

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

### 5.2 Payments Subject to Laws



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

### 5.3 Delay in Payment

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

### 5.4 Non-Business Days

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

## 6 Default

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

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

## 7 Taxation

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

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

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

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

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

## **8 Prescription**

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

## **9 Meetings of Holders, Modification and Substitution**

### **9.1 Convening meetings**

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

### **9.2 Procedures for convening meetings**

- (a) At least 21 clear days’ notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 10. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either:

- (i) specify the terms of the Extraordinary Resolution to be proposed; or
- (ii) inform Holders that the terms of the Extraordinary Resolution are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii), such resolution is so available in its final form with effect on and from the date on which the notice convening such meeting is given as aforesaid.

The notice shall:

- (i) include statements as to the manner in which Holders are entitled to attend and vote at the meeting; or
- (ii) inform Holders that details of the voting arrangements are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii) the final form of such details 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 9.2(a) and the notice shall state the relevant quorum. Subject to the foregoing it shall not be necessary to give any notice of an adjourned meeting.

### 9.3 Chairman

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

### 9.4 Quorums

#### (a) Regular Quorum

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

#### (b) Extraordinary Quorum

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

#### (c) Enhanced Quorum

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

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

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

#### 9.5 Adjourned Meeting

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 9.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Bank). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.
- (b) At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the Notes for the time being outstanding so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 9.4(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

#### 9.6 Right to attend and vote

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.

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

#### 9.7 Holding of meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the principal amount of the Notes held by him), a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (c) Subject to Condition 9.7(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as of the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business, which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

#### 9.8 Approval of the resolutions

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

resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll.

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

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
  - (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Notes or otherwise;
  - (iii) power to agree to any modification of the provisions contained in these Conditions or the Notes which is proposed by the Bank;
  - (iv) power to give any authority or approval which under the provisions of this Condition 9 or the Notes is required to be given by Extraordinary Resolution;
  - (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;
  - (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the Notes;
- (c) Subject to Condition 9.8(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.
- (d) The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments determined by the Independent Financial Adviser pursuant to Condition 3.7(d).

#### 9.9 Miscellaneous

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

## 10 Notices

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

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

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

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

## 11 Further Issues

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

## 12 Governing Law and Jurisdiction

### 12.1 Governing Law

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

### 12.2 Jurisdiction

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

## 13 Waiver of Set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the

avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Bank in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank and accordingly any such discharge shall be deemed not to have taken place.

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

## 14 Definitions

In these Conditions:

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

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading “EURIBOR BASIS – EUR” and above the caption “11AM FRANKFURT” as of 11.00 am (CET) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the Reset Reference Bank Rate on the Reset Determination Date;

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

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

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

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

**“ABANCA Holding”** means ABANCA Holding Financiero, S.A.;

**“ABANCA Holding Group”** means ABANCA Holding together with its consolidated Subsidiaries;

**“Additional Tier 1 Instrument”** means any contractually subordinated obligation (“*créditos subordinados*”) of the Bank in accordance with Article 92.2<sup>o</sup> 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<sup>o</sup>(c) of Law 11/2015;

**“Adjustment Spread”** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably



practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

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

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

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

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

“**Authorised Signatory**” means any authorised officer of the Bank;

“**Bank**” means ABANCA Corporación Bancaria, S.A.;

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

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

“**Benchmark Event**” means the 5-year Mid-Swap Rate ceasing be published for a period of at least 10 Business Days or ceasing to exist; or

- (a) a public statement by the administrator of the 5-year Mid-Swap Rate that it will, by a specified date within the following six months, cease publishing the 5-year Mid-Swap Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate); or
- (b) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate, that the 5-year Mid-Swap Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (c) 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, in each case within the following six months; or
- (d) it has become unlawful for the Bank or other party to calculate any payments due to be made to any Holder using the 5-year Mid-Swap Rate;

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

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

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

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

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

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

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

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

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

“**Code**” has the meaning given to such term in Condition 0;

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

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

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

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

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

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

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

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

“**EURIBOR 6-month**” means:

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

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

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

“**FATCA**” has the meaning given to such term in Condition 0;

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

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

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

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

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

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

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

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

“**Interest Payment Date**” means (i) in respect of the period from the Issue Date to (and including) the Reset Date, 18 January in each year, starting on (and including) 18 January 2020 and (ii) after the Reset Date, 18 January in each year, starting on (and including) 18 January 2025;

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

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

“**Issue Date**” means 18 January 2019, being the date of the initial issue of the Notes;

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

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

“**Margin**” means 5.927 per cent.;

“**Notes**” means the €350,000,000 Fixed Rate Reset Subordinated Notes due 18 January 2029 issued by the Bank on the Issue Date;

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

- (a) the right to attend and vote at any meeting of Holders; and

- (b) the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 9,

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

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

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

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

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

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

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

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

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

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

the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

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

“**Reset Date**” means 18 January 2024;

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

“**Reset Period**” means the period from and including the Reset Date to but excluding 18 January 2029;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by ABANCA for general corporate purposes.



## TAXATION

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

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

### **Spanish tax considerations**

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

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

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

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

- (a) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011 of 29 July ("**Royal Decree 1065/2007**");
- (b) for individuals resident for tax purposes in Spain who are 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**"), 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, Law 27/2014, of 27 November, on CIT, as amended (the "**CIT Law**"), and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the "**CIT Regulations**"); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("**NRIT**") taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the

Consolidated Text of the NRIT Law, as amended (“**NRIT Law**”) and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended (“**NRIT Regulations**”) along with Law 19/1991, of 6 June, on Wealth Tax as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.

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

#### *Indirect taxation*

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

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

#### *Direct taxation*

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Reporting Obligations**

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

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

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

In accordance with Article 73 of Law 6/2018, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from the tax year 2019 unless such exemption is revoked.

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

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

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

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

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

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

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

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

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

### **Reporting Obligations**

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

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

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

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

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

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

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

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

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

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

### **Reporting Obligations**

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

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

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

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

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Notes carried out by ABANCA, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide ABANCA, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in Article 44 of Royal Decree 1065/2007. See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

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

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

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

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

According to Wealth Tax regulations, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax during the tax year 2018, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. although some reductions may apply.

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

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

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

In accordance with Article 73 of Law 6/2018, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from the tax year 2019 unless such exemption is revoked.

Non-Spanish resident legal entities are not subject to Wealth Tax.

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

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

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish legislation.

However, if the deceased, heir or the donee are resident in an EU or European Economic Area Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

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

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

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

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

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to ABANCA in a timely manner in respect of a payment of income made by ABANCA under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent. If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to ABANCA no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

**Prospective investors should note that ABANCA does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the Notes. Accordingly, ABANCA will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to ABANCA. Moreover, ABANCA will not pay any additional amounts with respect to any such withholding tax.**

### **The proposed financial transactions tax (“FTT”)**

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

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

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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

In particular, the Spanish government has recently announced specific tax measures that may inter alia introduce a FTT in Spain. In principle, the FTT should not affect transactions involving bonds or debt or similar instruments, such as the Notes.

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

## **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. ABANCA may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of ABANCA) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

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

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

## ANNEX I

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

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

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

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

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

Mr. (name), with tax identification number ( )<sup>(1)</sup>, in the name and on behalf of (entity), with tax identification number ( )<sup>(1)</sup> and address in ( ) as (function – mark as applicable):

- (a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
- (a) Management Entity of the Public Debt Market in book-entry form.
- (b) **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) **Agente de pagos designado por el emisor.**
- (d) Issuing and Paying Agent appointed by ABANCA.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

- 1. En relación con los apartados 3 y 4 del artículo 44:**
- 1. In relation to paragraphs 3 and 4 of Article 44:
  - 1.1 Identificación de los valores.....**
  - 1.1 Identification of the securities.....
  - 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
  - 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)



- 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) .....**
- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora .....**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved .....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2 En relación con el apartado 5 del artículo 44.**
- 2 In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores .....**
- 2.1 Identification of the securities.....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) .....**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados) .....**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

**Lo que declaro en.....a ... de.....de ...**

I declare the above in ..... on the ... of ..... of ...

- (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 14 January 2019 (the “**Subscription Agreement**”) and made between ABANCA and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscribers, or subscribe and pay for the Notes on the Issue Date at their issue price of 100 per cent. of their principal amount. ABANCA has agreed to pay the Joint Lead Managers a combined management and underwriting commission and to reimburse them for certain of their expenses incurred in connection with the management of the issue of the Notes.

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

### **Selling Restrictions**

#### ***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 Notes to any retail investor in the EEA. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

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

### **Spain**

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

### **United Kingdom**

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

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

### **United States of America**

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or

in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

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

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

## **General**

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

Persons into whose hands this Prospectus comes are required by ABANCA and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish any offering material relating to the Notes or this Prospectus, in all cases at their own expense.

## MARKET INFORMATION

### Summary of Clearance and Settlement Procedures

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry securities such as the Notes of ABANCA.

The Spanish clearing, settlement and recording system of securities transactions has undergone a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects (the “**Reform**”). Following the Reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities.

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., “**BME Clearing**” or the “**CCP**”), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

#### ***Iberclear and BME Clearing***

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market, the Alternative Stock Market (MAB), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses the technical platforms named ARCO.

Iberclear and BME Clearing are owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company, which holds a 100 per cent. interest in each of the Spanish official secondary markets and settlement systems.

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.

