REGISTRATION DOCUMENT

ABANCA Corporación Bancaria, S.A.

(incorporated with limited liability in the Kingdom of Spain)

This Registration Document of ABANCA Corporación Bancaria, S.A. ("**ABANCA**", the "**Bank**" or the "**Issuer**"), a public limited company (*sociedad anómima*), has been approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as a registration document for the purposes of giving information with regard to the Issuer of non-equity securities during the period of 12 months after the date hereof. This Registration Document has been prepared in accordance with, and including the information required by Annex 7 of Delegated Regulation (EU) 2019/980 of 14 March 2019. The CNMV has only approved this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer that is the subject of this Registration Document. Investors should make their own assessment as to the suitability of investing in such securities.

This Registration Document is only one of the parts that make up a prospectus for the purposes of the Prospectus Regulation. Should the Issuer use this Registration Document, during its validity, in order to prepare a prospectus for the purpose of the aforementioned regulation, the Issuer will publish the relevant securities note and, where appropriate, the summary on its website (https://www.abancacorporacionbancaria.com/es/inversores/general/#programas-de-emision) and on the website of the CNMV (www.cnmv.es).

This Registration Document will be published on the Issuer's website (https://www.abancacorporacionbancaria.com/es/inversores/general/#programas-de-emision**).** Unless specifically incorporated by reference in this Registration Document, information contained in that website or in any websites mentioned throughout this Registration Document does not form part of this Registration Document and has not been examined or approved by the CNMV.

This Registration Document will be valid as a registration document under the Prospectus Regulation for 12 months from 2 June 2022. The obligation to supplement this Registration Document in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

2 June 2022

IMPORTANT NOTICES

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document or any information supplied by the Issuer and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any dealer appointed in relation to any issue of non-equity securities by the Issuer.

The delivery of this Registration Document shall not, in any circumstances, create any implication that the information contained in this Registration Document is true subsequent to the date hereof or the date upon which this Registration Document has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Registration Document has been most recently amended or supplemented.

Restrictions on distribution

Persons into whose possession this Registration Document comes are required by the Issuer to inform themselves about and to observe any restrictions applicable to the distribution of this Registration Document. For a description of certain restrictions on offers, sales and deliveries of non-equity securities issued by the Issuer and on the distribution of this Registration Document, please see the applicable description of arrangements relating to subscription and sale of the relevant non-equity securities in the relevant prospectus.

This Registration Document does not constitute an offer or an invitation to subscribe for or purchase any securities and should not be considered as a recommendation by the Issuer or any dealer appointed in relation to any issue of non-equity securities by the Issuer that any recipient of this Registration Document should subscribe for or purchase any non-equity securities issued by the Issuer. Each recipient of this Registration Document shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Roundings

Certain figures included in this Registration Document 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.

Forward-Looking Statements

This Registration Document contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Registration Document, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and the environment in which it expects to operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Registration Document: (i) the Issuer's ability to integrate our newly-acquired operations and any future expansion of its business; (ii) the Issuer's ability to realise the benefits it expects from existing and future investments in its existing operations and pending expansion and development projects; (iii) the Issuer's ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed investments; (iv) the Issuer's ability to maintain sufficient capital to fund its existing and future operations; (v) changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; (vi) changes in the competitive environment in which the Issuer and its customers operate; and (vii) failure to comply with regulations applicable to the business of the Issuer.

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

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RISK FACTORS

*Any investment in the non-equity securities issued by the Issuer is subject to a number of risks. Prior to investing in the non-equity securities issued by the Issuer, prospective investors should carefully consider risk factors associated with any investment in the relevant securities, the business of the Issuer (and its subsidiaries (the "**ABANCA Group**")) and the industries in which it operates together with all other information contained in this Registration Document, including, in particular the risk factors described below. Words and expressions defined in section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations*" or elsewhere in this Registration Document have the same meanings in this section.*

Only risks which are specific to ABANCA or the ABANCA Group are included herein as required by the Prospectus Regulation. Additional risks and uncertainties relating to ABANCA or the ABANCA Group that are not currently known to ABANCA or that it currently deems immaterial or that apply generally to the banking industry (such as the reputational risk, risk related to the reduction of credit ratings, operational risks inherent to the activity, cyber-risks and information technology risks, risks related to changes in the financial accounting and reporting standards or risks related to compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules) for which reason have not been included herein, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of ABANCA or the ABANCA Group and, if any such risk should occur, the price of any non-equity securities issued by the Issuer may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in any non-equity securities issued by the Issuer is suitable for them in light of the information in this Registration Document and their personal circumstances.

RISKS RELATING TO THE ABANCA GROUP

Business and financial risks and macroeconomic risk

Credit Risk

The ABANCA Group is exposed to the creditworthiness of its customers and counterparties. Credit risk can be defined as potential losses in respect of the full or partial breach of the debt repayment obligations of customers or counterparties (including, but not limited to, the insolvency of a counterparty or debtor), and also includes the value loss as a consequence of the credit quality of customers or counterparties. Adverse changes in the credit quality of the ABANCA Group's borrowers and counterparties could affect the recoverability and value of the ABANCA Group's assets and require an increase in provisions for problematic and doubtful debts and other provisions. Collateral and security provided to the ABANCA Group may be insufficient to cover the exposure or the obligations of others to the ABANCA Group. Credit risk is of concern in respect of the ABANCA Group's business activities in the banking, insurance, treasury and investee portfolio sectors.

As of 31 December 2021, credits to clients represented 57.1% of the total assets of the ABANCA Group (58.0% as of 31 December 2020) and fixed income securities represented 16.8% of the total assets of the ABANCA Group (19.9% as of 31 December 2020). As of 31 December 2021, €5,420.66 million fixed income securities were valued as financial assets at fair value through other comprehensive income (€6,423.24 million as of 31 December 2020), €8,138.34 million as financial assets at amortised cost (€6,915.30 million as of 31 December 2020), €1.04 million as non-trading financial assets mandatorily at fair value through profit or loss (€27.48 million as of 31 December 2020), with no financial assets held for trading (€20.98 million as of 31 December 2020).

In the year ended 31 December 2021 the ABANCA Group allocated provisions for credit for an amount of €849.17 million.

Non-performing or low credit quality loans have in the past negatively impacted the ABANCA Group's results of operations and, as well as to all the banking system, could do so in the future. As of 31 December 2021, the "non-performing loans" ("**NPLs**", which correspond to the item "impaired assets" of the consolidated balance sheet of the ABANCA Group) amounted to €995.77 million (€801.13 million as of 31 December 2020). The increase in NPLs in 2021 was driven by the incorporation of Bankoa, S.A. ("**Bankoa**") and the former Spanish business of the Portuguese bank Novo Banco, S.A ("**Novo Banco Spain**") in the perimeter of consolidation of the ABANCA Group. As of 31 December 2021, 44.8% of the NPLs were secured by real estate mortgages, while 0.9% were secured by other types of *in rem* securities (such as pledges) and 54.3% benefited from personal guarantees (50.6%, 1.8% and 47.6%, respectively, as of 31 December 2020). The new loan production formalised since the beginning of 2015 that has been at any time classified as NPLs (regardless of whether or not it is classified as such as at 31 December 2021) represented 1.09% of the total new loan production during that period (the entries of

NPLs amounted to €181.9 million in the year ended on 31 December 2021 and to €192.9 million in the year ended on 31 December 2020).

As of 31 December 2021, the performing loans portfolio[1] of the ABANCA Group amounted to €45,557.71 million (€38,351.73 million as of 31 December 2020).

As of 31 December 2021, the outstanding balances of refinancing and restructuring transactions amounted to €1,215.22 million (€1,062.86 million as of 31 December 2020), €411.21 million of which related to impaired assets (€379.23 million as of 31 December 2020).

Some of the ratios that can be used as a measure of the asset quality of the ABANCA Group and of the ability of the ABANCA Group to absorb potential losses arising from them, are the NPL Ratio[2] (that stood at 2.1% as of 31 December 2021 and 2.0% as of 31 December 2020), the NPL Coverage Ratio[3] (that stood at 85.3% as of 31 December 2021 and 81.2% as of 31 December 2020) and the Texas Ratio[4] (that stood at 28.7% as of 31 December 2021 and 27.7% as of 31 December 2020).

The exposure to the real estate sector is a very significant factor of the credit risk of a financial entity and it has had, and may in the future have, a significant impact on the non-performing assets of the Spanish banking system. Declines in property prices adversely affect the credit quality of property developers to whom loans have been made and decrease the value of the real estate collateral securing a financial entity's mortgage loans. The ABANCA Group has lending exposure to risks in the property development and construction sector, with gross loans for property construction and/or development amounting to €622.6 million (1.3% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2021 (€725.79 million (1.8% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2020). The NPLs of the ABANCA Group in this segment represented 3.2% as of 31 December 2021 and 2.7% as of 31 December 2020.

Furthermore, Spanish real estate assets secure many of the ABANCA Group's outstanding loans, and the ABANCA Group holds Spanish real estate assets on its balance sheet, including real estate received in lieu of payment for certain underlying loans. As of 31 December 2021 the ABANCA Group portfolio of foreclosed real estate assets stood at €637.28 million[5] (out of which, 39% corresponded to residential assets, 18% to non-residential assets and 43% to other assets); as of 31 December 2020, the ABANCA Group portfolio of foreclosed real estate assets stood at €709.27 million[6] (out of which, 42% corresponded to residential assets, 18% to non-residential assets and 40% to other assets). The gross book value of foreclosed assets sold in 2021 was €79.03 million (€87.35 million in 2020). As of 31 December 2021, the Coverage of Foreclosed Assets Ratio[7] of the ABANCA Group was 62.5% (61.8% as of 31 December 2020), the NPA Coverage Ratio[8] of the ABANCA Group stood at 76.4% (72.1% as of 31 December 2020) and the NPA Ratio[9] of the ABANCA Group stood at 3.5% (3.8% as of 31 December 2020).

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1 Performing loans portfolio is an alternative performance measure ("**APM**"), which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

2 NPL Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

3 NPL Coverage Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

4 Texas Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

5 As of that date, the "non-performing assets" ("**NPAs**") of the ABANCA Group amounted to €1,633.05 million (€995.77 million corresponding to total non-performing loans and €637.28 million corresponding to gross foreclosed assets). NPA is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

6 As of that date, the NPAs of the ABANCA Group amounted to €1,510.40 million (€801.13 million corresponding to total non-performing loans and €709.27 million corresponding to gross foreclosed assets).

7 Coverage of Foreclosed Assets Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

8 NPA Coverage Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

9 NPA Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

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

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

The ABANCA Group conducts its business mainly in Spain (as of 31 December 2021, 96% of the total consolidated assets and liabilities of the ABANCA Group were located in Spain (95% as of 31 December 2020)), with the remaining 4% located mostly in Portugal, where ABANCA has expanded its activity in recent years. In particular, it has a remarkable footprint in the autonomous region (*comunidad autónoma*) of Galicia (*please see "Description of ABANCA—Distribution channels*"). As of 31 December 2021, 40% of ABANCA Group's credit granted in Spain is located in Galicia (46% as of 31 December 2020). This concentration in Galicia gives the ABANCA Group a better knowledge of the market, making it easier to manage the risk and the quality of acceptance, although at the same time it generates greater dependence on the evolution of the Galician economy.

Consequently, the income generated by most of the products sold and by the services rendered by the ABANCA Group depends on the economic conditions in Spain and Portugal, and especially in Galicia. In addition, the Spanish and Portuguese economies are particularly sensitive to economic conditions in the Eurozone, the main market for Spanish and Portuguese goods and services exports. Accordingly, adverse economic conditions in the Eurozone might have an adverse effect on Spanish and Portuguese economic growth and, therefore, may also affect the business, financial condition and results of operations of the ABANCA Group.

In particular, since the portfolio of loans to customers of the ABANCA Group consists mainly of loans to enterprises (representing 38% of the total portfolio of loans as of 31 December 2021 (40% as of 31 December 2020)) and mortgage and consumer loans granted to individual customers (representing 40% of the total portfolio of loans as of 31 December 2021 (45% as of 31 December 2020)), any adverse economic developments affecting extraordinarily industrial activities can be especially material for the ABANCA Group.

Events affecting the global economy in general or the Spanish or Portuguese economies in particular, both external (such as a greater slowdown in the emerging economies, the military conflict between Russia and Ukraine and the new international sanctions landscape and the increase in the cost of certain raw materials and of energy that it has led to, other political and geopolitical risks, or episodes of financial volatility) and internal (such as emergence of political instability in Spain, Portugal or other European Union ("**EU**") countries), could negatively affect European and the Spanish and Portuguese economies. Any adverse changes affecting the Spanish and Portuguese economies could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Public support measures to fight the pandemic have raised public deficits and debt levels. A significant number of financial institutions throughout Europe have substantial exposure to sovereign debt issued by Eurozone -and other- nations, which may be under financial stress (as regards ABANCA, please see "*Business and financial risks—Market Risk*" below). Should any of those nations default on their debt, or experience a significant widening of credit spreads, financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions. As of 31 December 2021, the ABANCA Group held Spanish debt (mainly sovereign) representing 9% of its total consolidated assets (12% as of 31 December 2020).

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

The Spanish economic activity remained on a path of gradual recovery in 2021, within a context of gradual alleviation of the pandemic containment measures alongside the vaccination process. In this regard, the main indicators of activity returned to pre-pandemic levels, with the exception of those linked to foreign tourism and vehicle registrations. In the last quarter of 2021, despite the impact of the sixth wave of infections, activity remained positive with a quarterly growth of 2.2% (source: *Instituto Nacional de Estadística (INE)*). In 2021, the Spanish Gross Domestic Product increased by 5.1% (source: *Instituto Nacional de Estadística (INE)*).

The recovery in the labour market in 2021 has been more intense, surpassing pre-pandemic levels in both Social Security affiliates (with an increase of 3.0% (source: *Ministerio de Inclusión, Seguridad Social y Migraciones*) and employed persons (with an increase of 1.1% (source: *Instituto Nacional de Estadística (INE)*). The year ended with an unemployment rate of 13.3%, representing a decrease of 2.8% in the year and five tenths of a percentage point lower than at the end of 2019 (source: *Instituto Nacional de Estadística (INE)*). Temporary suspension of employment channeled through the Temporary Employment Suspension of Contracts Procedure (*Expediente Temporal de Regulación de Empleo* or ERTE) decreased to 120,000 workers (while at the beginning of the year it exceeded 930,000 workers) (source: *Ministerio de Inclusión, Seguridad Social y Migraciones*).

The Galician economy maintained a recovery dynamic in the last quarter of 2021 (quarterly growth of 0.9%), achieving an increase of 5.2% in 2021 (source: *Instituto Galego de Estatística (IGE)*). In the labour market, the number of registered workers in December 2021 was 2.0% above pre-pandemic levels (source: *Ministerio de Inclusión, Seguridad Social y Migraciones*), while the unemployment rate closed the year at 11.0%, 2.3 percentage points below the national average (source: *Instituto Nacional de Estadística (INE)*).

Regulatory changes implemented by the Spanish authorities to mitigate the economic effects of COVID-19 included:

a) *Public and sectoral moratoria*: Royal Decree-Law 3/2021 of 2 February extended until 30 March 2021 the deadline for applying for legislative and non-legislative moratoria, the duration of which was for a maximum period of nine months, including, where applicable, the moratorium period already enjoyed. With this amendment, the moratoria were aligned with the new date set in the December 2020 revision of the guidelines of the European Banking Authority ("**EBA**") on moratoria (the "**EBA Guidelines**"). On the other hand, the sectoral moratoria promoted by the Spanish Banking Association (AEB), by the Spanish Confederation of Savings Banks (CECA) and by the National Association of Financial Credit Establishments (ASNEF), to which both the Bank and its subsidiary Abanca Servicios Financieros, S.A.U. joined in 2020, respectively, and which had initially been in force until the end of September 2020, were reactivated following the publication of the EBA Guidelines, extending their application period until 30 March 2021 and 31 March 2021, respectively, under the same terms as those contained in such guidelines.

