



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

€250,000,000

Perpetual Non-Cumulative Additional Tier 1 Preferred Securities

The issue price of the €250,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities of €200,000 of Original Principal Amount each (as defined in the terms and conditions of the Preferred Securities (the "Conditions")) (the "Preferred Securities") of ABANCA Corporación Bancaria, S.A. (the "Issuer" or the "Bank" or "ABANCA") is 100% of their principal amount. The Preferred Securities have been issued on 14 July 2023 (the "Closing Date"). The Bank and its consolidated subsidiaries are referred to herein as the "ABANCA Group".

The Preferred Securities will accrue non-cumulative cash distributions ("Distributions") on their Outstanding Principal Amount (as defined in the Conditions), as follows: (i) in respect of the period from (and including) the Closing Date to (but excluding) 14 January 2029 (the "First Reset Date"), at the rate of 10.625% per annum, and (ii) in respect of each period from (and including) the First Reset Date and every fifth anniversary thereof (each a "Reset Date") to (but excluding) the next succeeding Reset Date (each such period, a "Reset Period"), at the rate per annum, calculated on an annual basis and then converted to a quarterly rate in accordance with market convention, equal to the aggregate of 7.643% per annum (the "Initial Margin") and the 5-year Mid-Swap Rate (as defined in the Conditions) for the relevant Reset Period. Subject as provided in the Conditions, such Distributions will be payable quarterly in arrear on 14 January, 14 April, 14 July and 14 October in each year (each a "Distribution Payment Date").

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

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

The Preferred Securities are perpetual. As further described in Condition 7.2, all, and not some only, of the Preferred Securities may be redeemed at the option of the Bank on any day falling in the period commencing on (and including) 14 July 2028 and ending on (and including) the First Reset Date and on any Distribution Payment Date thereafter, in each case at the Outstanding Principal Amount plus, if applicable, any accrued and unpaid Distributions for the then current Distribution Period (as defined in the Conditions) to (but excluding) the date fixed for redemption (the "Redemption Price"), provided that any principal amount by which the Preferred Securities have been Written Down has first been reinstated in full. In addition, the Preferred Securities are redeemable after the fifth anniversary of the Closing Date (or any such other minimum period permitted by Applicable Banking Regulations), on any Distribution Payment Date, at the Redemption Price if there is a Clean-Up Call Event (as defined in the Conditions), provided that any principal amount by which the Preferred Securities have been Written Down has first been reinstated in full. The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event (each as defined in the Conditions). Any such redemption will be subject to the prior consent of the Competent Authority and otherwise in accordance with the Applicable Banking Regulations then in force.

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

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

The Preferred Securities are rated B+ by Fitch Ratings Ireland Spanish Branch, Sucursal en España ("Fitch"). Fitch is established in the European Union ("EU") and is registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies ("CRA Regulation"). Fitch appears on the latest update of the list of registered or certified credit rating agencies (as of 27 March 2023) on the European Securities and Markets Authority ("ESMA") website. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.**

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

Application has been made for the Preferred Securities to be admitted to trading on the Spanish AIAF Fixed Income Securities Market ("AIAF"). AIAF is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments directive (as amended, "MiFID II"). The Preferred Securities may also be admitted to trading on any other secondary market compliant with the requirements of Law 10/2014 (as defined below) as may be agreed by ABANCA acting reasonably.

Amounts payable under the Preferred Securities from and including the First Reset Date are calculated by reference to the 5-year Mid-Swap Rate which appears on the "ICAPEURO" screen, which is provided by ICAP information Services Limited, or by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the "EURIBOR01" screen, which is provided by the European Money Markets Institute. As of the date of this Prospectus, ICAP information Services Limited and European Money Markets Institute appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of Regulation (EU) No 2016/1011 (the "**Benchmark Regulation**").

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

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

The Preferred Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to retail clients as defined in the rules set out in MiFID II in any jurisdiction of the European Economic Area ("EEA") or in the United Kingdom (the "UK"). Prospective investors are referred to "*Selling Restrictions*" on pages 119 to 122 for further information.

The Preferred Securities are generally not suitable for retail investors.

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

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 16.

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

The period of validity of this Prospectus is up to (and including) the admission to trading of the Preferred Securities. Once this Prospectus is no longer valid, the Issuer will have no obligation to supplement it in the event of significant new factors, material mistakes or material inaccuracies.
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Structuring Advisor and Joint Lead Manager

Crédit Agricole CIB

Joint Lead Managers

Barclays

BNP PARIBAS

BofA Securities

**Santander Corporate &
Investment Banking**

Prospectus dated 14 July 2023

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IMPORTANT NOTICES

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any information supplied by the Issuer and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer. In particular, ABANCA has not authorised the making or provision of any representation or information regarding ABANCA, the ABANCA Group or the Preferred Securities other than as contained in this Prospectus or as approved for such purpose by ABANCA. Any such representation or information should not be relied upon as having been authorised by ABANCA or Crédit Agricole CIB, Barclays, BNP Paribas, BofA Securities and Santander Corporate & Investment Banking (the "**Joint Lead Managers**").

