REGISTRATION DOCUMENT

ABANCA CORPORACIÓN BANCARIA, S.A.

This Registration Document has been prepared in accordance with Annex XI of Commission Regulation (EC) No. 09/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

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I. RISK FACTORS

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

*Any investment in securities is subject to a number of risks. Prior to materialising such investment, prospective investors should carefully consider risk factors associated with the securities, the business of ABANCA Corporación Bancaria, S.A. (the "**Issuer**", the "**Bank**" or "**ABANCA**") (the Bank and its consolidated subsidiaries are referred to herein as the "**ABANCA Group**") and the industry in which it operates together with all other information contained in this Registration Document, including, in particular the risk factors described below.*

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment and should be used as guidance only. Additional risks and uncertainties relating to ABANCA or the ABANCA Group that are not currently known to ABANCA or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of ABANCA or the ABANCA Group and, if any such risk should occur, investors could result affected and lose all or part of their investment.

Risks relating to the ABANCA Group

Credit Risk

The ABANCA Group is exposed to the creditworthiness of its customers and counterparties. Credit risk can be defined as potential losses in respect of the full or partial breach of the debt repayment obligations of customers or counterparties (including, but not limited to, the insolvency of a counterparty or debtor), and also includes the value loss as a consequence of the credit quality of customers or counterparties. Credit risk is of concern in respect of the ABANCA Group's business activities in the banking, insurance, treasury and investee portfolio sectors. As of 30 June 2018, credits to clients and fixed income securities represented 60.83% and 23.28%, respectively, of the total assets of the ABANCA Group (57.34% and 25.28%, respectively, as of 31 December 2017 and 60.22% and 22.86%, respectively, as of 31 December 2016).

The ABANCA Group's portfolio of loans to clients is comprised mainly of loans to big, medium and small enterprises and mortgage and consumer loans to private clients. Payment defaults by clients and other counterparties may arise from events and circumstances that are unforeseeable or difficult to predict or detect. Market turmoil and economic weakness, especially in Spain (and in Galicia), could have a material adverse effect on the liquidity, business and financial conditions of the ABANCA Group's clients, which could in turn impair the ABANCA Group's loan portfolio. 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 bad and doubtful debts and other provisions. In addition, the ABANCA Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, an unsettling effect on inter-institutional financial transactions in general. Many of the routine transactions the ABANCA Group enters into expose it to significant credit risk in the event of default by one of the ABANCA Group's significant counterparties. Collateral and security provided to the ABANCA Group may be insufficient to cover the exposure or the obligations of others to the ABANCA Group. The creditworthiness of a customer or a counterparty resulting in a default would have an impact in the expected losses of the ABANCA Group and cause an increase in its relevant provisions (which could even not be sufficient to cover the losses related to the credit risk). Accordingly, any of the foregoing could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Non-performing or low credit quality loans have in the past negatively impacted the ABANCA Group's results of operations and, as well as to all the banking system, could do so in the future. As of 30 June 2018, the non-performing loans ("**NPLs**"), which correspond to the item "impaired assets" of the consolidated balance sheet of the ABANCA Group, amounted to €1,400.56 million, representing 2.8% of the total assets of the ABANCA Group (€1,541.35 million and 3.0%, respectively, as of 31 December 2017 and €2,153.21 million and 4.8%, respectively, as of 31 December 2016). As of 30 June 2018, 75.2% of the NPLs were secured by real estate mortgages, while 0.4% were secured by other types of in rem securities (such as pledges) and 24.4% were unsecured (75.0%, 0.3% and 24.7%, respectively, as of 31 December 2017). As of 30 June 2018, the NPL Ratio of the ABANCA Group was 4.6% (5.3% as of 31 December 2017 and 7.8% as of 31 December 2016) and the NPL Coverage Ratio of the ABANCA Group was 53.6% (51.6% as of 31 December 2017 and 50.1% as of 31 December 2016). If the ABANCA Group was unable to control the level of its non-performing or poor credit quality loans, this could adversely affect the ABANCA Group's financial condition and results of operations. NPL Ratio and NPL Coverage Ratio are APMs, the definition, explanation, use and reconciliation of which are set out in Section II "*Registration Document*", sub section 11.9 "*Alternative Performance Measures"*.

A weakening in customers' and counterparties creditworthiness' could also impact the ABANCA Group's capital adequacy. The regulatory capital levels the ABANCA Group is required to maintain are calculated as a percentage of its risk-weighted assets ("**RWAs**"), in accordance with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "**CRD IV Directive**"), and the regulation governing capital requirements according to Regulation (EU) 575/2013, of 26 June, on prudential requirements for credit institutions and investment firms (the "**CRR**"). The RWAs consist of the ABANCA Group's balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria, and are driven, among other things, by the risk profile of its assets, which include its lending portfolio. If the creditworthiness of a customer or a counterparty declines, the ABANCA Group would lower their rating, which would presumably result in an increase in its RWAs, which potentially could reduce the ABANCA Group's capital adequacy ratios and limit its lending or investments in other operations.

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

The ABANCA Group conducts its business mainly in Spain (as of 30 June 2018, 98% of the total consolidated assets and liabilities of the ABANCA Group were located in Spain (97% as of both 31 December 2017 and 31 December 2016) and, as of 30 June 2018, the ABANCA Group held Spanish debt (mainly sovereign) representing 15% of its total consolidated assets (16% and 20% as of 31 December 2017 and 2016, respectively)). In particular, it has a remarkable footprint in the autonomous region (*comunidad autónoma*) of Galicia. Consequently, the income generated by most of the products sold and by the services rendered by the ABANCA Group depends on the economic conditions in Spain and especially in Galicia, and also indirectly on the economic conditions in the EEA.

Global economic conditions deteriorated significantly between 2007 and 2012 and Spain fell into a deep recession. During the financial crisis, many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced significant difficulties. Around the world, there were runs on deposits at several financial institutions, numerous financial institutions had to seek additional capital, including obtaining assistance from governments, and many lenders and institutional investors reduced or ceased providing funding to borrowers (including to other financial institutions) and have faced defaults of their borrowers. Over this same period, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. The crisis in worldwide financial and credit markets led to a global economic slowdown, with many economies around the world showing significant signs of weakness or slow growth.

From 2014 the Spanish economy has had a good performance and in the last three years the current account imbalances have been positive: Spain has experienced gross domestic product ("**GDP**") growths of 3.4% in 2015, 3.3% in 2016 and 3.1% in 2017 (source: *National Statistics Institute of Spain, Quarterly National Accounts of Spain, Press Note 1 March 2018*). Recently, the International Monetary Fund has reviewed the expected growth of the Spanish economy and has projected an increase of its GDP by 2.8% in 2018 and 2.2% in 2019 (source: *International Monetary Fund, World Economic Outlook, April 2018*), while the Bank of Spain (*Banco de España*) expects a GDP growth rate of 2.7% in 2018 and 2.4% in 2019 (source: *Bank of Spain, Macroeconomic Projections, June 2018*). Higher employment and easier financing conditions should support domestic demand; growth and the recovery of the euro area is also expected to continue to support export demand. The Spanish economy has made progress in reducing its economic and financial imbalances and implementing important structural reforms. Current account surpluses, the adjustment in the real estate sector and advanced deleveraging of the private sector have contributed to improving the Spanish economy. Nevertheless, public fiscal accounts are adjusting slowly: the deficit stood at 3.07% in 2017 (source: *Ministry of Finance and the Civil Service, Press Release, 26 March 2018*), below the target of 3.1% for 2017 and it is expected to reduce to the target of 2.2% for 2018 (source: *Ministry of Finance and the Civil Service, Press Release, 3 April 2018*). High public deficits have pushed public debt to 98.8 % of GDP in the first quarter of 2018 (source: Bank of Spain, Statistical Bulletin, July 2018), but despite the adverse dynamics, the level of public debt in Spain is not far from the Euro area average (86.8 % of GDP in the first quarter of 2018 (source: Bank of Spain, Statistical Bulletin, July 2018). The Spanish banking system is accelerating the pace of new lending as a result of increased demand and improved financial conditions. After the clean-up and restructuring efforts of the past years, the main challenge now is to achieve sustainable profitability levels through a combination of higher revenues from increased business volumes, lower funding costs, additional capacity adjustments and a lower cost-of-risk.

In 2017, Galicia achieved a remarkable momentum with a GDP growth of 3.1%, the same record as the average of the Spanish economy (source: *National Statistics Institute of Spain, regional accounting series, Press Note 23 March 2018*), with an improved employment creation, registering at the end of 2017 an unemployment rate of 14.7% (source: *National Statistics Institute of Spain, Economically Active Population Survey*), which is below the Spanish average.

At the same time, the economy of the Eurozone has consolidated its expansion in 2017 with a GDP growth of 2.5% in 2017 (source: *ECB staff macroeconomic projections for the euro area, March 2018*), the highest rate of the last decade, supported by the expansive monetary policy of the European Central Bank ("**ECB**") and the boost of core countries of the area.

The above notwithstanding, the European and the Spanish economies could be negatively affected by several risks, both external and internal. External risks include the possibilities of a greater slowdown in the emerging economies and another episode of financial volatility and several political and geopolitical risks. Internal risks in the euro area include the negotiation process regarding the exit by the United Kingdom ("**UK**") from the EU (Brexit), which could have adverse effects on the UK and the rest of EU economies through real and financial channels, or the political situation in Italy where a new government comprised of representatives of two different political parties, and that includes Euro-sceptic members, was formed in June 2018 after weeks of political instability following the March 2018 elections. While the direct exposure of the European economy to the UK through these channels appears to be relatively small, the impact could be larger due to its impact on consumer and business confidence. Other existing risks to the European and the Spanish economies include a potential increase of the interest rates, the variation of the EUR-USD exchange rate or the implementation of protectionist measures in both foreign and European economic systems.

In addition, while the probability of country defaults has decreased since 2012, the possibility of a European sovereign default still exists. In the past, the ECB and the European Council have taken actions with the aim of reducing the risk of contagion in the Eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, 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. 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. The risk of returning to fragile, volatile and political tensions exists if the current ECB policies in place to control the crisis are normalised, the reforms aimed at improving productivity and competition and the European banking union and other measures of integration do not progress or Euro-sceptic groups succeed. Moreover, if one or more EU member states were to exit from the European Monetary Union (EMU), this could cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency. These risks could materially affect the European and global economy, and substantially disrupt capital, interbank, banking and other markets, among other effects. Moreover, tensions among EU member states, and growing Euro-skepticism in certain EU countries, intensified by the refugee crisis, could pose additional difficulties in the EU's ability to react to any of those economic risks. The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports, so that an interruption in the recovery of the Eurozone might have an adverse effect on Spanish economic growth.

An internal risk to the Spanish economy arises from political fragmentation and uncertainties arising from the political situation within Spain, which may slow the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies or impact economic growth in Spain. This applies not only to specific Spanish regions such as Catalonia (where considerable uncertainty exists regarding the outcome of political tensions between Spain's central government and the regional government of Catalonia that could start to weigh on business confidence and investment, and could weaken Spain's current good growth prospects) but also to the central Spanish government where, after the successful result of the June 2018 no confidence vote, further instability cannot be ruled out due to the forming of a new minority government. An increase in political uncertainties in Spain could have adverse economic effects. Furthermore, there is consensus that, despite the expected improvement in the labour market, the unemployment rate will remain high in the months to come in Spain.

In particular, the ABANCA Group faces, among others, the following risks related to a potential new economic downturn:

- Reduced demand for the ABANCA Group's products and services.
- Increased regulation of the ABANCA Group's industry. Compliance with such regulation will continue to increase the ABANCA Group's costs and may affect the pricing of its products and services, increase its conduct and regulatory risks related to non-compliance and limit the ABANCA Group's ability to pursue business opportunities.
- Inability of the ABANCA Group's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of its retail customers and may adversely affect the recoverability of its retail loans, resulting in increased loan losses.

- The process the ABANCA Group uses to estimate losses inherent to its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the ABANCA Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the ABANCA Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the ABANCA Group's loan loss allowances.

- The value and liquidity of the portfolio of investment securities that the ABANCA Group holds may be adversely affected.

- A delay in the recovery of the international financial industry may negatively impact the ABANCA Group's financial condition and results of operations.

In the event that the above external and internal risks materialised and had an adverse impact on the economic prospects of Spain or the EU, the economic situation could reduce and adversely affect the ABANCA Group's business, financial condition and results of operations.

Liquidity risk

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

The immediate access to funds is essential for any banking business, and the ABANCA Group is not an exception. The ability of the ABANCA Group to obtain funds or to access them could be damaged by factors which are not intrinsic to its operations, such as general market conditions, an alteration or closure in the financial markets, a negative view of the perspectives of the sectors to which it grants a large number of its loans or uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, which in turn could generate a negative view of the liquidity of the ABANCA Group among creditors and derive in a decrease in credit ratings, higher debt costs and less access to funds. If there were a deterioration in the situation of the international capital markets, or the credit ratings of ABANCA worsened, it would likely be more difficult for it to attract resources in such markets. Furthermore, given that ABANCA is a Spanish credit institution, a crisis in Spanish sovereign bonds could increase its financing costs.

In such extreme circumstances, the ABANCA Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the ABANCA Group's regulatory position, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

One of the ABANCA Group's major sources of funds are savings and demand deposits. The level of wholesale and retail deposits may fluctuate due to factors outside the ABANCA Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. As of 30 June 2018, 78.6% of the total consolidated liabilities of ABANCA were customer deposits (76.4% as of 31 December 2017 and 82.0% as of 31 December 2016). As of 30 June 2018, customer deposits registered a semiannual increase of 0.7% (5.8% during 2017 and 2.7% during 2016).

As of 30 June 2018, the ABANCA Group presented a negative short-term (demand) gap of €22,195.41 million (€20,620.90 million as of 31 December 2017 and €17,188.23 million as of 31 December 2016), characteristic of retail banking, in which an important part of its liabilities consists of short-term liabilities, for which the historic behavior indicates a high degree of stability. As of that date, the liquidity gap displayed a negative balance within the "up to 1 month" period of €412.13 million (€2,789.84 million as of 31 December 2017 and €758.81 million as of 31 December 2016), within the "between 1 and 3 months" period of €2,100.98 million (€2,414.66 million as of 31 December 2017 and €3,860.34 million as of 31 December 2016) and within the "between 3 and 12 months" period of €4,820.19 million (€4,978.54 million as of 31 December 2017 and €4,186.65 million as of 31 December 2016), mainly due to the great strength of the term deposits of customers, which also historically display a high degree of stability.

As of 30 June 2018 the retail loan to deposits ratio of the ABANCA Group was 93.6%, compared to 93.3% as of 31 December 2017 and 90.9% as of 31 December 2016. However, ABANCA cannot guarantee that it will be able to meet its liquidity needs or meet them without incurring higher customer acquisition costs or having to liquidate part of its assets if there is some pressure on its liquidity for any reason, which could cause a negative impact on the interest margin of the ABANCA Group. The retail loan to deposits ratio is an APM, the definition, explanation, use and reconciliation of which is set out in Section II "*Registration Document*", sub section 11.9 "*Alternative Performance Measures".*

A fundamental part of the ABANCA Group's strategy for the management of liquidity involves access to capital markets, and therefore the uncertainty regarding the level of resources that could be raised at acceptable interest rates on such markets could affect the strength of its liquidity situation and have a substantial negative impact on the business, financial situation and structure and operating result of the ABANCA Group. In this regard, it should be noted that ABANCA is not a publicly-traded entity and therefore has limited access to, and may be unable to obtain financing from, public capital markets.

Additionally, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the ABANCA Group (or to all banks), which could increase the ABANCA Group's cost of funding and restrict its access to liquidity. The funding structure employed by the ABANCA Group may also prove to be inefficient, thus giving rise to a level of funding cost where the cumulative costs are not sustainable over the longer term. The funding needs of the ABANCA Group may increase and such increases may be material to the ABANCA Group's business, financial condition and results of operation.

Due to the recent financial market crisis, followed by instability, the reduced liquidity available to operators in the sector, the increase in risk premium and the higher capital requirements imposed by the supervisory authorities, also following the results of the comprehensive assessment, 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 (in some cases by directly acquiring banks' share capital), 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. These forms of financing have been made technically possible where supported by the provision of securities in guarantee considered suitable by the various central institutions. In this context, the ECB has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed rate liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, longer-term refinancing programmes such as the "Targeted Longer-Term Refinancing Operations" (TLTRO) introduced in 2014 (the "**TLTRO I**") and in 2016 (the "**TLTRO II**"), and purchases on the debt securities market (i.e. the so-called outright monetary transactions launched in 2012 and quantitative easing announced in 2015). These interventions contributed to reducing the perception of risk towards the banking system, mitigating the size of the funding liquidity risk and also contributed to reducing speculative pressures on the debt market, specifically with regard to so-called peripheral countries.

As of 30 June 2018, the funding with the ECB (through the TLTRO II) amounted to €3,442.96 million, as of 31 December 2017 to 3,449.92 and as of 31 December 2016 to €1,700.0 million, which represented 6.9%, 6.8% and 3.8%, respectively, of the total consolidated asset of the ABANCA Group, and 7.5%, 7.4% and 4.1% of the consolidated liability of the ABANCA Group, as of 30 June 2018, 31 December 2017 and 31 December 2016, respectively.

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

Finally, as regards market liquidity, sudden changes in market conditions (interest rates and creditworthiness in particular) can have significant effects on the time to sell, including for high-quality assets, typically represented by government securities. The "dimensional scale" factor plays an important role for the ABANCA Group, insofar as it is plausible that significant liquidity deficits, and the consequent need to liquidate high-quality assets in large volumes, may change market conditions. In addition to this, the consequences of a possible downgrade of the price of the securities held and on the criteria applied by the counterparties in repos operations could make it difficult to ensure that the securities can be easily liquidated under favourable economic terms.