   As of 31 December 2021, with more than 95% of the moratoria granted yet expired, there has not been a deterioration in the NPL ratio of ABANCA.

b) *Instituto de Crédito Oficial ("**ICO**") guarantee schemes*: following Royal Decree-Law 8/2020 of 17 March, which approved a ICO-guarantee scheme for companies and the self-employed of up to €100,000 million, Royal Decree-Law 25/2020, of 3 July, approved a new ICO-guarantee scheme on account of the State for companies and the self-employed of up to €40,000 million, whose last tranche was approved by the Resolution of the Council of Ministers of 28 May 2021. In March 2021, Royal Decree-Law 5/2021, of 12 March, extended the deadline for applying for all guarantees to 31 December 2021. Finally, on 24 November 2021, Royal Decree-Law 27/2021, in line with the extension of the validity of the European Union's Temporary Aid Framework, once again extended the application period for these guarantees by a further six months (i.e. until 30 June 2022).

   Furthermore, Royal Decree-Law 5/2021 approved a public investment of up to €11,000 million aimed at direct aids, restructuring of balance sheets and recapitalisations of companies. It was targeted at viable companies in the sectors most affected by the pandemic, with the aim of channeling resources to the economy as a whole and reducing the risk of over-indebtedness that could hinder economic recovery. These measures include a relaxation of the flexibility of loans with public guarantees, allowing the ICO to join the refinancing and restructuring processes agreed between the banks and their clients.

c) *Code of Good Practices*: On 11 May 2021, the Council of Ministers adopted a Resolution approving the Code of Good Practices on the renegotiation framework governing the renegotiation of guaranteed financing for customers foreseen in Royal Decree-Law 5/2021. The Code of Good Practices mainly envisages three possibilities that debtors, complying with a series of specific conditions, could avail themselves of to address the economic difficulties arising from COVID-19: (i) term extensions (which could initially be applied for until 15 October 2021), (ii) conversion of debt into participating loans (which could also initially be applied for until 15 October 2021) and (iii) write-offs (whose initial maximum implementation period was due to expire on 1 December 2022). On 1 December 2021, the Resolution of 30 November 2021 of the State Secretariat for Economy and Business Support extended until 1 June 2022 and 1 June 2023, the deadlines for the application for term extensions and debt conversions into participating loans and for write-offs, respectively, thereby adapting the reference limits in line with the new thresholds set out in the EU Temporary Framework following its amendment.

The following table is a breakdown of outstanding and expired moratoria granted by ABANCA as at 31 December 2021 and 31 December 2020:

			(EUR thousand)	
	Number of clients	**Outstanding**	**Expired**	**Total**
31 December 2021	13,320	52,962	1,210,970	1,263,932
31 December 2020	11,587	1,044,737	149,251	1,193,988

The following tables include information regarding loans and advances subject to legislative and non-legislative moratoria as at 31 December 2021 and 2020:

As at 31 December 2021:

Gross carrying amount (*EUR thousand*)

	Number of obligors (units)	**Amount**	**Of which: legislative moratoria**	**Of which: expired**	**Residual maturity of the moratoria**				
					<= 3 months	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
Loans and advances for which moratorium was offered	15,204	1,275,191	-	-	-	-	-	-	-
Loans and advances subject to moratorium (granted)	13,320	1,263,932	889,354	1,210,970	44,844	2,913	950	1,196	3,059
Of which: Households	-	886,867	554,404	884,594	2,182	91	-	-	-
Of which: Collateralised by residential immovable property	-	800,172	509,516	798,433	1,648	91	-	-	-
Of which: non-financial corporations	-	377,065	334,950	326,376	42,662	2,822	950	1,196	3,059
Of which: Small- and Medium-sized enterprises	-	224,262	199,435	206,628	11,052	2,327	-	1,196	3,059
Of which: Collateralised by commercial immovable property	-	185,879	162,044	182,102	2,941	-	-	836	-

As at 31 December 2020:

Gross carrying amount (*EUR thousand*)

	Number of obligors (units)	**Amount**	**Of which: legislative moratoria**	**Of which: expired**	**Residual maturity of the moratoria**				
					<= 3 months	**> 3 months <= 6 months**	**> 6 months <= 9 months**	**> 9 months <= 12 months**	**> 1 year**
Loans and advances for which moratorium was offered	13,486	1,195,989	-	-	-	-	-	-	-
Loans and advances subject to moratorium (granted)	11,587	1,193,988	866,528	149,251	593,401	330,629	119,970	737	-
Of which: Households	-	890,727	563,293	143,802	430,135	263,047	53,743	-	-
Of which: Collateralised by residential immovable property	-	792,815	510,769	78,776	411,002	251,221	51,816	-	-
Of which: non-financial corporations	-	303,261	303,235	5,449	163,266	67,582	66,227	737	-
Of which: Small- and Medium-sized enterprises	-	142,131	142,132	4,304	70,907	34,863	31,320	737	-
Of which: Collateralised by commercial immovable property	-	122,629	122,629	597	42,181	32,065	47,360	426	-

The following tables include information regarding new loans and advances subject to public guarantee schemes introduced in response to the COVID-19 pandemic as at 31 December 2021 and 2020:

As at 31 December 2021:

EUR thousand

	Gross carrying amount		**Maximum amount of the guarantee that can be considered**	**Gross carrying amount**
	Amount	**Of which: forborne**	**Public guarantees received**	**Inflows to non-performing exposures**
Newly originated loans and advances subject to public guarantees schemes	3,562,970	101,659	2,596,585	37,932
Of which: households	207,964	-	-	783
Of which: collateralised by residential immovable property	-	-	-	-
Of which_ Non-financial corporations	3,355,006	100,610	2,432,586	37,149
Of which: Small- and Medium-sized enterprises	1,851,957	-	-	27,593
Of which: collateralised by commercial immovable property	10,957	-	-	1,809

As at 31 December 2020:

EUR thousand

	Gross carrying amount		**Maximum amount of the guarantee that can be considered**	**Gross carrying amount**
	Amount	**Of which: forborne**	**Public guarantees received**	**Inflows to non-performing exposures**
Newly originated loans and advances subject to public guarantees schemes	3,128,085	34,712	2,294,971	4,784
Of which: households	176,216	-	-	-
Of which: collateralised by residential immovable property	-	-	-	-
Of which_ Non-financial corporations	2,951,869	34,188	2,155,153	4,784
Of which: Small- and Medium-sized enterprises	1,577,895	-	-	2,384
Of which: collateralised by commercial immovable property	7,481	-	-	-

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

The ABANCA Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to its depositors and other creditors on interest-bearing liabilities.

Interest rates are highly sensitive to many factors beyond the ABANCA Group's control, including fiscal and monetary policies of governments and central banks and regulation of the financial sectors in the markets in which it operates, as well as domestic and international economic and political conditions and other factors. Changes in market interest rates may affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect the ABANCA Group's results of operations. Consequently, fluctuations in interest rates may therefore have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

The ABANCA Group has conducted an analysis of the sensitivity of its profit and loss account to interest rates, considering two standard scenarios: (i) a drop in market interest rates by 200 basis points with respect to the implicit interest rates as at 31 December 2021 (determined applying Bank of Spain and EBA criteria), with a floor of -1% for changes in short-term market rates and a floor of 0% for changes in long-term market rates; and (ii) a rise of 200 basis points with respect to the implicit interest rates as at 31 December 2021. This analysis has shown that (i) a 200 basis points drop in Euribor would have had an impact of (a) -€60.3 million on the net interest income for the year ended 31 December 2021 and (b) -€197.7 million on the economic value of capital as of 31 December 2021; and (ii) a 200 basis point rise in Euribor would have had an impact of (a) €63.9 million on the net interest income for the year ended 31 December 2021 and (b) €904.5 million on the economic value of capital as of 31 December 2021. Please see the 2021 Audited Consolidated Annual Accounts for further information on the sensitivity analysis conducted as at 31 December 2021.

In addition to the above, and although in the last financial periods the ABANCA Group has managed to increase its net interest income[10] thanks to both the growth in business volume and the focus on some more profitable business lines, given the uncertainty regarding the evolution of interest rates, the continuous increase (or even maintenance) of the ABANCA Group's net interest income cannot be assured, which may have a material adverse effect on its business, financial situation and operating results. The commercial margin[11] of the ABANCA Group as of 31 December 2021 was 1.27% (1.52% as of 31 December 2020).

In order to avoid or limit the adverse consequences derived from a low interest rate environment, the ABANCA Group (like other Spanish financial entities) has tried to find alternative means to achieve positive effects on its results of operations, with net fees and commissions among the main ones (especially through the insurance business) but also optimising its cost base and analysing growth opportunities. For the year ended on 31 December 2021 the net fees and commissions[12] of the ABANCA Group amounted to €257.53 million, which represented 24.47% of the gross margin of the ABANCA Group for that period (€234.19 million and 21.21%, respectively, for the year ended on 31 December 2020) with income from non-banking products commercialisation being €104.93 million, income from other services fees being €51.53 million, and income from payments and other services fees being €101.06 million (€84.58 million, €49.71 million and €99.90 million, respectively for the year ended 31 December 2020).

Liquidity risk

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

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10 For the year ended on 31 December 2021, the net interest income of the ABANCA Group was €674.15 million and represented 64.06% of the gross margin (for the year ended on 31 December 2020, the net interest income was €642.96 million and represented 58.24% of the gross margin).

11 Commercial margin is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

12 Net fees and commissions is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

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

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

As of 31 December 2021, the ABANCA Group had Liquid Assets amounting to €16,494.09 million (€13,462.08 million as of 31 December 2020) to face maturities of issuances for an amount of €3,765 million (€3,191 million as of 31 December 2020), €129.6 million of which mature prior to December 2022. However, the ABANCA Group cannot guarantee that it will be able to meet its liquidity needs or meet them without incurring higher customer acquisition costs or having to liquidate part of its assets if there is some pressure on its liquidity for any reason, which could cause a negative impact on the interest margin of the ABANCA Group. Additionally, ABANCA has an issuing capacity of covered bonds (*cédulas hipotecarias y territoriales*) of €6,226 million as of 31 December 2021 (€5,288 million as of 31 December 2020).

As of 31 December 2021, ABANCA Group's financing structure consisted of 12% of interbank funding, 14% of ECB funding, 5% of issuances and 69% of retail deposits (amounting to €49,793.27 million as of that date (€42,541.02 million as of 31 December 2020), that compares with the €45,982.39 million of credit to customers as at that date (€39,100.19 million as of 31 December 2020)). This referred surplus is reflected in the Retail Loan to Deposits (LtD) ratio[13] of the ABANCA Group that as of 31 December 2021 was 92.3% (91.9% as of 31 December 2020)). As of 31 December 2020, ABANCA Group's financing structure consisted of 8% of interbank funding, 15% of ECB funding, 5% of issuances and 72% of retail deposits. One of the ABANCA Group's major sources of funds are savings and demand deposits. As of 31 December 2021, 71.4% of the total consolidated liabilities of the ABANCA Group were customer deposits (73.8% as of 31 December 2020).

The level of customer deposits (either wholesale or retail) may fluctuate due to factors outside the ABANCA Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products.

As of 31 December 2021, the ABANCA Group's client resources consisted of 66% demand deposits, 13% term deposits and 21% off-balance-sheet funds[14] (63% demand deposits, 18% term deposits and 19% off-balance-sheet funds as of 31 December 2020).

Due to the last financial market crisis, that was followed by instability, reduced liquidity available to operators in the sector, increase in risk premium and higher capital requirements imposed by the supervisory authorities, there has been a widespread need to guarantee higher level of capitalisation and liquidity for banking institutions. This situation has meant that government authorities and national central banks have had to take action to support the credit system, and has caused some of the biggest banks in Europe and in the world to turn to central institutions in order to meet their short-term liquidity needs. In this context, the ECB has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, longer-term refinancing programmes such as the "Targeted Longer-Term Refinancing Operations" (TLTRO) introduced in 2014 (the "**TLTRO I**"), in 2016 (the "**TLTRO II**"), and in 2019 (the "**TLTRO III**"), and purchases on the debt securities market. As of 31 December 2021, the funding with the ECB amounted to €9,765.78 million, €8,606.73 million as of 31 December 2020, which represented 12.1% and 12.8%, respectively, of the total consolidated assets of the ABANCA Group, and 12.9% and 13.7% of the consolidated liabilities of the ABANCA Group, as of 31 December 2021 and 31 December 2020, respectively. Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the

13 The Retail Loan to Deposits (LtD) ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation is set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

14 Off-balance-sheet funds is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

criteria for identifying the asset types admitted as collateral and/or their relative valuations or a reduction or discontinuation of these liquidity support operations, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

In addition, the ABANCA Group is required to comply with certain liquidity requirements, the LCR requirements provided in CRR and the BCBS NSFR (please see section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations —Capital and eligible liabilities, liquidity and funding requirements*"). The LCR of the ABANCA Group was 257% as at 31 December 2021 (291% as of 31 December 2020) and the NSFR ratio of the ABANCA Group was 132% as at 31 December 2021 (132% as of 31 December 2020).

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

The markets in which the ABANCA Group operates are highly competitive and the ABANCA Group faces substantial competition in all parts of its business. The trend towards consolidation in the banking industry has created larger and stronger banks with which the ABANCA Group must now compete, some of which have received public capital support. This trend is currently continuing (for example, through the merger between CaixaBank, S.A. and Bankia, S.A. and between Unicaja Banco, S.A. and Liberbank, S.A.) and is expected to further continue. The restructuring undergone by the Spanish banking industry has given rise to a scenario in which the number of entities has been sharply reduced and market concentration has increased. While in 2008 the five largest banks accounted for 44% of the market, in terms of total assets, as at 31 December 2021 their joint share was 70%, an increase of 61% (source: *Banco de España, CECA and AEB*). There can be no assurance that this increasing competition will not adversely affect the growth prospects of the ABANCA Group, and therefore its operations.

The ABANCA Group also faces competition from non-bank competitors, some of them operating outside the regulated banking system (including internet-based e-commerce providers, mobile telephone companies and internet search engines and other large technology companies). The cost-structure, resources and size of the ABANCA Group may be more limited than those of some of these non-bank competitors and, thus, the reaction capacity of the ABANCA Group is reduced. In addition, some of these competitors are well oriented to the customer experience, are able to reach a wider number and scope of potential clients, and have an important capability for massive data exploitation.

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

The EU shadow banking system had total assets of over €39.4 trillion at the end of 2020, accounting for around 40% of the EU financial system (source: *EU Non-Bank Financial Intermediation Risk Monitor 2021, published by the European Systemic Risk Board*).

The degree of digitalisation of the ABANCA Group's customers (68% of their clients and 70% of total transactions as of 31 December 2021) and their age pyramid make ABANCA consider the competition from digital providers as particularly sensitive.

If the ABANCA Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, the ABANCA Group's business may be adversely affected. In addition, the ABANCA Group's failure to effectively anticipate or adapt to emerging technologies or changes in customer behaviour could delay or prevent the ABANCA Group's access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business. For example, the rise in customer use of internet and mobile banking platforms in recent years could negatively impact the ABANCA Group's investments in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may necessitate changes to the ABANCA Group's retail distribution strategy, which may include closing and/or selling certain branches and restructuring its remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of the ABANCA Group's remaining branches or to otherwise reform its retail distribution channel. Furthermore, the ABANCA Group's failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect on its competitive position.

Market risk

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

As of 31 December 2021, excluding hold-to-collect portfolio and the credit investment portfolio, the exposure of the ABANCA Group subject to market risk came to a total €4,535.73 million in fixed income securities with fixed rate and €23.32 million in fixed income securities with floating rate (€5,324.38 million and €267.92 million, respectively, as of 31 December 2020) and €92.52 million in equity instruments (€163.46 million as of 31 December 2020). The fixed income portfolio exposed to market risk mainly comprises government bonds, as of 31 December 2021, 9.82% corresponds to sovereign bonds of the Spanish government, 76.85% to bonds of other countries of the Monetary Economic Union, and no exposure to bonds of government agencies, autonomous regions and bonds backed by the Spanish government (36.52%, 45.80% and 0.51%, respectively, as of 31 December 2020).