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 Notes**

### ***Iberclear Settlement of securities traded in AIAF***

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

Securities traded in AIAF are fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds) and bonds issued by the Spanish Treasury and Spanish regions, among others, represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a “transaction-to-transaction” cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

### ***Euroclear and Clearstream***

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

## UPDATES ON THE REGISTRATION DOCUMENT

### Updates on the Registration Document

#### ***Risk Factors***

*The following text shall replace the first paragraph of the Risk Factor entitled “–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. 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 2018, credits to clients and fixed income securities represented 60.38% and 23.00%, respectively, of the total assets of the ABANCA Group (57.34% and 25.28%, respectively, as of 31 December 2017 and 60.22% and 22.86%, respectively, as of 31 December 2016). As of 30 September 2018, €7,306 million fixed income securities were valued as financial assets at fair value with changes in other comprehensive income (of which €3,965 million corresponded to Spanish fixed income securities), €4,052 million as financial assets at amortised cost, €42 million as financial assets not intended for trading, which are necessarily valued at fair value through profit or loss, and €2 million as financial assets held for trading.”

*The following text shall replace the third paragraph of the Risk Factor entitled “–Credit risk”:*

“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 2018, the non-performing loans (“NPLs”), which correspond to the item “impaired assets” of the consolidated balance sheet of the ABANCA Group, amounted to € 1,359.53 million, representing 2.7% of the total assets of the ABANCA Group (€1,541.35 million and 3.0%, respectively, as of 31 December 2017 and €2,153.21 million and 4.8%, respectively, as of 31 December 2016). As of 30 September 2018, 74.8% of the NPLs were secured by real estate mortgages, while 0.4% were secured by other types of in rem securities (such as pledges) and 24.8% were unsecured (75.0%, 0.3% and 24.7%, respectively, as of 31 December 2017). As of 30 September 2018, the NPL Ratio of the ABANCA Group was 4.5% (5.3% as of 31 December 2017 and 7.8% as of 31 December 2016) and the NPL Coverage Ratio of the ABANCA Group was 54.6% (51.6% as of 31 December 2017 and 50.1% as of 31 December 2016). If the ABANCA Group was unable to control the level of its non-performing or poor credit quality loans, this could adversely affect the ABANCA Group’s financial condition and results of operations. NPL Ratio and NPL Coverage Ratio are APMs, the definition, explanation, use and reconciliation of which are set out in Section II “Registration Document”, sub-section 11.9 “*Alternative Performance Measures*”.”

*The following text shall replace the fourth paragraph of the Risk Factor entitled “–Liquidity risk”:*

“As of 30 September 2018, ABANCA Group’s financing structure consists of 76% of retail deposits, 9% of interbank funding, 8% of ECB funding and 7% of issuances. One of the ABANCA Group’s major sources of funds are savings and demand deposits. As of 30 September 2018, 78.5% of the total consolidated liabilities of ABANCA were customer deposits (76.4% as of 31 December 2017 and 82.0% as of 31 December 2016). The level of wholesale and retail deposits may fluctuate due to factors outside the ABANCA Group’s control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors’ funds) or competition from investment funds or other products. As of 30 September 2018, the ABANCA Group’s client resources consisted of 59% demand deposits, 24% term deposits and 17% assets under management.”

*The following text shall replace the second paragraph of the Risk Factor entitled “–Since the ABANCA Group needs to comply with evolving liquidity regulatory requirements, it may need to implement changes in business practices that could affect the profitability of its business activities”:*

“The BCBS's net stable funding ratio (“NSFR”) is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III phase-in arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. On 23 November 2016, the European Commission published, among the Proposals (as defined below), a proposal for a European Directive amending CRR, where it proposed to implement the BCBS standard on NSFR introducing some adjustments. The NSFR ratio of the ABANCA Group was 125% as of 30 September 2018 (129% as of 31 December 2017 and 126% as of 31 December 2016). As of 30 September 2018, the LCR of the ABANCA Group stood at 216% and the liquid assets represented 2.1 times the issued maturities.”

*The following information regarding the ABANCA Group’s portfolio of loans and advances to customers is added at the end of the first paragraph in the Risk Factor entitled “–A significant percentage of the loans to customers of the ABANCA Group is especially sensitive to a downturn in the economy, which could negatively affect the ABANCA Group”:*

“In particular, the portfolio of loans and advances to customers of the ABANCA Group as of 30 September 2018 is broken down by type of client as follows: 49% households (40% mortgage loans, 4% consumer loans and 5% other), 39% corporate/SMEs and other financial entities, 2% real estate developers and 10% public administration.”

*The following text shall replace the fifth paragraph of the Risk Factor entitled “–The ABANCA Group’s exposure to the Spanish real estate market makes it more vulnerable to adverse developments in the Spanish market”:*

“Additionally, as of 30 September 2018 the ABANCA Group portfolio of foreclosed real estate assets stood at €897.33 million (out of which, 50% corresponded to residential assets, 18% non-residential assets and 32% to other assets). As of 31 December 2017, the ABANCA Group portfolio of foreclosed real estate assets stood at €1,008.88 million and at €1,090.28 million as of 31 December 2016. The gross book value of foreclosed assets sold in 2017 was €177.2 million (€163.9 million in 2016 and €181.6 in 2015) and €139.5 million in the first nine months of 2018 with a profit of €31.2 million. As of 30 September 2018, foreclosed assets coverage ratio was 61.1% (61.1% as of 31 December 2017). Foreclosed land assets coverage ratio reached 73.2% as of 30 September 2018 (75.5% as of 31 December 2017). Foreclosed assets coverage ratio and Foreclosed land assets coverage ratio are APMs, the definition, explanation, use and reconciliation of which are set out in Section II “Registration Document”, sub-section 11.9 “Alternative Performance Measures”.”

*The following text shall replace in its entirety the Risk Factor entitled “–The ABANCA Group may face business combination risks”:*

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

The ABANCA Group 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.

In particular, the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal ("PCC") represented the first cross-border acquisition for the ABANCA Group and, as in any acquisition, it involves certain business combination risks. Please see Section II "Registration Document", sub-section 4.1.5 "Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency" for further information on the acquisition of PCC.

Additionally, on 22 November 2018, ABANCA communicated that it had been selected by the Portuguese Council of Ministers to acquire 99.8% of the shares in Banco Caixa Geral, S.A. ("BCG"), the Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos, for a total purchase price of €364 million (i.e. approximately 0.65 times the book value of BCG). BCG consists of 110 commercial offices, 524 employees and 131,640 clients (both retail and corporates) and its main business segments are retail banking, private banking and corporate banking with a total business volume of around €7,000 million (€2,950 million deposits, €3,446 million loans and advances and €389 million assets under management). As of the date of this Registration Document, the acquisition is subject to obtaining the relevant regulatory authorisations. Once obtained, the integration process will commence, and it is not expected to finalise prior to the end of the first half of 2019. For reference, as of 31 December 2017, BCG's consolidated RWAs amounted to €3,141.14 million and its consolidated Tier 1 capital to €484.25 million (*source*: audited annual individual accounts of Banco Caixa Geral, S.A. as of and for the year ended 31 December 2017). ABANCA intends to continue maintaining a solid solvency position and buffer to the Maximum Distributable Amount (as defined below), although there is no certainty that ABANCA will achieve it (*source*: audited annual individual accounts of Banco Caixa Geral, S.A. as of and for the year ended 31 December 2017)."

*The following text shall replace the eighth paragraph of the Risk Factor entitled "–Increasingly onerous capital requirements constitute one of the ABANCA Group's main regulatory challenges":*

"In addition, the Bank of Spain agreed on 20 December 2018 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the first quarter of 2019 (percentages will be revised each quarter)."

*The following text shall replace the fourteenth paragraph of the Risk Factor entitled "–Increasingly onerous capital requirements constitute one of the ABANCA Group's main regulatory challenges":*

"In December 2017, the Bank received the decisions of the ECB regarding minimum capital requirements for 2018 following the outcomes of the most recent SREP. These decisions required ABANCA to maintain, on the basis of the consolidated situation on ABANCA Holding Financiero, S.A. ("ABANCA Holding") together with its consolidated subsidiaries (hereinafter, ABANCA Holding together with its subsidiaries shall be referred to as "ABANCA Holding Group") and on an individual basis, a phased-in CET1 ratio of 7.875% of RWAs and a total capital ratio of 11.375% of RWAs (8.50% and 12.00% of RWAs, respectively, fully loaded). These ratios include the minimum "Pillar 1" capital requirements (CET 1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the P2R (1.50% of RWAs that implies a 25 basis points reduction from the 2017 P2R) and the capital conservation buffer (1.875% of RWAs). As of 30 September 2018, the phased-in CET1 ratio of ABANCA was 14.3% of RWAs (14.3% as of 31 December 2017) and the total capital ratio was 14.3% of RWAs (14.7% as of 31 December 2017). As of 30 September 2018, the phased-in CET1 ratio of ABANCA Holding Group was 13.8% of RWAs (14.0% as of 31 December 2017) and the total capital ratio was 13.9% of RWAs (14.3% as of 31 December 2017)."

*The following text shall replace in its entirety the Risk Factor entitled "–The ABANCA Group is exposed to risk of loss from legal and regulatory claims":*

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

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

Among the legal proceedings in which the ABANCA Group is involved there are several proceedings related to mortgage “floor clauses” (in connection with which ABANCA has set aside provisions amounting to €28 million as of 30 September 2018), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which ABANCA has set aside provisions amounting to €18 million as of 30 September 2018) and proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which ABANCA has set aside provisions amounting to €14 million as of 30 September 2018). Please see “–*The invalidity of what are known as “floor clauses” (“cláusulas suelo”) and their total retroactivity could negatively affect the ABANCA Group*” below for further information on the proceedings related to mortgage “floor clauses”.