In addition to risks closely connected to funding risk and market liquidity risk, an additional risk that could impact day-to-day liquidity management is represented by differences in the amounts or maturities of incoming and outgoing cash flows (mismatch risk). In addition to its day-to-day management, the ABANCA Group must also manage the risk that (potentially unexpected) future requirements (i.e. use of credit lines, withdrawal of deposits, increase in guarantees offered as collateral) may use a greater amount of liquidity than that considered necessary for day-to-day activities (contingency risk).

The lack of liquidity in the ABANCA Group could have a substantial negative impact on its activities, financial situation and operating result.

Since the ABANCA Group needs to comply with evolving liquidity regulatory requirements, it may need to implement changes in business practices that could affect the profitability of its business activities

The liquidity coverage ratio ("**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 developed by the Basel Committee on Banking Supervision ("**BCBS**") and provided for in CRR to ensure that those banking organisations which this standard is to apply to (including the ABANCA Group) have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The final standard was announced in January 2013 by the BCBS and since January 2015 has been progressively phased-in. 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 225% as of 30 June 2018 (229% as of 31 December 2017 and 265% as of 31 December 2016).

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

Both the LCR and NSFR are used by ABANCA to assess the liquidity profile of the ABANCA Group.

Various elements of the LCR and the NSFR, as they are implemented by banking regulators and complied with by the ABANCA Group, may cause changes that affect the profitability of business activities and require changes to certain business practices, which could expose the ABANCA Group to additional costs (including increased compliance costs) or have a material adverse effect on the ABANCA Group's business, financial condition or results of operations. These changes may also cause the ABANCA Group to invest significant management attention and resources to implement any necessary changes.

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

The ABANCA Group's results of operations depend upon the level of its net interest income, which is the difference between interest income from loans and other interest-earning assets and interest expense paid to its depositors and other creditors on interest-bearing liabilities. For the one-year period ended on 31 December 2017, the net interest income was €488.50 million and represented a 60.22% of the gross margin (for the one-year period ended on 31 December 2016, the net interest income was €407.92 million and represented 62.27% of the gross margin). As of 30 June 2018, the net interest income was €257.77 million and represented a 53.34% of the gross margin. The net interest income is an APM, the definition, explanation, use and reconciliation of which is set out in Section II "*Registration Document*", sub section 11.9 "*Alternative Performance Measures"*.

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 could generate less income from commissions

The net fees and commissions of the ABANCA Group reached €169.76 million during the one-year period ended on 31 December 2017 and €151.82 million during the one-year period ended on 31 December 2016, representing 21% and 23% respectively of the consolidated gross margin of the ABANCA Group for each of the said periods. In the first semester of 2018 net fees and commissions of the ABANCA Group reached €88.18 million (18% of the consolidated gross margin). Even though the income from commissions of the ABANCA Group increased by 11.8% between 31 December 2016 and 31 December 2017 and 0.7% in the first six months of 2018 (year-on-year), a stagnation of the markets or an increase in competition in the future could cause a decrease in the number of transactions carried out on behalf of its customers and, as a consequence, a decrease in the income from commissions of the ABANCA Group. Net fees and commissions is an APM, the definition, explanation, use and reconciliation of which is set out in Section II "*Registration Document*", sub section 11.9 "*Alternative Performance Measures"*.

In the event that the current structure of interest rates (at historically low levels) is maintained in the long term, an increase in the volume of income from commissions could be required. Therefore, the ABANCA Group could be forced to increase the number of transactions subject to commissions or to increase the amount of the commissions currently charged to customers.

Furthermore, the activity of the ABANCA Group requires an important ability to anticipate and adapt to constant technological innovations. Although in the last years the ABANCA Group has adopted measures both to reduce technological obsolescence and to increase the services it provides through its network and non-in situ platforms, these measures might not be sufficient and, therefore, a lack of adaptation by the ABANCA Group to all these technological advances could limit the provision of services to its customers and negatively affect its income.

In the event that the ABANCA Group should suffer a significant reduction in income due to a decline in services and commissions, or does not manage to adjust, where necessary, its commissions policy to the new interest rate structure, there could be a substantial negative impact on its activities, financial situation and operating result.

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

The markets in which the ABANCA Group operates are highly competitive and the ABANCA Group faces substantial competition in all parts of its business, including in originating loans and in attracting deposits. Financial sector reforms in these markets (mainly in Spain) have increased competition among both local and foreign financial institutions, and the ABANCA Group believes that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the ABANCA Group must now compete, some of which have received public capital. This trend is expected to continue as the Bank of Spain continues to impose measures aimed at restructuring the Spanish financial sector, including requirements that smaller, non-viable regional banks consolidate into larger, more solvent and competitive entities, and reducing overcapacity. There can be no assurance that this increasing competition will not adversely affect the growth prospects of the ABANCA Group, and therefore its operations.

The ABANCA Group also faces competition from non-bank competitors, such as department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds, insurance companies, and public debt. In addition, the ABANCA Group faces competition from shadow banking entities that operate outside the regulated banking system. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology further continues to connect society. The ABANCA Group cannot be certain that this competition will not adversely affect its competitive position.

Non-traditional providers of banking services, such as internet-based e-commerce providers, mobile telephone companies and internet search engines may offer and/or increase their offerings of financial products and services directly to customers. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulation. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services.

If the ABANCA Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, the ABANCA Group's business may be adversely affected. In addition, the

ABANCA Group's failure to effectively anticipate or adapt to emerging technologies or changes in customer behaviour, including among younger customers, could delay or prevent the ABANCA Group's access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business.

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

Increasing competition could also require that the ABANCA Group increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the ABANCA Group, including its profitability. It may also negatively affect the ABANCA Group's business results and prospects by, among other things, limiting its ability to increase its customer base and expand its operations and increasing competition for investment opportunities.

If the ABANCA Group's customer service levels were perceived by the market to be materially below those of its competitor financial institutions, the ABANCA Group could lose existing and potential business. If the ABANCA Group is not successful in retaining and strengthening customer relationships, the ABANCA Group may lose market share, incur losses on some or all of its activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on its operating results, financial condition and prospects.

Any reduction in the Bank's credit rating could increase the Bank's and/or the ABANCA Group's cost of funding and adversely affect the ABANCA Group's interest margins

The Bank is rated by various credit rating agencies (see Section II "*Registration Document*", sub section 1.8 "*Credit ratings*" below). The credit ratings of the Bank are an assessment by rating agencies of its ability to pay its obligations when due. Credit ratings affect the cost and other terms upon which the Bank and/or the ABANCA Group is able to obtain funding. Rating agencies regularly evaluate the ABANCA Group and the ratings of the Bank's long-term debt are based on a number of factors, including the Bank's financial strength as well as conditions affecting the financial services industry generally. Credit ratings are subject to the evaluation of the financial strength of a company in accordance with the methodology applied by rating agencies.

In addition, since ABANCA is a Spanish company with substantial operations in Spain, its rating is affected by the sovereign rating of Spain, which is the maximum level achievable by ABANCA. Any decline in the Kingdom of Spain's sovereign credit ratings could, in turn, result in a decline in ABANCA's credit ratings.

Any downgrade in the Bank's ratings could increase the ABANCA Group's borrowing costs and require it to post additional collateral or take other actions under some of its derivative contracts and could limit its access to capital markets and adversely affect ABANCA Group's commercial business. For example, a ratings downgrade could adversely affect the ABANCA Group's ability to sell or market certain of its products, engage in business transactions particularly longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. This, in turn, could reduce the Bank's liquidity and have a material adverse effect on its business, financial condition and results of operations.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks. The Bank's failure to maintain favourable ratings and outlooks could increase the cost of its funding and adversely affect the ABANCA Group's interest margins and results of operations.

Market risk

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

As of 30 June 2018, excluding the credit investment portfolio, the exposure of the ABANCA Group subject to market risk came to a total €7,235.84 million in fixed income securities and €204.91 million in listed variable income securities (€8,385.77 million and €104.91 million, respectively, as of 31 December 2017 and €5,624.91 million and €131.18 million, respectively, as of 31 December 2016). The fixed income portfolio exposed to market risk mainly comprises government bonds, as of 30 June 2018, 38.66% corresponds to sovereign bonds of the Spanish government, 36.93% to bonds of other countries of the Monetary Economic Union and 11.94% to bonds of government agencies, autonomous regions and bonds backed by the Spanish government (41.39%, 36.23% and 11.47%, respectively, as of 31 December 2017 and 63.30%, 14.83% and 14.94%, respectively, as of 31 December 2016). As of 30 June 2018, the book value of derivatives subject to market risk was €126.77 million (€132.33 million and €198,97 million as of 31 December 2017 and 31 December 2016, respectively), of which €110.17 million were trading derivatives and €16.60 million hedge derivatives (€100.32 million and €32.01 million, respectively as of 31 December 2017 and €141.05 million and €57.92 million, respectively, as of 31 December 2016).

A standard measure to evaluate market risk is "**VaR**" (Value at Risk). As of 30 June 2018, the VaR of the fixed income and listed variable income portfolio (excluding the held-to-maturity portfolio and the credit investment portfolio) of the ABANCA Group, considering a daily time horizon and a confidence level of 99%, was €46.18 million (€21.9 million as of 31 December 2017 and €20.4 million as of 31 December 2016). In other words, on average, 99 out of 100 times, the real daily losses for the securities portfolio were lower than those reflected by the VaR.

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

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

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

As of 30 June 2018, ABANCA had deferred tax assets amounting to a total of €3,343.39 million (€3,290.22 million as of 31 December 2017 and €3,302.94 million as of 31 December 2016). 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 CIT, as amended (the "**CIT Law**"), of the €3,343.39 million of deferred tax assets mentioned above, ABANCA considers that €2,658.11 million would become government debt securities (monetisable) if, after 18 years have passed (as from 31 December 2014 or from the accounting record of the tax asset, whichever date is the latest), said tax assets have not been able to be recovered. In this respect, ABANCA plans to pay the financial contribution established under the Additional Provision Thirteen of the CIT Law, having established a provision amounting to €34.28 million in the financial statements for the year ended on 31 December 2017, that was paid in July 2018, and a provision amounting to €17.1 million in the financial statements for the 6-month period ended on 30 June 2018. Consequently, as of 30 June 2018 the relevant provision in the financial statements amounts to €51.38.

The future recovery by the ABANCA Group of part of such tax assets will be subject to different time limitations depending on their origin (15 years for deductions pending application regulated by the CIT Law, except for any deduction for research and development and technological innovation activities, the offset deadline for which is 18 years). In addition, there is no time limitation for the offset of negative tax bases and deductions to avoid double taxation. Furthermore, the potential recovery of these tax assets is conditioned or limited by the existence of certain assumptions, such as the obtaining of sufficient profits; the non-reduction of corporation tax; or mistakes or discrepancies with the Spanish tax authorities in the settlement of such tax.

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

Operational risks are inherent in the activity of the ABANCA Group

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

In addition, the ABANCA Group is inherently exposed to the risk of business discontinuity in the event of contingencies such as a breakdown in communications or the electrical supply, or failure in the equipment or computer systems, or in the event of other disasters such as earthquakes, fires, explosions or floods. Despite the precautions taken in relation to these risks, it is not always possible to avoid or prevent technological or operational failures, and the ABANCA Group could incur losses exceeding the insurance coverage available for its activity.

Any failure causing an interruption of its service or that slows down its response capacity could damage the reputation, business and brands of the ABANCA Group, as well as cause an impact on its customers' ability to use its systems. Therefore, the ABANCA Group could be subject to claims filed by its customers aimed at recovering losses they might have suffered as a result of any of the aforementioned facts. Furthermore, the ABANCA Group could be subject to claims for losses and damages, as well as to penalties and disciplinary sanctions, in the event of any delay or omission by it in the processing and registration of transactions, or any breach in internal control. The foregoing could cause financial damages and/or damage to the image of the ABANCA Group, which in turn might have a negative impact on its activities, financial situation and operating results.

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

The secure transfer of confidential information constitutes an essential element of the transactions of the ABANCA Group, especially with the entry into effect of Regulation (EU) 2016/679 (General Data Protection Regulation), which, among other aspects, considerably increases the sanctions in this regard. However, ABANCA cannot completely guarantee that current security measures could prevent any breach of its security systems caused, for example, by break-ins at its facilities, computer viruses, acts of sabotage and other contingencies. Any person who might circumvent the security measures of the ABANCA Group could make unlawful use of its confidential information or of the confidential information of its customers, which could expose the ABANCA Group to the risk of losses, negative disciplinary consequences and lawsuits.

There can be no assurance that the ABANCA Group will not suffer material losses from operational risk in the future.

A significant percentage of the loans to customers of the ABANCA Group is especially sensitive to a downturn in the economy, which could negatively affect the ABANCA Group

The ABANCA Group is exposed to concentration risk, which is defined as the possibility of material losses occurring deriving from the level of exposure in a portfolio with certain common features (i.e. the possibility of material losses occurring as a result of the risk of concentration in a private economic group considered to be of great exposure, a reduced group of borrowers whose main source of income comes from the same sector or geographic area in relation to a specific product). The portfolio of loans to customers of the ABANCA Group consists mainly of loans to large, medium and small enterprises ("**SMEs**"), and mortgage and consumer loans granted to individual customers.

Large-scale companies are highly exposed to external and internal economic development, and some of them are in a process of reducing their debt. In this sector, there is a higher concentration per client of credit risk and, therefore, any increase in their default could reduce the income of the ABANCA Group.

In the case of households and SME with a high level of debt, it is more likely for them to have difficulties in complying with their debt obligations due to unfavourable economic circumstances, which could have a negative impact on the income from interest of the ABANCA Group. Furthermore, the high debt of households and of SMEs also limits their capacity to incur any further debt, which reduces the number of new products which, under other circumstances, the ABANCA Group could sell, and it restricts its ability to attract new customers who comply with its credit rating levels, and this could negatively affect the ABANCA Group's business activities.

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

The foregoing could have a substantial negative impact on the activities, financial situation and operating result of the ABANCA Group.

ABANCA's and the ABANCA Group's business could be affected if their capital is not effectively managed

Effective management of ABANCA's and ABANCA Group's capital position is important to their ability to operate their business and to pursue their business strategy. In response to the 2008 financial crisis, a number of changes to the regulatory capital framework have been adopted or are being considered. For example, the CRR, the CRD IV Directive and any CRD IV implementing measures (any combination of the CRD IV Directive, the CRR and any CRD IV implementing measures being "**CRD IV**") through which the EU is implementing the Basel III capital reforms.

As these and other changes are implemented or future changes are considered or adopted which may limit ABANCA's and the ABANCA Group's ability to manage their balance sheet and capital resources effectively or to access funding on commercially acceptable terms, ABANCA and the ABANCA Group may experience a material adverse effect on their financial condition and regulatory capital position.

Debt and equity investors, analysts and other market professionals may also have a preference for higher capital buffers than those required under current or proposed future regulations due to, among other things, the continued general uncertainty involving the financial services industry and the uncertain global economic conditions. Any such market perception, or any concern regarding compliance with future capital adequacy requirements, could increase ABANCA's and the ABANCA Group's borrowing costs, limit its access to capital markets or result in a downgrade in the credit ratings of ABANCA, which could have a material adverse effect on its business, financial condition and results of operations.

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

The ABANCA Group is exposed to the Spanish real estate market, and the deterioration of Spanish real estate prices could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. Spanish real estate assets secure many of the ABANCA Group's outstanding loans, and the ABANCA Group holds Spanish real estate assets on its balance sheet, including real estate received in lieu of payment for certain underlying loans. Furthermore, the

ABANCA Group has restructured and extended the maturity of certain of the loans it has made relating to real estate, and the capacity of such borrowers to repay such restructured loans may be materially adversely affected by declining real estate prices.

Prior to 2008, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth and historically low interest rates in the Eurozone. During late 2007, however, the housing market began to adjust in Spain as a result of excess supply and higher interest rates. From 2008 until 2014, as economic growth came to a halt in Spain, housing demand and prices declined leading to a persistent oversupply, while mortgage defaults increased.