A standard measure to evaluate market risk is "VaR" (Value at Risk)[15]. As of 31 December 2021, the VaR of the fixed income securities and equity portfolio (excluding the hold-to-collect portfolio and the credit investment portfolio) of the ABANCA Group, considering a daily time horizon and a confidence level of 99%, was €27.50 million (€75.56 million as of 31 December 2020). In other words, on average, 99 out of 100 times, the real daily losses for the securities portfolio were lower than those reflected by the VaR.

If the ABANCA Group were to suffer substantial losses due to any such market volatility, it would adversely affect the ABANCA Group's business, financial condition and results of operations.

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

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

As of 31 December 2021, the ABANCA Group had deferred tax assets amounting to a total of €3,482.02 million (€3,435.36 million as of 31 December 2020). These tax assets or credits originate mainly from (i) accounting expenditure not tax-deductible in the year it is reported, but that could be in the future (pre-paid taxes); (ii) negative tax bases in corporation tax due to the losses of the corresponding financial year; and (iii) certain deductions in corporation tax which cannot be applied in the corresponding financial year if the tax base of such tax is negative.

Pursuant to Law 27/2014, of 27 November, on Corporate Income Tax, as amended (the "**CIT Law**"), of the €3,482.02 million deferred tax assets mentioned above, the ABANCA Group considers that €2,685.47 million would become government debt securities (monetisable) if, after 18 years have passed (as from 31 December 2014 or from the accounting record of the tax asset, whichever date is the latest), said tax assets have not been able to be recovered. In this respect, the ABANCA Group plans to pay the financial contribution established under the Thirteenth Additional Provision of the CIT Law, having established a provision amounting to €31.19 million in the 2021 Audited Consolidated Annual Accounts. The future recovery by the ABANCA Group of part of such tax assets will be subject to different time limitations depending on their origin (15 years for deductions pending application regulated by the CIT Law, except for any deduction for research and development and technological

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

innovation activities, the offset deadline for which is 18 years). There is no time limitation for the offset of negative tax bases and deductions to avoid double taxation. Furthermore, the potential recovery of these tax assets is conditioned or limited by the existence of certain assumptions, such as the obtaining of sufficient profits; the non-reduction of corporation tax; or mistakes or discrepancies with the Spanish tax authorities in the settlement of such tax.

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

Internal operational risks

The ABANCA Group may face business combination risks

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

Please see "*Description of ABANCA—History*" for a description of the most recent acquisition transactions undertaken (or to be undertaken) by ABANCA: (i) the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal ("**DB PCB**"), which represented the first cross-border acquisition for the ABANCA Group; (ii) the acquisition and subsequent absorption by ABANCA of Banco Caixa Geral, S.A. ("**BCG**"), the former Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos; and (iii) the acquisition of Bankoa, a former Spanish subsidiary of the Crédit Agricole Group; and (iv) the acquisition of Novo Banco Spain. Although ABANCA has undertaken acquisitions of the sort in recent years and has proven expertise managing the processes related to them, this type of project represents a challenge, in terms of both technological capabilities and business integration. Any deviation or unforeseen events in these processes may have an impact on the outcome of the transaction and, thus, may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Actuarial risk

Actuarial risk is associated with the insurance business within the ABANCA Group's existing business lines and types of insurance. Actuarial risk reflects the risk arising from the execution of life and other insurance contracts, considering events covered and the processes used in the conduct of business, and distinguishing mortality, longevity, disability and morbidity risk. Management of this risk depends on actuarial management policies relating to subscription, pricing and accident rates. If actuarial risk was not correctly monitored and managed, it could adversely affect the ABANCA Group's business, financial condition and results of operations. The ABANCA Group had general and life-risk insurance premiums for a value of €337.3 million as of 31 December 2021, representing an increase of 12.8% compared to 31 December 2020.

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

Legal and regulatory risks

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

The ABANCA Group's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the EU and the other markets in which it operates. In addition, the specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. This creates significant uncertainty for the Bank and the financial industry in general. Any required changes to the ABANCA Group's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the ABANCA Group's ability to pursue business opportunities in which the ABANCA Group might otherwise consider engaging, affect the value of assets that the ABANCA Group holds, require the ABANCA Group to increase its prices and therefore reduce demand for its products, impose additional costs on the ABANCA Group or otherwise adversely affect the ABANCA Group's businesses.

In addition to the increased regulation in terms of customer and investor protection and digital and technological matters, the regulations which most significantly affect the ABANCA Group, or which could most significantly affect the ABANCA Group in the future, are regulations relating to capital and liquidity requirements.

In particular, the Issuer and the ABANCA Group are subject to certain capital, liquidity and funding requirements (as described in the section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations — Capital and eligible liabilities, liquidity and funding requirements*"). These and other regulatory requirements, standards or recommendations may limit the Issuer and the ABANCA Group ability to manage their balance sheets and capital resources effectively or to access funding on more commercially acceptable terms, for example by requiring them to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of their assets in highly-liquid but lower-yielding financial instruments, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

As described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations —Capital and eligible liabilities, liquidity and funding requirements*", the capital requirements for the ABANCA Group applicable from 1 March 2022 are a CET1 ratio requirement of 8.125% of RWAs and a phased-in total capital ratio requirement of 12.50% of RWAs. These capital requirements include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8.00% of RWAs), the P2R (CET1 ratio of 1.125% of RWAs and total capital ratio of 2.00% of RWAs), and the capital conservation buffer (2.5% of RWAs to be satisfied with additional CET1 capital). As of 31 December 2021, the Bank's phased-in individual CET1 ratio was 12.33% (11.83% fully loaded), its phased-in Tier 1 ratio was 14.22% (13.73% fully loaded) and its phased-in total capital ratio was 16.20% (15.71% fully loaded); as of that date the phased-in CET1 ratio of the ABANCA Group was 13.02% (12.38% fully loaded), its phased-in Tier 1 ratio was 14.94% (14.30% fully loaded) and its phased-in total capital ratio was 16.93% (16.30% fully-loaded).

In addition, as described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations — MREL Requirements*" banks shall hold a minimum level of capital and eligible liabilities.

In January 2022, the Bank of Spain formally reported on the MREL to be achieved by ABANCA on a consolidated basis, which was established by the SRB. In this decision, a binding intermediate MREL requirement of 14.77% of the TREA and of 5.19% of the LRE have been set, which must be fulfilled on 1 January 2022. The final MREL requirement, which ABANCA must meet no later than 1 January 2024, stands at 18.02% of TREA and at 5.19% of LRE. These ratios (both intermediate and final requirements) do not include the capital allocated to cover the Combined Buffer Requirement (2.5% TREA). The decision of MREL is aligned with the ABANCA's forecasts and the financing plan included in its strategic plan. As of 31 December 2021 ABANCA's MREL represented 18.46% of the TREA and a 7.66% of the LRE.

As also described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations — Capital and eligible liabilities, liquidity and funding requirements — Leverage Ratio*", the EU Banking Reforms contain a binding 3% Tier 1 LR requirement, that has been added to the own funds requirements and which institutions must meet in addition to their risk-based requirements. As of 31 December 2021 the Bank's phased-in LR was 5.84% and its fully-loaded LR was 5.64%, as of that date the ABANCA Group phased-in LR was 6.20% and its fully-loaded LR was 5.94%.

As described in the section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations* ", failure by the Bank or the ABANCA Group to comply with certain of the existing regulatory requirements could result in the imposition of administrative actions or sanctions, such as prohibitions or restrictions on making "discretionary payments" (which includes distributions relating Additional Tier 1 capital instruments), further "Pillar 2" requirements or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, which, together with Royal Decree 1012/2015, has implemented BRRD into Spanish law, which may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future and, since, as explained in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations*", CRD V Directive and BRRD II have been recently partially implement into Spanish law by RDL 7/2021, it is uncertain how will such implementation and application will affect the ABANCA Group.

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

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

The ABANCA Group is involved in proceedings related to mortgage "floor clauses" (in connection with which the provisions of ABANCA Group amounted to €3.10 million as of 31 December 2021 (€4.79 million as of 31 December 2020) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with mortgage "floor clauses" as this type of clauses have not been included in the ABANCA Group agreements since 2011)), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which the provisions of ABANCA Group amounted to €2.56 million as of 31 December 2021 (€0.73 million as of 31 December 2020)), proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which the provisions of ABANCA Group amounted to €1.67 million as of 31 December 2021 (€2.95 million as of 31 December 2020) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with this matter)) and proceedings related to payment of stamp duty in mortgage loans (the provisions set aside by the ABANCA Group in connection with the potential requirement to pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018 are included, together with provisions for other matters, in a provision for loan execution expenses that as of 31 December 2021 amounted to €2.72 million (€2.59 million as of 31 December 2020)). In addition, as of 31 December 2021 the ABANCA Group had provisions amounting to €16.53 million to cover commitments with third parties in connection with its activity (€21.7 million as of 31 December 2020). No new provisions relating to new legal proceedings have been required in the year ended 31 December 2021 nor in the year ended 31 December 2020.

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

INFORMATION INCORPORATED BY REFERENCE

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

- ABANCA Group's unaudited condensed consolidated interim financial statements prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting available at ABANCA's website (https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2022-1t-es.pdf) (together, the "**2022 Consolidated First Quarter Interim Financial Statements**").

  The 2022 Consolidated First Quarter Interim Financial Statements were published by ABANCA as an announcement of other material information (*anuncio de otra información relevante*) (registry number: 16,088) on 6 May 2022, which is available at the CNMV's website.

- ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 2021 (the "**2021 Directors' Report**"), together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2021-4t-es.pdf) (together, the "**2021 Audited Consolidated Annual Accounts**").

  The 2021 Audited Consolidated Annual Accounts were published by ABANCA as an announcement of other material information (*anuncio de otra información relevante*) (registry number: 15,274) on 30 March 2022, which is available at the CNMV's website.

- ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 2020, together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-4t-2020-es.pdf) (together, the "**2020 Audited Consolidated Annual Accounts**").

  The 2020 Audited Consolidated Annual Accounts were published by ABANCA as an announcement of other material information (*anuncio de otra información relevante*) (registry number: 8,258) on 29 March 2021, which is available at the CNMV's website.

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

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

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

English translations

English translations of the 2022 Consolidated First Quarter Interim Financial Statements, of the 2021 Audited Consolidated Annual Accounts and of the 2020 Audited Consolidated Annual Accounts are available at ABANCA's website:

1 https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2022-1t-en.pdf.

2 https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2021-4t-en.pdf.

3 https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-4t-2020-en.pdf.

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

DESCRIPTION OF ABANCA

HISTORY AND DEVELOPMENTS

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

ABANCA is registered with the Commercial Registry of A Coruña in tome 3,426 of the General Section, folio 1 et seq, sheet C-47,803. In addition, ABANCA is registered with the Special Registry of Banks and Bankers of the Bank of Spain, under code number 2080. ABANCA has its corporate address at Calle Cantón Claudino Pita, no. 2, Betanzos 15300 A Coruña, Spain, it holds Tax Identification Number (*Número de Identificación Fiscal*) A-70302039 and its Legal Entity Identifier (LEI) code is 54930056IRBXK0Q1FP96.

The telephone number of the registered address of ABANCA is (+34) 981 18 70 00 and its corporate website is "www.abancacorporacionbancaria.com/" (the information on the corporate website of the Issuer does not form part of this Registration Document unless that information is incorporated by reference into this Registration Document).

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

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

HISTORY

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

- On 25 June 2014, the transfer to ABANCA Holding Financiero, S.A. ("**ABANCA Holding**") (a company that was mainly owned by Mr. Juan Carlos Escotet Rodríguez) of the shares that the *Fondo de Reestructuración Ordenada Bancaria* (the "**FROB**") and the Deposit Guarantee Fund held in the Bank (which represented 88.33% of the share capital of the Bank) was completed.

- In August 2014, the boards of directors of the Bank and Banco Etcheverría, S.A. approved the absorption of Banco Etcheverría by the Bank (the merger was registered with the Commercial Registry in November 2014). The activities of Banco Etcheverría, S.A. were located in the autonomous regions (*comunidades autónomas*) of Galicia, Madrid, Asturias, Castilla-La Mancha, Aragón and Canarias and also in the provinces of León and Valladolid.

- In December 2014, the General Shareholders' Meeting of the Bank agreed to amend the Bank's name, thus becoming "ABANCA Corporación Bancaria, S.A.".

- In May 2017, ABANCA purchased all shares in Popular Servicios Financieros, E.F.C., S.A.U. from Banco Popular Español, S.A., for a total amount of €39.3 million. Popular Servicios Financieros, E.F.C., S.A.U. had a deep knowledge of consumer business and a historic base of prescribers focused on transactions with good quality in terms of payment capacity.

- On 9 June 2019, ABANCA completed the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal ("**DB PCB**"). DB PCB was a business unit specialised in retail and private banking services (specially focused on personal and private banking), whose business generation capacity with corporations was leveraged on the ABANCA Group's know-how.

- On 10 June 2019, the annual general shareholders' meeting of ABANCA approved the absorption of ABANCA Holding by ABANCA (the "**Merger**"). The Merger was approved on 14 June 2019 by the annual general shareholders' meeting of ABANCA Holding and was registered with the Commercial Registry in February 2020.

- On 14 October 2019, ABANCA completed the acquisition of 99.8% of the shares in BCG, the former Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos. The main business segments of BCG were retail banking, private banking and corporate banking. This acquisition allowed the ABANCA Group to extend its commercial network (mainly in the autonomous region of Castilla y León) and to reinforce its presence in Extremadura and Galicia.

  Following that acquisition, the relevant corporate bodies of ABANCA and BCG approved the absorption of BCG by ABANCA, this absorption was registered with the Commercial Registry in March 2020.

- In January 2021, following the obtention of the required regulatory approvals, the ABANCA Group completed the acquisition of Bankoa. This acquisition reinforced the ABANCA Group position in the Basque Country, strengthening the enterprises and asset management business areas, which are considered to be strategic for the ABANCA Group, and also providing for potential growth in other business lines (such as working capital, business, consumer and insurance).

  Following such acquisition, the relevant corporate bodies of ABANCA and Bankoa approved the absorption of Bankoa by ABANCA, which was registered with the Commercial Registry in November 2021.

- On 5 April 2021, the Novo Banco Group and the ABANCA Group agreed the sale of Novo Banco Spain to the ABANCA Group. This acquisition has strengthened the ABANCA Group's position in the areas of personal and private banking and corporate banking and has also provided growth potential in lines such as insurance activity. On 30 November 2021, once the required authorisations were received, ABANCA and Novo Banco closed the purchase and sale of Novo Banco Spain. The integration process is expected to be completed in the last quarter of 2022 with the IT integration.

STRATEGIC PLAN 2021-2024

The scenario that defines the competitive framework where ABANCA will operate in the coming years included in the 2021-24 Strategic Plan clearly differentiates between the short and medium term in the entity's scope of action: a short term conditioned by uncertainty initially associated with the pandemic, and a medium term marked by a focus on sustainable growth.

Firstly, a macroeconomic scenario marked by the crisis derived from the COVID-19 pandemic, in which there are still some uncertainties regarding its pace of resolution and the final impact on the productive fabric of the countries. In addition to the short-term impact on economic activity, prices, interest rates and employment, this situation also accelerates the change process of the business model of financial institutions in two main areas:

1 Customer digitalisation rates have sped up as so have banks' capabilities to digitalise their business and operational processes.

2 The crisis is adding pressure on profitability of the financial sector, which, together with the greater need for provisions linked to the marked macroeconomic shock, is driving consolidation and capacity adjustment processes, as a mechanism to improve efficiency.

The 2021-2024 Strategic Plan deals with "Being a bank appreciated for our customers' experience when it comes to meeting their financial and insurance needs and for our commitment to society wherever we operate. A dynamic and innovative bank that adds value to its customers and has been transformed with an omnichannel, scalable, secure and efficient vision, achieving a recurring result above the cost of capital".