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

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

*The Risk Factor entitled “–Steps taken towards achieving an EU fiscal and banking union” is updated as per the following information: (i) on 24 September 2018, the EBA launched its 2018 EU-wide transparency exercise, which is expected to be published in December 2018 and (ii) the 2018 EU-wide stress tests were published by the EBA on 2 November 2018 (although ABANCA was not a participant).*

***Information about the Issuer***

*The following information regarding the acquisition of Banco Caixa Geral, S.A. is added in sub-section “–4.1.5. Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer’s solvency”, immediately prior to paragraph “2018-2020 Strategic Initiatives”:*

“On 22 November 2018, ABANCA communicated that it had been selected by the Portuguese Council of Ministers to acquire 99.8% of the shares in BCG, the Spanish subsidiary of the Portuguese Grupo Caixa Geral

de Depósitos, for a total purchase price of €364 million (i.e. approximately 0.65 times of BCG's book value). BCG consists of 110 commercial offices, 524 employees and 131,640 clients (both retail and corporates) and its main business segments are retail banking, private banking and corporate banking with a total business volume of around €7,000 million (€2,950 million deposits, €3,446 million loans and advances and €389 million assets under management). As of the date of this Registration Document, the acquisition is subject to obtaining the relevant regulatory authorisations. Once obtained, the integration process will commence, and it is not expected to finalise prior to the end of the first half of 2019. For reference, as of 31 December 2017, BCG's consolidated RWAs amounted to €3,141.14 million and its consolidated Tier 1 capital to €484.25 million (*source*: audited annual individual accounts of Banco Caixa Geral, S.A. as of and for the year ended 31 December 2017)."

### **Organisational structure**

*The stake owned by ABANCA in ABANCA Corporación División Inmobiliaria, S.L.U.'s share capital shown in sub-section "-6.1. If the Issuer is part of a group, a brief description of the group and of the Issuer's position within it" is 100%.*

### **Trend information**

*The following information regarding recent case law in Spain is added in lieu of the last paragraph in sub-section "-7.2. Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year":*

"The Supreme Court judgement of 16 October 2018 (the "**Judgement**"), Third Chamber (Administrative), established that the taxpayer for stamp duty levied on the public deeds that document the granting of a loan with a mortgage guarantee is the lender, and not the borrower. This doctrine represented a radical change in the position of the Chamber. The Presiding Judge of the Chamber, in view of the repercussion of the Judgement, called a meeting in plenary session in order to establish the position of the Chamber. On 5 November 2018, the Supreme Court held such plenary session and on 27 November 2018 the relevant rulings were published, stating that it had decided to confirm the traditional case law and determined that the borrower must pay the stamp duty levied on the public deeds that document the granting of a loan with a mortgage guarantee. 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 such stamp duty shall be paid by the lender."

### **Administrative, management, and supervisory bodies**

*Footnote (1) in the first table of sub-section "-9.1. Names, business addresses and functions in the Issuer of (a) members of the administrative, management or supervisory bodies and (b) partners with unlimited liability, in the case of a limited partnership with a share capital, and an indication of the principal activities performed by them outside the Issuer where these are significant with respect to that Issuer" is deleted.*

*The following information regarding Mr. Juan Carlos Escotet is added after the first table in sub-section "-9.1. Names, business addresses and functions in the Issuer of (a) members of the administrative, management or supervisory bodies and (b) partners with unlimited liability, in the case of a limited partnership with a share capital, and an indication of the principal activities performed by them outside the Issuer where these are significant with respect to that Issuer":*

"On 26 November 2018, Mr. Juan Carlos Escotet fully resumed his normal duties as Chairman of the Board of Directors of ABANCA. The situation of partial and temporary delegation of his duties and responsibilities under the governance framework has therefore ended. Such governance framework contains provisions for the appropriate measures and resources to manage any contingency and its application has ensured that ABANCA has remained stable, operational and fully functioning."

**Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses**

The following text shall replace in its entirety sub-section “–11.2. Financial statements”:

**“11.2. Financial statements**

ABANCA prepares consolidated annual accounts from which the details in section 11.1 above have been extracted.”

The following text shall replace in its entirety sub-section “–11.3.1. A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given”:

**“11.3.1. A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given**

The historical financial information set out in Section 11.1 of this Registration Document has been extracted from the corresponding consolidated annual accounts which have each been audited by KPMG Auditores, S.L., without qualification.”

The following text shall replace in its entirety sub-section “–11.3.3. Where financial data in the Registration Document is not extracted from the Issuer's audited financial statements state the source of the data and state that the data is unaudited”:

**“11.3.3 Where financial data in the Registration Document is not extracted from the Issuer's audited financial statements state the source of the data and state that the data is unaudited**

Section 11.5 below includes interim financial information extracted from the unaudited condensed consolidated interim financial statements of ABANCA for the six-month period ended 30 June 2018 and from the unaudited condensed consolidated interim financial statements of ABANCA for the nine-month period ended 30 September 2018.”

The following text is added at the end of sub-section “–11.5 Interim and other financial information”:

“The table below includes the consolidated balance sheets of the ABANCA Group as of 30 September 2018 and 31 December 2017:

ASSETS	30/09/2018	31/12/2017 <sup>(1)</sup>	Var. 18/17
	(€ million)		(%)
Cash, cash balances with central banks and other demand deposits (Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista) .....	982.23	1,701.99	(42.29)
Financial assets held for trading (Activos financieros mantenidos para negociar).....	96.72	100.32	(3.59)
Non-trading financial assets required to be measured at fair value through profit or loss (Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados) .....	754.06	—	n.a.

ASSETS	30/09/2018	31/12/2017 <sup>(1)</sup>	Var. 18/17
	(€ million)		(%)
<b>Financial assets at fair value through profit or loss /Financiamiento designados a valor razonable con cambios en resultados</b>	—	37.89	(100.00)
<b>Financial assets at fair value through other comprehensive income / Available-for-sale financial assets (Activos financieros a valor razonable con cambios en resultado global)</b>	7,355.22	9,787.53	(24.85)
<b>Financial assets at amortised cost / Loans and receivables (Activos financieros a coste amortizado)</b>	34,485.98	33,195.41	3.89
<b>Derivatives - hedge accounting (Derivados - contabilidad de coberturas)</b>	26.53	32.01	(17.13)
<b>Investments in joint ventures and associates (Inversiones en negocios conjuntos y asociadas)</b>	160.43	158.55	1.19
Associates (Entidades asociadas)	160.43	158.55	1.19
<b>Assets covered by insurance or reinsurance contracts (Activos amparados por contratos de seguro o reaseguro)</b>	6.47	6.02	7.44
<b>Tangible assets (Activos tangibles)</b>	1,154.71	1,117.59	3.32
Fixed assets (Inmovilizado material)	862.03	838.96	2.75
For own use (De uso propio)	862.03	838.96	2.75
Investment property (Inversiones inmobiliarias)	292.68	278.63	5.04
<b>Intangible assets (Activos intangibles)</b>	361.07	368.71	(2.07)
Goodwill (Fondo de comercio)	61.73	61.73	—
Other intangible assets (Otros activos intangibles)	299.34	306.98	(2.49)
<b>Tax assets (Activos por impuestos)</b>	3,410.16	3,408.74	0.04
Current tax assets (Activos por impuestos corrientes)	62.47	118.52	(47.29)
Deferred tax assets (Activos por impuestos diferidos)	3,347.69	3,290.22	1.75
<b>Other assets (Otros activos)</b>	359.16	371.78	(3.39)
Insurance contracts linked to pensions (Contratos de seguros vinculados a pensiones)	149.00	149.00	—
Inventories (Existencias)	55.03	63.50	(13.34)
Other assets (Resto de los otros activos)	155.13	159.27	(2.60)
<b>Non-current assets and disposal groups classified as held for sale (Activos no corrientes y grupos enajenables de elementos que se han clasificado como mantenidos para la venta)</b>	428.00	497.82	(14.03)
<b>TOTAL ASSETS (TOTAL ACTIVO)</b>	49,580.74	50,784.35	(2.37)
<b>LIABILITIES AND EQUITY</b>			
<b>Financial liabilities held for trading (Pasivos financieros mantenidos para negociar)</b>	68.40	84.89	(19.42)
<b>Financial liabilities at amortised cost (Pasivos financieros a coste amortizado)</b>	42,906.91	44,326.34	(3.20)
<b>Derivatives - hedge accounting (Derivados - contabilidad de coberturas)</b>	87.86	88.20	(0.39)
<b>Liabilities covered by insurance or reinsurance contracts (Pasivos amparados por contratos de seguro o reaseguro)</b>	1,351.63	1,249.52	8.17
<b>Provisions (Provisiones)</b>	421.94	409.68	2.99