Since 2015 the Spanish real estate market has showed signs of recovery as housing prices are stabilising and even increasing after deflating for six years and sales are increasing as well owing to pent-up demand, the improvement in employment rates and easier credit conditions. Expected housing demand recovery will push sales up, in a context of record low new completions, which will allow for a gradual reduction of excess supply and increasing real estate prices. However, the geographical distribution of the current housing stock will drive distinct price dynamics and construction activity among different regions, leading to an unequal recovery. Despite the upturn in the Spanish real estate market, its recovery is at its early stages. Deterioration of economic conditions, the interruption of such recovery or even, a new downturn in the Spanish real estate market could have a material adverse impact on the ABANCA Group's mortgage default rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

The ABANCA Group has lending exposure to risks in the property development and construction sector, with loans for property construction and/or development amounting to €767.2 million (2.5% of the ABANCA Group's total gross loans and receivables to customers) as of 30 June 2018 (€670.5 million (2.2% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2017 and €521.9 million (1.8% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2016). The NPL ratio on loans to real-estate developers as of 30 June 2018 was 8.5% (8.7% as of 31 December 2017 and 15.3% as of 31 December 2016) and provisions for this exposure as of 30 June 2018 amounted to €41.9 million (€35.8 million as of 31 December 2017 and €54.3 million as of 31 December 2016), representing 64.5%, 61.0% and 68.1% of coverage of NPL on loans to real-estate developers as of 30 June 2018, 31 December 2017 and 31 December 2016, respectively. Out of the €767.2 million in loans for property construction and/or development as of 30 June 2018, €556.2 million corresponded to loans secured by mortgages, while €211 million corresponded to unsecured loans (as of 31 December 2017, out of the €670.5 million in loans for property construction and/or development, €503.3 million corresponded to loans secured by mortgages, while €167.2 million corresponded to unsecured loans). NPL ratio on loans to real-estate developers and coverage of NPL on loans to real-estate developers ratio are alternative performance measures ("**APMs**"), the definition, explanation, use and reconciliation of which is set out in Section II "*Registration Document*", sub section 11.9 "*Alternative Performance Measures".*

Additionally, as of 30 June 2018 the ABANCA Group portfolio of foreclosed real estate assets stood at €922.76 million (out of which, 51% corresponded to residential assets, 19% non-residential assets and 30% to other assets). As of 31 December 2017 the ABANCA Group portfolio of foreclosed real estate assets stood at €1,008.88 million and at €1,090.28 million as of 31 December 2016. The gross book value of foreclosed assets sold in 2017 was €177.2 million (€163.9 million in 2016) and €104.8 million in the first semester of 2018. As of 30 June 2018 foreclosed assets coverage ratio was 61.2% (61.1% as of 31 December 2017). Foreclosed land assets coverage ratio reached 76.9% as of 30 June 2018 (75.5% as of 31 December 2017). Foreclosed assets coverage ratio and Foreclosed land assets coverage ratio are APMs, the definition, explanation, use and reconciliation of which are set out in Section II *"Registration Document",* sub section 11.9 *"Alternative Performance Measures*".

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

Damage to the ABANCA Group's reputation could cause harm to its business prospects

Maintaining a positive reputation is critical to protect the ABANCA Group's brand, to attract and retain customers, investors and employees and to conduct business transactions with counterparties. Damage to the ABANCA Group's reputation can therefore cause significant harm to its business and prospects.

Harm to the ABANCA Group's reputation can arise from numerous sources, including, among others, employee misconduct, including the possibility of fraud perpetrated by the ABANCA Group's employees, litigation or regulatory enforcement, failure to deliver minimum standards of service and quality, dealing with sectors that are not well perceived by the public, dealing with customers in sanctions lists, rating downgrades, significant variations in our share price throughout the year, compliance failures, unethical behaviour, and the activities of customers and counterparties. Further, negative publicity regarding the ABANCA Group may result in harm to its prospects. Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect the ABANCA Group's reputation. For example, the role played by financial services firms in the financial crisis and the seeming shift toward increasing regulatory supervision and enforcement has caused public perception of the ABANCA Group and others in the financial services industry to decline.

The ABANCA Group could suffer significant reputational harm if it fails to identify and manage potential conflicts of interest properly. The failure, or perceived failure, to adequately address conflicts of interest could affect the willingness of clients to deal with the ABANCA Group, or give rise to litigation or enforcement actions against it. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the ABANCA Group.

The ABANCA Group may face business combination risks

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

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

Additionally, ABANCA is currently evaluating other acquisition opportunities that may affect its solvency position. ABANCA was shortlisted for the potential acquisition of Banco Caixa Geral, S.A. as disclosed by the Portuguese Republic and on 10 September 2018 submitted a binding offer. ABANCA expects this process to be concluded before year end. For reference, as of 31 December 2017 Banco Caixa Geral, S.A.'s consolidated RWAs amounted to €3,141.14 million and its consolidated Tier 1 capital to €484.25 million (*source*: audited annual individual accounts of Banco Caixa Geral, S.A. as of and for the year ended 31 December 2017). However, in the event of any successful acquisition, ABANCA intends to continue maintaining a solid solvency position and buffer to the Maximum Distributable Amount (as defined below), although there is no certainty that ABANCA will achieve it.

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

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crisis. The ABANCA Group's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the EU and the other markets in which it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which is expected to continue for the foreseeable future. This creates significant uncertainty for the Bank and the financial industry in general. The wide range of recent actions or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards, restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures. As a result, the ABANCA Group may be subject to an increasing incidence or amount of liability or regulatory sanctions and may be required to make greater expenditures and devote additional resources to address potential liability.

In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the "**SSM**"), and for resolution, with the new single resolution mechanism ("**SRM**"), could lead to additional changes in the near future. The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. In addition, regulatory scrutiny under existing laws and regulations has become more intense.

Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Bank.

The ABANCA Group is subject to the supervision and/or regulation of the Bank of Spain, the ECB, the Single Resolution Board (the "**SRB**"), the CNMV and the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) which are the main regulators of the operations of the ABANCA Group. The operations of the ABANCA Group outside of Spain are subject to direct oversight by the local regulators in those jurisdictions. In addition, many of the operations of the ABANCA Group are dependent upon licenses issued by financial authorities.

Moreover, the regulators of the ABANCA Group, as part of their supervisory function, periodically review the ABANCA Group's allowances for loan losses. Those regulators may require ABANCA or the ABANCA Group, if and as the case may be, to increase such allowances, to recognise further losses or to increase the regulatory risk-weighting of assets, or may increase its combined buffer requirement or increase "Pillar 2" capital requirements. Any such measures, as required by these regulatory agencies, whose views may differ from those of the management of the ABANCA Group, could have an adverse effect on its earnings and financial condition, including on ABANCA's and the

ABANCA Group's, if and as the case may be, Common Equity Tier 1 ("**CET1**") ratios and on ABANCA's ability to pay distributions.

The regulations which most significantly affect the ABANCA Group, or which could most significantly affect the ABANCA Group in the future, include regulations relating to capital and provisions requirements, which have become increasingly strict in the past few years and steps taken towards achieving a fiscal and banking union in the EU. These risks are discussed in further detail below. In addition, the ABANCA Group is subject to substantial regulation relating to other matters such as liquidity. ABANCA considers that future liquidity standards could require maintaining a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect the ABANCA Group's net interest margin. In addition, the ABANCA Group is also subject to other regulations, such as those related to anti-money laundering, privacy protection and transparency and fairness in customer relations.

These regulations may limit the ABANCA Group's ability to manage its balance sheet and capital resources effectively or to access funding on commercially acceptable terms, the ABANCA Group may experience a material adverse effect on its financial condition and regulatory capital position. Any required changes to the ABANCA Group's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the ABANCA Group's ability to pursue business opportunities in which the ABANCA Group might otherwise consider engaging, affect the value of assets that the ABANCA Group holds, require the ABANCA Group to increase its prices and therefore reduce demand for its products, impose additional costs on the ABANCA Group or otherwise adversely affect the ABANCA Group's businesses.

In addition, the accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the individual and consolidated financial statements. These changes can materially impact how the ABANCA Group records and reports its financial condition and results of operations. In some cases, the ABANCA Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Specifically, the ABANCA Group's results may be adversely affected by the proposed changes to the classification and measurement of financial assets arising from IFRS 9 Financial Instruments, which require, among others, the development of an impairment methodology for calculating the expected credit losses on the ABANCA Group's financial assets and commitments to extend credit, instead of incurred losses. This methodology could imply more volatility in profit and loss when estimating the value of existing exposures arising from macroeconomic variations. The impact on ABANCA's individual and the ABANCA Group's consolidated fully-loaded CET1 ratio has been a decrease of approximately 18 basis points and the impact on ABANCA's individual and the ABANCA Group's consolidated volume of impairments represents an increase of approximately 5% over the current level of provisions. This increase in provisions is mainly due to non-impaired risks that would be classified within Stage-2, which are the risks most affected by the change in the calculation methodology of provisions. Notwithstanding the foregoing, the European Parliament and the European Commission have established a transitional mechanism for the progressive adaptation of the impact of IFRS 9 on capital ratios, so that the estimated average impact on the CET1 phase-in ratio of 2018 implies a decrease of 1 basis points.

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

Increasingly onerous capital requirements constitute one of the ABANCA Group's main regulatory challenges

The Bank is subject to the CRR, the CRD IV Directive and any CRD IV Implementing Measures, with certain requirements in the process of being phased-in during upcoming years. The core regulation regarding the solvency of credit entities is the CRR which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU member states.

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, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive (the "**Bank of Spain Circular 2/2016**").

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

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014, also contemplates that in addition to the minimum "Pillar 1" capital requirements, the supervisory authorities may require further capital to cover other risks. This may result in the imposition of further CET1, Tier 1 and total capital requirements on ABANCA pursuant to this "Pillar 2" framework. Following the introduction of the SSM, the ECB is in charge of assessing additional "Pillar 2" capital requirements 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).

The European Banking Authority (the "**EBA**") published its guidelines on 19 December 2014 addressed to the European competent supervisors on common procedures and methodologies for the SREP, which contained guidelines for a common approach to determining the amount and composition of "Pillar 2" capital requirements. Under these guidelines, supervisors should set a composition requirement for the "Pillar 2" capital requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital and competent supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro prudential requirements.

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

The Bank has not been classified as G-SII or as O-SII by the Financial Stability Board ("**FSB**") nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer.

In addition, the Bank of Spain agreed on 7 June 2018 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the third quarter of 2018 (percentages will be revised each quarter).

Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

As set out in the "*Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions*" published on 16 December 2015 (the "**December 2015 EBA Opinion**"), competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the Maximum Distributable Amount (as defined below) calculation is limited to the amount not used to meet the minimum "Pillar 1" capital requirements and the "Pillar 2" capital requirements of the institution and, accordingly, the "combined buffer requirement" is in addition to the minimum Pillar 1 capital requirement and to the "Pillar 2" capital requirement, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order. The Proposals (as defined below) amending CRR published on 23 November 2016 and the draft guidelines on the revised common procedures and methodologies for the SREP and supervisor stress testing published by the EBA on 31 October 2017 (the "**EBA Draft Guidelines**") also clarify the stacking order of the minimum "Pillar 1" capital requirements, the "Pillar 2" capital requirements ("**P2R**") and combined buffer requirements in the same way.

Any failure by the Bank to maintain the combined buffer requirements on top of the minimum "Pillar 1" capital requirements and P2R, may result in the imposition of restrictions or prohibitions on Discretionary Payments (as defined below) by ABANCA, including dividend payments

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 ("**Discretionary Payments**"), 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 and 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.

As communicated by the EBA on 1 July 2016, in addition to the minimum "Pillar 1" capital requirements and P2R and "combined buffer requirements", the supervisor can also set a Pillar 2 Guidance. Thus, SREP decisions of 2016 onwards differentiate between P2R and "Pillar 2" capital guidance ("**P2G**"). Banks are expected to meet the P2G, which is set on top of the level of binding capital (minimum "Pillar 1" capital requirements and P2R) requirements and on top of the capital buffer requirements. If a bank does not meet its P2G, this will not result in automatic action of the supervisor and will not be used to determine the Maximum Distributable Amount trigger but will be used in fine-tuned measures based on the individual situation of the relevant bank. The Proposals also contemplate a distinction between P2R and P2G, only P2R being a mandatory requirement, and have added that, in addition to certain other measures, the supervisor is entitled to impose further P2R where an institution repeatedly fails to follow its P2G. The P2G is not public.

In December 2017, the Bank received the decisions of the ECB regarding minimum capital requirements for 2018 following the outcomes of the most recent SREP. These decisions required ABANCA to maintain, on the basis of the consolidated situation on ABANCA Holding Financiero, S.A. ("**ABANCA Holding**") together with its consolidated subsidiaries (hereinafter, ABANCA Holding together with its subsidiaries shall be referred to as "**ABANCA Holding Group**") and on an individual basis, a phased-in CET1 ratio of 7.875% of RWAs and a total capital ratio of 11.375% of RWAs (8.50% and 12.00% of RWAs, respectively, fully loaded). These ratios include the minimum "Pillar 1" capital requirements (CET 1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the P2R (1.50% of RWAs that implies a 25 basis points reduction from the 2017 P2R) and the capital conservation buffer (1.875% of RWAs). As of 30 June 2018, the phased-in CET1 ratio of ABANCA was of 14.1% of RWAs (14.3% as of 31 December 2017) and the total capital ratio was of 14.1% of RWA (14.7% as of 31 December 2017). As of 30 June 2018, the phased-in CET1 ratio of ABANCA Holding Group was of 13.5% of RWAs (14.0% as of 31 December 2017) and the total capital ratio was of 13.7% of RWA (14.3% as of 31 December 2017).

Although as of the date of this Registration Document ABANCA is not required to comply with any capital requirements at its consolidated level, it cannot be ruled out that such might be the case in the future. In fact, that is the expectation of ABANCA, bearing in mind the growth and diversification strategy of the ABANCA Group and the increased focus of supervisors on consolidated levels.

In addition to the above, Article 429 of the CRR requires institutions to calculate their leverage ratio in accordance with the methodology laid down in that article. On 10 January 2016, the Group of Governors and Heads of Supervision ("**GHOS**") of the BCBS set an indicative benchmark consisting of 3% of leverage exposures, which must be met with Tier 1 capital. The CRR does not currently contain a requirement for institutions to have a capital requirement based on the leverage ratio though the European Commission's Proposals amending the CRR contain a binding 3% Tier 1 capital leverage ratio requirement. Under the Proposals, any breach of this leverage ratio could also result in a requirement to determine the Maximum Distributable Amount and restrict discretionary payments to such Maximum Distributable Amount, as well as the consequences of, and pending, such calculation as specified above.

Any failure by the Bank to comply with its 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, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**"), which, together with Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 ("**Royal Decree 1012/2015**") have implemented Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") into Spanish law, which could have a material adverse effect on the ABANCA Group's business and operations.

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 in relation to total liabilities and own funds (known as "**MREL**"). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. The resolution authority for ABANCA is the SRB. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions). The MREL requirement came into force on 1 January 2016 but no formal requirements have been communicated yet to ABANCA and therefore, the quantum, the requirements to qualify as eligible liabilities and the compliance calendar remain all as open questions.

On 9 November 2015, the FSB published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that G-SIIs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits, and which forms a new standard for G-SIIs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIIs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The FSB will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet requires a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16% of RWAs as of 1 January 2019 and 18% as of 1 January 2022, and (b) 6% of the Basel III Tier 1 leverage ratio exposures as of 1 January 2019, and 6.75% as of 1 January 2022. Under the FSB TLAC standard, capital buffers stack on top of the minimum TLAC requirements. Although the Bank has not been classified as a G-SII by the FSB, it cannot be disregarded that TLAC requirements are finally extended to non-G-SIIs which could create additional minimum capital or other requirements for ABANCA and/or the ABANCA Group.

On 23 November 2016, the European Commission published among other a proposal for a European Directive amending CRR, the CRD IV Directive and the BRRD and a proposal for a European Regulation amending Regulation (EU) No 806/2014 effective from 1 January 2015 (the "**SRM Regulation**"). Additionally, the European Commission proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the aforementioned proposals, together, the "**Proposals**"). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. On 25 May 2018 the Council of the EU agreed its stance on the Proposals, which will be considered by the co-legislators in trilogue negotiations. Therefore, the Proposals remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until all the Proposals are in final form and are finally implemented into the relevant legislation, it is uncertain how the Proposals will affect ABANCA or the Holders.

Notwithstanding, the Proposals regarding the harmonised national insolvency ranking of unsecured debt instruments and the recognition of the "non-preferred" senior debt has been implemented in the EU through the Directive (EU) 2017/2399 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy. In Spain, the new class of "non-preferred" senior debt and its insolvency ranking were introduced earlier through the Royal Decree-Law 11/2017.

Although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. One of the main objectives of the Proposals to amend the BRRD and the SRM Regulation is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules ("**TLAC/MREL Requirements**"), to ensure that both requirements are met with largely similar instruments (with the exception of the subordination requirement, which will be institution-specific and determined by the resolution authority), thereby avoiding duplication from the application of two parallel requirements.

Any failure by an institution to meet the applicable minimum TLAC/MREL Requirements is intended to 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 and, in particular, could result in the imposition of restrictions on discretionary payments.

Additionally, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee.

On 7 December 2017, the GHOS published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment (CVA) risks, introduces a floor to the consumption of capital by internal ratings-based methods (IRB) and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservativism in model parameters and limitations to its use for portfolios with low levels of non-compliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches (AMA); (v) the introduction of a leverage ratio buffer for G-SIIs; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the RWAs of the banks generated by internal models from being lower than the 72.5% of the RWAs that are calculated with the standard methods of the Basel III framework. The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks. There is uncertainty with regards to how and when they will be implemented in the EU. In light of the above, it should not be disregarded that new and more demanding additional capital requirements may be applied in the future.

Basel III implementation differs across jurisdictions in terms of timing and the applicable rules and this may lead to an uneven playing field and to competition distortions. In order to address this, the ECB has issued Regulation (EU) No 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in Union law ("**Regulation 2016/445**"). There can be no assurance that new additional regulations will not be introduced that could have an impact on the capital position of ABANCA.

There can be no assurance that the implementation of these new capital requirements, standards or recommendations will not adversely affect the Bank's ability to make Discretionary Payments as set out above, or require it to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the ABANCA Group's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the ABANCA Group's return on equity and other financial performance indicators.

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

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

Among the legal proceedings in which the ABANCA Group is involved there are several proceedings related to mortgage "floor clauses" (in connection with which ABANCA has set aside provisions amounting to €31 million as of 30 June 2018), proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons (in connection with which ABANCA has set aside provisions amounting to €18 million as of 30 June 2018) and proceedings related to the management of hybrid equity instruments and subordinated debt (in connection with which ABANCA has set aside provisions amounting to €16 million as of 30 June 2018). Please see "*The invalidity of what are known as "floor clauses" ("cláusulas suelo") and their total retroactivity could negatively affect the ABANCA Group*" below for further information on the proceedings related to mortgage "floor clauses".