To achieve this vision, four fundamental strategic lines are defined:

- Increase the generation of recurring revenues: it will be fundamentally articulated by promoting insurance activity with the deployment of the company ABANCA Generales de Seguros y Reaseguros, S.A. ("**ABANCA Seguros Generales**") and will aim at becoming a benchmark in advising ABANCA clients on savings, but maintaining the focus on consumer financing and means of payment, financing SMEs and businesses and promoting the capture of value customers (please see "*Business Overview -Description of the Main business lines -A. Retail Banking -Specialised Business -Insurance*" for further information).

- Cost efficiency: optimising the omnichannel distribution model in a context of growing customer digitalisation, increasing the efficiency of support structures and capturing the value from the synergies arising from inorganic growth. Despite the last acquisitions carried out, the Bank remains open to explore opportunities in the market to the extent they allow generating clear synergies and efficiency improvements, complementing priority business lines of the Bank (e.g., business with corporations, asset management, insurance, consumer) and its condition as an Iberian company that is capable of developing "cross border" businesses.

- Management of risks linked to the current environment, with a selective risk appetite framework that is aimed at sectors less exposed to the pandemic and more sustainable, that will be reinforced with the change in the production model defined in Next Generation (the UE fund created in connection with the COVID-19 pandemic). At the same time, recovery processes will be strengthened by developing a greater capability for anticipation, both in identifying customers with problems and in generating solutions. In this area of risk management, cybersecurity will be a key element, enhancing the risk culture throughout the company and in particular the model "*Secure by design*".

- Exponential bank transformation: promoting digitalisation of processes and the development of new skills (reskilling), especially with regard to sustainability. These transformation projects will be implemented for years and that, in some cases, could exceed the timeframe of the 2021-2024 Strategic Plan itself.

Within the implementation of this plan, ABANCA also monitors the macroeconomic environment to adjust, when necessary, the projections incorporated in the Strategic Plan. As a consequence of the armed conflict that began in Ukraine in February 2022, an update in the projections could be necessary but, given there is no vision on the full impact of this crisis, ABANCA has not consequently updated the Strategic Plan.

BUSINESS OVERVIEW

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

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

A. *Retail Banking*: this business line constitutes the main focus of the activity of ABANCA and is aimed at a variety of retail customers (individuals, businesses and public administrations), who are provided with a range of financial and para-financial products through either the branch network or alternative distribution channels (internet, on-line banking, mobile banking, etc.). Within the retail banking line, individuals and small scale enterprises are considered strategic.

   This business line contributed 76.45% of the gross margin of the ABANCA Group for the year ended on 31 December 2021 (73.83% for the year ended on 31 December 2020) and 79.92% of the profit before tax from continuing operations of the ABANCA Group for the year ended on 31 December 2021 (33.00% for the year ended on 31 December 2020)[16].

B. *Wholesale Banking*: market activity (treasury, issues, fixed income portfolio, etc.) and management of the equity portfolio in which ABANCA has non-significant shareholdings. This business line also includes advisory activities in merger and acquisitions that consist mainly in the comprehensive management of external purchase and sale transactions and the entry of partners in companies from the Iberian market, in addition to capital increase, debt restructuring and other corporate transactions.

   This business line contributed 15.47% of the gross margin of the ABANCA Group for the year ended on 31 December 2021 (20.19% for the year ended on 31 December 2020) and 15.42% of the profit before

[16] The contribution of the "Retail Banking" business line in the 2021 financial year has been affected by the COVID-19 pandemic. Its main effects have been both an increase in provisions (all Spanish entities have undergone an extraordinary provision accounting exercise in 2021) and an impact on credit activity (which has been affected by lock-down periods and restrictions on activity).

tax from continuing operations of the ABANCA Group for the year ended on 31 December 2021 (58.22% for the year ended on 31 December 2020).

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

This business line contributed 8.07% of the gross margin of the ABANCA Group for the year ended on 31 December 2021 (5.97% for the year ended on 31 December 2020) and 4.66% of the profit before tax from continuing operations of the ABANCA Group for the year ended on 31 December 2021 (8.78% for the year ended on 31 December 2020).

The following tables include a breakdown of the consolidated result before tax of the business lines of the ABANCA Group corresponding to the financial years 2021 and 2020:

Financial year 2021

SEGMENTATION 2021 (in accordance with IFRS-EU)	**Retail Banking**	**Wholesale Banking**	**Non-financial subsidiaries**	**Total**
		(€ million)		
Net interest income	**628.17**	**21.04**	**24.94**	**674.15**
Dividend income	-	5.71	-	5.71
Share of profit or loss of equity–accounted investees	-	-	(1.66)	(1.66)
Fee and commission income and expense	257.53	-	-	257.53
Gains or losses on financial assets and liabilities	-	118.31	-	118.31
Exchange differences, net	4.14	5.02	0.01	9.16
Other operating income and expenses	(85.31)	12.77	61.66	(10.89)
Gross margin	**804.52**	**162.85**	**84.95**	**1,052.32**
Personnel expenses	(349.92)	(10.38)	(15.36)	(375.66)
Other administrative expenses, depreciation and amortisation	(276.21)	(19.07)	(38.53)	(333.80)
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(97.87)	(60.01)	(0.38)	(158.26)
Net Operating income	**80.53**	**73.39**	**30.68**	**184.60**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(11.65)	(3.38)	(13.43)	(28.46)
Gains or losses on derecognition of non-financial assets, net	0.10	(0.16)	0.00	(0.05)
Negative goodwill recognised in profit or loss	205.89(*)	-	-	205.89
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	21.14	(12.73)	-	8.41
Profit before tax from continuing operations	**296.02**	**57.12**	**17.25**	**370.39**

(*) Please see "*Description of ABANCA—History*" for a description of the acquisition transactions undertaken by ABANCA which explain this negative goodwill: (i) the acquisition of Bankoa, a former Spanish subsidiary of the Crédit Agricole Group; and (ii) the acquisition of Novo Banco Spain.

Financial year 2020

SEGMENTATION 2020 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non-financial subsidiaries	Total
		(€ million)		
Net interest income	**646.13**	**(28.38)**	**25.21**	**642.96**
Dividend income	-	4.99	-	4.99
Share of profit or loss of equity–accounted investees	-	-	(11.60)	(11.60)
Fee and commission income and expense	234.19	-	-	234.19
Gains or losses on financial assets and liabilities	1.62	235.87	-	237.49
Exchange differences, net	4.39	5.35	0.02	9.77
Other operating income and expenses	(71.26)	5.10	52.31	(13.85)
Gross margin	**815.08**	**222.93**	**65.94**	**1,103.95**
Personnel expenses	(353.82)	(10.59)	(14.89)	(379.30)
Other administrative expenses, depreciation and amortisation	(262.69)	(20.39)	(33.95)	(317.03)
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(131.10)	(63.77)	(0.22)	(195.09)
Net Operating income	**67.47**	**128.18**	**16.88**	**212.53**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(21.61)	(3.00)	-	(24.61)
Gains or losses on derecognition of non-financial assets, net	(0.15)	0.56	0.17	0.58
Negative goodwill recognised in profit or loss	-	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	18.36	(12.71)	-	5.66
Profit before tax from continuing operations	**64.07**	**113.04**	**17.05**	**194.16**

DESCRIPTION OF THE MAIN BUSINESS LINES

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

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

ABANCA identifies the following business lines which coincide with the breakdown reported in the 2021 Audited Consolidated Annual Accounts and the 2020 Audited Consolidated Annual Accounts:

A. Retail Banking

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

As of 31 December 2021, ABANCA had approximately 2.2 million customers, of whom 2.1 million were active customers. In turn, these 2.1 million active customers are divided into 1.8 million individual customers and 0.3 million self-employed and corporate clients.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Retail Banking" business segment for the financial years 2021 and 2020:

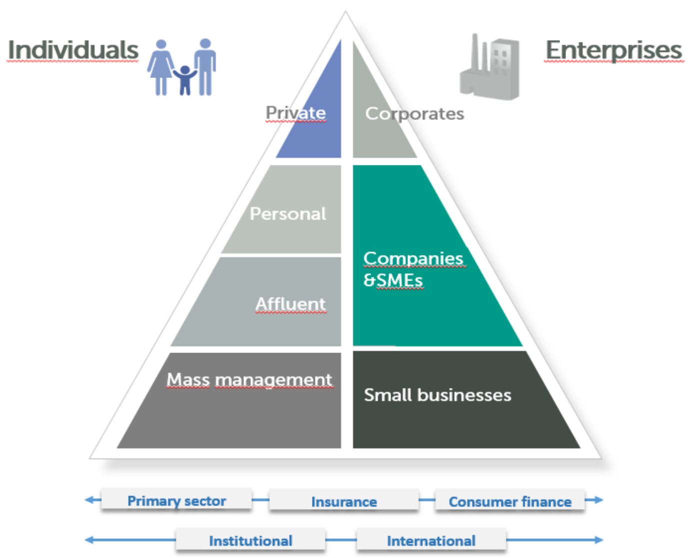
RETAIL BANKING (in accordance with IFRS-EU)	31 December 2021	31 December 2020	Var.
		(€ million)	
Net interest income	**628.17**	**646.13**	**(2.78%)**
Dividend income	-	-	-
Share of profit or loss of equity–accounted investees	-	-	-
Fee and commission income and expense	257.53	234.19	9.97%
Gains or losses on financial assets and liabilities	-	1.62	(100.00%)
Exchange differences, net	4.14	4.39	(5.85%)
Other operating income and expenses	(85.31)	(71.26)	19.72%
Gross margin	**804.52**	**815.08**	**(1.29%)**
Personnel expenses	(349.92)	(353.82)	(1.10%)
Other administrative expenses, depreciation and amortisation	(276.21)	(262.69)	5.14%
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(97.87)	(131.10)	(25.35%)
Net Operating income	**80.53**	**67.47**	**19.37%**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(11.65)	(21.61)	(46.11%)
Gains or losses on derecognition of non-financial assets, net	0.10	(0.15)	n.a.
Negative goodwill recognised in profit or loss	205.89(*)	-	n.a.
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	21.14	18.36	15.16%
Profit before tax from continuing operations	**296.02**	**64.07**	**362.03%**

(*) Please see "*Description of ABANCA—History*" for a description of the acquisition transactions undertaken by ABANCA which explain this negative goodwill: (i) the acquisition of Bankoa, a former Spanish subsidiary of the Crédit Agricole Group; and (ii) the acquisition of Novo Banco Spain.

Customer types and segmentation

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

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



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

- *Individuals*, which in turn are classified in (i) mass management (groups of customers with certain homogeneous needs which can be addressed with a more standardised approach), and other categories which are more adapted to specific needs; (ii) affluent; (iii) personal banking; and (iv) private banking.

- *Enterprises*: the difference is made based on invoicing and activity, for the purpose of offering a better service adapted to the specific needs of each group: (i) self-employed workers, businesses and small-scale enterprises; (ii) companies; and (iii) corporates.

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

- *Primary sector*: specialised unit serving individuals and legal entities related to agricultural and livestock activities, and another unit serving maritime and fishing activities.

- *Insurance*: this unit provides insurance solutions to all types of customers in the insurance business.

- *Consumer finance*: this unit provides solutions to the consumer sector, requested both by end consumers (purchase deferral, point of sale financing, etc.) and by businesses.

- *Institutional*: this unit deals with public sector needs.

- *International*: this unit develops the strategy of complementary international presence in geographic areas which have links with the "natural market" of ABANCA. Please see "*Principal markets*" below.

- *Next Generation funds*: this unit collaborates closely with public administrations and businesses to develop their projects (promotion of the circular economy, digitalisation, energy transition, etc.) and make them eligible for European funds.

1 Specialisation by legal nature

Individuals

Individual customers constitute the main segment of ABANCA, since they represented 85% of its total active customers and 40% of the financing granted to customers as of 31 December 2021. Within this total, as of 31 December 2021, €14.8 billion have been allocated to the acquisition of homes.

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

- *Financing*: this includes the granting of mortgages, personal loans and consumer financing, products that provide different alternatives designed to adapt themselves to the payment capacity and preferences of the customers as regards payment periods, repayment methods, etc. ABANCA complements this offer with other products such as guarantees, letters of credit or means of payment. Additionally, ABANCA offers an increasing range of sustainable products such as financing of electric cars, installations of self-consumption and renewable energy storage facilities, as well as the implementation of renewable heating systems in the residential sector and loans to homeowners' associations to maintain or improve the safety of the building, its accessibility, the implementation of energy saving installations and the thermal insulation, etc.

- *Savings*: the products offered include, inter alia, term deposits, savings books, current accounts, investment funds in their different modalities, insurance, pension schemes and fixed- and variable-yield securities. Additionally, ABANCA offers delegated portfolio management services with different options adjusted to the customer needs, including a variety of sustainable investments. These products are accessible to a wide range of customers as they can be formalised from €3,000.

- *Insurance*: ABANCA provides a wide variety of insurance products that are aimed at covering all types of customer needs (e.g., car, home, business, accident or savings, among others). Recently, ABANCA has launched its first products through ABANCA Seguros Generales, the innovative platform of ABANCA for the distribution of general insurance. These products have consisted of car and payment protection insurances and a progressive launch of other new products is expected.

- *Other services*: direct deposits, means of payment, brokerage of securities and normal operations through different types of channels of remote service channels.

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

- *Mass management*: this unit serves those customers whose monthly income is lower than €1,500. It is the unit with the broadest base of customers, who are "characterised" to be served by one of the members of the office staff (directors, assistant directors, specialised managers or managers) following criteria of added value. The specialised members of the "Mass management" unit also provide services adapted to the needs of those customers with the higher number of products or services contracted with the ABANCA Group.

- *Affluent:* this unit serves customers with a regular monthly balance above €500 and additionally meeting different relationship conditions in terms of a minimum balance in value-added products, certain use of payment methods or general insurance policies contracted. These customers deal with specialist managers who provide an improved financial relationship with regard to each of the previously mentioned products.

- *Personal banking*: this unit serves customers whose net worth is between €100,000 and €500,000 and/or whose monthly income is higher than €3,000, and who therefore have a great interest in purchasing products which are an alternative to the fixed term and request more differentiated and personalised services. As of 31 December 2021, this segment represented had more than 236,000 customers, and it is one of the main pillars of growth for the Individuals segment which ABANCA is boosting with the greatest intensity.

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

- *Private banking*: this unit is focused on serving those customers whose balance is above €500,000 through management with a more specific degree of personalisation, tailored to each customer. As of 31 December 2021, this segment had more than 7,200 customers.

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

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

Enterprises

The service for enterprises holds another pillar in the activity of ABANCA, upon which one of the main focuses of development for ABANCA hinges on SMEs and the self-employed. As of 31 December 2021, the ABANCA Group had a customer base of more than 320,000 enterprises and freelancers who are served by specialised managers assigned according to their needs. The breakdown of the lending portfolio of the ABANCA Group is well diversified in different business sectors, including manufacturing, wholesale and retail trade or transport and storage.

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

- *Financing*:

  – *Working capital*: ABANCA provides companies with the necessary liquidity for their daily activity with traditional products such as discounts, advance payments or credit accounts, which are complemented by specific solutions such as confirming or factoring.

  – *Other purposes*: ABANCA provides everyday products such as guarantees, overdrafts, leasing, renting, risk coverage products, etc., or specific solutions for foreign trade operations. The latter include Comex advice, import-export financing, accounts in foreign currencies, payment risk coverage and the delivery of goods and international transfers, among other things. Additionally, ABANCA offers an increasing range of sustainable products while providing support to the primary sector, from the dissemination of information on aid for business model improvement plans to assistance with formalities.

- *Cash saving-management*: company solutions include particular products such as "cash pooling", current and savings accounts, and joint promotion deposits or pension schemes, in addition to the everyday solutions offered to individuals.

- *Other products and services*: including insurance, e-commerce, different advice lines on commercial reports, public aid and subsidies, public tenders and bidding, specific electronic banking services for legal persons, etc. As of 31 December 2021, more than 190,000 enterprises used the electronic banking services rendered by the ABANCA Group.