ASSETS	30/09/2018	31/12/2017 <sup>(1)</sup>	Var. 18/17
	(€ million)		(%)
Pensions and other post-employment defined benefit obligations (Pensiones y otras obligaciones de prestaciones definidas post- empleo).....	176.11	176.78	(0.38)
Outstanding legal proceedings and litigation in relation to taxes (Cuestiones procesales y litigios por impuestos pendientes) .....	13.76	2.28	504.35
Commitments and guarantees extended (Compromisos y garantías concedidos) .....	89.28	75.67	17.99
Other provisions (Restantes provisiones) .....	142.78	154.95	(7.85)
<b>Tax liabilities (Pasivos por impuestos) .....</b>	<b>209.83</b>	<b>242.59</b>	<b>(13.51)</b>
Current tax liabilities (Pasivos por impuestos corrientes) .....	28.24	17.39	62.46
Deferred tax liabilities (Pasivos por impuestos diferidos) .....	181.58	225.20	(19.37)
<b>Other liabilities (Otros pasivos).....</b>	<b>284.81</b>	<b>277.75</b>	<b>2.54</b>
<b>TOTAL LIABILITIES (TOTAL PASIVO) .....</b>	<b>45,331.36</b>	<b>46,678.97</b>	<b>(2.89)</b>
<b>NET EQUITY</b>			
<b>SHAREHOLDERS' EQUITY (FONDOS PROPIOS) .....</b>	<b>4,336.25</b>	<b>4,087.53</b>	<b>6.08</b>
Capital (Capital).....	2,453.66	2,453.66	—
Paid-in capital (Capital desembolsado) .....	2,453.66	2,453.66	—
Share premium (Prima de emisión) .....	433.90	433.90	—
Retained earnings (Ganancias acumuladas) .....	1,398.12	1,180.24	18.46
Other reserves /Accumulated reserves or losses on investments in joint ventures and associates (Otras reservas).....	(21.88)	(9.82)	122.76
Treasury shares (Acciones propias) .....	(227.02)	(226.94)	0.03
Profit attributable to the owners of the parent (Resultado atribuible a los propietarios de la dominante) .....	398.27	367.07	8.50
Interim dividends (Dividendos a cuenta) .....	(98.80)	(110.58)	(10.65)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (OTRO RESULTADO GLOBAL ACUMULADO) .....</b>	<b>(86.88)</b>	<b>17.84</b>	<b>n.a.</b>
<b>Items that will not be reclassified to profit or loss (Elementos que no se reclasificarán en resultados) .....</b>	<b>(13.92)</b>	<b>(13.91)</b>	<b>0.11</b>
Actuarial gains or (-) losses on defined benefit pension plans (Ganancias o (-) pérdidas actuariales en planes de pensiones de prestaciones definidas).....	(13.91)	(13.91)	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global) .....	(0.02)	—	n.a.
<b>Items that may be reclassified to profit or loss (Elementos que pueden reclasificarse en resultados) .....</b>	<b>(72.96)</b>	<b>31.75</b>	<b>n.a.</b>
Translation of foreign currency (Conversión de divisas) .....	0.00	0.02	(93.75)
Hedging derivatives Cash flow hedges (effective portion) (Derivados de cobertura. Coberturas de flujos de efectivo (porción efectiva)) .....	(51.88)	(47.84)	8.46
Changes in fair value of debt securities measured at fair value through other comprehensive income /Available-for-sale financial assets (Cambios del valor razonable de los instrumentos de deuda valorados a valor razonable con cambios en otro resultado global).....	(10.18)	90.09	n.a.

ASSETS	30/09/2018	31/12/2017 <sup>(1)</sup>	Var. 18/17
	(€ million)		(%)
Share of other recognised income and expense arising from investments in joint ventures and associates ( <i>Participación en otros ingresos y gastos reconocidos de inversiones en negocios conjuntos y asociadas</i> ) .....	(10.90)	(10.51)	3.67
<b>MINORITY INTERESTS (non-controlling interests) (INTERESES MINORITARIOS (participaciones no dominantes)) ....</b>	<b>0.01</b>	<b>0.01</b>	<b>(8.33)</b>
Accumulated other comprehensive income ( <i>Otro resultado global acumulado</i> ).....	—	—	—
Other items ( <i>Otros elementos</i> ) <sup>o</sup> .....	0.01	0.01	(8.33)
<b>TOTAL EQUITY (TOTAL PATRIMONIO NETO) .....</b>	<b>4,249.38</b>	<b>4,105.38</b>	<b>3.51</b>
<b>TOTAL LIABILITIES AND EQUITY (TOTAL PATRIMONIO NETO Y PASIVO) .....</b>	<b>49,580.74</b>	<b>50,784.35</b>	<b>(2.37)</b>

Note:

- (1) Figures obtained from the comparative figures included in the 2017 Consolidated Annual Accounts, under IAS 39, solely and exclusively for comparative purposes.

The table below includes the consolidated income statements of the ABANCA Group for the nine-month periods ended on 30 September 2018 and 2017:

	30/09/2018	30/09/2017 <sup>(1)</sup>	Var. 18-17
	(€ million)		(%)
Interest Income ( <i>Ingresos por intereses</i> ) .....	540.69	511.81	5.64
Interest Expense ( <i>Gastos por intereses</i> ).....	(137.21)	(153.44)	(10.58)
<b>Net interest income (Margen de intereses).....</b>	<b>403.47</b>	<b>358.37</b>	<b>12.58</b>
Dividend Income ( <i>Ingresos por dividendos</i> ).....	10.26	9.04	13.50
Share of profit or loss of equity-accounted investees ( <i>Resultados de entidades valoradas por el método de la participación</i> ).....	6.52	6.44	1.29
Fee and Commission Income ( <i>Ingresos por comisiones</i> ).....	146.36	141.26	3.61
Fee and Commission Expense ( <i>Gastos por comisiones</i> ).....	(15.68)	(14.22)	10.27
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net ( <i>Ganancias o pérdidas al dar de baja en cuentas activos y pasivos financieros no valorados a valor razonable con cambios en resultados, netas</i> ).....	104.88	189.60	(44.68)
Gains or losses on financial assets and liabilities held for trading, net ( <i>Ganancias o pérdidas por activos y pasivos financieros mantenidos para negociar, netas</i> ).....	0.12	3.47	(96.52)
Gains or losses on financial assets not intended for trading, which are necessarily valued at fair value through profit or loss, net ( <i>Ganancias o pérdidas por activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados, netas</i> ).....	203.46	—	n.a.
Gains or losses on hedge accounting, net ( <i>Ganancias o pérdidas resultantes de la contabilidad de coberturas, netas</i> ) .....	(14.71)	(0.54)	2,638.92
Exchange differences, net ( <i>Diferencias de cambio, netas</i> ) .....	3.60	1.64	119.59

	30/09/2018	30/09/2017 <sup>(1)</sup>	Var. 18-17
	(€ million)		(%)
Other operating income ( <i>Otros ingresos de explotación</i> ) .....	64.84	39.99	62.14
Other operating expenses ( <i>Otros gastos de explotación</i> ) .....	(107.02)	(103.52)	3.38
Income from assets covered by insurance or reinsurance contracts ( <i>Ingresos de activos amparados por contratos de seguro o reaseguro</i> )..	214.25	191.05	12.14
Expenses from liabilities covered by insurance or reinsurance contracts ( <i>Gastos de pasivos amparados por contratos de seguro o reaseguro</i> ) ...	(199.19)	(183.81)	8.37
<b>Gross margin (<i>Margen bruto</i>)</b> .....	<b>821.18</b>	<b>638.78</b>	<b>28.55</b>
Administrative expenses ( <i>Gastos de administración</i> ) .....	(400.97)	(367.89)	8.99
Personnel expenses ( <i>Gastos de personal</i> ) .....	(238.35)	(229.64)	3.80
Other administrative expenses ( <i>Otros gastos de administración</i> )..	(162.61)	(138.25)	17.62
Amortisation ( <i>Amortización</i> ) .....	(39.02)	(36.48)	6.96
Provisions or reversals of provisions ( <i>Provisiones o reversión de provisiones</i> ) .....	(20.20)	4.68	n.a.
Impairment of the value or reversal of the impairment of value and gains or losses due to changes in cash flows of financial assets not valued at fair value through profit or loss or net gains or losses due to modification ( <i>Deterioro del valor o reversión del deterioro del valor y ganancias o pérdidas por modificaciones de flujos de caja de activos financieros no valorados a valor razonable con cambios en resultados y pérdidas o ganancias netas por modificación</i> ) .....	0.91	32.55	(97.21)
Financial assets at fair value with changes in other comprehensive income ( <i>Activos financieros a valor razonable con cambios en otro resultado global</i> ) .....	(1.84)	(1.99)	(7.58)
Financial assets at amortised cost ( <i>Activos financieros a coste amortizado</i> ) .....	2.75	34.55	(92.05)
<b>Net operating income (<i>Resultado de la actividad de explotación</i>)</b> .....	<b>361.90</b>	<b>271.65</b>	<b>33.22</b>
Impairment or reversal of impairment on investments in joint ventures or associates ( <i>Deterioro del valor o reversión del deterioro del valor de inversiones en negocios conjuntos o asociadas</i> ) .....	1.08	0.12	786.89
Impairment or reversal of impairment on non-financial assets ( <i>Deterioro del valor o reversión del deterioro del valor de activos no financieros</i> ) .....	(0.72)	(2.83)	(74.73)
Tangible assets ( <i>Activos tangibles</i> ) .....	(0.73)	(2.83)	(74.29)
Intangible assets ( <i>Activos intangibles</i> ) .....	—	—	—
Others ( <i>Otros</i> ) .....	0.01	—	n.a.
Gains or losses on the derecognition of non-financial assets and investments, net ( <i>Ganancias o pérdidas al dar de baja en cuentas activos no financieros, netas</i> ) .....	6.03	0.77	683.62
Negative goodwill recognised in profit or loss ( <i>Fondo de comercio negativo reconocido en resultados</i> ) .....	—	—	—
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations ( <i>Ganancias o pérdidas procedentes de activos no corrientes y grupos enajenables de elementos clasificados como mantenidos para la venta no admisibles como actividades interrumpidas</i> ) .....	31.60	31.43	0.54
<b>Profit or loss before tax from continuing operations (<i>Ganancias o pérdidas antes de impuestos procedentes de las actividades continuadas</i>)</b> .....	<b>399.90</b>	<b>301.14</b>	<b>32.79</b>