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

The invalidity of what are known as "floor clauses" ("cláusulas suelo") and their total retroactivity could negatively affect the ABANCA Group

Clauses known as "floor clauses" are those by virtue of which the borrower undertakes to pay a minimum interest rate to the lender, even in those cases in which the aggregate of the reference rate and the margin is lower than such minimum interest rate.

In 2013 the Supreme Court of Spain ruled that interest rate "floor clauses" of certain Spanish banks were null and void because the clauses were not clearly and transparently explained. The Supreme Court of Spain reasoned that its 2013 ruling could not be retroactive and, thus, that the invalidity of these clauses should only have effects from 9 May 2013. However, in December 2016, the Court of Justice of the European Union declared that the time limit for the effects of the invalidity of "floor clauses" included in mortgage loans in Spain, set out by the referred Spanish case law, was incompatible with Council Directive 93/13/EEC, of 5 April 1993, on unfair terms in consumer contracts, insofar as such time limit involves incomplete and insufficient consumer protection and it upheld full retroactive reimbursement in relation to "floor clauses".

In January 2017, Royal Decree-law 1/2017, of 20 January, on urgent consumer protection measures in the matter of floor clauses ("**RDL 1/2017**") was approved. RDL 1/2017 encourages the search for out-of-court solutions between financial institutions and those consumers affected by certain "floor clauses", and its main purpose is to avoid saturation in the Spanish courts by adopting certain measures to encourage parties to reach an agreement. The financial institutions and consumers are not obliged to reach an agreement and, therefore, affected parties could sue the financial institutions, including ABANCA. ABANCA has initiated the proceedings established in RDL 1/2017, creating a specific unit to inform the affected parties of the existence of "floor clauses" in their loans and to address any claim they might file pursuant to the provisions of such RDL 1/2017.

The Bank is involved in individual proceedings related to mortgage "floor clauses" in connection with which it has set aside provisions amounting to €31 million as of 30 June 2018. In addition, the Bank is also involved in a class action related to mortgage "floor clauses".

In the sale and purchase agreement of NCG Banco, S.A. (currently ABANCA), the FROB agreed to compensate ABANCA for a percentage of the liabilities deriving from claims related to the marketing by NCG Banco, S.A. of mortgage loans containing "floor clauses" (which would partially cover liabilities deriving from both the individual proceedings and the class action). As a result, from the above mentioned €31 million provision for mortgage "floor clauses", €24 million would be covered by the existing guarantee set out in the sale and purchase agreement, and the contingencies derived from the class action would also be partially covered.

There remains significant uncertainty regarding how this decision by the Court of Justice of the European Union or future court decisions regarding this matter could affect the banking sector and how any such decision will be implemented in Spain. ABANCA cannot anticipate the number of future claims which could be filed by its customers and, consequently, cannot accurately determine the final negative impact which, in the future, the invalidity of any "floor clauses" included in its mortgage loans might have on its financial situation. The payments to ABANCA customers deriving from the invalidity of these "floor clauses" could have a substantial negative impact on the activities, financial situation and operating result of the ABANCA Group.

Compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules involves significant cost and effort

The ABANCA Group is subject to rules and regulations regarding money laundering, corruption and the financing of terrorism which have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision. Although ABANCA believes that the ABANCA Group's current policies and procedures are sufficient to comply with applicable rules and regulations, it cannot guarantee that the ABANCA Group-wide anti-money laundering, anti-corruption and anti-terrorism financing policies and procedures completely prevent situations of money laundering, corruption or terrorism financing. Any of such events may have severe consequences, including sanctions, fines and notably reputational consequences, which could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

The ABANCA Group's insurance coverage may not adequately cover its losses

Due to the nature of the ABANCA Group's operations and the nature of the risks that it faces, there can be no assurance that the insurance coverage it maintains is adequate (the insurance coverage includes, among others, real estate damages coverage, cash transit coverage or coverage for the civil liability of officers). If the ABANCA Group were to suffer a significant loss for which it is not insured, its business, financial condition and results of operations could be materially adversely affected.

The ABANCA Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel

The ABANCA Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the ABANCA Group's strategy. The successful implementation of the ABANCA Group's growth strategy depends on the availability of skilled management, both at its head office and at each of its business units. If the ABANCA Group or one of its business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, the ABANCA Group's business, financial condition and results of operations, including control and operational risks, may be adversely affected.

The financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the ABANCA Group's ability to hire or retain the most qualified employees. If the ABANCA Group fails or is unable to attract and appropriately train, motivate and retain qualified professionals, its business may also be adversely affected.

Steps taken towards achieving an EU fiscal and banking union

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the Eurozone.

Banking union is expected to be achieved through new harmonised banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the SRM.

The SSM (comprised by both the ECB and the national competent authorities) will help to make the banking sector more transparent, unified and safe. By virtue of the Council Regulation (EU) No 1024/2013 of 15 October conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**"), on 4 November 2014 the ECB assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the 120 largest European banks (including ABANCA). In preparation for this step, between November 2013 and October 2014 the ECB conducted, together with national supervisors, a comprehensive assessment of 130 banks, which together hold more than 80% of Eurozone banking assets. The exercise consisted of three elements: (i) a supervisory risk assessment, which assessed the main balance sheet risks including liquidity, funding and leverage; (ii) an asset quality review, which focused on credit and market risks; and (iii) a stress test to examine the need to strengthen capital or take other corrective measures. On 26 October 2014, the ECB announced the results of the comprehensive assessment.

On 24 February 2016, the EBA announced new methodology and macroeconomic scenarios for the 2016 EU-wide stress test which covered over 70% of the EU banking sector (51 banks) and assessed EU banks' ability to meet relevant supervisory capital ratios during an adverse economic shock. Similar to the 2014 stress test, the 2016 EU-wide stress test was primarily focused on the assessment of the impact of risk drivers on the solvency of banks. On 29 July 2016, the EBA published the results of the stress test.

On 21 December 2016, the EBA published its decision to carry out its next EU-wide stress test in 2018 and to perform its regular annual transparency exercise in 2017. The information related to the transparency exercise of 2017 was published on 24 November 2017.

ABANCA cannot provide assurance that it will not be subject to recommendations from future EU-wide stress test or similar regulatory exercises which could have an impact on its current asset valuation policies, the classification of some of its exposures or cause other relevant effects.

The SSM has represented a significant change in the approach to bank supervision at a European and global level, even if it has not resulted nor is it expected to result in any radical change in bank supervisory practices in the short term, and has resulted in the direct supervision by the ECB of the largest financial institutions, among them the Bank, and indirect supervision of around 3,500 financial institutions. The SSM is one of the largest authorities in the world in terms of assets under supervision. The SSM is working to establish a new supervisory culture importing the best practices from the 19 national supervisory authorities that are part of the SSM. Several steps have already been taken in this regard such as the recent publication of the Supervisory Guidelines and the approval of Regulation (EU) No 468/2014 of the ECB of 16 April 2014, establishing the framework for cooperation within the SSM between the ECB and the national competent authorities and with national designated authorities, Regulation 2016/445 and a set of guidelines on the application of CRR's national options and discretions. In addition, the SSM represents an extra cost for the financial institutions that will fund it through payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost. The SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund (as defined below). This Regulation complements the SSM which established a centralised power of resolution entrusted to the SRB and to the national resolution authorities as an integral part of the process of harmonisation of the resolution regime provided for by the BRRD. The SRB began operation on 1 January 2015 and fully assumed its resolution powers on 1 January 2016. From that date a single resolution fund (the "**Single Resolution Fund**") has also been in place, funded by contributions from European banks.

The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% total liabilities and own funds (or 20% of RWAs in certain cases) have already been bailed-in (in line with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM and the SRM, the agreed banking union is expected to help resume momentum towards economic and monetary union. In order to complete such union a single deposit guarantee scheme is still needed which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as ABANCA's main supervisory authority may have a material impact on the ABANCA Group's business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes (respectively implemented into Spanish law through Law 11/2015 and Royal Decree 1012/2015) and the SRM Regulation, by means of which the obligation of filling the Single Resolution Fund with contributions raised at the national level by each participating Member State through its National Resolution Fund are established. A minimum 8% bail-in of a bank's total liabilities and own funds (or, where applicable, 20% of RWAs) will be required as a precondition for access to any direct recapitalisation by the European Stability Mechanism (ESM), as agreed by the Eurozone members in December 2014. Additionally, on 24 November 2015, the European Commission has proposed a draft regulation to amend the SRM Regulation, in order to establish a European deposit insurance scheme for bank deposits. This scheme proposal builds on the system of nation deposit guarantee schemes and is expected to provide a more uniform degree of insurance cover in the euro area.

There can be no assurance that regulatory developments related to the EU fiscal and banking union, and initiatives undertaken at EU level, will not 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.

In addition, a new solvency framework for insurance and reinsurance companies operating in the EU, referred to as "**Solvency II**", entered into force as of 1 January 2016. The establishment of this new solvency framework started with the adoption of the European Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance of 25 November 2009, as amended by Directive 2013/58/EU of 11 December and by Directive 2014/51/EU of 16 April (the "**Solvency II Directive**"). The Solvency II Directive has been implemented in Spain through Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance undertakings and Royal Decree 1060/2015, of 2 December on the regulation, supervision and solvency of insurance and reinsurance undertakings.

Solvency II has changed former regulations as regards valuation of the balance sheet, calculation of technical reserves and measurement of admissible capital resources and required solvency. Under Solvency II, the issuance 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.

Contributions for assisting in the future recovery and resolution of the Spanish banking sector may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations

Law 11/2015 and Royal Decree 1012/2015 have established a requirement for banks, including the Bank, to make at least an annual contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) in addition to the annual contribution to be made to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) (the "**Deposit Guarantee Fund**") by member institutions. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal 1% of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund by 31 December 2024. The contribution is adjusted to the risk profile of each institution in accordance with the criteria set out in Royal Decree 1012/2015 and in the Commission Delegated Regulation (EU)

2015/63, of 21 October 2014, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements. In addition, the *Fondo de Reestructuración Ordenada Bancaria* (the "**FROB**") may request extraordinary contributions. Law 11/2015 has also established an additional charge (*tasa*) which shall be used to further fund the activities of the FROB as resolution authority, which charge (*tasa*) shall equal 2.5% of the above annual contribution to be made to the National Resolution Fund. The Bank may need to make contributions to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it, and will have to pay supervisory fees to the SSM.

Any levies, taxes or funding requirements imposed on the Bank in any of the jurisdictions where it operates could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Other regulatory reforms adopted or proposed in the context of the financial crisis may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations

On 16 August 2012, Regulation (EU) No 648/2012 on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories entered into force ("**EMIR**"). While a number of the compliance requirements introduced by EMIR already apply, the ESMA is still in the process of finalising some of the implementing rules mandated by EMIR. EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin and various reporting and disclosure obligations. Although some of the particular effects brought about by EMIR are not yet fully foreseeable, many of its elements have led and may lead to changes which may negatively impact the ABANCA Group's profit margins, require it to adjust its business practices or increase its costs (including compliance costs).

The new Markets in Financial Instruments legislation (which comprises Regulation (EU) No 600/2014 ("**MiFIR**") and MiFID II), has introduced a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. Additionally, it includes other requirements such as enhancing the investor protection's regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. Although MiFID II entered into force on 3 January 2018, it has only been partially transposed to the Spanish legislation by means of Royal Decree Law 21/2017, of 29 December, with regards to the conditions governing the operation of regulated markets, multilateral systems in financial instruments, organised trading facilities and infringements and sanctions. Therefore, there is still uncertainty as to whether the implementation of these new obligations and requirements will have material adverse effects on the ABANCA Group's business, financial condition and results of operations.

The ABANCA Group's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position

The ABANCA Group prepares its financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (the "**IFRS-EU**"). These accounting regulations require the use of estimates and require management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available-for-sale investments, calculation of income and deferred tax, fair value of financial instruments, valuation of goodwill and intangible assets, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect, then this could result in significant loss to ABANCA and the ABANCA Group beyond that anticipated or provided for, which could have an adverse effect on the ABANCA Group's business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the ABANCA Group hold at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the ABANCA Group's financial statements.

The further development of standards and interpretations under Bank of Spain Circular 4/2017 or under IFRS-EU could also significantly affect the results of operations, financial condition and prospects of the ABANCA Group.

Failure to successfully implement and continue to improve the ABANCA Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the ABANCA Group, and the ABANCA Group may be exposed to unidentified or unanticipated risks

The management of risk is an integral part of the ABANCA Group's activities. The ABANCA Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the ABANCA Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating the ABANCA Group's risk exposure in all economic market environments or against all types of risk, including risks that the ABANCA Group fails to identify or anticipate.

Some of the ABANCA Group's qualitative tools and metrics for managing risk are based upon its use of observed historical market behaviour. The ABANCA Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the ABANCA Group did not anticipate or correctly evaluate in its statistical models. This would limit the ABANCA Group's ability to manage its risks. The ABANCA Group's losses thus could be significantly greater than the historical measures indicate. In addition, the ABANCA Group's quantified modelling does not take all risks into account. The ABANCA Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. The ABANCA Group could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed. In addition, if existing or potential customers or counterparties believe the ABANCA Group's risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the ABANCA Group. This could have a material adverse effect on the ABANCA Group's reputation, operating results, financial condition and prospects.

Failure to effectively implement, consistently monitor or continuously refine the ABANCA Group's credit risk management system may result in an increase in the level of NPL and a higher risk exposure for the ABANCA Group, which could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

II. REGISTRATION DOCUMENT

1. PERSONS RESPONSIBLE

1.1 Persons Responsible

Pursuant to powers expressly granted by the Board of Directors of ABANCA Corporación Bancaria, S.A. (the "**Issuer**", the "**Bank**" or "**ABANCA**") on 22 September 2014, Mr. Juan Luis Vargas-Zúñiga Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*), and Mr. Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*), acting for and on behalf of the Issuer, hereby assume responsibility for the contents of this Registration Document.

1.2 Declaration by those responsible for the Registration Document

Mr. Juan Luis Vargas-Zúñiga Mendoza, in his capacity as General Director of Capital Markets, Institutional Management and Distribution (*Director General de Mercado de Capitales, Gestión y Distribución*), and Mr. Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*), acting under a general power of attorney granted by the Board of Directors of ABANCA on 22 September 2014, for and on behalf of the Issuer confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

2.1 Names and addresses of the Issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body)

The Spanish-language consolidated annual accounts of ABANCA have been audited without qualification for each of the years ended 31 December 2017 and 31 December 2016 by KPMG Auditores, S.L. ("**KPMG**"), independent auditors.

The Spanish-language condensed consolidated interim financial statements of ABANCA as of and for the six months ended 30 June 2018 have been subject to a limited review by KPMG, independent auditors.

KPMG's registered offices are located 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.

2.2 If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material

KPMG has not resigned or been removed as auditors to the Issuer during the period covered by the historical financial information set out in this Registration Document.

3. RISK FACTORS

See Section I "*Risk Factors*" above for risk factors in relation to the ABANCA Group.

4. INFORMATION ABOUT THE ISSUER

4.1 History and development of the Issuer

4.1.1 Legal and commercial name of the Issuer

The Issuer's legal name is ABANCA Corporación Bancaria, S.A. and its commercial operating name is "ABANCA".

4.1.2 Place of registration of the Issuer and its registration number

The Issuer is registered with the Mercantile Registry (*Registro Mercantil*) of A Coruña, in tome 3.426 of the General Section, *folio* 1 *et seq*, sheet C-47.803, entry 1. In addition, ABANCA is registered in the Special Registry of Banks and Bankers of the Bank of Spain, under code number 2080.

The Issuer holds Tax Identification Number (*Número de Identificación Fiscal*): A-70302039 and has Legal Entity Identifier (LEI) code number: 54930056IRBXK0Q1FP96.

4.1.3 Date of incorporation and the length of life of the Issuer, except where indefinite

ABANCA was incorporated 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.

4.1.4 Domicile and legal form of the Issuer, the legislation under which the Issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office)

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

The Issuer's registered office is at Calle Cantón Claudino Pita, no. 2, Betanzos 15300 A Coruña, Spain. The telephone number of its registered address is (+34) 981 18 70 00.

4.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency

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

- In December 2013, the FROB Steering Committee agreed to allocate 88.33% of the Bank's share capital to the present-day ABANCA Holding. The bid for this allocation amounted to €1,003 million, of which 40% was paid when the operation was formalised, and the remaining 60% was to be paid in successive instalments until 2018.

- On 25 June 2014, after having complied with all legal requirements and having obtained the necessary approval from the competent authorities, the transfer of the shares that the FROB and the Deposit Guarantee Fund held in the Bank (which represented a 88.33% of the share capital of the Bank) to ABANCA Holding was completed. This way, ABANCA and its subsidiaries became part of the ABANCA Holding Group as from the effective date of acquisition of the shares. ABANCA is the company contributing the bulk of the consolidated assets to the ABANCA Holding Group's balance sheet.

- Also in June 2014, the European Commission approved the amendment to the Bank's restructuring plan and the application of a new term sheet to replace a previous one. The new term sheet foresaw the merger of the Bank with Banco Etcheverría, S.A. ("**Banco Etcheverría**"), which was owned by ABANCA Holding, and substantially amended the restrictions that the previous term sheet placed upon it from November 2012 to June 2014.

- In August 2014, the boards of directors of the Bank and Banco Etcheverría approved the merger by absorption between Banco Etcheverría (absorbed company) and the Bank (absorbing company). The merger was registered with the Commercial Registry in November 2014.