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

– *Small Business Unit*: this unit is intended for micro-businesses (turnover below €2 million annually), small shops and freelancers (*micropymes, comercios y autónomos*). It is one of the main businesses on which ABANCA bases its growth objectives.

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

– *Companies & SMEs Unit*: this unit is intended to serve medium-sized enterprises. Its purpose is to serve SMEs (annual turnover between €2 million and €10 million) and companies whose annual turnover is between €10 million and €100 million, providing products and services to cover all their banking needs.

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

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

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

2 *Specialised Businesses*

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

Primary sector

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

ABANCA Mar provides its services to the maritime and fishery sector through a network of 99 branches as of 31 December 2021. It has a team of professionals with financial solutions (products and services) adapted to the characteristics and needs of the fishery sector and ancillary industry.

ABANCA Agro provides its services and support through a range of products designed for this collective (financial support for those affected by fires, aid for dairy farmers, etc.). This service is provided through 238 branches as of 31 December 2021 where managers are specialised in this sector work.

Insurance

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

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

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

The life insurance activities are now provided by ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.U. (100% controlled by the ABANCA Group) after a series of purchases and mergers which started in 2014. Currently, this company is equipped with a technological system to now conduct internally its processes (without external suppliers taking part), hence greater management efficiency, improved customer experience, greater product customisation, and better sales support are achieved.

With regards to bancassurance activities, on 8 July 2019, ABANCA announced an agreement with Crédit Agricole Assurances by which both entities will collaborate during the next 30 years to deal in the general insurance market in Spain and Portugal (the "**Crédit Agricole Assurances Agreement**"). This agreement resulted in a joint venture (ABANCA Seguros Generales) between ABANCA (50% interest) and Crédit Agricole Assurances (50% interest). Following the obtention of the relevant regulatory authorisations by the Directorate-General for Insurance (*Dirección General de Seguros*), ABANCA Seguros Generales has already started to offer its first products: car and payment protection insurances. This first step is expected to continue through the progressive launch of new products, focusing on the knowledge of customers' needs, the production and marketing of simple and innovative products, the promotion of self-contracting service and an omnichannel procedures with a digital-first approach. This innovative offer of products is supported by technological solutions along with a differential customer experience for individuals and businesses.

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

This new commercial model is supported by a team of commercial managers located across ABANCA's branches who are specialised in each area of the insurance business.

The ABANCA Group had general and life-risk insurance premiums for a value of €337.3 million as of 31 December 2021, representing an increase of 12.8% compared to 31 December 2020.

Consumer finance

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

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

Institutional

The public sector has a specific area in ABANCA, in which financial solutions are offered to address the needs of public bodies, public enterprises, associations, foundations, etc. Organised around a territorial network, the institutional banking co-ordinators were managing a portfolio of more than 1,500 customers throughout Spain as of 31 December 2021. Loans, credit policies, guarantee lines, factoring and confirming are the main solutions which, each day, support the activity of institutional customers.

In addition, each year the area co-ordinates more than 230 collaboration agreements with town councils, autonomous regions, associations, foundations, etc. for the development of initiatives which promote the social, economic and cultural development of their environment. ABANCA also collaborates with revenue-collecting entities for the purpose of improving the efficiency of the processes for the collection of fees, public prices and other revenues.

International

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

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

Next Generation

ABANCA has created a new internal unit, Next Generation ABANCA. This unit collaborates closely with public administrations and businesses to develop their projects (promotion of the circular economy, digitalisation, energy transition, etc.) and make them eligible for European funds.

The products offered within this business area are aimed at individuals, self-employed, SMEs, companies and communities to finance the purchase of green vehicles, the installation of refuelling stations and advance aid.

Recoveries and Real Estate assets

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

The recovery task focuses on reducing portfolios of suspicious and failed transactions (both current and planned transactions) for the purpose of minimising their negative impact on the results through standarisation, collection or judicial management. All these arrangements have the support of the commercial network, mainly in early delinquency stages. ABANCA's NPL ratio[17] decreased significantly from 13.9% as of 31 December 2014 to 2.1% as of 31 December 2021 (2.0% as of 31 December 2020).

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

With regards to the stock of real estate assets, ABANCA has a team in charge of all the processes associated with this type of assets, from their incorporation (where appropriate) and registration in the inventory, until the pricing and sale to third parties. In order to manage its stock of real estate assets, ABANCA chooses mixed solutions that combine outsourcing and internal management in such a way that control in the value chain is secured, and only those transactions which are less critical in the process are outsourced. In relation to the divestment strategy, a

[17] The NPL ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation is set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

segmentation of the real estate portfolio is carried out based on the revaluation capacity of the assets, and prices are fixed for the purpose of maximising the profitability by maintaining an appropriate turnover.

As of 31 December 2021, the internal commercial team directed and co-ordinated a group of 415 real estate broker (REBs) distributed throughout the Spanish territory.

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

B. Wholesale Banking

Although ABANCA finances its credit activity as a retail business (with a Retail Loan to Deposits (LtD) ratio[18] of 92.3% as of 31 December 2021 (91.9% as of 31 December 2020)), the "Wholesale Banking" business segment complements the commercial activity of ABANCA and constitutes an additional source of revenue for the consolidated statements of profit and loss.

One of the main functions of the area is to optimise the liquidity generated by ABANCA. Furthermore, it manages the positions of treasury and liabilities in the capital markets in order to implement the transformation of the periods of the balance sheet and the exposure to interest risk. In addition, Wholesale Banking supports the areas of the commercial network which carry out the discretional management of portfolios, disseminates knowledge to the managers/customers of ABANCA of the most standardised investment portfolios, and controls the investment funds/pension schemes designed by ABANCA. Furthermore, it collaborates in the distribution of treasury products to the commercial network (retail, enterprises, corporate, Comex and institutional) and co-ordinates the foreign exchange and derivatives desks, for the purpose of offering the best prices in these products to the internal areas (balance sheet/trading) and external customer. It is also responsible for the management of the investment portfolio in listed and non-listed companies which include non-representative shares for the purpose of generating profitability for ABANCA through dividends or capital gains and maximising efficiency and solvency, minimising outflows and maximising inflows of resources into ABANCA. Moreover, this business line also includes advisory activities in merger and acquisitions, that consist mainly in the comprehensive management of external purchase and sale transactions and the entry of partners in companies from the Iberian market, in addition to capital increase, debt restructuring and other corporate transactions.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Wholesale Banking" business segment for the financial years 2021 and 2020:

WHOLESALE BANKING (in accordance with IFRS-EU)	**31 December 2021**	**31 December 2020**	**Var.**
		(€ million)	
Net interest income	**21.04**	**(28.38)**	**n.a.**
Dividend income	5.71	4.99	14.58%
Share of profit or loss of equity–accounted investees	-	-	-
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	118.31	235.87	(49.84%)
Exchange differences, net	5.02	5.35	(6.23%)
Other operating income and expenses	12.77	5.10	150.25%
Gross margin	**162.85**	**222.93**	**(26.95%)**
Personnel expenses	(10.38)	(10.59)	(2.03%)
Other administrative expenses, depreciation and amortisation	(19.07)	(20.39)	(6.48%)
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(60.01)	(63.77)	(5.89%)
Net Operating income	**73.39**	**128.18**	**(42.75%)**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(3.38)	(3.00)	12.70%
Gains or losses on derecognition of non-financial assets, net	(0.16)	0.56	n.a.
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(12.73)	(12.71)	0.22%
Profit before tax from continuing operations	**57.12**	**113.04**	**(49.47%)**

C. Non-Financial Subsidiaries

This business line is comprised of the portfolio of non-financial enterprises aimed at supporting the local production factories and the activities of ABANCA (this business line includes the result of the insurance

18 The Retail Loan to Deposits (LtD) ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation is set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

companies of ABANCA except for the income and expenditure from commissions, which are incorporated into the retail banking segment).

As of 31 December 2021, ABANCA maintained an investees portfolio with presence in the food and beverage sectors (*bodegas*), leisure and tourism (hotels, marina concessionaires, thalassotherapy and fitness etc.), insurance (brokerage and insurance companies), finance (venture capital, consumer finance, etc.), infrastructure (motorway concessionaires) and others such as information and car, maritime, commercial transport, real estate and energy sectors, etc. The investee companies have an important presence and performance in the autonomous region of Galicia.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Non-Financial Subsidiaries" business segment for the financial years 2021 and 2020:

NON FINANCIAL SUBSIDIARIES (in accordance with IFRS-EU)	**31 December 2021**	**31 December 2020**	**Var.**
		(€ million)	
Net interest income	**24.94**	**25.21**	**(1.07%)**
Dividend income	-	-	-
Share of profit or loss of equity–accounted investees	(1.66)	(11.60)	(85.68%)
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	0.01	0.02	(54.17%)
Other operating income and expenses	61.66	52.31	17.88%
Gross margin	**84.95**	**65.94**	**28.82%**
Personnel expenses	(15.36)	(14.89)	3.18%
Other administrative expenses, depreciation and amortisation	(38.53)	(33.95)	13.47%
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(0.38)	(0.22)	73.76%
Net Operating income	**30.68**	**16.88**	**81.71%**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(13.43)	-	n.a.
Gains or losses on derecognition of non-financial assets, net	0.00	0.17	(99.40%)
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-
Profit before tax from continuing operations	**17.25**	**17.05**	**1.17%**

DISTRIBUTION CHANNELS

ABANCA is committed to a customer relationship model based on the multi-channel approach, through which the customer can connect with ABANCA through the different distribution channels offered. By means of a multi-channel distribution platform, the customer decides how and when to carry out their financial transactions, keeping the traditional office as the personalised customer support centre, supplemented by alternative channels (online banking, mobile banking, means of payment, ATM's, etc.).

Branches

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

- Galicia, Asturias, Extremadura and the province of León: the "natural market" of ABANCA, where it has its major market share (as of 31 December 2021, ABANCA was the market leader in Galicia with a share of almost 42.5% (source: *Statement FI 132.E December 2021 of the Bank of Spain*)). ABANCA has a broad network of branches in its "natural market" (521 branches as at 31 December 2021).

- Rest of Spain: where the presence of ABANCA is selective and focused on larger towns (113 branches as of 31 December 2021). The integration of Bankoa, carried out in the beginning of 2021, has provided further presence, especially in the Basque Country, thanks to its 30 branches. The incorporation in late 2021 of the Novo Banco branch network in Spain has also contributed to the higher presence of ABANCA in the rest of Spain.

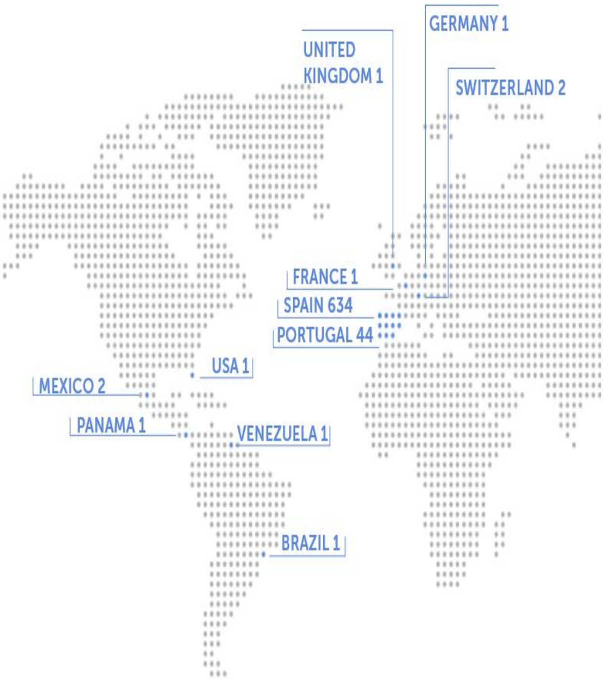
- Portugal: Portugal is expected to play a special role in ABANCA's long-term plans due to its expected crucial role within the Iberian market and its economic relationship with Spain. The positioning in Portugal focuses on private banking, SMEs, insurance and digital solutions.

Number of branches	Dec 2021	Dec 2020
Spain …………………………………………………………...…………………...	634	652
Galicia, Asturias, Extremadura and León….…………………….……………….....	521	570
Rest of Spain ………………………………………………………………………..	113	82
Portugal……………………………………………………………………………...	44	44
Abroad ……………………………………………………………………………...	2	2
Representative offices abroad ……………………………………………………………	8	8
Total ……………………………………………………………………...…………...	**688**	**706**

ABANCA has also a network of agents which is complementary to the aforementioned branch network. This network of agents has an increasing relevance in the distribution network of ABANCA and contributes to a greater presence in the Spanish and Portuguese territories thanks to the 49 agents.

Number of agents	Dec 2021	Dec 2020
Spain …………………………………………………………...…………………...	24	0
Portugal……………………………………………………………………………...	25	26
Total ……………………………………………………………………...…………...	**49**	**26**

In addition, the presence of ABANCA in the Iberian market is complemented by a presence in the international markets through two operational branches in Switzerland and Miami (as of 31 December 2021) and representative offices (France, the UK, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela). Please also see "—*History and development - History*" above.



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

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

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

Digital channels

ABANCA also has a virtual banking service (electronic, telephone and mobile banking) for all of its products that is used by 68% of its customers. ABANCA's mobile banking is among the best rated in the Spanish financial system by users (according to Google Play Store and Apple Store) and it is used by two out of three private customers from the bank.

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

ABANCA has also launched ABANCA Conecta, a new customer relationship model which supplements its remote communication tools with a comprehensive and personalised management through an agent. ABANCA Conecta has specialised management agents to improve the customer experience along with a multi-channel approach. ABANCA Conecta plays a relevant role in meeting the needs of customers with potential value who demand personalised but digital and remote advice. This channel, complementary to traditional branches, combines the remote attention services provided by the ABANCA staff with all the digital tools that ABANCA has implemented, such as Firma ABANCA.

This digital strategy allowed ABANCA to increase the number of active digital customers by 10.4% during 2021 with a special focus on electronic and mobile banking to carry out all types of transactions and manage and contract products through the web and telephone. During the year ended 31 December 2021, more than 1.1 million customers of the ABANCA Group used remote services for their queries and transactions (more than 1 million during 2020); moreover, 69.6% (63.3% in 2020) of the total transactions conducted by the ABANCA Group clients during that period were conducted through digital channels. In that period, the number of ABANCA Group's customers that used mobile banking grew 14.5% (20.9% in 2020).

These digital channels play an important role in improving efficiency. Thanks to them, the transactional activity in branches has decreased and, consequently, productivity of the employees in branches has increased thanks to the longer time devoted to commercial work.

As of 31 December 2021, ABANCA offers its customers a network of 1,136 integrated ATMs within the EURO 6000 network. ABANCA is also continuing with the implementation of state-of-the-art fully equipped ATMs as well as the implementation of new functionalities to respond to the demands reported by customers and branches. These devices allow customers to conduct on their own recurrent transactions that involve a high administrative load for the branch employees, such as making cash withdrawals with return of coins, multiple payment of receipts and deposits of exact amounts and return of change with the card. Moreover, as of 31 December 2021, ABANCA had a wide network of point of sale terminals (51,905 units) and cards (2.7 million units).

Client satisfaction

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

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

ABANCA has created the "ABANCA ESCUCHA" tool, which is aimed at managing the customer experience process by collecting customer opinions and assessments in an agile and real-time manner. It is a modern and innovative vision that places the customer at the centre of ABANCA's interest, thus taking a step forward in the transformation process towards the client-centric approach that ABANCA has defined in its strategic plan.

ABANCA ESCUCHA deals with the main metrics with regard to customer experience in order to carry out a detailed follow-up of the evolution of satisfaction levels that customers keep with the Bank as well as to carry out action plans to correct any situation that may affect them.

PRINCIPAL MARKETS

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

- In the "*natural market*" (autonomous regions of Galicia, Asturias, Extremadura and province of León), the branch network remains as the basic instrument for the relationship with the customer, acting as the advice centre and point of sale, always counting on the support of remote services that make it easier for the customer to carry out their transactions. The credit market share ABANCA had in the natural markets (Galicia, Asturias, León and Extremadura) as of 31 December 2021 amounted approximately to 21% in credit, 26% in deposits and 24% in total turnover (source: *FI 132.E Statement of Bank of Spain dated 31 December 2021*).