	30/09/2018	30/09/2017 <sup>(1)</sup>	Var. 18-17
	(€ million)		(%)
Income tax expense or income related to profit or loss from continuing operations ( <i>Gastos o ingresos por impuestos sobre las ganancias de las actividades continuadas</i> ).....	(1.63)	(24.69)	(93.41)
<b>Profit or loss after taxes from continuing operations (<i>Ganancias o pérdidas después de impuestos procedentes de las actividades continuadas</i>)</b> .....	<b>398.27</b>	<b>276.45</b>	<b>44.07</b>
<b>Profit or loss after tax from discontinued operations (<i>Ganancias o pérdidas después de impuestos procedentes de actividades interrumpidas</i>)</b> .....	—	—	—
<b>Profit for the year (<i>Resultado del periodo</i>)</b> .....	<b>398.27</b>	<b>276.45</b>	<b>44.07</b>
Attributable to minority interests (non-controlling interests) ( <i>Atribuible a intereses minoritarios (participaciones no dominantes)</i> ).....	—	—	—
Attributable to the owners of the Parent ( <i>Atribuible a los propietarios de la dominante</i> ).....	398.27	276.45	44.07

Note:

- (1) Figures obtained from the comparative figures included in the consolidated interim income statement of the ABANCA Group for the nine-month period ended on 30 September 2018, under IAS 39, solely and exclusively for comparative purposes.

The following text shall replace in its entirety sub-section “–11.7. Significant change in the Issuer’s financial position”:

#### “11.7 Significant change in the Issuer’s financial position

Since 30 September 2018 there has not been any significant change in the financial position of the Issuer.”

The following text shall replace in its entirety sub-section “–11.9. Alternative Performance Measures (APMs)”:

#### “11.9 Alternative Performance Measures (APMs)

This Registration Document (and the documents incorporated by reference in this Registration Document) 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 Registration Document.

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

The following are the APMs used in this Registration Document.

**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	
		2018	2017	2016
		(€ million)		
Numerator.....	1/2 Dec year-1 Total assets	50,784.35	45,138.41	47,266.55
	+ Mar year Total assets	48,828.37	48,482.92	48,643.00
	+ Jun year Total assets	49,809.06	49,321.79	48,326.17
	+ Sep year Total assets ( <i>Total activo Septiembre</i> ) <sup>(1)</sup>	49,580.74	49,953.62	48,442.22
	+1/2 Dec year Total assets	—	50,784.35	45,138.41
Denominator .....	4 or 3 (depending on the date)	3	4	4
<b>ATA</b> .....		<b>49,606.66</b>	<b>48,929.93</b>	<b>47,903.47</b>

Note:

(1) 1/2 for the September 2018 calculation.

Source: ABANCA’s internal information with management criteria.

**Assets under Management (“AuMs”):** 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 and Savings Insurance.

		September	December	
		2018	2017	2016
		(€ million)		
	Investment funds	3,960.42	3,632.21	2,497.46
Plus .....	Pension funds	1,404.03	1,402.99	1,333.15
Plus .....	Insurance products	1,194.80	1,088.55	966.86
<b>AuMs</b> .....		<b>6,559.25</b>	<b>6,123.75</b>	<b>4,797.46</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(€ million, except %)</i>		
Numerator.....			
+ Administrative expenses ( <i>Gastos de administración</i> )	400.97	509.78	472.35
+ Depreciation and amortisation ( <i>Amortización</i> )	39.02	48.81	46.77
Denominator .....			
Gross Margin/Gross Income ( <i>Margen Bruto</i> )	821.18	811.15	655.04
<b>Cost to income ratio</b> .....	<b>53.6%</b>	<b>68.9%</b>	<b>79.2%</b>

**Coverage of NPL on loans to real-estate developers:** a relevant indicator of asset quality in the banking sector that shows the level of impairment that the entity has already absorbed into its profit and loss accounts in respect of the total loans to real estate developers classified as non performing.

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(€ million, except %)</i>		
Numerator.....			
Accumulated impairment of financing of real estate construction and property development	40.0	35.8	54.3
Denominator.....			
Non performing loans of financing of real estate construction and property development	62.1	58.6	79.8
<b>Coverage of NPL on loans to real-estate developers</b> .....	<b>64.4%</b>	<b>61.0%</b>	<b>68.1%</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(%)</i>		
Yield on performing loan to customers (rate) <sup>(1)(2)</sup>	1.78	1.76	1.79
Minus.....			
Cost of retail funds (rate) <sup>(3)</sup>	0.08	0.07	0.16
<b>Customer spread ratio</b> .....	<b>1.70</b>	<b>1.69</b>	<b>1.63</b>

Notes:

- (1) For the September 2018 calculation, excluding one-off transaction.
- (2) Interest income from the portfolio of performing loans to customers, with management criteria, divided by the average balance of performing loans to customers.

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

**Foreclosed assets coverage ratio:** foreclosed impairment in respect of foreclosed assets<sup>1</sup>. This is currently a very relevant indicator in the banking sector and it shows the level of impairment that the entity has already absorbed into its profit and loss accounts in respect of the total of foreclosed assets. This ratio is used by the ABANCA Group to measure the coverage foreclosed assets and it is also an indication of asset quality.

	<b>September</b>	<b>December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	
	<i>(€ million, except %)</i>			
Numerator.....	Impairment losses of assets foreclosed or received in payment of debt	548.36	616.26	671.67
Denominator .....	Gross assets foreclosed or received in payment of debt	897.33	1,008.88	1,090.28
<b>Foreclosed assets coverage ratio .....</b>	<b>61.1%</b>	<b>61.1%</b>	<b>61.6%</b>	

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

	<b>September</b>	<b>December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	
	<i>(€ million, except %)</i>			
Numerator.....	Net assets foreclosed or received in payment of debt ( <i>Adjudicaciones o recuperaciones por impago</i> )	348.96	392.62	418.61
Denominator .....	Total assets ( <i>Total activo</i> )	49,580.74	50,784.35	45,138.41
<b>Foreclosed Assets over Total Assets ratio .....</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.9%</b>	

**Foreclosed land assets coverage ratio:** foreclosed impairment in respect of foreclosed assets that are classified, according to their nature, as land. This shows the level of impairment that the entity has already absorbed into its profit and loss accounts in respect of the total land foreclosed. This ratio is used by the ABANCA Group to measure the coverage foreclosed assets with the status of land and it is also an indication of asset quality.

	<b>September</b>	<b>December</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>	
	<i>(€ million, except %)</i>			
Numerator.....	Impairment losses of land foreclosed assets or received in payment of debt	176.06	174.65	168.15

<sup>1</sup> “Foreclosed assets” is equivalent to the item “assets foreclosed or received in payment of debt” of the balance sheet.

	September	December	
	2018	2017	2016
	(€ million, except %)		
Denominator..... Gross land foreclosed assets or received in payment of debt	240.60	231.47	222.41
<b>Foreclosed land assets coverage ratio.....</b>	<b>73.2%</b>	<b>75.5%</b>	<b>75.6%</b>

The next three APMs in their aggregate are the net of “Fees and commissions income” (*Ingresos por comisiones*) (€146.36 million as of 30 September 2018, €189.91 million as of 31 December 2017 and €167.59 million as of 31 December 2016) minus “Fees and commissions expenses” (*Gastos por comisiones*) (€15.68 million as of 30 September 2018, €20.15 million as of 31 December 2017 and € 15.77 million as of 31 December 2016) amounting to net amounts of €130.68 million as of 30 September 2018, €169.76 million as of 31 December 2017 and €151.82 million as of 31 December 2016. These total amounts have been divided by ABANCA by three types following internal criteria based on the types of business the mentioned income and expenses refer to.

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

	September	December	
	2018	2017	2016
	(€ million)		
<b>Income from Non-banking Products Commercialization.....</b>	<b>42.44</b>	<b>52.14</b>	<b>43.28</b>

Source: ABANCA's internal information with management criteria.

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

	September	December	
	2018	2017	2016
	(€ million)		
<b>Income from Other Services Fees.....</b>	<b>38.97</b>	<b>49.50</b>	<b>49.66</b>

Source: ABANCA's internal information with management criteria.

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

	September	December	
	2018	2017	2016
		(€ million)	
<b>Income from Payments and Other Services Fees</b> .....	49.27	68.13	58.88

Source: ABANCA's internal information with management criteria.

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

	September	December	
	2018	2017	2016
		(€ million)	
Cash and central bank accounts	725.2	1,319.3	379.8
Plus ..... Collateral available for ECB operations inside of ECB guarantee pool	2,267.1	2,450.3	3,431.9
Plus ..... Collateral available for ECB operations outside of ECB guarantee pool	2,700.4	2,081.9	3,363.3
Plus ..... Other marketable assets non eligible for ECB	113.2	93.1	83.6
<b>Liquid assets</b> .....	<u>5,805.9</u>	<u>5,944.7</u>	<u>7,258.6</u>

Source: ABANCA's internal information with management criteria.