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

- On 31 December 2016, the term sheet's application period ended.

- In February 2017, ABANCA Holding paid the final outstanding amounts of the sale price of the 88.33% of ABANCA's share capital.

- In May 2017, ABANCA purchased all shares in Popular Servicios Financieros, E.F.C., S.A.U. from Banco Popular Español, S.A., for a total amount of €39.3 million.

- On 27 March 2018 ABANCA communicated that it had been selected as the acquirer in the sale process of Deutsche Bank AG's private and commercial client banking unit in Portugal. PCC is a business unit specialised in retail and private banking services (specially focused on personal and private banking). PCC consists of 41 commercial offices in Portugal (27 of which are in Lisbon and Porto). As of 31 December 2017, PCC had a gross credit portfolio of €2,400 million, deposits for an amount of €1,000 million and €3,100 million off-balance sheet, figures that raised its business turnover up to €6,500 million. The expected contribution of PCC in terms of net fees and commissions would have been an increase of 19.6% over the ABANCA consolidated net fees and commissios as of 31 December 2017. This transaction is expected to be completed during the first semester of 2019.

- On 2 October 2018 ABANCA issued perpetual Additional Tier 1 temporary write down preferred (*participaciones preferentes)* for a nominal amount of €250,000,000. The preferred securities have been issued at par and their remuneration, payment of which is discretionary and subject to certain conditions, was fixed at an annual 7.5% for the first 5 years and will be reset every five years thereafter. If at any time the CET1 ratio of any of ABANCA, the ABANCA Group and/or the ABANCA Holding Group falls below 5.125%, the outstanding principal amount of the preferred securities will be written down. The outstanding principal amount may, in the sole and absolute discretion of the Bank and subject to certain conditions, be subsequently reinstated (in whole or in part), out of any net income generated by each of ABANCA, the ABANCA Group and the ABANCA Holding Group, as applicable.

2018-2020 Strategic Initiatives

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

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

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

The recurring profitability level above cost of capital is intended to be achieved through the development of the insurance business, a focus on the consumer, corporate and SMEs segments; an optimised use of capital (by improving capital allocation and using the Risk-Adjusted Return on Capital (RAROC) and the Internal ratings-based approach (IRB) models) and a reinforced position in highly profitable markets.

5. BUSINESS DESCRIPTION

5.1 Principal activities

5.1.1 Brief description of the Issuer's principal activities stating the main categories of products sold and/or services performed

ABANCA is a private credit and savings institution, whose 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, and 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.

B. *Wholesale Banking*: market activity (treasury, issues, fixed income portfolio, etc.) and management of the equity portfolio in which ABANCA has non-significant shareholdings.

C. *Non-Financial Subsidiaries*: portfolio of non-financial companies created with the idea of supporting the local manufacturing industries and the activities of ABANCA.

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 2017 and 2016 and to the six-month periods ended 30 June 2018 and 2017.

Financial year 2017

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

Financial year 2016

SEGMENTATION 2016 ***(in accordance with IFRS-EU)***	**Retail Banking**	**Wholesale Banking**	**Non-financial subsidiaries**	**Total**
			(€ million)	
Net interest income	**446.54**	**(73.18)**	**34.56**	**407.92**
Dividend income	-	19.60	-	19.60
Share of profit or loss of equity-accounted investees	-	-	6.41	6.41
Fee and commission income and expense	151.60	0.22	-	151.82
Gains or losses on financial assets and liabilities	0.86	91.90	-	92.77
Exchange differences, net	1.52	7.35	-	8.87
Other operating income and expenses	(45.07)	(18.31)	31.03	(32.36)
Gross margin	**555.45**	**27.58**	**72.01**	**655.04**
Personnel expenses	(260.96)	(10.75)	(15.29)	(286.99)
Other administrative expenses, depreciation and amortisation	(177.33)	(21.38)	(33.42)	(232.13)
Provisions or reversal of provisions and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	118.18	35.12	0.71	154.01
Net Operating Income	**235.36**	**30.57**	**24.01**	**289.93**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	(9.58)	0.12	(9.46)
Gains/losses on derecognition of non-financial assets and investments, net	80.98	21.97	(1.33)	101.63
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	26.27	(49.59)	-	(23.32)
Profit before tax from continuing operations	**342.61**	**(6.63)**	**22.80**	**358.78**

Six-month period ended 30 June 2018

SEGMENTATION 1H-2018 ***(in accordance with IFRS-EU)***	**Retail Banking**	**Wholesale Banking**	**Non-financial subsidiaries**	**Total**
		(€ million)		
Net interest income	**255.16**	**(13.84)**	**16.45**	**257.77**
Dividend income	-	8.64	-	8.64
Share of profit or loss of equity–accounted investees	-	-	4.98	4.98
Fee and commission income and expense	88.18	-	-	88.18
Gains or losses on financial assets and liabilities	0.00	107.95	0.10	108.06
Exchange differences, net	-	1.81	-	1.81
Other operating income and expenses	(10.01)	3.27	20.56	13.82
Gross income	**333.33**	**107.83**	**42.09**	**483.25**
Personnel expenses	(140.93)	(6.94)	(6.01)	(153.88)
Other administrative expenses, depreciation and amortisation	(91.67)	(13.19)	(18.73)	(123.58)
Provisions or reversal of provisions, and Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss and net gains or losses arising from changes	4.23	(1.73)	(0.23)	2.28
Net Operating Income	**104.97**	**85.98**	**17.13**	**208.07**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(0.13)	(0.43)	0.77	0.22
Gains/(losses) on derecognition of non-financial assets, net	15.87	0.08	(0.28)	15.67
Negative goodwill recognised in profit or loss	-	-	-	-
Gains/(losses) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	23.04	0.29	0.07	23.40
Profit before tax from continuing operations	**143.75**	**85.93**	**17.69**	**247.36**

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 attention in those cases in which their profile thus requires. The management of unproductive assets is another aspect for which specialised management is offered, with action policies designed under the premise of maximising the value of these assets.

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

ABANCA identifies the following business lines which coincide with the breakdown reported in its consolidated annual accounts for 2017 and 2016 and with its unaudited condensed consolidated interim financial statements of the Issuer for the six-month period ended 30 June 2018:

A. Retail Banking

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

As of 30 June 2018, ABANCA had approximately 2.1 million customers, of whom 1.9 million were active customers. In turn, they are divided into 1.64 million individual customers and 0.25 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 2017 and 2016 and for six-month periods ended 30 June 2018 and 2017:

Financial years 2017 and 2016

RETAIL BANKING ***(in accordance with IFRS-EU)***	**31-12-2017** (€ million)	**31-12-2016** (€ million)	**Var. 17-16** (%)
Net interest income	503.19	446.54	12.69
Dividend income	-	-	-
Share of profit or loss equity-accounted investees	-	-	-
Fee and commission income and expense	169.76	151.60	11.98
Gains or losses on financial assets and liabilities	-	0.86	(100.00)
Exchange differences, net	-	1.52	(100.00)
Other operating income and expenses	(111.18)	(45.07)	146.68
Gross margin	561.77	555.45	1.14
Personnel expenses	(286.87)	(260.96)	9.93
Other administrative expenses, depreciation and amortisation	(182.39)	(177.33)	2.85
Provisions or reversal of provisions and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	57.75	118.18	(51.13)
Net Operating Income	150.25	235.36	(36.16)
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	-	-	-
Gains/losses on derecognition of non-financial assets and investments, net	12.81	80.98	(84.18)
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	41.68	26.27	58.66
Profit before tax from continuing operations	204.74	342.61	(40.24)

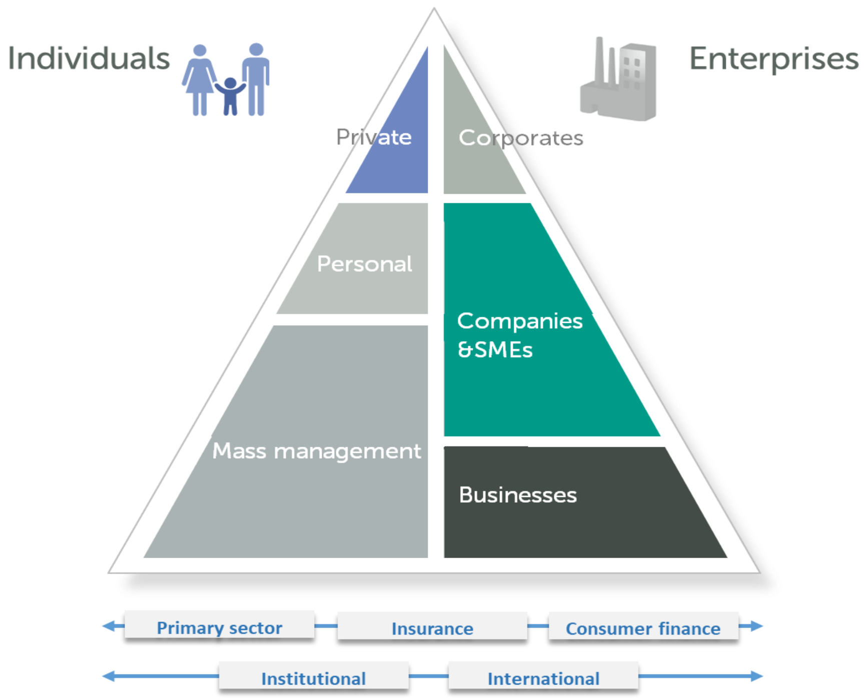
Six-month period ended 30 June 2018 and 2017

RETAIL BANKING ***(in accordance with IFRS-EU)***	**30-06-2018** (€ million)	**30-06-2017** (€ million)	**Var.** 1H-**18/1H-17** (%)
Net interest income	**255.16**	**241.63**	**5.60**
Dividend income	-	-	-
Share of profit or loss equity-accounted investees	-	-	-
Fee and commission income and expense	88.18	87.56	0.71
Gains or losses on financial assets and liabilities	0.00	-	n.a.
Exchange differences, net	-	-	-
Other operating income and expenses	(10.01)	(54.70)	(81.70)
Gross income	**333.33**	**274.49**	**21.44**
Personnel expenses	(140.93)	(138.86)	1.49
Other administrative expenses, depreciation and amortisation	(91.67)	(85.43)	7.30
Provisions or reversal of provisions, and Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss and net gains or losses arising from changes/ Provisions or reversal of provisions, and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	4.23	35.11	(87.95)
Net Operating Income	**104.97**	**85.30**	**23.06**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(0.13)	(0.31)	(58.06)
Gains/(losses) on derecognition of non-financial assets, net	15.87	0.34	4,567.65
Negative goodwill recognised in profit or loss	-	-	-
Gains/(losses) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	23.04	18.01	27.93
Profit before tax from continuing operations	**143.75**	**103.33**	**39.12**

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) personal banking and (iii) 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*: this unit serves individuals and legal entities comprising the industrial agricultural and livestock activities.

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

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

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

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

1. SPECIALISATION BY LEGAL NATURE

Individuals

Individual customers constitute the main segment of ABANCA, since they represented 87% of its total active customers and 49% of the financing granted to customers as of 30 June 2018. Within this total, as of 30 June 2018, more than €12 billion have been allocated to the acquisition of homes.

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

- *Financing*: this includes the granting of mortgages, personal loans and consumer financing, products that provide different alternatives designed to adapt themselves to the payment capacity and preferences of the customers as regards payment periods, repayment methods, etc. In addition, ABANCA complements this offer with other products such as guarantees, letters of credit or means of payment.

- *Savings*: the products offered include, *inter alia*, term deposits, savings books, current accounts, investment funds in their different modalities, insurance, pension schemes and fixed- and variable-yield securities.

- *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 net worth is below €100,000 and whose monthly income is lower than €3,000. 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.

Personal banking:

This unit serves customers whose net worth is between €100,000 and €500,000 and/or whose monthly income is higher than €3,000, and who therefore have a great interest in purchasing products which are an alternative to the fixed term and request more differentiated and personalised services. As of 30 June 2018, this segment represented 8% of the total number of active customers, and it is one of the main pillars of the growth for the Individuals segment which ABANCA is boosting with the greatest intensity.

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

Private banking:

This unit is focused on serving those customers whose balance is above €500,000 through management with a more specific degree of personalisation, tailored to each customer. As of 30 June 2018, this segment had more than 4,600 customers.

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

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

Enterprises

The service for enterprises holds another pillar in the activity of ABANCA, upon which one of the main focuses of development for ABANCA hinges on SMEs and the self-employed. As of 30 June 2018, ABANCA had a customer base of more than 240,000 enterprises and freelancers who are served by specialised managers assigned according to their needs.

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

- *Financing*:

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

    - *Other purposes*: ABANCA provides everyday products such as guarantees, overdrafts, leasing, renting, risk coverage products, etc., or specific solutions for foreign trade operations. The latter include Comex advice, import-export financing, accounts in foreign currencies, payment risk coverage and the delivery of goods and international transfers, among other things.

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

- Other products and services: including insurance, e-commerce, different advice lines on commercial reports, public aid and subsidies, public tenders and bidding, specific electronic banking services for legal persons, etc. More than 140,000 enterprises use the electronic banking services rendered by the ABANCA Group.

Due to the large presence and broad network of offices in its "natural market" (Galicia, Asturias and León), ABANCA has direct contact with the Galician business sector. The complexity of corporate business (which finances both the daily activity and the expansion of any project) makes it necessary to have a high degree of technical and customer knowledge, as well as financial solutions adapted to their different types. For the purpose of responding to this need, ABANCA created units focused on the management of specific segments so that it could provide a more personalised service:

Business Unit

This unit is intended for micro-businesses (turnover below €2 million annually), small shops and freelancers (*micropymes, comercios y autónomos*). It defines itself as one of the main businesses on which ABANCA bases its growth objectives. As of 30 June 2018, this segment represented 12% of the total number of active customers of ABANCA.

The structure of the Business 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 and €10 million) and companies whose annual turnover is between €10 and €100 million, providing products and services to cover all their banking needs.

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

Corporate Banking Unit

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

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

2. SPECIALISED BUSINESSES

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 164 branches as of 30 June 2018 distributed in different areas along the Galician coast. It has a team of professionals (co-ordinated by eight area agents) 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 (CAP, financial support for those affected by fires, aid for dairy farmers, etc.). This service is provided through 227 branches as of 30 June 2018 where managers are specialised in this sector work.

Insurance

The development of this unit is of key importance as a generator of recurring results for ABANCA, while allowing it to diversify the sources of income generation.

In 2016, ABANCA concluded the relaunching of its new organisational structure of the insurance business and pension schemes. This redesign was possible once ABANCA's reorganisation process, started in 2014, concluded through a series of purchases and mergers which have enabled ABANCA to recover 100% of the control over the value chain of its insurance business.

The main landmarks in this process were (i) in 2014, the remaining 50% of the capital of CxG Aviva Corporación Caixa Galicia de Seguros y Reaseguros was acquired from Aviva Vida y Pensiones (the remaining 50% of the capital was already held by ABANCA) and (ii) in 2015, the acquisition of 50% of the capital of Caixanova Vida y Pensiones from Caser Seguros y Reaseguros (the remaining 50% of the capital was already held by ABANCA). This process was concluded in 2016 with the merger of both companies. Likewise, another important landmark was the merger of the insurance brokers of ABANCA and Banco Etcheverría.

Having achieved these goals, ABANCA has redefined its structure, starting to operate through three companies with which it covers the whole spectrum of customers and products:

- ABANCA Seguros Vida y Pensiones: operating in the area of life insurance and pensions.
- ABANCA Seguros Operador de Bancaseguros: brokering of mass-oriented products.
- ABANCA Seguros Correduría: segment of major risks.

This new commercial model, supported by a team of commercial managers in the network of ABANCA offices, has its own team of professionals in each area of the insurance business. The specialisation of these professionals by area, together with managers who are experts in the business of pensions and saving schemes, has managed to substantially increase the amounts earned in these businesses during the year.

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.

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 2,100 customers throughout Spain as of 30 June 2018. 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 400 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 Spanish market, it is also present in Portugal (economic area of natural expansion for ABANCA thanks to the many commercial exchanges existing due to the fact of sharing the same border) and Switzerland through branches. Furthermore, ABANCA has eight representative offices in Mexico, Panama, Venezuela, Brazil, the United Kingdom, France, Germany and Switzerland, aimed at providing coverage to the Galician community abroad and the global expansion of Spanish companies which operate in such countries.

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

This international activity is reflected in the business generated with non-residents in Spain, which provided a total business with customers of €5.1 billion at 30 June 2018 (€ 4.6 billion at 31 December 2017 and €4.4 billion at 31 December 2016).

<u>Singular Assets</u>

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

The recovery task focuses on reducing portfolios of suspicious and failed transactions (both current and planned transactions) for the purpose of minimising their negative impact on the results through standardisation, collection or judicial management. All these arrangements have the support of the commercial network, mainly in early delinquency stages. ABANCA's NPL ratio decreased significantly from 13.9% as of 31 December 2014 to 4.6% as of 30 June 2018 (5.3% as of 31 December 2017). The NPL ratio is an APM, the definition, explanation, use and reconciliation of which is set out in Section II "*Registration Document*", sub section 11.9 "*Alternative Performance Measures*".

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

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

As of 30 June 2018, the internal commercial team directed and co-ordinated a group of more than 450 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).

Customer satisfaction

The key idea of ABANCA's model of specialisation and differentiation is that the service must be provided in the most satisfactory manner. In this regard is worth noting that the report of EMO Insights dated May 2018 (a benchmark that summarises the emotional attachment of a customer towards a brand based on positive and negative feelings) placed the ABANCA Group in second position in terms of improvement of the degree of satisfaction of its clients during the last three years.