- In Galicia, the large branch network of the ABANCA Group makes it easier for the Galician population to access financial services in an environment with a dispersed population. As of 31 December 2021, ABANCA provided its services in 141 small towns where it is the only financial institution present and as of 31 December 2021 ABANCA Group had two mobile offices which move on a regular basis to other centres of population where there is no branch, thus favouring their financial inclusion.

- In the rest of the Spanish territory, ABANCA opts for a far more selective physical network, focusing on the customer, with a high net worth and strongly spurred on by online banking. The acquisition of Bankoa reinforced the ABANCA Group position in the Basque Country as well as strengthened the enterprises and asset management business areas. Moreover, the acquisition of the Novo Banco Group's branch network in Spain reinforced ABANCA's position in urban areas of province capitals with high income and business fabric that support the business in neighbouring provinces by strengthening strategic business lines such as personal and private banking, enterprises (specially aimed at cross-border scope) and insurance activity.

- In Portugal, the intention of ABANCA has been to expand throughout this territory. Due to the acquisition of DB PCB's business, ABANCA had the opportunity to expedite this expansion based on an already consolidated branch network and client base. In this way, ABANCA currently manages a physical presence that covers 18 of the 20 Portuguese districts and autonomous regions (among which are the most developed ones) in a country with great links with ABANCA's mentioned "natural market". Additionally, as it occurs in the rest of the territories where ABANCA operates, this physical presence is complemented by top-level digital solutions.

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

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

BOARD OF DIRECTORS

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

Name	Title	Category
Mr. Juan Carlos Escotet Rodríguez	Chairman	Proprietary
Mr. Francisco Botas Ratera	Chief Executive Officer	Executive
Mr. Pedro Raúl López Jácome	Director	Other external
Ms. Carina Szpilka Lázaro	Director	Independent
Mr. José García Montalvo	Director	Independent
Mr. José Ramón Rodrigo Zarza	Director	Independent
Mr. Eduardo Eraña Guerra	Director	Independent
Ms. Leticia Iglesias Herraiz	Director	Independent
Ms. Ana Valente da Cunha Barros	Director	Independent
Mr. Manuel Víctor López Figueroa	Director	Independent
Ms. Rosa María Sánchez-Yebra Alonso	Director	Independent
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-member)	
Ms. María Consolación Borrás Retamero	Vice Secretary (non-member)	

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

The annual general shareholders' meeting of ABANCA held on 28 June 2021 approved to increase the number of members of the Board of Directors up to 12 (after the previous increase up to 11 members approved by the annual general shareholders' meeting of ABANCA held on 10 June 2019). The Board of Directors may fill the vacancies by making appointments to serve until the next general shareholders' meeting is held (*nombramiento por cooptación*).

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

Director	**Company**	**Title**
Mr. Juan Carlos Escotet Rodríguez	Confederación Española de Cajas de Ahorro	Director
	Banesco Holding, C.A.	Chairman
	Banesco Banco Universal, C.A.	Chairman
	Banesco Holding Latinoamérica, S.A.	Director
	Banesco USA	Vice-Chairman
	Escotet Family Office, S.L.	Sole Administrator
	ABANCA Servicios Financieros E.F.C., S.A.	Chairman
	ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	Chairman
Mr. Francisco Botas Ratera	Cecabank, S.A.	Director
	Sociedade para o Desenvolvemento de Proxectos Estratéxicos de Galicia, S.L.	R.P.F. Director of Galicia Business and Financial Corporation, S.L.
	ABANCA Servicios Financieros E.F.C., S.A.	Vice-Chairman
	ABANCA Vida y Pensiones de Seguros y Reaseguros, S.A.	Vice-Chairman
Mr. Pedro Raúl López Jácome	Miura Holding, C.V.	Director/ Chairman
	Miura Capital, LLC	Chairman
	MWM Holdings Group, INC	Director
	Miura Capital Panamá, Inc.	Director/ Chairman
	Imantia Capital S.G.I.I.C., S.A.	Vice-Chairman
Ms. Carina Szpilka Lázaro	Grifols, S.A.	Director
	Kanoar Ventures SGEIC, S.A.	Chairman
	Karvela Holdk, S.L.	Chairman
	Asociación Española de la Economía Digital (Adigital)	Chairman
	Meliá Hotels International, S.A.	Director
Ms. Leticia Iglesias Herraiz	AENA SME, S.A.	Director
	LAR España Real Estate Socimi, S.A.	Director
	Acerinox, S.A.	Director
Ms. Ana Valente da Cunha Barros	Luís Pacheco de Melo, Lda.	Partner
	REN-Redes Energéticas Nacionais SGPS, S.A.	Director

	ECS Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Director
Ms. Rosa Sánchez-Yebra Alonso	Sociedade para o Desenvolvemento de Proxectos Estratéxicos de Galicia, S.L.	Director

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

Executive Credit Commission

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

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

Name	Position	Category
Mr. Francisco Botas Ratera	Chairman	Executive
Mr. Pedro Raúl López Jácome	Member	Other external
Mr. José Ramón Rodrigo Zarza	Member	Independent
Mr. Manuel Víctor López Figueroa	Member	Independent
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)	
Mr. José Luis Dorrego Martín-Barbadillo	Deputy Secretary (non-Member)	

Audit and Compliance Commission

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

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

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

Appointments and Sustainability Commission

The Appointments and Sustainability Commission has, in general terms, the following functions: (i) to evaluate the balance between knowledge, skills, diversity and experience within the Board of Directors and develop a description of the duties and necessary skills required for a particular appointment, evaluating the time and dedication required to effectively perform their duties; (ii) to establish a representation target for the under-represented gender in the Board of Directors and develop guidelines on how to achieve such objective; for the purpose of promoting gender diversity, the Committee will propose measures encouraging the Bank to have a significant number of women among its senior management; (iii) to regularly asses and review the Bank's corporate governance system, so that it fulfils its mission of promoting the social interests and takes into account, as appropriate, the legitimate interests of the remaining stakeholders; (iv) to regularly asses and review the Bank's sustainability strategy, so that it fulfils its mission of promoting the social interests and takes into account, as appropriate, the legitimate interests of the remaining stakeholders; additionally, to ensure that the ABANCA's sustainability practices are consistent with the defined strategy and policies; (v) to identify and recommend, with a view to its approval by the Board of Directors or the General Meeting of Shareholders, candidates to fill any vacancies in the Board of Directors; (vi) to review regularly the policy of the Board of Directors regarding the selection and appointment of members of senior management and formulate recommendations and report on proposals for the appointment and removal of senior managers and the basic conditions of their contracts; (vii) to implement and monitor the succession plan for directors approved by the Board of Directors; (viii) to inform previously the Board of Directors about the members who shall form part of each Commission; (ix) to verify, on a yearly basis, the status of ABANCA's directors and inform the Board of Directors accordingly for its consideration during the drafting of the annual report on corporate governance; (x) to evaluate regularly, and at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations with respect to possible changes; (xi) to evaluate regularly and report to the Board of Directors accordingly at least once a year as regards the suitability of the different members of the Board of Directors and that of the Board as a whole; (xii) to define policies and guidelines for the management of the human capital of ABANCA; and (xiii) to report on the appointment of a Chairperson of Honour.

As of the date of this Registration Document, the Appointments and Sustainability Commission is composed of the following directors:

Name	Position	Category
Mr. Eduardo Eraña Guerra	Chairman	Independent
Mr. Pedro Raúl López Jácome	Member	Other external
Mr. José Ramón Rodrigo Zarza	Member	Independent
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)	

Remuneration Commission

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

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

Name	Position	Category
Ms. Carina Szpilka Lázaro	Chairman	Independent
Mr. José García Montalvo	Member	Independent
Mr. Pedro Raúl López Jácome	Member	Other external
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)	

Comprehensive Risk Commission

The Comprehensive Risk Commission has, in general terms, the following functions: (i) advise the Board of Directors on the current and future risk appetite of ABANCA and its strategy on this regard and assisting it on ensuring the implementation of that strategy; (ii) oversee that the pricing policy of assets and liabilities offered to customers takes fully into account ABANCA's business model and its risk strategy; (iii) determine in collaboration with the Board of Directors, the nature, format and frequency of the information on risks that the Commission itself and the Board of Directors shall receive; (iv) collaborate in the implementation of rational remuneration policies and practices. To this end, the Commission shall evaluate, without prejudice to the duties of the

Remuneration Commission, whether the incentive policy provided for in the remuneration scheme takes into account the risk, the capital, the liquidity, and the probability and appropriateness of the profits; and (v) propose the selection, appointment, reappointment and dismissal of the Manager of the Chief Risk Officer.

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

Name	Position	Category
Mr. José García Montalvo	Chairman	Independent
Ms. Leticia Iglesias Herraiz	Member	Independent
Ms. Ana Valente da Cunha Barros	Member	Independent
Ms. Rosa María Sánchez-Yebra Alonso	Member	Independent
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)	

Management Team

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

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

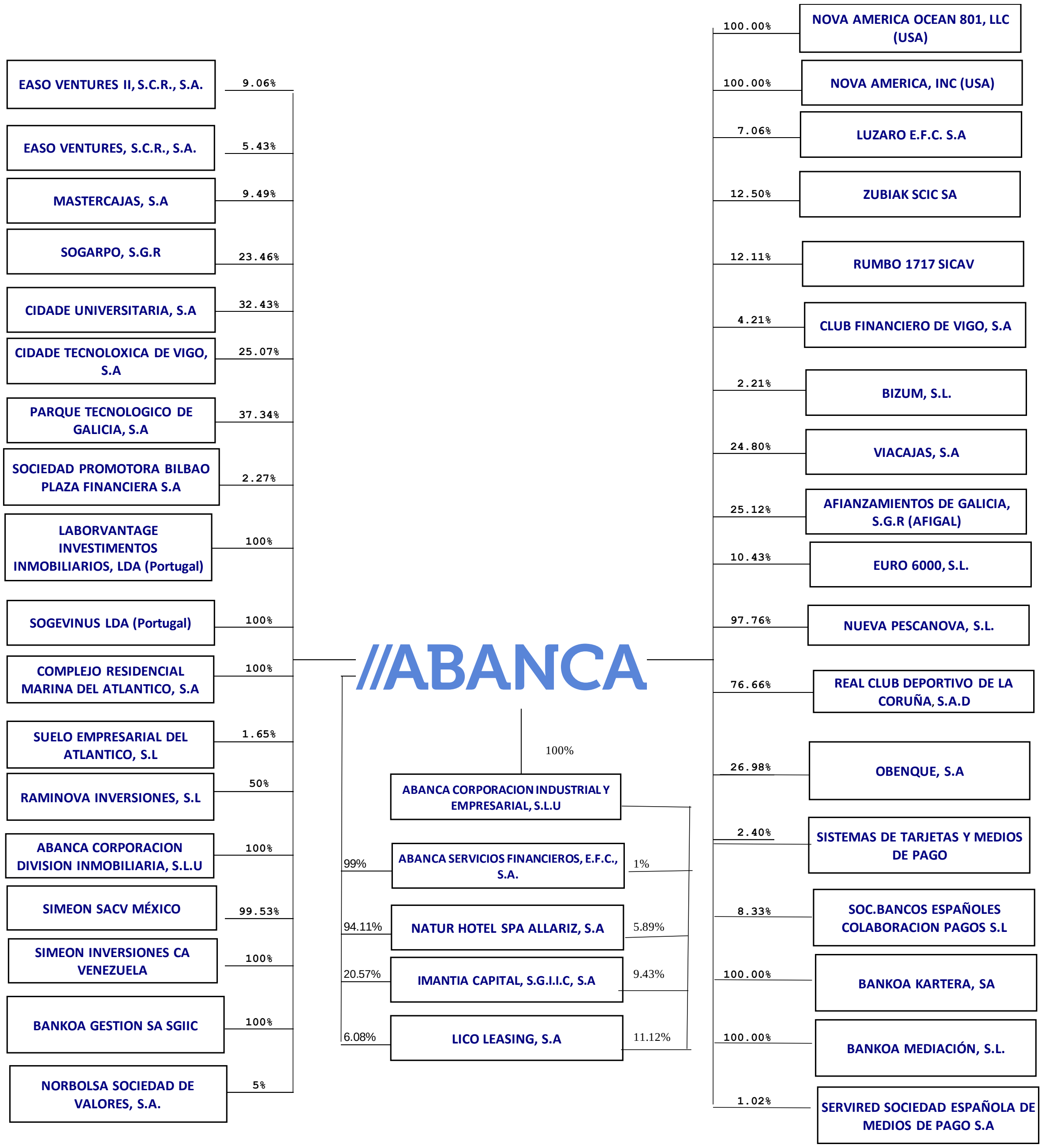
There are no members of the management team of ABANCA with activities performed outside ABANCA or companies or members of the ABANCA Group as of the date of this Registration Document that are significant with respect to ABANCA.

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

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

ORGANISATIONAL STRUCTURE

The following chart summarises the companies making up the ABANCA Group and ABANCA's ownership of such companies as of 31 December 2021:



The book value of the investees portfolio of the ABANCA Group (excluding fully consolidated subsidiaries and associates) and of ABANCA Corporación Industrial y Empresarial, S.L.U. amounted to €108.31 million as of 31 December 2021 (€187.15 million as of 31 December 2020) and as of that date there were no material pending recapitalisation commitments.

Furthermore, as of 31 December 2021 the ABANCA Group had classified group entities for a value of €1,082.03 million recorded in "non-current assets and disposal groups classified as held for sale" and for a value of €726.60 million recorded in "liabilities included in disposal groups classified as held for sale".

CAPITAL STRUCTURE

SHARE CAPITAL

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

SHAREHOLDERS

As of the date of this Registration Document, the shareholders of ABANCA are:

Shareholder	Interest
Mr. Juan Carlos Escotet Rodríguez	84.748%(*)
Other shareholders	14.846%
Treasury shares	0.406%

(*) Out of which, 41.248% indirectly held through Escotet Family Office, S.L.U.

ABANCA is controlled by Mr. Juan Carlos Escotet Rodríguez who, as detailed in the table above, holds 84.748% of the shares representing its share capital. Current internal governance rules of ABANCA are intended to ensure that such control is not abused. In this regard, and following the recommendations set out in Good Governance Code of Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*) published by the CNMV, ABANCA has a majority of independent directors on its Board of Directors and on each of its commissions (Please see "*Description of ABANCA—Administrative, Management and Supervisory Bodies*"). In addition, the Regulations of the Board of Directors contain a strict policy for transactions with related parties, with the aim of guaranteeing the proper management of conflicts of interest that may arise when carrying out transactions with its directors or persons related to them. Furthermore, in the case of authorisations for transactions with the President, the report of the Audit and Compliance Commission must be issued by independent directors exclusively.

LEGAL AND ARBITRATION PROCEEDINGS

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

In particular, the ABANCA Group is involved in proceedings related to mortgage "floor clauses" (in connection with which the provisions of ABANCA Group amounted to €3.10 million as of 31 December 2021 (€4.79 million as of 31 December 2020) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with mortgage "floor clauses" as this type of clauses have not been included in the ABANCA Group agreements since 2011)), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which the provisions of ABANCA Group amounted to €2.56 million as of 31 December 2021 (€0.73 million as of 31 December 2020)), proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which the provisions of ABANCA Group amounted to €1.67 million as of 31 December 2021 (€2.95 million as of 31 December 2020) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with this matter)) and proceedings related to payment of stamp duty in mortgage loans (as further described below). In addition, the ABANCA Group has provisions amounting to €16.53 million to cover commitments with third parties in connection with its activity (€21.7 million as of 31 December 2020). No new provisions relating to new legal proceedings have been required in the year ended 31 December 2021 nor in the year ended 31 December 2020.