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

	September	December	
	2018	2017	2016
		(€ million, except %)	
Numerator..... Net loans and advances to customers ( <i>Préstamos y anticipos a la clientela</i> )	29,936.72	29,120.27	27,182.08
Denominator ..... Net deposits from customers ( <i>Depósitos de la clientela</i> )	35,591.71	35,647.69	33,683.83
<b>Loan to Deposit (LtD) ratio</b> .....	<u>84.1%</u>	<u>81.7%</u>	<u>80.7%</u>

**Net Interest Income ("NII"):** difference between interest income from loans and other interest-earning assets and interest expense paid to depositors and other creditors on interest-bearing liabilities. This APM reflects the result of the banking activity of an entity.

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
		<i>(€ million)</i>	
Interest income ( <i>Ingresos por intereses</i> )	540.69	689.79	673.86
Minus..... Interest expense ( <i>Gastos por intereses</i> )	137.21	201.29	265.94
<b>Net Interest Income</b> .....	<b>403.47</b>	<b>488.50</b>	<b>407.92</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
		<i>(€ million)</i>	
Fee and commission income ( <i>Ingresos por comisiones</i> )	146.36	189.91	167.59
Minus..... Fee and commission expense ( <i>Gastos por comisiones</i> )	15.68	20.15	15.77
<b>Net fees and commissions</b> .....	<b>130.68</b>	<b>169.76</b>	<b>151.82</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
		<i>(€ million)</i>	
Impaired assets in loans and advances to customers ( <i>Activos deteriorados</i> )	1,359.53	1,541.35	2,153.21
Plus..... Gross assets foreclosed or received in payment of debt	897.33	1,008.88	1,090.28
<b>NPA</b> .....	<b>2,256.85</b>	<b>2,550.23</b>	<b>3,243.48</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
		<i>(€ million, except %)</i>	
Numerator..... Net interest income <sup>(1)</sup>	403.47	488.50	407.92

	September	December	
	2018	2017	2016
	(€ million, except %)		
Denominator..... ATA	49,606.66	48,929.93	47,903.47
<b>NII over Average total assets .....</b>	<b>1.1%</b>	<b>1.0%</b>	<b>0.9%</b>

Note:

(1) Numerator calculated as “Net interest income” as of 30 September 2018 multiplied by 4/3.

**NPA coverage ratio:** accumulated impairment of foreclosed assets plus impairment losses on loans and advances to customers divided by gross non-performing assets (non-performing loans plus gross foreclosed assets). This ratio is used by the ABANCA Group to measure the coverage ratio of non-performing assets and it is also an indication of asset quality.

	September	December	
	2018	2017	2016
	(€ million, except %)		
Numerator.....			
Impairment losses of loans and advances to customers ( <i>Préstamos y anticipos – Clientela - Del que: Pérdidas por deterioro</i> )	741.74	795.12	1,078.91
+ Impairment losses of assets foreclosed or received in payment of debt	548.36	616.26	671.67
Denominator .....			
Impaired assets in loans and advances to customers ( <i>Activos deteriorados</i> )	1,359.53	1,541.35	2,153.21
+ Gross assets foreclosed or received in payment of debt	897.33	1,008.88	1,090.28
<b>NPA coverage ratio.....</b>	<b>57.2%</b>	<b>55.3%</b>	<b>54.0%</b>

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

	September	December	
	2018	2017	2016
	(€ million, except %)		
Numerator.....			
NPA	2,256.85	2,550.23	3,243.48
Denominator .....			
Gross loans and advances to customers	30,695.77	29,938.05	28,281.09
- Repurchase agreements ( <i>Adquisición temporal de activos</i> )	—	451.27	—
- Extraordinary activities	361.41	374.14	525.43



	September	December	
	2018	2017	2016
	(€ million, except %)		
+ Gross assets foreclosed or received in payment of debt	897.33	1,008.88	1,090.28
<b>NPA ratio</b> .....	<b>7.2%</b>	<b>8.5%</b>	<b>11.2%</b>

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

	September	December	
	2018	2017	2016
	(€ million, except %)		
Numerator.....	Impairment losses of loans and advances to customers ( <i>Préstamos y anticipos – Clientela - Del que: Pérdidas por deterioro</i> )		
	741.74	795.12	1,078.91
Denominator.....	Impaired assets in loans and advances to customers ( <i>Activos deteriorados</i> )		
	1,359.53	1,541.35	2,153.21
<b>NPL coverage ratio</b> .....	<b>54.6%</b>	<b>51.6%</b>	<b>50.1%</b>

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

	September	December	
	2018	2017	2016
	(€ million, except %)		
Numerator.....	Impaired assets in loans and advances to customers ( <i>Activos deteriorados</i> )		
	1,359.53	1,541.35	2,153.21
Denominator.....	Gross loans and advances to customers		
	30,695.77	29,938.05	28,281.09
	- Repurchase agreements ( <i>Adquisición temporal de activos</i> )		
	—	451.27	—
	- Extraordinary activities		
	361.41	374.14	525.43
<b>NPL ratio</b> .....	<b>4.5%</b>	<b>5.3%</b>	<b>7.8%</b>

**NPL ratio on loans to real-estate developers:** indicates the level of loans to real estate developers that are classified as non performing. This sector is given special attention due to the impact it has had in the last financial crisis.

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(€ million, except %)</i>		
Numerator.....	Non performing loans of financing of real estate construction and property development		
	62.1	58.6	79.8
Denominator .....	Total loans of financing of real estate construction and property development		
	822.9	670.5	521.9
<b>NPL ratio on loans to real-estate developers .....</b>	<b>7.5%</b>	<b>8.7%</b>	<b>15.3%</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(€ million)</i>		
	Gross loans and advances to customers		
	30,695.77	29,938.05	28,281.09
Minus.....	Repurchase agreements ( <i>Adquisición temporal de activos</i> )		
	—	451.27	—
Minus.....	Extraordinary activities		
	361.41	374.14	525.43
Minus.....	Impaired assets in loans and advances to customers ( <i>Activos deteriorados</i> )		
	1,359.53	1,541.35	2,153.21
<b>Performing Credit Portfolio .....</b>	<b>28,974.84</b>	<b>27,571.30</b>	<b>25,602.45</b>

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

	<b>September</b>	<b>December</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>(€ million)</i>		
	Net interest income		
	403.47	488.50	407.92
Plus.....	Net fees and commissions		
	130.68	169.76	151.82
<b>Recurring revenues.....</b>	<b>534.16</b>	<b>658.25</b>	<b>559.74</b>



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

		September	December	
		2018	2017	2016
		(€ million, except %)		
Numerator.....	Net loans and advances to customers (Préstamos y anticipos a la clientela)	29,936.72	29,120.27	27,182.08
	- Repurchase agreements (Adquisición temporal de activos)	—	451.27	—
Denominator .....	Gross deposits from customers (Depósitos de la clientela sin ajustes por valoración (bruto))	35,499.53	35,545.26	33,559.08
	- Assets acquired or sold under resale or repurchase agreements (Cesiones temporales de activos)	779.67	2,388.56	987.37
	- Covered bond issues classified as deposits from customers	2,068.78	2,418.70	2,668.70
<b>Retail Loan to Deposits ratio .....</b>		<b>91.7%</b>	<b>93.3%</b>	<b>90.9%</b>

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

		September	December	
		2018	2017	2016
		(€ million, except %)		
Numerator.....	Net profit (Resultado del periodo) <sup>(1)</sup>	398.27	367.07	333.61
Denominator .....	Average shareholder’s equity <sup>(2)</sup>	4,207.92	4,038.09	4,031.98
<b>ROE .....</b>		<b>12.6%</b>	<b>9.1%</b>	<b>8.3%</b>

Note:

- (1) Numerator calculated as “Net profit” at 30 September 2018 multiplied by 4/3.
- (2) Calculated as the simple average of the amounts of all the quarterly balance sheets for the current year (including the balance sheet corresponding to the December of the previous year) as a semi-sum of the extremes.

## Additional information

### Capital adequacy

The table below sets out ABANCA’s, ABANCA Group’s and the ABANCA Holding Group’s CET 1 ratios, Tier 1 ratios and total capital ratios as of 30 September 2018, 31 December 2017 and 31 December 2016:

	Phased-in			Fully Loaded		
	Abanca	Abanca Group	Abanca Holding Group	Abanca	Abanca Group	Abanca Holding Group
Common Equity Tier 1 ratio (%) as at 30 September 2018 .....	14.3%	14.9%	13.8%	13.7%	14.0%	12.9%
Common Equity Tier 1 ratio (%) as at 31 December 2017 .....	14.3%	14.9%	14.0%	14.0%	14.3%	13.2%
Common Equity Tier 1 ratio (%) as at 31 December 2016 .....	14.5%	14.6%	13.9%	13.9%	13.2%	12.3%
Tier 1 ratio (%) as at 30 September 2018 .....	14.3%	14.9%	13.8%	13.7%	14.0%	12.9%
Tier 1 ratio (%) as at 31 December 2017 .....	14.3%	14.9%	14.0%	14.0%	14.3%	13.2%
Tier 1 ratio (%) as at 31 December 2016 .....	14.5%	14.6%	13.9%	13.9%	13.2%	12.4%
Total Capital ratio (%) as at 30 September 2018	14.3%	14.9%	13.9%	13.7%	14.0%	13.0%
Total Capital ratio (%) as at 31 December 2017	14.7%	15.3%	14.3%	14.3%	14.7%	13.6%
Total Capital ratio (%) as at 31 December 2016	14.9%	14.6%	13.9%	14.2%	13.5%	12.7%

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

The RWAs of the ABANCA Group as of 30 September 2018 stood at €26,865 million and its leverage ratio stood at 7.9%.