ABANCA considers the digital strategy as one of the fundamental tools leading to the improvement of customer's satisfaction. 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 the office. 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 the number of active digital customers.

B. Wholesale Banking

Although ABANCA finances its credit activity as a retail business (with a retail loan to deposits ratio of 93.6% as of 30 June 2018 and 93.3% as of 31 December 2017), the Wholesale Banking unit complements the commercial activity of ABANCA and constitutes an additional source of revenue for the income statement. The retail loan to deposits ratio is an APM, the definition, explanation, use and reconciliation of which is set out in "—*Alternative Performance Measures*".

One of the main functions of the area is the investment of the surplus liquidity generated by the retail banking activity. 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 customer (balance sheet/trading) and external customer. Moreover, it is responsible for the management of the investment portfolio in listed and non-listed companies which include non-representative shares for the purpose of generating profitability for ABANCA through dividends or capital gains and maximising efficiency and solvency, minimising outflows and maximising inflows of resources into ABANCA.

The following table includes a breakdown of the consolidated result of the before tax of the ABANCA Group's "Wholesale Banking" business segment for the financial years 2017 and 2016 and for six-month periods ended 30 June 2018 and 2017:

Financial years 2017 and 2016

WHOLESALE BANKING ***(in accordance with IFRS-EU)***	**31-12-2017** (€ million)	**31-12-2016** (€ million)	**Var. 17-16** (%)
Net interest income	**(48.37)**	**(73.18)**	**(33.90)**
Dividend income	10.71	19.60	(45.36)
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	-	0.22	(100.00)
Gains or losses on financial assets and liabilities	197.00	91.90	114.36
Exchange differences, net	2.39	7.35	(67.48)
Other operating income and expenses	3.63	(18.31)	n.a.
Gross margin	165.36	27.58	499.56
Personnel expenses	(13.03)	(10.75)	21.21
Other administrative expenses, depreciation and amortisation	(25.28)	(21.38)	18.24
Provisions or reversal of provisions and Impairment or reversal of impairment on financial assets not measured at fair value through in profit or loss	(3.42)	35.12	n.a.
Net Operating Income	**123.64**	**30.57**	**304.45**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	0.29	(9.58)	n.a.
Gains/losses on derecognition of non-financial assets and investments, net	15.31	21.97	(30.31)
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	(3.55)	(49.59)	(92.84)
Profit before tax from continuing operations	**135.68**	**(6.63)**	**n.a.**

Six-months period ended 30 June 2018 and 2017

WHOLESALE BANKING ***(in accordance with IFRS-EU)***	**30-06-2018** (€ million)	**30-06-2017** (€ million)	**Var. 1H-18/1H-17** (%)
Net interest income	**(13.84)**	**(25.97)**	**(46.71)**
Dividend income	8.64	8.56	0.93
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	107.95	175.31	(38.42)
Exchange differences, net	1.81	1.15	57.39
Other operating income and expenses	3.27	1.66	96.99
Gross income	**107.83**	**160.70**	**(32.90)**
Personnel expenses	(6.94)	(4.73)	46.72
Other administrative expenses, depreciation and amortisation	(13.19)	(10.78)	22.36
Provisions or reversal of provisions, and Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss and net gains or losses arising from changes/ Provisions or reversal of provisions, and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(1.73)	(0.58)	198.28
Net Operating Income	**85.98**	**144.62**	**(40.55)**
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(0.43)	(1.63)	(73.62)
Gains/(losses) on derecognition of non-financial assets, net	0.08	0.26	(69.23)
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0.29	2.85	(89.82)
Profit before tax from continuing operations	**85.93**	**146.10**	**(41.18)**

C. Non-Financial Subsidiaries

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

As of 30 June 2018, 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, business park management companies and event and conference promoters) and others such as information and car, maritime, commercial transport, real estate and energy sectors, etc. The investee companies have an important presence and performance in the autonomous region of Galicia.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Non-Financial Subsidiaries" business segment for the financial years 2017 and 2016 and for six-month periods ended 30 June 2018 and 2017:

Financial years 2017 and 2016

NON-FINANCIAL SUBSIDIARIES *(in accordance with IFRS-EU)*	31-12-2017 (€ million)	31-12-2016 (€ million)	Var. 17-16 (%)
Net interest income	33.68	34.56	(2.55)
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	7.42	6.41	15.76
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	5.17	-	n.a.
Exchange differences, net	(0.04)	-	n.a.
Other operating income and expenses	37.80	31.03	21.82
Gross margin	84.02	72.01	16.68
Personnel expenses	(15.10)	(15.29)	(1.24)
Other administrative expenses, depreciation and amortisation	(35.93)	(33.42)	7.51
Provisions or reversal of provisions and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(0.45)	0.71	n.a.
Net Operating Income	32.55	24.01	35.57
Impairment or reversal of impairment on investment joint ventures or associates and on non-financial assets	(1.44)	0.12	n.a.
Gains/losses on derecognition of non-financial assets and investments, net	(3.37)	(1.33)	153.38
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	27.74	22.80	21.67

Six-month period ended 30 June 2018 and 2017

NON-FINANCIAL SUBSIDIARIES *(in accordance with IFRS-EU)*	30-06-2018 (€ million)	30-06-2017 (€ million)	Var. 1H-18/-1H-17 (%)
Net interest income	**16.45**	**16.67**	**(1.32)**
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	4.98	4.65	7.10
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	0.10	5.00	(98.00)
Exchange differences, net	-	-	-
Other operating income and expenses	20.56	12.41	65.67
Gross income	**42.09**	**38.73**	**8.68**
Personnel expenses	(6.01)	(8.06)	(25.43)
Other administrative expenses, depreciation and amortisation	(18.73)	(15.90)	17.80
Provisions or reversal of provisions, and Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss and net gains or losses arising from changes/ Provisions or reversal of provisions, and Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(0.23)	(0.22)	4.55
Net Operating Income	**17.13**	**14.55**	**17.73**
Impairment or reversal of impairment on investment joint ventures or associates and on non-financial assets	0.77	0.00	n.a.
Gains/(losses) on derecognition of non-financial assets, net	(0.28)	0.25	n.a.
Negative goodwill recognised in profit or loss	-	-	-
Gains/(losses) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0.07	0.12	(41.67)
Profit before tax from continuing operations	**17.69**	**14.92**	**18.57**

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.).

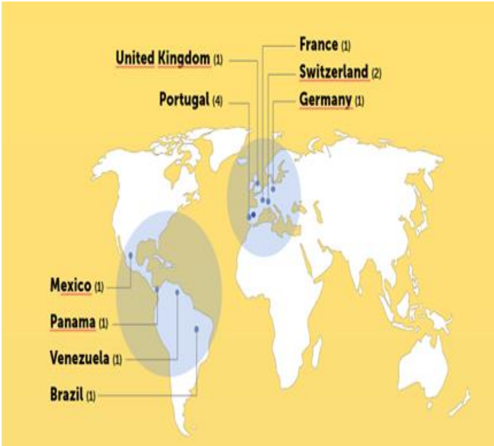
Branches

The focus strategy of ABANCA is geographically differentiated into two areas:

- Galicia, Asturias and León: the "natural market" of ABANCA, where it has its major market share. As of 31 March 2018, ABANCA was market leader in Galicia with a share of more than 37% (source: *Statement FI 132.E March 2018* *of the Bank of Spain*), and it has a broad network of offices (502 as of 30 June 2018).

- Rest of Spain: where the presence of ABANCA is selective and focuses on larger towns (120 offices as of 30 June 2018)

In addition, the national presence of ABANCA is supported by an international presence through operational branches (as of 30 June 2018 it had four in Portugal and one in Switzerland) and representative offices (France, the United Kingdom, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela).



Number of branches	Jun 2018	Dec 2017
Spain	622	627
Galicia	502	504
Rest of Spain	120	123
Abroad	5	5
Representative offices abroad	8	8
Total	**635**	**640**

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.

Digital channels

ABANCA also has a virtual banking service (electronic, telephone and mobile banking) that is used by 47% of its customers. ABANCA's mobile banking is among the best valued in the Spanish financial system by users (according to Google Play Store). Moreover, as of 30 June 2018, ABANCA had a wide network of point of sale terminals (43,374 units) and cards (1.58 million units).

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

This digital strategy has allowed ABANCA to increase the number of active digital customers by 13% during the first six months of 2018, 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 2018, more than 676,000 customers of ABANCA have used remote services for their queries and transactions. In the same year, the number of ABANCA customers that use mobile banking grew 23%.

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

As of 30 June 2018, ABANCA offers its customers a network of 1,059 integrated ATMs within the EURO 6000 network. ABANCA is also continuing with the implementation of state-of-the-art fully equipped ATMs as well as the implementation of new functionalities to respond to the demands reported by customers and branches. These devices allow recurring transactions that involve a high administrative load for the branch employees, such as making cash withdrawals with return of coins, multiple payment of receipts and deposits of exact amounts and return of change with the card.

5.1.2 Indication of any significant new products and/or activities.

The most significant innovations developed by ABANCA during 2017 and up to the date of this Registration Document are related to mobile services. These free of payment services, secure for the user, have added new functionalities to those already consolidated (ABANCA Pay, ABANCA Cash, Halcash, Samsung Pay, etc.):

- *Facial identification through the iPhone X*. The 2017 latest version of the application for Apple terminals has the novelty of compatibility with the new facial identification feature Face ID, which allows a more agile access as well as being more secure and more reliable with respect to previous systems.

- *Possibility of becoming a customer through a video call*. The process comprises a double validation of the identity of the customer, first by checking the authenticity of the scanned identity *document*; and, later on, in the video call, with an indicator of biometric similarity between the customer's image (obtained in the video call) and the photo of his identity document.

- *ABANCA Firma Empresas*. This mobile phone application (app) allows signatories in accounts of legal entities or other customers that carry out transactions that require several signatures to simplify the signing of transactions.

- *Mobile money transfer to ATM through voice*. ABANCA is able to make, using only voice commands, cash money transfer transactions from a mobile phone to be withdrawn by the recipient at an ATM.

- *New functionalities for insurance management.* New features have been recently implemented into ABANCA's mobile banking app. Currently the app allows customers to consult and modify policy's charge account, check the last bill of an insurance already paid and, for home insurances, change the insured amount for buildings and content.

- *Wallet in ABANCA Pay*. The possibility of paying in shops was incorporated into ABANCA's Pay service, the ABANCA's application for sending money immediately from mobiles.

- ABANCA Pay has also incorporated the Masterpass service, which allows paying in online shops with the *same* app, a new means of payment to make purchases on the Internet through mobile, tablet or computer.

These innovations together with other products developed in 2016 are a distinguishing factor for the customer orientation strategy of the ABANCA Group. Among the new products developed in 2016 it is worth highlighting the "Insurance-flatrate". This product allows payment of all insurance receipts of a family unit in a single monthly receipt. It also allows free monthly financing, the possibility of postponement of two monthly payments at no cost every 12 months, personalised management through a free-of-charge single-phone number, up to a 7% loyalty bonus in each monthly instalment and delivery of periodic information of all insurances grouped into a single monthly statement. This product is key in the differentiation strategy of ABANCA's insurance business and it allows both obtaining new policies and fostering customer loyalty.

5.1.3 Principal markets

Within the multi-channel distribution model developed by ABANCA (see "***Distributions Channels***" under 5.1.1 above), ABANCA has positioned itself in the Spanish market in different ways, depending on the different geographic areas:

- In the "natural market" (autonomous regions of Galicia, Asturias and province of León), the expansion of the branch network means the traditional branch 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 Galicia as of 31 March 2018 exceeded 32% in credit, 41% in deposits and more than 37% in total turnover (source: FI 132.E Statement of Bank of Spain dated 31 March 2018).

  In Galicia, the large branch network of the ABANCA Group makes it easier for the Galician population to access financial services in an environment with a dispersed population. As of 30 June 2018, ABANCA provided its services in 99 small towns where it is the only financial institution present and had two mobile offices which move on a regular basis to other centres of population where there is no branch, thus favouring their financial inclusion.

- In the rest of the Spanish territory or "*expansion market*" and abroad, 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.

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.

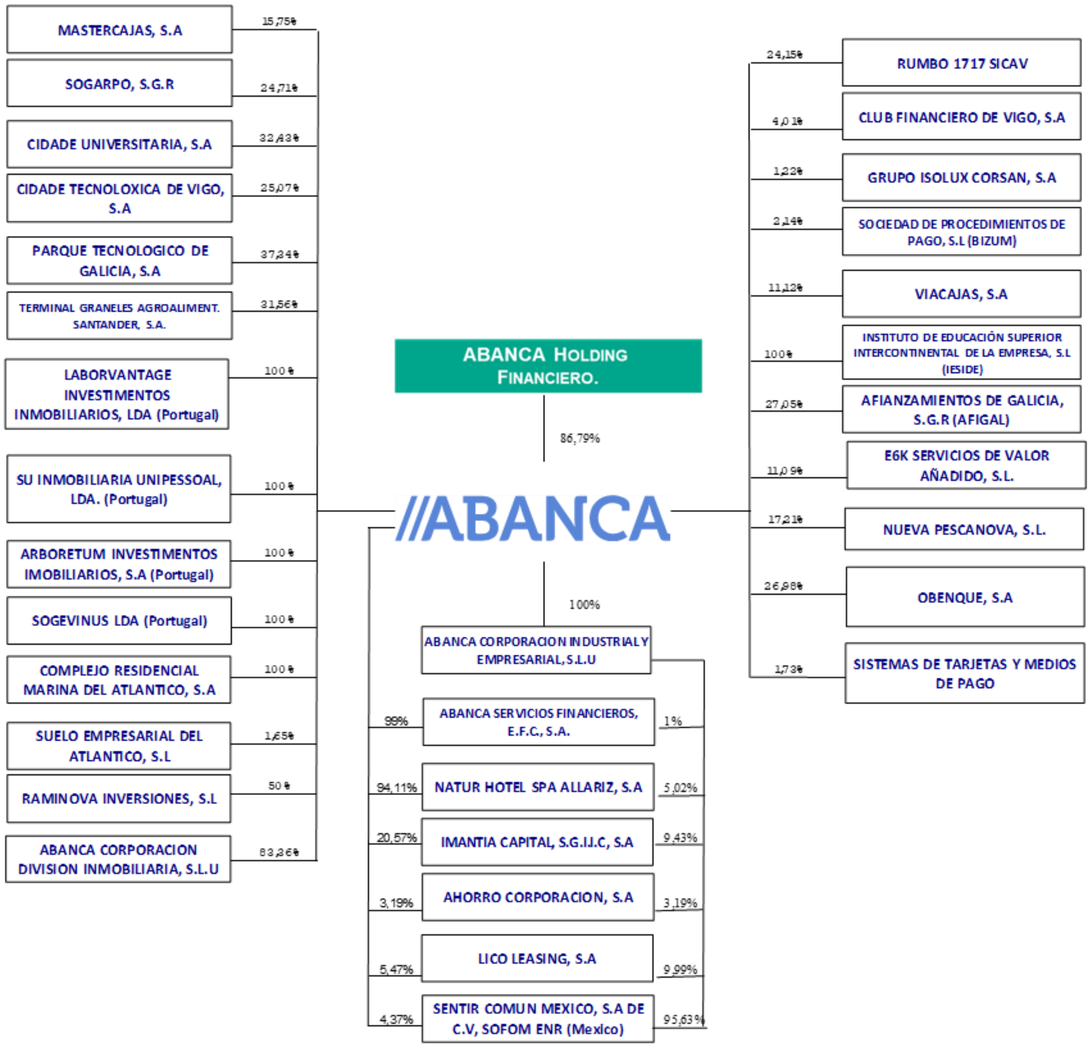
5.1.4 The basis for any statements in the Registration Document made by the Issuer regarding its competitive position.

Not Applicable.

6. ORGANISATIONAL STRUCTURE

6.1 If the Issuer is part of a group, a brief description of the group and of the Issuer's position within it

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



6.2 If the Issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence

ABANCA Holding holds 86.79% of the Bank.

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

ABANCA Holding is the parent company of the ABANCA Holding Group, a consolidated group of subsidiaries and associated companies. The ABANCA Holding Group's subsidiary ABANCA is the company that contributes the bulk of the consolidated assets to the ABANCA Holding Group's balance sheet (at 31 December 2017 ABANCA and its subsidiaries contributed 99.98% of the total consolidated assets of the ABANCA Holding Group).

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

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

7. TREND INFORMATION

7.1 Statement that there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements.

Since 31 December 2017, being the date of the latest audited consolidated annual accounts of ABANCA, to the date of this Registration Document, there has been no material adverse change in the prospects of the Issuer.

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

7.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year.

From 31 December 2017 to the date of this Registration Document, the most significant trends in relation to the activities of the sector have been the following (source: *Bank of Spain and INVERCO*):

- Retail credit in Spain fell by 0.7% in the first six months of 2018, still affected by the deleveraging process of the Spanish economy. The balance of credit for companies linked to the acquisition of private residences fell by 3.3% and 0.4% to June 2018, while the outstanding balance of consumer credit grew on the other hand (5.6%) thanks to the dynamism of private consumption. The new production of retail credit grew in the first six months of 2018 giving a year-on-year increase of 11%, with advances in terms of both individuals and companies.

- As for retail deposits, there was an increase of 3.0% in the balance in the first six months of 2018, with the drain (especially with regard to term) towards resources managed in investment funds continuing, the total wealth of which grew by 3.4% to June 2018.

  The context of negative interest rates in real terms and the fall in the balance of credit investment is maintaining the pressure on interest margins which, in view of the results presented by the main Spanish entities, are continuing their negative rates of change.