Proceedings related to payment of stamp duty in mortgage loans

On 5 November 2018, the Spanish Supreme Court (*Tribunal Supremo*) held a plenary session to determine whether the borrower (as per traditional case law) or the lender (as ruled out in recent decisions of the Third Chamber (Administrative) of the Spanish Supreme Court) must pay the stamp duty (*actos jurídicos documentados*) levied on the public deeds that document the granting of a loan with a mortgage guarantee. On 27 November 2018, the Spanish Supreme Court published the rulings stating that it had decided to confirm the traditional case law and determined that the borrower must pay the stamp duty in relation to the granting of mortgage loans. After this decision, the Spanish government approved Royal Decree-Law 17/2018, of 8 November, amending the Spanish Stamp Duty Law and set forth that as from 10 November 2018 stamp duty levied on the public deeds that document the granting of a loan with a mortgage guarantee shall be paid by the lender. This notwithstanding, customers may still claim that credit entities, including ABANCA, should bear this cost in relation to mortgage loans notarised prior to 10 November 2018 and first instance courts may rule in their favour on the basis of the recent case law of the Third Chamber (Administrative) of the Spanish Supreme Court. Also, courts may request to the European Court of Justice a preliminary ruling on the interpretation of the Spanish Stamp Duty Act, and the European Court of Justice could decide that lenders must pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018. The provisions set aside by the ABANCA Group in connection with this potential requirement to pay the stamp duty in relation to mortgage loans notarised prior to 10 November 2018 are included, together with provisions for other matters, in a provision for loan execution expenses that as of 31 December 2021 amounted to €2.72 million (€2.59 million as of 31 December 2020).

OVERVIEW OF FINANCIAL INFORMATION

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

2021 Audited Consolidated Annual Accounts

The table below includes the consolidated balance sheets of the ABANCA Group as of 31 December 2021 and 2020:

		(millions of euros)	
ASSETS	**2021**	**2020**	**Var.**
Cash, cash balances with central banks and other demand deposits	**12,461.40**	**7,155.81**	**74.14%**
Financial assets held for trading			
Derivatives	139.37	142.51	(2.20%)
Debt securities	-	20.98	(100.00%)
	139.37	**163.49**	**(14.75%)**
Non-trading financial assets mandatorily at fair value through profit or loss			
Equity instruments	144.79	201.22	(28.04%)
Debt securities	1.04	27.48	(96.23%)
Loans and advances			
Customers	-	-	-
	145.83	**228.70**	**(36.23%)**
Financial assets designated at fair value through profit or loss			
Equity instruments	-	-	-
Debt securities	-	-	-
Financial assets at fair value through other comprehensive income			
Equity instruments	15.79	23.69	(33.33%)
Debt securities	5,420.66	6,423.24	(15.61%)
	5,436.46	**6,446.93**	(15.67%)
Financial assets at amortised cost			
Debt securities	8,138.34	6,915.30	17.69%
Loans and advances			
Credit institutions	986.62	417.68	136.22%
Customers	45,982.39	39,100.19	17.60%
	55,107.35	**46,433.16**	18.68%
Derivatives - hedge accounting	**69.02**	**10.30**	**570.27%**
Investments in joint ventures and associates			
Associates	156.24	143.74	8.69%
	156.24	**143.74**	8.69%
Assets covered by insurance or reinsurance contracts	**5.36**	**4.54**	**18.10%**

Tangible assets			
Property, plant and equipment/Fixed assets			
For own use	977.09	929.35	5.14%
Leased out under operating leases	-	-	-
Investment property	243.33	280.46	(13.24%)
	1,220.42	**1,209.81**	**0.88%**
Intangible assets			
Goodwill	61.73	116.32	(46.93%)
Other intangible assets	400.18	401.92	(0.43%)
	461.92	**518.24**	**(10.87%)**
Tax assets	29.81	40.38	(26.18%)
Current tax assets	3,482.02	3,435.36	1.36%
Deferred tax assets	**3,511.83**	**3,475.73**	**1.04%**
Other assets	160.74	145.59	10.41%
Insurance contracts linked to pensions	63.81	63.48	0.53%
Inventories	180.88	141.10	28.19%
Other assets	**405.43**	**350.16**	**15.78%**
Non-current assets and disposal groups classified as held for sale	**1,376.30**	**1,276.84**	**7.79%**
TOTAL ASSETS	**80,496.91**	**67,417.45**	**19.40%**

(millions of euros)

EQUITY AND LIABILITIES	**2021**	**2020**	**Var.**
LIABILITIES			
Financial liabilities held for trading			
Derivatives	141.30	143.91	(1.81%)
	141.30	**143.91**	**(1.81%)**
Financial liabilities at amortised cost			
Deposits			
Central banks	9,765.78	8,606.73	**13.47%**
Credit institutions	5,536.41	2,411.59	**129.57%**
Customers	54,255.83	46,392.76	**16.95%**
Debt securities issued	2,557.57	1,708.28	**49.72%**
Other financial liabilities	312.09	288.79	**8.07%**
Memorandum item: subordinated liabilities	*1,303.79*	*928.99*	**40.34%**
	72,427.68	**59,408.15**	**21.92%**
Derivatives - hedge accounting	**298.58**	**290.32**	**2.85%**
Liabilities covered by insurance or reinsurance contracts	**1,472.24**	**1,524.05**	**(3.40%)**
Provisions			
Pensions and other post-employment defined benefit obligations	276.16	204.27	**35.19%**
Outstanding tax-related legal proceedings and litigation	20.98	18.36	**14.27%**
Commitments and guarantees given	97.89	65.44	**49.59%**
Other provisions	23.87	30.18	**(20.92%)**
	418.89	**318.25**	**31.62%**
Tax liabilities			
Current tax liabilities	44.25	37.77	**17.15%**
Deferred tax liabilities	170.98	203.27	**(15.89%)**
	215.23	**241.04**	**(10.71%)**
Other liabilities	**277.17**	**288.61**	**(3.96%)**
Liabilities included in disposal groups classified as held for sale	**726.60**	**626.63**	**15.95%**
TOTAL LIABILITIES	**75,977.68**	**62,840.96**	**20.90%**
EQUITY			
SHAREHOLDERS' EQUITY			

Capital			
Paid-up capital	2,476.21	2,476.21	-
	2,476.21	**2,476.21**	-
Share premium	**208.79**	**208.79**	-
Equity instruments issued other than capital			
Other equity instruments	-	-	-
Retained earnings	**1,831.37**	**1,708.68**	**7.18%**
Other reserves			
Reserves or accumulated losses of investments in joint ventures and associates	22.92	5.07	352.39%
Other	(91.22)	(33.53)	172.03%
	(68.30)	**(28.47)**	**139.93%**
Treasury shares	**(17.40)**	**(17.19)**	**1.21%**
Profit attributable to the owners of the Parent	**323.31**	**160.10**	**101.95%**
Interim dividends	(66.67)	-	**n.a.**
	4,687.31	**4,508.13**	**3.97%**
Accumulated other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains or losses on defined benefit pension plans	(12.92)	(12.48)	3.52%
Fair value changes of equity instruments measured at fair value through other comprehensive income	1.29	3.04	((57.57%)
Items that may be reclassified to profit or loss			
Foreign currency translation	2.44	1.36	80.24%
Hedging derivatives Cash flow hedges reserve (effective portion)	(202.37)	(22.31)	807.07%
Fair value changes of debt securities measured at fair value through other comprehensive income	56.75	116.37	(51.23%)
Share of other recognized income and expense of investments in joint ventures and associates	(7.46)	(10.56)	(29.33%)
	(162.26)	**75.42**	**n.a.**
Minority interests (non-controlling interests)			
Accumulated other comprehensive income	(0.51)	(0.45)	13.42%
Other items	(5.31)	(6.61)	(19.64%)
	(5.82)	(7.06)	(17.54%)
TOTAL EQUITY	**4,519.23**	**4,576.49**	**(1.25%)**
TOTAL EQUITY AND LIABILITIES	**80,496.91**	**67,417.45**	**19.40%**

In the year ended 31 December 2021 the Retail Business Volume of the ABANCA Group amounted to €108,681.66 million and its Retail Business Volume per employee was €18.9 million (€91,480.32 million and €16.8 million, respectively, in the year ended 31 December 2020)[19].

The table below includes the consolidated statements of profit and loss of the ABANCA Group for the years ended 31 December 2021 and 2020:

(millions of euros)
Income / (Expenses)

	2021	2020	Var.
Interest Income	**793.64**	**798.95**	**(0.66%)**
Financial assets at fair value through other comprehensive income	52.28	44.25	18.16%
Financial assets at amortised cost	677.48	710.54	(4.65%)
Other interest income	63.88	44.17	44.63%
Interest expense	**(119.50)**	**(155.99)**	**(23.40%)**
NET INTEREST INCOME	**674.15**	**642.96**	**4.85%**

19 The Retail Business Volume and the Retail Business Volume per employee are APMs, which are unaudited and whose definition, explanation, use and reconciliation is set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

Dividend income	**5.71**	**4.99**	**14.58%**
Share of profit or loss of equity-accounted investees	**(1.66)**	**(11.60)**	**(85.68%)**
Fee and commission income	**306.00**	**268.11**	**14.13%**
Fee and commission expense	**(48.48)**	**(33.92)**	**42.90%**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**106.11**	**213.01**	**(50.18%)**
Financial assets at amortised cost	8.98	161.51	(94.44%)
Other financial assets and liabilities	97.14	51.50	88.60%
Gains or losses on financial assets and liabilities held for trading, net	**12.07**	**8.51**	**41.86%**
Other gains or losses	12.07	8.51	41.86%
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	**17.71**	**12.59**	**40.64%**
Other gains or losses	17.71	12.59	40.64%
Gains or losses from hedge accounting, net	**(17.58)**	**3.38**	**n.a.**
Exchange differences, net	**9.16**	**9.77**	**(6.17%)**
Other operating income	**81.10**	**76.22**	**6.40%**
Other operating expenses	**(127.36)**	**(122.29)**	**4.15%**
Income from assets covered by insurance or reinsurance contracts	**111.61**	**106.87**	**4.44%**
Expenses from liabilities covered by insurance or reinsurance contracts	**(76.23)**	**(74.65)**	**2.13%**
GROSS MARGIN / GROSS INCOME	**1,052.32**	**1,103.95**	**(4.68%)**
Administrative expenses	**(616.64)**	**(601.34)**	**2.54%**
Personnel expenses	(375.66)	(379.30)	(0.96%)
Other administrative expenses	(240.98)	(222.04)	8.53%
Depreciation and amortisation	**(92.82)**	**(94.99)**	**(2.29%)**
Provisions or reversals of provisions	**(94.01)**	**38.19**	**n.a.**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**(64.25)**	**(233.28)**	**(72.46%)**
Financial assets at fair value through other comprehensive income	0.09	0.21	(57.89%)
Financial assets at amortised cost	(64.34)	(233.49)	(72.45%)
NET OPERATING INCOME	**184.60**	**212.53**	**(13.14%)**
Impairment or reversal of impairment on investments in joint ventures or associates	-	-	-
Impairment or reversal of impairment on non-financial assets	**(28.46)**	**(24.61)**	15.66%
Tangible assets	(13.22)	(21.61)	(38.82%)
Intangible assets	(15.16)	(3.00)	405.37%
Others	(0.08)	-	**n.a.**
Gains or losses on derecognition of non-financial assets, net	**(0.05)**	**0.58**	**n.a.**
Negative goodwill recognised in profit or loss	**205.89**(*)	**-**	**n.a.**
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**8.41**	**5.66**	**48.74%**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**370.39**	**194.16**	**90.77%**
Tax expense or income related to profit or loss from continuing operations	**(34.25)**	**(33.59)**	**1.98%**

PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**336.14**	**160.57**	**109.34%**
Profit or loss after tax from discontinued operations	(15.57)	(1.76)	**783.54%**
PROFIT FOR THE YEAR	**320.57**	**158.81**	**101.86%**
Attributable to minority interests (non-controlling interests)	**(2.74)**	**(1.29)**	**113.07%**
Attributable to the owners of the parent	**323.31**	**160.10**	**101.95%**

(*) Please see "*Description of ABANCA—History*" for a description of the acquisition transactions undertaken by ABANCA which explain this negative goodwill: (i) the acquisition of Bankoa, a former Spanish subsidiary of the Crédit Agricole Group; and (ii) the acquisition of Novo Banco Spain.

In the year ended on 31 December 2021 the Basic Margin of the ABANCA Group were €931.67 million, its Cost to Income Ratio was 67.4%, its operating expenses amounted to €709.46 million and its Return on Equity was 7.0% (€877.15 million, 63.1%, €696.33 million and 3.6%, respectively, in the year ended on 31 December 2020).[20]

CREDIT RATINGS

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

Agency	Modification date	Short-term rating	Long-term rating	Outlook
Moody's	July 2021	P-3	Baa3	Stable
S&P	April 2022	A-3	BBB-	Stable
Fitch	September 2021	F3	BBB-	Stable
DBRS	June 2021	R-2 (high)	BBB	Stable

Each of Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited, Fitch Ratings Ireland Spanish Branch, Sucursal en España and DBRS Rating GmbH is a rating agency established in the EU and registered under the CRA Regulation. A list of registered credit rating agencies is published at the ESMA's website: www.esma.europa.eu.

20 Basic Margin, Cost to Income Ratio, operating expenses and Return on Equity are APMs, which are unaudited and whose definition, explanation, use and reconciliation is set out in section 10 (*Alternative Performance Measures (APMs)*) of the 2021 Directors' Report.

CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING REGULATIONS

CAPITAL AND ELIGIBLE LIABILITIES, LIQUIDITY AND FUNDING REQUIREMENTS

The regulatory framework regarding the solvency of credit entities (which includes requirements to hold a certain level of own funds) ("**CRD IV**") is established by Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV Directive**"), Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms ("**CRR**") and any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced. The implementation of the CRD IV Directive in Spain has largely taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities, Law 10/2014, of 26 June, on organisation, supervision and solvency of credit entities (the "**Law 10/2014**"), Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (the "**Royal Decree 84/2015**"), and Bank of Spain Circulars 2/2014, of 31 January, and 2/2016, of 2 February (the "**Bank of Spain Circular 2/2016**").

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

On 23 November 2016, the European Commission presented a comprehensive package of reforms amending CRR, the CRD IV Directive, BRRD and Regulation (EU) No 806/2014 of the European Parliament and of the Council, of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms (the "**SRM Regulation**"). On 14 May 2019 the text was formally approved by the Council of the European Union. On 7 June 2019 the following regulations were published: (i) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**CRD V Directive**") amending the CRD IV Directive, (ii) Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**BRRD II**") amending, among others, the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**CRR II**") amending, among others, the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**SRM Regulation II**") amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the CRD V Directive, BRRD II, CRR II and the SRM Regulation II, the "**EU Banking Reforms**").

The CRD V Directive and the BRRD II have been implemented into Spanish law through Royal Decree-Law 7/2021, of 27 April, ("**RDL 7/2021**") which has amended, amongst others, Law 10/2014 and Law 11/2015, through Royal Decree 970/2021, of 8 November, which amended Royal Decree 84/2015, through Royal Decree 1041/2021, which amended Royal Decree 1012/2015, through Royal Decree 1041/2021, of 24 November, which amended Royal Decree 1012/2015 and through certain Circulars of the Bank of Spain. Despite the fact that RDL 7/2021 is generally enforceable since 29 April 2021, the Spanish Parliament decided on 19 May 2021 to process it as a Law and so RDL 7/2021 provisions may be subject to changes.

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

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

(ii) changes to the calculation of the leverage ratio; and (iii) changes to the minimum amount of capital that banks are required to hold for NPLs under the "prudential backstop".

Moreover, on 26 January 2021, the European Commission launched a targeted public consultation on technical aspects on a new review of BRRD, the SRM Regulation, and Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes. The consultation was open until 20 April 2021 and was split into two main sections: a section covering the general objectives of the review focus, and a section seeking technical feedback on stakeholders experience with the current framework and the need for changes in the future framework, notably on (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and impact on no creditor worse-off principle, and (iii) depositor insurance. Further work will be needed and legislative proposals on this topic are still expected.