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

The table below includes the consolidated balance sheets of the ABANCA Holding Group as of 31 December 2017 and 2016:

ASSETS	31/12/2017	31/12/2016 <sup>(1)</sup>	Var. 17-16
	<i>(€ million)</i>		<i>(%)</i>
<b>Cash, cash balances with central banks and other demand deposits .....</b>	<b>1,702.05</b>	<b>497.99</b>	<b>241.78</b>
<b>Financial assets held for trading .....</b>	<b>104.22</b>	<b>157.64</b>	<b>(33.89)</b>
Derivatives .....	100.32	141.05	(28.88)
Debt securities .....	3.90	16.59	(76.49)
<b>Financial assets designated at fair value through profit or loss .....</b>	<b>37.89</b>	<b>33.32</b>	<b>13.72</b>
Equity instruments .....	33.77	29.07	16.17
Debt securities .....	4.12	4.24	(2.83)
<b>Available-for-sale financial assets .....</b>	<b>9,788.48</b>	<b>7,319.20</b>	<b>33.74</b>
Equity instruments .....	494.37	737.18	(32.94)
Debt securities .....	9,294.11	6,582.01	41.20
<b>Loans and receivables .....</b>	<b>33,204.38</b>	<b>31,229.07</b>	<b>6.33</b>
Debt securities .....	3,539.90	3,734.50	(5.21)

ASSETS	31/12/2017	31/12/2016 <sup>(1)</sup>	Var. 17-16
	(€ million)		(%)
Loans and advances .....			
Credit institutions .....	535.24	302.01	77.23
Customers .....	29,129.24	27,192.55	7.12
<b>Held-to-maturity investments</b> .....	—	—	—
<b>Derivatives – hedge accounting</b> .....	<b>32.01</b>	<b>57.92</b>	<b>(44.73)</b>
<b>Investments in joint ventures and associates</b> .....	<b>162.76</b>	<b>190.68</b>	<b>(14.64)</b>
Associates .....	162.76	190.68	(14.64)
<b>Assets covered by insurance or reinsurance contracts</b> .....	<b>6.02</b>	<b>4.77</b>	<b>26.21</b>
<b>Tangible assets</b> .....	<b>1,069.50</b>	<b>1,066.95</b>	<b>0.24</b>
Fixed assets .....			
For own use .....	772.48	805.91	(4.15)
Investment property .....	297.02	261.04	13.78
<b>Intangible assets</b> .....	<b>529.01</b>	<b>569.78</b>	<b>(7.16)</b>
Goodwill .....	61.73	48.10	28.34
Other intangible assets .....	467.28	521.68	(10.43)
<b>Tax assets</b> .....	<b>3,455.99</b>	<b>3,473.42</b>	<b>(0.50)</b>
Current tax assets .....	114.23	108.05	5.72
Deferred tax assets .....	3,341.76	3,365.37	(0.70)
<b>Other assets</b> .....	<b>371.78</b>	<b>355.33</b>	<b>4.63</b>
Insurance contracts linked to pensions .....	149.00	150.93	(1.28)
Inventories .....	63.50	62.27	1.98
Other assets .....	159.27	142.14	12.05
<b>Non-current assets and disposal groups classified as held for sale</b> .....	<b>592.12</b>	<b>629.25</b>	<b>(5.90)</b>
<b>TOTAL ASSETS</b> .....	<b>51,056.22</b>	<b>45,585.30</b>	<b>12.00</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Financial liabilities held for trading</b> .....	<b>84.89</b>	<b>116.62</b>	<b>(27.21)</b>
Derivatives .....	84.89	116.62	(27.21)
<b>Financial liabilities at amortised cost</b> .....	<b>44,615.22</b>	<b>39,259.82</b>	<b>13.64</b>
Deposits .....			
Central banks .....	3,449.92	1,700.00	102.94
Credit institutions .....	4,290.97	2,278.12	88.36
Customers .....	35,730.97	33,806.36	5.69
Debt securities issued .....	995.16	1,026.50	(3.05)
Other financial liabilities .....	148.20	448.84	(66.98)
<i>Memorandum items subordinated liabilities</i> .....	8.57	8.86	(3.27)

ASSETS	31/12/2017	31/12/2016 <sup>(1)</sup>	Var. 17-16
	<i>(€ million)</i>		<i>(%)</i>
<b>Derivatives – hedge accounting</b> .....	<b>88.20</b>	<b>149.48</b>	<b>(41.00)</b>
<b>Liabilities covered by insurance or reinsurance contracts</b> .....	<b>1,249.52</b>	<b>1,147.11</b>	<b>8.93</b>
<b>Provisions</b> .....	<b>410.88</b>	<b>540.09</b>	<b>(23.92)</b>
Pensions and other post-employment defined benefit obligations .....	176.78	190.60	(7.25)
Outstanding legal proceedings and litigation in relation to taxes.....	2.28	2.61	(12.64)
Commitments and guarantees extended .....	75.67	79.38	(4.67)
Other provisions .....	156.15	267.50	(41.63)
<b>Tax liabilities</b> .....	<b>319.17</b>	<b>343.73</b>	<b>(7.15)</b>
Current tax liabilities .....	10.54	5.53	90.60
Deferred tax liabilities .....	308.63	338.20	(8.74)
<b>Other liabilities</b> .....	<b>277.84</b>	<b>223.58</b>	<b>24.27</b>
<b>TOTAL LIABILITIES</b> .....	<b>47,045.72</b>	<b>41,780.42</b>	<b>12.60</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Capital .....			
Paid-in capital .....	368.86	368.86	—
Share premium .....	7.71	7.71	—
Retained earnings .....	3,296.99	3,106.29	6.14
Other reserves .....			
Accumulated reserves or losses on investments in joint ventures and associates .....	(9.82)	(40.50)	(75.75)
Treasury shares .....	—	—	—
Profit attributable to the owners of the Parent .....	288.60	269.46	7.10
Interim dividend .....	(130.68)	(45.00)	190.40
<b>Accumulated other comprehensive income</b> .....	<b>(13.57)</b>	<b>(68.39)</b>	<b>(80.16)</b>
Items that will not be reclassified to profit or loss.....			
Actuarial gains or losses on defined benefit pension plans ..	(13.24)	1.70	n.a
Items that may be reclassified to profit or loss .....			
Translation of foreign currency .....	0.02	(0.03)	n.a.
Hedging derivatives. Cash flow hedges (effective portion)...	(45.52)	(42.46)	7.21
Available-for-sale financial assets .....	55.17	(24.91)	n.a.
Debt instruments .....	63.63	(18.25)	n.a.
Equity instruments .....	(8.45)	(6.66)	26.88

ASSETS	31/12/2017	31/12/2016 <sup>(1)</sup>	Var. 17-16
	<i>(€ million)</i>		<i>(%)</i>
Share of other recognised income and expense arising from investments in joint ventures and associates.....	(10.00)	(2.70)	270.37
<b>Minority interests (non-controlling interests) .....</b>	<b>202.41</b>	<b>206.46</b>	<b>(1.96)</b>
Accumulated other comprehensive income .....	(0.69)	(3.51)	(80.34)
Other items .....	203.10	209.97	(3.27)
<b>TOTAL EQUITY .....</b>	<b>4,010.50</b>	<b>3,804.88</b>	<b>5.40</b>
<b>TOTAL LIABILITIES AND EQUITY .....</b>	<b>51,056.22</b>	<b>45,585.30</b>	<b>12.00</b>

Note:

- (1) In 2017, certain financial information relating to the year ended 31 December 2016 was restated in the ABANCA Holding Group's audited consolidated annual accounts as of and for the year ended 31 December 2017 in order to present the 2016 financial information in a comparable manner to the classification in the audited consolidated annual accounts as of and for the year ended 31 December 2017. Investments on account of third parties have been classified under the caption "Other Assets at Fair Value" in 2017 while in 2016 they were included under the caption "Other Financial Assets". In addition, certain liabilities were also restated. Provisions for accounting mismatches have been classified under the caption "Liabilities covered by insurance or reinsurance contract" in 2017 while in 2016 they were included under the caption "Other financial liabilities". Accordingly, the 2016 financial information included in this Registration Document differs from that included in the ABANCA Holding Group's audited consolidated annual accounts as of and for the year ended 31 December 2016.