- The Supreme Court judgment of 16 October 2018 (the "**Judgment**"), Third Chamber (Administrative), establishes that the taxpayer for Stamp Duty levied on the public deeds that document the granting of a loan with a mortgage guarantee is the lender, and not the customer who receives the loan. This doctrine represents a radical change in the position of the Chamber. The Presiding Judge of the Chamber, in view of the repercussion of the Judgment, has called a meeting in Plenary Session to discuss an appeal that is pending in relation to this matter, in order to establish what the Chamber's position is. It has been reported that the Plenary Session will be held on 5 November 2018. At this point in time, it is not possible to determine the impact, if any, that the position adopted by the Chamber in Plenary Session may have on Spanish credit entities, including ABANCA and its Group.

8. PROFIT FORECASTS OR ESTIMATES

The Issuer has opted not to include any profit forecasts or a profit estimate in the Registration Document

9. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

9.1 Names, business addresses and functions in the Issuer of (a) members of the administrative, management or supervisory bodies and (b) partners with unlimited liability, in the case of a limited partnership with a share capital, and an indication of the principal activities performed by them outside the Issuer where these are significant with respect to that Issuer

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(1)	Proprietary(2)
Mr. Francisco Botas Ratera	Chief Executive Officer	Executive
Mr. Pedro Raúl López Jácome	Director	Other external(3)
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(4)
Mr. José Eduardo Álvarez-Naveiro Sánchez	Secretary (non-Member)	
Ms. María Consolación Borrás Retamero	Vice Secretary (non-Member)	

(1) Mr. Juan Carlos Escotet Rodriguez informed ABANCA's Board of Directors that he would temporarily be absent from his duties

Name	Title	Category

as Chairman in order to assist the teams in his companies in Venezuela. As a result of this, ABANCA's Board of Directors resolved to apply the internal regulations in this regard and Mr. Eduardo Eraña Guerra will temporarily be carrying out the duties corresponding to the Chairman of ABANCA's Board of Directors.

(2) Shareholder represented: ABANCA Holding.

(3) Mr. Pedro Raúl López Jácome is no longer considered an independent director of ABANCA's Board of Directors as a consequence of a related-party transaction entered into with ABANCA in July 2016. Consequently, his category in the Board of Directors has been reclassified to "other external".

(4) This appointment is pending registration with the relevant public registries.

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

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

Director	Company	Title
Mr. Juan Carlos Escotet Rodríguez	Confederación Española de Cajas de Ahorro	Director
	ABANCA Holding Financiero, S.A.	Chairman
	Banesco Holding, C.A.	Chairman
	Banesco Banco Universal, C.A.	Chairman
	Banesco Holding Latinoamérica, S.A.	Director
	Banesco Servicios Administrativos, C.A.	Chairman
	Banesco Seguros, S.A.	Vice-Chairman
	Banesco Holding Financiero, S.L.U.	Director
	Banesco, S.A.	Director
	Banesco Seguros, S.A.	Director
	Banesco Banco Múltiple, S.A.	Vice-Chairman
Mr. Francisco Botas Ratera	ABANCA Holding Financiero, S.A.	Chief Executive Officer
	Cecabank, S.A.	Director
Mr. Pedro Raúl López Jácome	Miura Holding, C.V.	Director/ Chairman
	Miura Capital Panamá, Inc.	Director/ Chairman
	Imantia Capital S.G.I.I.C., S.A.	Vice-Chairman
Ms. Carina Szpilka Lázaro	Grifols, S.A.	Director
	Kanoar Ventures SGEIC, S.A.	Chairman
	Asociación Española de la Economía Digital (Adigital)	Chairman
	Meliá Hotels International, S.A.	Director

Mr. Eduardo Eraña Guerra	Banco Lafise Bancentro, S.A. (Nicaragua)	Director
	Banco Lafise, S.A. (Costa Rica)	Director
	Banco Múltiple Lafise, S.A. (República Dominicana)	Director
	Banco Lafise (Honduras)	Director

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

Audit and Compliance Commission

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

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

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

Appointments Commission

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

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

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

Remuneration Commission

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

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

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

Comprehensive Risk Commission

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

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

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

Management Team

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

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

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

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

9.2 Potential conflicts of interests between any duties to the issuing entity of the members of the administrative, management and/or supervisor bodies and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.

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.

10. MAJOR SHAREHOLDERS

10.1 To the extent known to the Issuer, a statement as to whether the Issuer is directly or indirectly owned or controlled and by whom, a description of the nature of such control, and a description the measures in place to ensure that such control is not abused.

As of 30 September 2018, the shareholders of ABANCA are:

Shareholder	Interest
ABANCA Holding	86.79%
E.C. Nominees Limited	1.09%
Other shareholders	3.33%
Treasury shares	8.79%

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

10.2 A description of any arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

ABANCA is not aware of any agreement which will at a subsequent date result in a change of control of the Issuer.

11. FINANCIAL INFORMATION CONCERNING THE ISSUER’S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

ABANCA Group's audited consolidated annual accounts and the directors' report, together with the audit report of KPMG as of and for the years ended 31 December 2017 and 31 December 2016 and ABANCA's unaudited condensed consolidated interim financial statements and the directors' report, together with the limited review report of KPMG as of and for the six months ended 30 June 2018, shall be deemed to be incorporated by reference in this Registration Document. The balance sheet and income statement for the years ended 31 December 2017 and 2016 and for the six-month period ended 30 June 2018 are included below.

11.1 Historical Financial Information for the financial years ending 31 December 2017 and 31 December 2016

Financial information of the ABANCA Group

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

ASSETS	31/12/2017 (€ million)	31/12/2016(* (€ million)	Var. 17-16 (%)
Cash, cash balances with central banks and other demand deposits	**1,701.99**	**497.90**	**241.83**
Financial assets held for trading	**100.32**	**141.05**	**(28.88)**
Derivatives	100.32	141.05	(28.88)
Debt securities	-	-	-
Financial assets designated at fair value through profit or loss	**37.89**	**33.32**	**13.72**
Equity instruments	33.77	29.07	16.17
Debt securities	4.12	4.24	(2.83)
Available-for-sale financial assets	**9,787.53**	**7,234.47**	**35.29**
Equity instruments	494.37	653.90	(24.40)
Debt securities	9,293.15	6,580.57	41.22
Loans and receivables	**33,195.41**	**31,218.59**	**6.33**
Debt securities	3,539.90	3,734.50	(5.21)
Loans and advances	29,655.50	27,484.09	7.90
Credit institutions	535.24	302.01	77.23
Customers	29,120.27	27,182.08	7.13

Held-to-maturity investments	**-**	**-**	**-**
Derivatives - hedge accounting	**32.01**	**57.92**	**(44.73)**
Investments in joint ventures and associates	**158.55**	**186.32**	**(14.90)**
Associates	158.55	186.32	(14.90)
Assets covered by insurance or reinsurance contracts	**6.02**	**4.77**	**26.21**
Tangible assets	**1,117.59**	**1,106.07**	**1.04**
Fixed assets	838.96	869.70	(3.53)
For own use	838.96	869.70	(3.53)
Investment property	278.63	236.37	17.88
Intangible assets	**368.71**	**365.72**	**0.82**
Goodwill	61.73	48.10	28.34
Other intangible assets	306.98	317.62	(3.35)
Tax assets	**3,408.74**	**3,410.99**	**(0.07)**
Current tax assets	118.52	108.05	9.69
Deferred tax assets	3,290.22	3,302.94	(0.39)
Other assets	**371.78**	**355.33**	**4.63**
Insurance contracts linked to pensions	149.00	150.93	(1.28)
Inventories	63.50	62.27	1.98
Other assets	159.27	142.14	12.05
Non-current assets and disposal groups classified as held for sale	**497.82**	**525.96**	**(5.35)**
TOTAL ASSETS	**50,784.35**	**45,138.41**	**12.51**
LIABILITIES AND EQUITY			
Financial liabilities held for trading	**84.89**	**116.62**	**(27.21)**
Derivatives	84.89	116.62	(27.21)
Financial liabilities at amortised cost	**44,326.34**	**38,626.03**	**14.76**
Deposits	43,388.58	37,661.94	15.21
Central banks	3,449.92	1,700.00	102.94
Credit institutions	4,290.97	2,278.12	88.36
Customers	35,647.69	33,683.83	5.83
Debt securities issued	789.73	812.25	(2.77)
Other financial liabilities	148.03	151.84	(2.51)
Memorandum item: subordinated liabilities	8.57	8.86	(3.27)
Derivatives - hedge accounting	**88.20**	**149.48**	**(41.00)**
Liabilities covered by insurance or reinsurance contracts	**1,249.52**	**1,147.11**	**8.93**
Provisions	**409.68**	**538.62**	**(23.94)**
Pensions and other post-employment defined benefit obligations	176.78	190.60	(7.25)
Outstanding legal proceedings and litigation in relation to taxes	2.28	2.61	(12.64)
Commitments and guarantees extended	75.67	79.38	(4.67)
Other provisions	154.95	266.02	(41.75)
Tax liabilities	**242.59**	**253.79**	**(4.41)**
Current tax liabilities	17.39	41.82	(58.42)
Deferred tax liabilities	225.20	211.98	6.24
Other liabilities	**277.75**	**223.58**	**24.23**
TOTAL LIABILITIES	**46,678.97**	**41,055.22**	**13.70**
NET EQUITY			-
Shareholders' equity	**4,087.53**	**4,151.19**	**(1.53)**
Capital	2,453.66	2,453.66	-
Paid-in capital	2,453.66	2,453.66	-
Share premium	433.90	433.90	-

Retained earnings	1,180.24	1,195.54	(1.28)
Other reserves	(9.82)	(40.50)	(75.75)
Accumulated reserves or losses on investments in joint ventures and associates	(9.82)	(40.50)	(75.75)
Treasury shares	(226.94)	(225.03)	0.85
Profit attributable to the owners of the Parent	367.07	333.62	10.03
Interim dividends	(110.58)	-	n.a.
Accumulated other comprehensive income	**17.84**	**(68.00)**	**n.a.**
Items that will not be reclassified to profit or loss	**(13.91)**	**1.79**	**n.a.**
Actuarial gains or losses on defined benefit pension plans	(13.91)	1.79	n.a.
Items that may be reclassified to profit or loss	**31.75**	**(69.79)**	**n.a.**
Translation of foreign currency	0.02	(0.03)	n.a.
Hedging derivatives Cash flow edges (effective portion)	(47.84)	(44.64)	7.17
Available-for-sale financial assets	90.09	(22.29)	n.a.
Debt instruments	66.86	(19.19)	n.a.
Equity instruments	23.22	(3.10)	n.a.
Share of other recognised income and expense arising from investments in joint ventures and associates	(10.51)	(2.84)	270.07
Minority interests (non-controlling interests)	**0.01**	**(0.01)**	**n.a.**
Accumulated other comprehensive income	-	-	-
Other items	0.01	(0.01)	**n.a.**
TOTAL EQUITY	**4,105.38**	**4,083.19**	**0.54**
TOTAL LIABILITIES AND EQUITY	**50,784.35**	**45,138.41**	**12.51**

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

The table below includes the consolidated income statements of the ABANCA Group for the years ended 31 December 2017 and 2016:

	31/12/2017 (€ million)	**31/12/2016 (€ million)**	**Var. 17-16 (%)**
Interest Income	689.79	673.86	2.36
Interest Expense	(201.29)	(265.94)	(24.31)
Net interest income	**488.50**	**407.92**	**19.75**
Dividend Income	10.71	19.60	(45.36)
Share of profit or loss of equity-accounted investees	7.42	6.41	15.76
Fee and Commission Income	189.91	167.59	13.32
Fee and Commission Expense	(20.15)	(15.77)	27.77
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	199.78	85.88	132.63
Gains or losses on financial assets and liabilities held for trading, net	4.58	9.22	(50.33)
Gains or losses on hedge accounting, net	(2.20)	(2.33)	(5.58)
Exchange differences, net	2.35	8.87	(73.51)
Other operating income	61.84	65.51	(5.60)
Other operating expenses	(144.93)	(105.64)	37.19
Income from assets covered by insurance or reinsurance contracts	268.13	224.31	19.54
Expenses from liabilities covered by insurance or reinsurance contracts	(254.79)	(216.53)	17.67
Gross margin	**811.15**	**655.04**	**23.83**
Administrative expenses	(509.78)	(472.35)	7.92
Personnel expenses	(315.00)	(286.99)	9.76
Other administrative expenses	(194.79)	(185.36)	5.09
Depreciation and amortisation	(48.81)	(46.77)	4.36
Provisions or reversals of provisions	(22.41)	13.09	n.a.
Impairment or reversal of impairment on financial assets not	76.29	140.93	(45.87)

measured at fair value through profit or loss			
Available-for-sale financial assets	(1.99)	(6.53)	(69.53)
Loans and receivables	78.28	147.45	(46.91)
Net operating income	**306.44**	**289.93**	**5.69**
Impairment or reversal of impairment on investments in joint ventures or associates	(1.44)	(4.93)	(70.79)
Impairment or reversal of impairment on non-financial assets	0.29	(4.53)	n.a.
Tangible assets	0.70	(4.53)	n.a.
Intangible assets	(0.41)	-	n.a.
Others	(0.00)	-	-
Gains or losses on the derecognition of non-financial assets and investments, net	24.75	101.63	(75.65)
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	38.13	(23.32)	n.a.
Profit or loss before tax from continuing operations	**368.16**	**358.78**	**2.61**
Income tax expense or income related to profit or loss from continuing operations	(1.09)	(25.17)	(95.67)
Profit or loss after taxes from continuing operations	**367.07**	**333.61**	**10.03**
Profit or loss after tax from discontinued operations	**-**	**-**	**-**
Profit for the year	**367.07**	**333.61**	**10.03**
Attributable to minority interests (non-controlling interests)	(0.00)	(0.01)	(100.00)
Attributable to the owners of the Parent	367.07	333.62	10.03
Earnings per share (euros)			
Basic	0.1639	0.1490	10.00
Diluted	0.1639	0.1490	10.00

11.2 Financial statements

ABANCA prepares consolidated annual accounts which are detailed in section 11.1 above.

11.3 Auditing of historical annual financial information

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

The historical financial information set out in section 11.1 of this Registration Document has been audited by KPMG without qualification.

11.3.2 An indication of other information in the Registration Document which has been audited by the auditors.

Not Applicable.

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

Section 11.5 below includes unaudited condensed consolidated interim financial statements of ABANCA for the six-month period ended 30 June 2018.

11.4 Age of latest financial information

This Registration Document contains audited financial information as of and for the year ended 31 December 2017, which therefore is not older than 18 months from the date of this Registration Document.

11.5 Interim and other financial information

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

ASSETS	30/06/2018 (€ million)	31/12/2017[(*)] (€ million)	Var. (%)
Cash, cash balances with central banks and other demand deposits *(Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista)*	**771.74**	**1,701.99**	**(54.66)**
Financial assets held for trading *(Activos financieros mantenidos para negociar)*	**113.68**	**100.32**	**13.32**
Non-trading financial assets required to be measured at fair value through profit or loss *(Activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados)*	**625.28**	**-**	**n.a.**
Financial assets at fair value through profit or loss /Financial assets designated at fair value through profit or loss *(Activos financieros designados a valor razonable con cambios en resultados)*	**-**	**37.89**	**(100.00)**
Financial assets at fair value through other comprehensive income / Available-for-sale financial assets *(Activos financieros a valor razonable con cambios en resultado global)*	**7,547.57**	**9,787.53**	**(22.89)**
Financial assets at amortised cost / Loans and receivables *(Activos financieros a coste amortizado)*	**34,845.53**	**33,195.41**	**4.97**
Derivatives - hedge accounting *(Derivados - contabilidad de coberturas)*	**16.60**	**32.01**	**(48.14)**
Investments in joint ventures or associates *(Inversiones en negocios conjuntos y asociadas)*	**166.76**	**158.55**	**5.18**
Associates *(Entidades asociadas)*	166.76	158.55	**5.18**
Assets covered by insurance or reinsurance contracts *(Activos amparados por contratos de seguro o reaseguro)*	**6.85**	**6.02**	**13.79**
Tangible assets *(Activos tangibles)*	**1,143.90**	**1,117.59**	**2.35**
Fixed assets *(Inmovilizado material)*	863.43	838.96	**2.92**
For own use *(De uso propio)*	863.43	838.96	**2.92**
Investment property *(Inversiones inmobiliarias)*	280.48	278.63	**0.66**
Intangible assets *(Activos intangibles)*	**363.70**	**368.71**	**(1.36)**
Goodwill *(Fondo de comercio)*	61.73	61.73	**-**
Other intangible assets *(Otros activos intangibles)*	301.97	306.98	**(1.63)**
Tax assets *(Activos por impuestos)*	**3,418.58**	**3,408.74**	**0.29**
Current tax assets *(Activos por impuestos corrientes)*	75.19	118.52	**(36.56)**
Deferred tax assets *(Activos por impuestos diferidos)*	3,343.39	3,290.22	**1.62**
Other assets *(Otros activos)*	**349.90**	**371.78**	**(5.89)**
Insurance contracts linked to pensions *(Contratos de seguros vinculados a pensiones)*	149.00	149.00	**-**
Inventories *(Existencias)*	56.72	63.50	**(10.68)**
Other assets *(Resto de los otros activos)*	144.18	159.27	**(9.47)**
Non-current assets and disposal groups classified as held for sale *(Activos no corrientes y grupos enajenables de elementos que se han clasificado como mantenidos para la venta)*	**438.96**	**497.82**	**(11.82)**
TOTAL ASSETS *(TOTAL ACTIVO)*	**49,809.06**	**50,784.35**	**(1.92)**
LIABILITIES AND EQUITY			
Financial liabilities held for trading *(Pasivos financieros mantenidos para negociar)*	**84.49**	**84.89**	**(0.47)**