Additionally, on 27 October 2021, the European Commission published legislative proposals amending CRR and CRD IV Directive, as well as a separate legislative proposal amending CRR and BRRD in the area of resolution. In particular, these legislative proposals are the following: (i) Directive of the European Parliament and of the Council amending CRD IV Directive as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending BRRD; (ii) Regulation of the European Parliament and of the Council and its annex amending CRR as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and (iii) Regulation of the European Parliament and of the Council amending CRR and BRRD as regards the prudential treatment of global systemically important institution groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities. These legislative proposals will need to follow the ordinary legislative procedure to become binding EU law. The final package of new legislation may not include all elements currently set out in the proposal and new or amended elements may be introduced through the course of the legislative process.

CAPITAL REQUIREMENTS

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

Moreover, Article 104 of CRD IV Directive, as implemented in Spain by Article 68 of Law 10/2014 and Article 94 of Royal Decree 84/2015, and similarly Article 16 of Council Regulation (EU) No 1024/2013, of 15 October 2013, conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, also contemplates that in addition to the minimum "Pillar 1" capital requirements, the supervisory authorities may require further capital to cover other risks, including those risks incurred by the individual institutions due to their activities not considered to be fully captured by the minimum "Pillar 1" Capital Requirements. This may result in the imposition of additional capital requirements on ABANCA and/or the ABANCA Group pursuant to this "Pillar 2" framework. Following the introduction of the Single Supervisory Mechanism, the ECB is in charge of assessing additional "Pillar 2" capital requirements ("**P2R**") through supervisory review and evaluation process (the "**SREP**") assessments to be carried out at least on an annual basis (accordingly requirements may change from year to year). CRD V Directive clarifies that P2R should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution) and it also allows the P2R to be partially covered with Additional Tier 1 instruments and Tier 2 instruments.

In addition to the minimum "Pillar 1" capital requirements and the P2R, credit institutions must comply with the "combined buffer requirement" set out in the CRD IV Directive as implemented in Spain. The "combined buffer requirement" has introduced five new capital buffers to be satisfied with additional CET1 capital: (i) the capital conservation buffer of 2.5% of RWAs; (ii) the global systemically important institutions ("**G-SII**") buffer, of between 1% and 3.5% of RWAs; (iii) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may be as much as 2.5% of RWAs (or higher pursuant to the competent authority); (iv) the other systemically important institutions ("**O-SII**") buffer, which may be as much as 3% of RWAs; and (v) the systemic risk buffer to prevent systemic or macro prudential risks, of at least 1% of RWAs (to be set by the competent authority). Circular 5/2021 of the Bank of Spain provides for the possibility that the authority may require a countercyclical buffer on an institution's exposures to a given sector, in addition to global exposures.

The Bank has not been classified as G-SII or as O-SII by the Financial Stability Board ("**FSB**") nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer. In addition, the Bank of Spain agreed to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the second quarter of 2022 (requirements will be revised each quarter). Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

CRD V Directive clarifies that P2R should be positioned in the relevant stacking order of own funds requirements above the Minimum "Pillar 1" capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as applicable.

In addition to the minimum "Pillar 1" capital requirements, the P2R and the "combined buffer requirements", the supervisor can also set a "Pillar 2" capital guidance ("**P2G**"). Thus, SREP decisions of 2016 onwards differentiate between P2R and P2G. While P2R are binding requirements and breaches can have direct legal consequences for the banks, P2G is not directly binding and a failure to meet it does not automatically trigger legal action, even though the ECB expects banks to meet P2G. Banks are expected to meet the P2G with CET1 capital on top of the level of binding capital requirements (minimum "Pillar 1" capital requirements, P2R and the "combined buffer requirements"). Under the EU Banking Reforms, the P2G is not relevant for the purposes of triggering the automatic restriction of the discretionary payments and calculation of the Maximum Distributable Amount. CRD V provides that when an institution repeatedly fails to meet the P2G, the competent authority should be entitled to take supervisory measures and, where appropriate, to impose additional own funds requirements.

In February 2022, the Bank received the decisions of the ECB regarding minimum capital requirements applicable as from 1 March 2022 following the outcomes of the most recent SREP. These decisions require ABANCA to maintain on a consolidated basis, a phased-in CET1 ratio of 8.125% of RWAs and a phased-in total capital ratio of 12.50% of RWAs. These ratios include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the P2R (CET1 ratio of 1.125% of RWAs and total capital ratio of 2.00% of RWAs), and the capital conservation buffer (2.50% of RWAs).

The table below sets out ABANCA's and the ABANCA Group's CET1 ratios, Tier 1 ratios, total capital ratios as of 31 December 2021 and 31 December 2020:

	Phased in		**Fully Loaded**	
	ABANCA	**ABANCA Group**	**ABANCA**	**ABANCA Group**
CET1 ratio as at 31 December 2021	12.3%	13.0%	11.8%	12.4%
CET1 ratio as at 31 December 2020	13.2%	13.7%	12.9%	13.1%
Tier 1 ratio as at 31 December 2021	14.2%	14.9%	13.7%	14.3%
Tier 1 ratio as at 31 December 2020	14.0%	14.5%	13.7%	13.9%
Total Capital ratio as at 31 December 2021	16.2%	16.9%	15.7%	16.3%
Total Capital ratio as at 31 December 2020	16.2%	16.7%	15.9%	16.1%

The ABANCA Group also has a solid capitalisation, with an asset density (i.e., the percentage of RWAs over Total Assets) of 40.5% as at 31 December 2021 (44.4% as at 31 December 2020).

Any failure by the Bank to comply with their regulatory capital requirements could result in the imposition of administrative actions or sanctions, such as further P2Rs or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, RD 1012/2015 and the SRM Regulation. See "*Risk Factors — Risk relating to the ABANCA Group —Legal and Regulatory Risks —Regulatory challenges on capital, liquidity or funding requirements*".

Also in reaction to the COVID-19 outbreak and in addition to the COVID-19 Banking Package, in March 2020 the ECB announced temporary measures expected to provide capital relief to banks in support of the economy. These measures include the permission to (i) operate temporarily below the level of capital defined by P2G, the "capital conservation buffer" and the Liquidity Coverage Ratio ("**LCR**") (the ECB expects banks to operate above their overall capital requirements and the levels of their P2G from 1 January 2023[21]) and (ii) use capital instruments that do not qualify as CET1 (for example Additional Tier 1 instruments and Tier 2 instruments) to partially meet P2R (as disclosed above).

21 Operation below the LCR was only expected by the ECB until the end of 2021.

Leverage Ratio

In addition to the above, Article 429 of the CRR requires institutions to calculate their Leverage Ratio ("**LR**") in accordance with the methodology laid down in that article. The EU Banking Reforms contain a binding 3% "Pillar 1" leverage ratio requirement, that has been added to the own funds requirements in Article 92 of the CRR, and which institutions must meet in addition to their risk-based requirements.

The table below sets out ABANCA's and the ABANCA Group's LRs as of 31 December 2021 and 31 December 2020:

	Phased in		**Fully Loaded**	
	Abanca	**Abanca Group**	**Abanca**	**Abanca Group**
LR as at 31 December 2021	5.8%	6.2%	5.6%	5.9%
LR as at 31 December 2020	6.3%	6.6%	6.1%	6.4%

This LR requirement is a parallel requirement to the risk-based own funds requirements described above.

Thus, any additional own funds requirements imposed by competent authorities to address the risk of excessive leverage should be added to the minimum leverage ratio requirement and not to the minimum risk-based own funds requirement. Furthermore, institutions should also be able to use any CET1 instruments that they use to meet their leverage-related requirements to meet their risk-based own funds requirements, including the "combined buffer requirement".

MREL REQUIREMENTS

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

In January 2022, the Bank of Spain formally reported on the MREL to be achieved by ABANCA on a consolidated basis, which was established by the SRB. In this decision, a binding intermediate MREL requirement of 14.77% of the Total Risk Exposure Amount ("**TREA**") and of 5.19% of the Leverage Ratio Exposure ("**LRE**") have been set, which must be fulfilled on 1 January 2022. The final MREL requirement, which ABANCA must meet no later than 1 January 2024, stands at 18.02% of TREA and at 5.19% of LRE. These ratios (both intermediate and final requirements) do not include the capital allocated to cover the Combined Buffer Requirement (2.5% TREA). The decision of MREL is aligned with the ABANCA's forecasts and the financing plan included in its strategic plan. As of 31 December 2021 ABANCA's MREL (not including the capital allocated to cover the Combined Buffer Requirement) represented 18.46% of the TREA and 7.66% of the LRE.

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

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

If any Relevant Resolution Authority (as defined below) finds that there could exist any obstacles to resolvability of the Bank and/or the ABANCA Group, a higher MREL could be imposed.

MAXIMUM DISTRIBUTABLE AMOUNT

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

In accordance with Article 73 of Royal Decree 84/2015 and Rule 24 of the Bank of Spain Circular 2/2016, restrictions of discretionary payments will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution generated since the last annual decision on the distribution of profits. Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no "discretionary payments" will be permitted to be made. As a consequence, in the event of breach of the "combined buffer requirement" (including where additional capital requirements are imposed that have the result of increasing the regulatory minimum required under CRD IV) it may be necessary to reduce discretionary payments (in whole or in part).

In addition, a new Article 16.a) of the BRRD, as recently amended by BRRD II, better clarifies the stacking order between the "combined buffer requirement" and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from making discretionary payments above the "maximum distributable amount" for own funds and eligible liabilities (calculated in accordance with the new Article 16.a)(4) of the BRRD (the "**MREL-Maximum Distributable Amount Provision**") through distribution of dividends, variable remuneration and payments to holders of AT1 instruments, where it meets the "combined buffer requirement" but fails to meet that "combined buffer requirement" when considered in addition to the MREL requirements. The referred Article 16.a) of the BRRD includes a potential nine-month grace period whereby the resolution authority will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount Provision before such resolution authority is compelled to exercise its power under such provisions (subject to certain limited exceptions).

LIQUIDITY REQUIREMENTS

The ABANCA Group should also comply with the LCR requirements provided in CRR. The LCR is the short-term indicator which expresses the ratio between the amount of available assets readily monetisable (cash and the readily liquidable securities held by the ABANCA Group) and the net cash imbalance accumulated over a 30-day liquidity stress period, it is a quantitative liquidity standard designed to ensure that banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. Since 1 January 2018, the entities to which this standard applies (including the ABANCA Group) must comply with 100% of the applicable LCR requirement. The LCR of the ABANCA Group was 257% as at 31 December 2021 (291% as of 31 December 2020).

The Basel Committee on Banking Supervision (the "**BCBS**") net stable funding ratio ("**NSFR**") is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III phase-in arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. The EU Banking Reforms contain the implementation of the BCBS standard on NSFR introducing some adjustments. The NSFR ratio of the ABANCA Group was 132% as at 31 December 2021 (132% as of 31 December 2020).

PRUDENTIAL TREATMENT OF NPLS

On 15 March 2018, the ECB published the addendum (the "**Addendum**") to the ECB Guidance to banks on NPLs published on 20 March 2017 (the "**NPL Guidance**"). The Addendum specifies the ECB's supervisory expectations for prudent levels of provisions for new NPLs, it is non-binding but serves as the basis for the supervisory dialogue between the significant banks and ECB banking supervision. The ECB assesses any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually. During the supervisory dialogue, the ECB discusses with each bank divergences from the prudential provisioning expectations laid out in the addendum. After this dialogue and taking into account the bank's specific situation, ECB Banking Supervision decides, on a case-by-case basis, whether and which supervisory measures are appropriate. In addition, in a press release dated 11 July 2018, the ECB announced that, in order to address the stock of NPLs and with the aim of achieving the same coverage of NPL stock and flow over the medium term, it would set bank-specific supervisory expectations for the provisioning of NPLs. Such supervisory expectations for NPL provisioning, which are part of the ongoing supervisory dialogue, add more pressure on financial results.

As part of the EU Commission's package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 amends CRR as regards minimum loss coverage for non-performing exposures ("**NPEs**"), introducing a clear set of conditions for the classification of NPEs. This regulation establishes clear criteria on the determination of non-performing exposures, the concept of forbearance measures, deduction for non-performing exposures and treatment of expected loss amounts.

Besides the measures contained in the COVID-19 Banking Package, in connection with the measures adopted in reaction to the COVID-19 outbreak and more specifically in connection with the measures announced by the ECB to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations, the ECB announced additional measures introducing supervisory flexibility regarding the treatment of NPLs, in particular to allow banks to fully benefit from guarantees and moratoriums put in place by public authorities to tackle the current distress. In light of that scenario, the EBA also issued statements regarding the prudential framework in relation to the classification of loans in default, classification of exposures under the definition of forbearance or as defaulted under distressed restructuring, and their accounting treatment. In particular, the EBA clarified that generalised payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeliness to pay (individual assessments of the likeliness to pay should be prioritised) and clarified the requirements for public and private moratoria, which if fulfilled, were expected to help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring.

LOSS ABSORBING POWERS BY THE RELEVANT RESOLUTION AUTHORITY UNDER LAW 11/2015 AND THE SRM REGULATION

The BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an "**institution**") so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a member state as a last resort, after having assessed and exploited the other resolution tools set out below to the maximum extent practicable whilst maintaining financial stability.

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

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the FROB, the SRB established pursuant to the SRM Regulation, as the case may be and according to Law 11/2015, the Bank of Spain or the CNMV, or any other entity with the authority to exercise any such tools and powers from time to time or to perform the role of primary bank resolution authority (each, a "**Relevant Resolution Authority**") as appropriate, considers that (a) an institution is failing or likely to fail in the near future, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

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

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 addition to the mandatory exclusions set forth in Article 27.3 of the SRM Regulation and in Article 42 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital in accordance with claim ranking set out in the Insolvency Law; and (v) the principal or outstanding amount of "bail-inable liabilities" (*pasivos susceptibles de recapitalización interna*) in accordance with the hierarchy of claims in normal insolvency proceedings (with "non-preferred" ordinary claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other ordinary claims against the Bank).

In addition to the Spanish Bail-in Power, the BRRD, Article 38 of 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 and certain internal eligible liabilities at the point of non-viability of an institution or a group (the "**Non-Viability Loss Absorption**"). 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 bail-inable 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).

GENERAL INFORMATION

Responsibility for this Registration Document

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

Significant/Material Change

2. Save for the impact that the military conflict between Russia and Ukraine may have on the global economy in general or the Spanish or Portuguese economies in particular, as disclosed in the 2022 Consolidated First Quarter Interim Financial Statements and in the risk factor headed "*Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, in Portugal or in Galicia or any deterioration in the European, Spanish and Portuguese financial system, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations*", since 31 December 2021 there has been no material adverse change in the prospects of ABANCA.

3. Since 31 March 2022 there has been no significant change in the financial position or in the financial performance of the ABANCA Group.

Independent Auditors

4. The 2021 Audited Consolidated Annual Accounts and the 2020 Audited Consolidated Annual Accounts have been audited without qualification, modifications of opinions, disclaimers or emphasis of matter by KPMG Auditores, S.L., independent auditors.

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

Certain information on the financial information

5. The 2020 Audited Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 28 June 2021.

Third party information

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

Documents on Display

7. Electronic copies of the bylaws (*Estatutos Sociales*) of ABANCA (as the same may be updated from time to time) may be inspected on ABANCA's website for the 12 months from the date of this Registration Document: www.abancacorporacionbancaria.com. For the avoidance of doubt, unless specifically incorporated by reference into this Registration Document, information contained on the website does not form part of this Registration Document.

Material Contracts

8. There are no contracts not entered into in the ordinary course of business which could result in any ABANCA Group member being under an obligation or entitlement that is material to the ability of ABANCA to meet its obligations to security holders in respect of any non-equity securities issued by the Issuer.

Validity of the Registration Document and of the Registration Document supplements

9. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Registration Document after the end of its 12-month validity period.

SIGNATURES

In witness to their knowledge and approval of the contents of this Registration Document drawn up according to Annex 7 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed by Mr Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as Chief Investment Officer (*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 1 June 2022.