The table below includes the consolidated income statements of the ABANCA Holding Group as of 31 December 2017 and 2016:

	31/12/2017	31/12/2016	Var. 17-16
	<i>(€ million)</i>		<i>(%)</i>
Interest income .....	689.62	673.95	2.33
Interest expenses .....	(185.26)	(272.62)	(32.04)
<b>NET INTEREST INCOME .....</b>	<b>504.37</b>	<b>401.33</b>	<b>25.67</b>
Dividend income .....	10.71	19.60	(45.36)
Share of profit or loss of equity-accounted investees.....	7.42	6.41	15.76
Fee and commission income .....	189.91	167.59	13.32
Fee and commission expense .....	(20.18)	(15.82)	27.56
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net .....	156.79	13.65	1,048.64
Gains or losses on financial assets and liabilities held for trading, net .....	4.58	9.46	(51.59)
Gains or losses on hedge accounting, net .....	(2.20)	(2.33)	(5.58)
Exchange differences, net .....	2.33	8.88	(73.76)



	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var. 17-16</b>
	<i>(€ million)</i>		<i>(%)</i>
Other operating income .....	62.24	65.51	(4.99)
Other operating expenses .....	(145.26)	(105.64)	37.50
Income from assets covered by insurance or reinsurance contracts .....	268.13	224.31	19.54
Expenses from liabilities covered by insurance or reinsurance contracts .....	(254.79)	(216.53)	17.67
<b>GROSS MARGIN</b> .....	<b>784.05</b>	<b>576.41</b>	<b>36.02</b>
Administrative expenses .....	(510.86)	(473.53)	7.88
Personnel expenses .....	(315.28)	(287.26)	9.75
Other administrative expenses .....	(195.58)	(186.27)	5.00
<b>Depreciation and amortisation</b> .....	<b>(92.56)</b>	<b>(91.62)</b>	<b>1.03</b>
<b>Provisions or reversals of provisions</b> .....	<b>(22.14)</b>	<b>13.38</b>	<b>n.a.</b>
<b>Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss</b> .....	<b>76.29</b>	<b>140.93</b>	<b>(45.87)</b>
Available-for-sale financial assets .....	(1.99)	(6.53)	(69.53)
Loans and receivables .....	78.28	147.45	(46.91)
<b>NET OPERATING INCOME</b> .....	<b>234.77</b>	<b>165.56</b>	<b>41.80</b>
<b>Impairment or reversal of impairment on investments in joint ventures or associates</b> .....	<b>(1.59)</b>	<b>(4.93)</b>	<b>(67.75)</b>
<b>Impairment or reversal of impairment on non-financial assets</b> .....	<b>0.29</b>	<b>(4.53)</b>	<b>n.a.</b>
Tangible assets .....	0.70	(4.53)	n.a.
Intangible assets .....	(0.41)	—	n.a.
Others .....	—	—	—
Gains or losses on derecognition of non-financial assets and investments, net .....	24.75	100.23	(75.31)
<b>Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations</b> .....	<b>20.18</b>	<b>(30.05)</b>	<b>n.a.</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b> .....	<b>278.40</b>	<b>226.28</b>	<b>23.03</b>
<b>Income tax expense or income related to profit or loss from continuing operations</b> .....	<b>25.73</b>	<b>59.07</b>	<b>(56.44)</b>
<b>PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b> .....	<b>304.13</b>	<b>285.35</b>	<b>6.58</b>
<b>Profit or loss after tax from discontinued operations..</b>	<b>—</b>	<b>—</b>	<b>—</b>

	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>Var. 17-16</b>
	<i>(€ million)</i>		<i>(%)</i>
<b>PROFIT FOR THE YEAR</b> .....	<b>304.13</b>	<b>285.35</b>	<b>6.58</b>
<b>Attributable to minority interests (non-controlling interests)</b> .....	<b>15.54</b>	<b>15.89</b>	<b>(2.20)</b>
<b>Attributable to the owners of the Parent</b> .....	<b>288.60</b>	<b>269.46</b>	<b>7.10</b>
<b>EARNINGS PER SHARE (EUROS)</b>			
Basic .....	0.7824	0.7305	7.10
Diluted .....	0.7824	0.7305	7.10

## GENERAL INFORMATION

### Responsibility Statement

1. ABANCA and the undersigned, Mr. Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*) of ABANCA and Mr. Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of ABANCA, and acting under a special power of attorney granted by the Board of Directors of ABANCA, accept responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

### Authorisation

2. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of ABANCA dated 26 November 2018.

### Significant/Material Change and Trend Information

3. Since 31 December 2017 there has been no material adverse change in the prospects of ABANCA.

Since 30 September 2018 there has been no significant change in the financial or trading position of ABANCA.

The sections “*Risk Factors–Risks Relating to ABANCA and the ABANCA Group*” of the Registration Document include a detailed description of the factors and uncertainties which could have a material effect on ABANCA’s prospects.

### Auditors

4. The Spanish-language individual and consolidated annual accounts of ABANCA have been audited without qualification for each of the years ended 31 December 2017 and 31 December 2016 by KPMG Auditores, S.L., independent auditors. KPMG Auditores, S.L.’s office is at Paseo de la Castellana 259 C, 28046, Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas* (ROAC)) under number S0702.

The Spanish-language condensed consolidated interim financial statements of ABANCA as of and for the six months ended 30 June 2018 have been subject to a limited review by KPMG Auditores, S.L., independent auditors. KPMG Auditores, S.L.’s office is at Paseo de la Castellana 259 C, 28046, Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas* (ROAC)) under number S0702.

### Third party information

5. Information included in this Prospectus sourced from a third party has been accurately reproduced, and so far as ABANCA is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## Approval of financial information

6. The 2015 Individual Annual Accounts and the 2015 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 27 June 2016.

The 2016 Individual Annual Accounts and the 2016 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 26 June 2017.

The 2017 Individual Annual Accounts and the 2017 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 25 June 2018.

The 2018 Consolidated First Semester Interim Financial Statements were approved by the Board of Directors of ABANCA on its meeting held on 27 July 2018.

## Documents on display

7. Physical copies of the following documents may be inspected during normal business hours at the registered office of Bank at calle Cantón Claudino Pita, 2, Betanzos, A Coruña (Spain), for 12 months from the date of this Prospectus:

- (a) the bylaws (*Estatutos Sociales*) of ABANCA; and
- (b) the deed of incorporation (*escritura de constitución*) of ABANCA.

Likewise, electronic copies of:

- (a) the bylaws (*Estatutos Sociales*) of ABANCA;
- (b) ABANCA's Spanish-language unaudited condensed consolidated interim financial statements and the directors' report, together with the review report of KPMG Auditores, S.L. as of and for the six-month period ended 30 June 2018 (together with the English translation of such financial statements, directors' and limited review report)
- (c) ABANCA's Spanish-language audited individual and consolidated annual accounts and the individual and consolidated directors' reports, together with the respective audit reports of KPMG Auditores, S.L. as of and for the year ended 31 December 2017 (together with English translations of such annual accounts, directors' and audit reports); and
- (d) ABANCA's Spanish-language audited individual and consolidated annual accounts and the individual and consolidated directors' reports, together with the respective audit reports of KPMG Auditores, S.L. as of and for the year ended 31 December 2016 (together with English translations of such annual accounts, directors' and audit reports).

may be inspected on ABANCA's website <http://www.ABANCAcorporacionbancaria.com/es/>.

An electronic copy of the Registration Document is available at [www.cnmv.es](http://www.cnmv.es).

The translation into English of the Spanish-language audited individual and consolidated annual accounts and the individual and consolidated directors' report, together with the respective audit report of KPMG Auditores, S.L., and of the unaudited condensed consolidated interim financial statements, together with its limited review report of KPMG Auditores, S.L. are direct and accurate translations of the corresponding documents. In the event of any discrepancy between the English language version and the original Spanish language version, the original Spanish language version shall prevail.

## **Material Contracts**

8. There are no material contracts which contain provisions under which ABANCA or any member of the ABANCA Group has an obligation or entitlement which is, or may be, material to the ability of ABANCA to meet its obligations in respect of the Notes.

## **Yield**

9. On the basis of the issue price of the Notes of 100 per cent. of their principal amount, the annual yield of the Notes for the period from (and including) the Issue Date to (but excluding) the Reset Date is 6.125 per cent. This yield was calculated on the Issue Date and is not an indication of future yield.

## **Clearing: ISIN and Common Code**

10. The Notes will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The Notes bear the ISIN ES0265936007 and the common code 193704859.

## **Listing**

11. This Prospectus is expected to be approved by the CNMV in its capacity as competent authority under the Prospectus Directive and relevant implementing measures in Spain. Application is expected to be made for the Notes to be admitted to trading on AIAF. The Notes may also be admitted to trading on any other secondary market as may be agreed by ABANCA.

## **Paying agency**

12. All payments under the Conditions will be carried out directly by ABANCA through Iberclear.

## **Stabilisation**

13. In connection with the issue of the Notes, Merrill Lynch International (the “**Stabilisation Manager(s)**”) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and any other applicable laws and rules.

## **Interests of natural and legal persons involved in the offer of the Notes**

14. Save as discussed in “*Subscription and Sale*”, so far as ABANCA is aware, no person involved in the offer of the Notes had an interest material to the offer.

## Other relationships

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

## Expenses related to the admission to trading

16. 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 .....	13,000
CNMV fees (listing).....	25,000
<b>Total</b> .....	<b>38,000</b>

## SIGNATURES

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annex XIII of Commission Regulation (EC) No 809/2004 of 29 April 2004, it is hereby signed by Mr. Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*) of the Bank and Mr. Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of the Bank, in A Coruña, on 14 January 2019.

08813578R  
JUAN LUIS  
VARGAS-ZUÑIGA  
(R: A70302039)

Firmado digitalmente  
por 08813578R JUAN  
LUIS VARGAS-ZUÑIGA  
(R: A70302039)  
Fecha: 2019.01.14  
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DE FRANCISCO (R:  
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**REGISTERED OFFICE OF ABANCA**

**ABANCA Corporación Bancaria, S.A.**

Calle Cantón Claudino Pita, 2  
Betanzos  
A Coruña  
Spain

**JOINT LEAD MANAGERS**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**UBS Limited**

5 Broadgate  
London EC2M 2QS  
United Kingdom

**LEGAL ADVISORS**

*To ABANCA as to Spanish law and as to  
English law*

**Linklaters, S.L.P.**  
Calle Almagro, 40  
28010 Madrid  
Spain

*To the Joint Lead Managers as to Spanish law and as to  
English law*

**Clifford Chance, S.L.P.**  
Paseo de la Castellana, 110  
28046 Madrid  
Spain

**AUDITORS TO ABANCA**

**KPMG Auditores, S.L.**

Paseo de la Castellana, 259 C  
28046, Madrid  
Spain