Financial liabilities at amortised cost *(Pasivos financieros a coste amortizado)*	**43,215.19**	**44,326.34**	**(2.51)**
Derivatives - hedge accounting *(Derivados - contabilidad de coberturas)*	**107.19**	**88.20**	**21.53**
Liabilities covered by insurance or reinsurance contracts *(Pasivos amparados por contratos de seguro o reaseguro)*	**1,339.26**	**1,249.52**	**7.18**
Provisions *(Provisiones)*	**403.19**	**409.68**	**(1.58)**
Pensions and other post-employment defined benefit obligations *(Pensiones y otras obligaciones de prestaciones definidas post-empleo)*	172.55	176.78	**(2.39)**
Outstanding legal proceedings and litigation in relation to taxes *(Cuestiones procesales y litigios por impuestos pendientes)*	12.91	2.28	**466.23**
Commitments and guarantees extended *(Compromisos y garantías concedidos)*	89.22	75.67	**17.91**
Other provisions *(Restantes provisiones)*	128.50	154.95	**(17.07)**
Tax liabilities *(Pasivos por impuestos)*	**230.50**	**242.59**	**(4.98)**
Current tax liabilities *(Pasivos por impuestos corrientes)*	31.86	17.39	**83.21**
Deferred tax liabilities *(Pasivos por impuestos diferidos)*	198.65	225.20	**(11.79)**
Other liabilities *(Otros pasivos)*	**268.75**	**277.75**	**(3.24)**
TOTAL LIABILITIES *(TOTAL PASIVO)*	**45,648.57**	**46,678.97**	**(2.21)**
NET EQUITY			
SHAREHOLDERS' EQUITY *(FONDOS PROPIOS)*	**4,220.97**	**4,087.53**	**3.26**
Capital *(Capital)*	**2,453.66**	**2,453.66**	**-**
Paid-up capital *(Capital desembolsado)*	2,453.66	2,453.66	-
Share premium *(Prima de emisión)*	**433.90**	**433.90**	**-**
Retained earnings *(Ganancias acumuladas)*	**1,392.71**	**1,180.24**	**18.00**
Other reserves /Accumulated reserves or losses on investments in joint ventures and associates *(Otras reservas)*	**(17.36)**	**(9.82)**	**76.78**
Treasury shares *(Acciones propias)*	**(226.85)**	**(226.94)**	**(0.04)**
Profit attributable to the owners of the parent *(Resultado atribuible a los propietarios de la dominante)*	**247.00**	**367.07**	**(32.71)**
Interim dividends *(Dividendos a cuenta)*	**(62.10)**	**(110.58)**	**(43.84)**
ACCUMULATED OTHER COMPREHENSIVE INCOME *(OTRO RESULTADO GLOBAL ACUMULADO)*	**(60.49)**	**17.84**	**n.a.**
Items that will not be reclassified to profit or loss *(Elementos que no se reclasificarán en resultados)*	**(14.19)**	**(13.91)**	**2.01**
Actuarial gains or (-) losses on defined benefit pension plans *(Ganancias o (-) pérdidas actuariales en planes de pensiones de prestaciones definidas)*	(13.91)	(13.91)	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income *(Cambios del valor razonable de los instrumentos de patrimonio valorados a valor razonable con cambios en otro resultado global)*	(0.28)	-	n.a.
Items that may be reclassified to profit or loss *(Elementos que pueden reclasificarse en resultados)*	**(46.30)**	**31.75**	**n.a.**
Translation of foreign currency *(Conversión de divisas)*	0.00	0.02	(100.00)
Hedging derivatives Cash flow hedges (effective portion) *(Derivados de cobertura. Coberturas de flujos de efectivo (porción efectiva))*	(42.57)	(47.84)	(11.02)
Changes in fair value of debt securities measured at fair value through other comprehensive income /Available-for-sale financial assets *(Cambios del valor razonable de los instrumentos de deuda valorados a valor razonable con cambios en otro resultado global)*	4.83	90.09	(94.64)

Share of other recognised income and expense arising from investments in joint ventures and associates *(Participación en otros ingresos y gastos reconocidos de inversiones en negocios conjuntos y asociadas)*	(8.55)	(10.51)	(18.65)
MINORITY INTERESTS (non-controlling interests) *(INTERESES MINORITARIOS (participaciones no dominantes))*	**0.01**	**0.01**	-
Accumulated other comprehensive income *(Otro resultado global acumulado)*	-	-	-
Other items *(Otros elementos)º*	0.01	0.01	-
TOTAL EQUITY *(TOTAL PATRIMONIO NETO)*	**4,160.49**	**4,105.38**	**1.34**
TOTAL LIABILITIES AND EQUITY *(TOTAL PATRIMONIO NETO Y PASIVO)*	**49,809.06**	**50,784.35**	**(1.92)**

(*) Figures of the consolidated annual accounts, under IAS 39, presented, solely and exclusively, for comparative purposes.

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

	30/06/2018 (€ million)	**30/06/2017(*) (€ million)**	**Var. 18-17 (%)**
Interest Income *(Ingresos por intereses)*	347.96	336.18	3.50
Interest Expense *(Gastos por intereses)*	(90.19)	(103.86)	(13.16)
NET INTEREST INCOME (*MARGEN DE INTERESES)*	**257.77**	**232.32**	10.95
Dividend Income (*Ingresos por dividendos)*	8.64	8.56	0.93
Share of profit or loss of equity-accounted Investees *(Resultados de entidades valoradas por el método de la participación)*	4.98	4.65	7.10
Fee and Commission Income *(Ingresos por comisiones)*	97.89	95.63	2.36
Fee and Commission Expense *(Gastos por comisiones)*	(9.71)	(8.08)	20.17
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net *(Ganancias o pérdidas al dar de baja en cuentas activos y pasivos financieros no valorados a valor razonable con cambios en resultados, netas)*	98.99	176.56	(43.93)
Gains or losses on financial assets and liabilities held for trading, net *(Ganancias o pérdidas por activos y pasivos financieros mantenidos para negociar, netas)*	(1.30)	2.81	n.a.
Gains or losses on non-trading financial assets required to be measured at fair value through profit or loss, net *(Ganancias o pérdidas por activos financieros no destinados a negociación valorados obligatoriamente a valor razonable con cambios en resultados, netas)*	10.45	-	n.a.
Gains or losses on hedge accounting, net *(Ganancias o pérdidas resultantes de la contabilidad de coberturas, netas)*	(0.08)	0.94	n.a.
Exchange differences, net *(Diferencias de cambio, netas)*	1.81	1.15	57.39
Other operating income *(Otros ingresos de explotación)*	47.36	24.36	94.42
Other operating expenses *(Otros gastos de explotación)*	(43.48)	(68.46)	(36.49)
Income from assets covered by insurance or reinsurance contracts *(Ingresos de activos amparados por contratos de seguro o reaseguro*)	160.32	49.17	226.05
Expenses from liabilities covered by insurance or reinsurance contracts *(Gastos de pasivos amparados por contratos de seguro o reaseguro)*	(150.39)	(45.71)	229.01
GROSS INCOME *(MARGEN BRUTO)*	**483.25**	**473.92**	**1.97**
Administrative expenses (*Gastos de administración)*	(251.73)	(239.67)	5.03
Personnel expenses *(Gastos de personal)*	(153.88)	(151.66)	1.46
Other administrative expenses *(Otros gastos de administración)*	(97.86)	(88.01)	11.19
Depreciation and amortisation *(Amortización)*	(25.73)	(24.09)	6.81
Provisions or reversals of provisions *(Provisiones o reversión de provisiones)*	0.72	(1.13)	n.a.
Impairment or reversal of impairment on, and gains and losses arising from changes in cash flows from financial assets not measured at fair value through profit or loss and net gains or losses arising from changes *(Deterioro del valor o reversión del deterioro del valor y ganancias o pérdidas por modificaciones de flujos de caja de activos financieros no valorados a valor razonable con cambios en resultados y pérdidas o ganancias netas por modificación)*	1.56	35.44	(95.60)
Financial assets at fair value through other comprehensive income	(2.04)	(1.99)	2.51

(Activos financieros a valor razonable con cambios en otro resultado global)			
Financial assets at amortised cost *(Activos financieros a coste amortizado)*	3.60	37.44	(90.38)
RESULTS FROM OPERATING ACTIVITIES *(RESULTADO DE LA ACTIVIDAD DE EXPLOTACIÓN)*	**208.07**	**244.47**	**(14.89)**
Impairment or reversal of impairment on investments in joint ventures or associates *(Deterioro del valor o reversión del deterioro del valor de inversiones en negocios conjuntos o asociadas)*	0.67	-	n.a.
Impairment or reversal of impairment on non-financial assets *(Deterioro del valor o reversión del deterioro del valor de activos no financieros)*	(0.45)	(1.94)	(76.80)
Other (*Otros*)	0.10	-	n.a.
Tangible assets *(Activos tangibles)*	(0.55)	(1.94)	(71.65)
Gains or losses on derecognition of non-financial assets, net *(Ganancias o pérdidas al dar de baja en cuentas activos no financieros, netas)*	15.67	0.85	1743.53
Negative goodwill recognised in profit or loss *(Fondo de comercio negativo reconocido en resultados)*	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations *(Ganancias o pérdidas procedentes de activos no corrientes y grupos enajenables de elementos clasificados como mantenidos para la venta no admisibles como actividades interrumpidas)*	23.40	20.98	11.53
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS *(GANANCIAS O PÉRDIDAS ANTES DE IMPUESTOS PROCEDENTES DE LAS ACTIVIDADES CONTINUADAS)*	**247.36**	**264.36**	**(6.43)**
Income tax expense or income related to profit or loss from continuing operations *(Gastos o ingresos por impuestos sobre los resultados de las actividades continuadas)*	(0.36)	(35.28)	(98.98)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS *(GANANCIAS O PÉRDIDAS DESPUÉS DE IMPUESTOS PROCEDENTES DE LAS ACTIVIDADES CONTINUADAS)*	**247.00**	**229.07**	7.83
Profit or loss after tax from discontinued operations *(Ganancias o pérdidas después de impuestos procedentes de actividades interrumpidas)*	-	-	-
PROFIT/(LOSS) FOR THE PERIOD *(RESULTADO DEL PERÍODO)*	**247.00**	**229.07**	7.83
Attributable to minority interests (non-controlling interests) *(Atribuible a intereses minoritarios (participaciones no dominantes))*	-	(0.00)	-
Attributable to the owners of the parent *(Atribuible a los propietarios de la dominante)*	247.00	229.08	7.82
EARNINGS PER SHARE (EUROS) (*BENEFICIO POR ACCIÓN*)			
Basic (*Básico)*	0.1104	0.1028	7.39
Diluted (*Diluido)*	0.1104	0.1028	7.39

(*) Figures of the consolidated annual accounts, under IAS 39, presented, solely and exclusively, for comparative purposes.

ABANCA publishes its consolidated annual accounts as well as the half-year consolidated financial statements corresponding to the first six months of the year.

11.6 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 ABANCA.

Information about the legal and regulatory risks that ABANCA may be exposed to in the near future can be found in "*The ABANCA Group is exposed to risk of loss from legal and regulatory claims*" and "*The invalidity of what are known as "floor clauses" ("cláusulas suelo") and their total retroactivity could negatively affect the ABANCA Group*" under the Risk Factors section.

11.7 Significant change in the Issuer's financial position

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

11.8 Credit ratings

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

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

Each of Moody's Investors Service España, S.A., Standard & Poor's Credit Market Services Europe Limited, Fitch and DBRS Ratings Limited is a rating agency established in the EU and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies. A list of registered credit rating agencies is published at the ESMA's website: www.esma.europa.eu.

11.9 Alternative Performance Measures (APMs)

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

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

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

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

The following are the APMs used in this Registration Document.

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

		June 2018	December 2017	December 2016
			(€ million, except %)	
Numerator	Accumulated impairment of financing of real estate construction and property development	41.9	35.8	54.3
Denominator	Non performing loans of financing of real estate construction and property development	64.9	58.6	79.8
Coverage of NPL on loans to real-estate developers		**64.5%**	**61.0%**	**68.1%**

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

		June 2018	December 2017	December 2016
			(€ million, except %)	
Numerator	Impairment losses of assets foreclosed or received in payment of debt	564.71	616.26	671.67
Denominator	Gross assets foreclosed or received in payment of debt	922.76	1,008.88	1,090.28
Foreclosed assets coverage ratio		**61.2%**	**61.1%**	**61.6%**

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

		June 2018	December 2017	December 2016
			(€ million)	
	Cash and central bank accounts	680.1	1,319.3	379.8
Plus	Collateral available for ECB operations	2,376.1	2,450.3	3,431.9
Plus	Collateral available for ECB operations outside of ECB guarantee pool	2,260.6	2,081.9	3,363.3
Plus	Other marketable assets non eligible for ECB	101,6	93.1	83.6
Liquid assets		**5,418.3**	**5,944.7**	**7,258.6**

Source: *ABANCA's internal information with management criteria.*

1 "Foreclosed assets" is equivalent to the item "assets foreclosed or received in payment of debt" of the balance sheet.

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

		June 2018	December 2017	December 2016
			(€ million)	
	Interest income	347.96	689.79	673.86
Minus	Interest expense	90.19	201.29	265.94
Net Interest Income		**257.77**	**488.50**	**407.92**

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

		June 2018	December 2017	December 2016
			(€ million)	
	Fee and commission income	97.89	189.91	167.59
Minus	Fee and commission expense	9.71	20.15	15.77
Net fees and commissions		**88.18**	**169.76**	**151.82**

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

		June 2018	December 2017	December 2016
			(€ million, except %)	
Numerator	Impairment losses of loans and advances to customers	751.16	795.12	1,078.91
Denominator	Impaired assets in loans and advances to customers	1,400.56	1,541.35	2,153.21
NPL coverage ratio		**53.6%**	**51.6%**	**50.1%**

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

		June 2018	December 2017	December 2016
			(€ million, except %)	
Numerator	Impaired assets in loans and advances to customers	1,400.56	1,541.35	2,153.21
Denominator	Gross loans and advances to customers	31,070.52	29,938.05	28,281.09
	- Repurchase agreements	-	451.27	-
	- Extraordinary activities	443.16	374.14	525.43
NPL ratio		**4.6%**	**5.3%**	**7.8%**

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

		June 2018	December 2017	December 2016
			(€ million, except %)	
Numerator	Non performing loans of financing of real estate construction and property development	64.9	58.6	79.8
Denominator	Total loans of financing of real estate construction and property development	767.2	670.5	521.9
NPL ratio on loans to real-estate developers		**8.5%**	**8.7%**	**15.3%**

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

		June 2018	**December 2017** *(€ million, except %)*	**December 2016**
Numerator	Net loans and advances to customers	30,301.34	29,120.27	27,182.08
	- Repurchase agreements	-	451.27	-
Denominator	Gross deposits from customers	35,816.47	35,545.26	33,559.08
	- Assets acquired or sold under resale or repurchase agreements	1,364.96	2,388.56	987.37
	- Covered bond issues classified as deposits from customers	2,071.46	2,418.70	2,668.70
Retail Loan to Deposits ratio		**93.6%**	**93.3%**	**90.9%**

12. MATERIAL CONTRACTS

There are no material contracts which contain provisions under which ABANCA or any member of the ABANCA Group has an obligation or entitlement which is, or may be, material to the ability of ABANCA to meet its obligations in respect of the securities being issued in connection with this Registration Document.

13. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

13.1 Statements by experts including such person's name, business address, qualifications and material interest if any in the Issuer

This Registration Document does not include any statements by experts.

13.2 Information sourced from third parties

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

14. DOCUMENTS ON DISPLAY

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

(a) the bylaws (*Estatutos Sociales*) of ABANCA; and

(b) the deed of incorporation (*escritura de constitución*) of ABANCA.

Likewise, electronic copies of:

(a) the bylaws (*Estatutos Sociales*) of ABANCA;

(b) ABANCA's Spanish-language audited consolidated annual accounts and the consolidated directors' reports, together with the respective audit reports of KPMG as of and for the year ended 31 December 2016 (together with English translations of such annual accounts, directors' and audit reports);

(c) ABANCA's Spanish-language audited consolidated annual accounts and the consolidated directors' reports, together with the respective audit reports of KPMG as of and for the year ended 31 December 2017 (together with English translations of such annual accounts, directors' and audit reports); and

(d) ABANCA's Spanish-language unaudited condensed consolidated interim financial statements and the directors' report, together with the review report of KPMG as of and for the six-month period ended 30 June 2018 (together with the English translation of such financial statements, directors' and limited review report)

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

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

15. DOCUMENTS INCORPORATED BY REFERENCE

(i) 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's unaudited condensed consolidated interim financial statements and the directors' report, together with the limited review report of KPMG as of and for the six months ended 30 June 2018, available at ABANCA's website (http://www.abancacorporacionbancaria.com/files/documents/es-cuentas-consolidadas-1s-2018.pdf) (together, the "**2018 Consolidated First Semester Interim Financial Statements**").

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

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

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

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

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

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 the ABANCA Group, since the date thereof or that the information contained therein is current as of any time subsequent to its date.

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

English translations

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

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

This Registration Document is initialled on each page and signed for and on behalf of ABANCA Corporación Bancaria, S.A. on 30 October 2018.

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Mr. Juan Luis Vargas-Zúñiga Mendoza

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Mr. Alberto Manuel de Francisco Guisasola