None of the Joint Lead Managers, nor any of their respective affiliates, has separately verified the information contained in, or incorporated by reference into, this Prospectus. Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in, or incorporated by reference into, this Prospectus or any other information supplied by ABANCA in connection with the Preferred Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Preferred Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of ABANCA or the ABANCA Group since the date of this Prospectus or that any other information supplied in connection with the Preferred Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of ABANCA or the ABANCA Group contained in the Preferred Securities, or any other agreement or document relating to the Preferred Securities, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

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

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Preferred Securities and should not be considered as a recommendation by the Issuer or any Joint Lead Manager appointed in relation to this issue by the Issuer that any recipient of this Prospectus should subscribe or purchase any Preferred Securities. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer — as described below.

Potential investors are advised to exercise caution in relation to any purchase of the Preferred Securities. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein. The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. Each potential investor in the Preferred Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Preferred Securities, the merits and risks of investing in the Preferred Securities and the information contained or incorporated by reference in this Prospectus, taking into account that the Preferred Securities are a suitable investment for professional or institutional investors only;

- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Securities and the impact the Preferred Securities will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Securities, including where the currency for payments in respect of the Preferred Securities is different from the potential investor's currency;
- understands thoroughly the terms of the Preferred Securities, including the provisions relating to the payment and cancellation of Distributions and any Write Down (as defined in the Conditions), redemption or substitution of the Preferred Securities and any variation of their terms, and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Preferred Securities unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Preferred Securities will perform under changing conditions, the resulting effects on the value of the Preferred Securities and the impact this investment will have on the potential investor's overall portfolio.

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

Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any restrictions applicable to the distribution of this Prospectus. For a description of certain restrictions on offers, sales and deliveries of the Preferred Securities, please see the sections below and "*Subscription and Sale*".

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

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

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

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

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

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

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

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

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

The Preferred Securities are generally not suitable for retail investors.

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

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

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

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

Each prospective investor further acknowledges that:

- (i) the identified target market for the Preferred Securities (for the purposes of the product governance obligations in MiFID II and the FCA Handbook Product Intervention and Product Governance Sourcebook) is eligible counterparties and professional clients; and

- (ii) no key information document (KID) under the PRIIPs Regulation or the UK PRIIPs Regulation has been prepared and therefore offering or selling the Preferred Securities or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation or the UK PRIIPs Regulation.

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

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

As agreed by ABANCA and the Joint Lead Managers, offers of the Preferred Securities in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 194 of the Law 6/2023, on Securities Markets and Investment Services, of 17 March (the "**Spanish Securities Market Law**") and eligible counterparties (*contrapartes elegibles*) as defined in Article 196 of the Spanish Securities Market Law.

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

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

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

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

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities

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

FINANCIAL INFORMATION

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

As a result of the implementation of IFRS 17, the comparative information contained in the balance sheet of the 2023 Consolidated First Quarter Interim Financial Statement (as defined below) is restated information. Unless otherwise stated in this Prospectus, figures as of 31 December 2022 are not restated figures and have been included as included in the 2022 Audited Consolidated Annual Accounts (as defined below) before the adoption of IFRS 17.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Issuer and/or the ABANCA Group and the environment in which it expects to operate in the future. Important factors that could cause the Issuer's and/or the ABANCA Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Prospectus: (i) the Issuer's ability to integrate its newly-acquired operations and any future expansion of its business; (ii) the Issuer's ability to realise the benefits it expects from existing and future investments in its existing operations and pending expansion and development projects; (iii) the Issuer's ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed investments; (iv) the Issuer's ability to maintain sufficient capital to fund its existing and future operations; (v) changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate; (vi) changes in the competitive environment in which the Issuer and its customers operate; and (vii) failure to comply with regulations applicable to the business of the Issuer.

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

In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may or may not occur in the future. Additional risks that the ABANCA Group may currently deem immaterial or that are not presently known to the ABANCA Group could also cause the forward-

looking events discussed in this Prospectus not to occur. These forward-looking statements speak only as of the date of this Prospectus. Except as otherwise required by Spanish and other applicable securities laws and regulations and by any applicable stock exchange regulations, the ABANCA Group undertakes no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Prospectus. Given the uncertainty inherent in forward-looking statements the ABANCA Group cautions prospective investors not to place undue reliance on these statements.

OVERVIEW

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

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

Issuer	ABANCA Corporación Bancaria, S.A.
Joint Lead Managers	Crédit Agricole Corporate and Investment Bank, Banco Santander, S.A., Barclays Bank Ireland PLC, BNP Paribas and BofA Securities Europe SA.
Risk Factors	There are certain factors and uncertainties that could have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank and that may affect the Bank's ability to fulfil its obligations under the Preferred Securities. In addition, there are certain factors which are material for the purpose of assessing the risks associated with the Preferred Securities. See " <i>Risk Factors</i> " beginning on page 16, which includes " <i>Risks relating to the ABANCA Group</i> " and " <i>Risks relating to the Preferred Securities</i> ".
Issue size	€250,000,000
Closing date	14 July 2023
Issue details	€250,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities. ABANCA intends that the Preferred Securities qualify as Additional Tier 1 Capital of ABANCA and the ABANCA Group pursuant to Applicable Banking Regulations.
Original Principal Amount	€200,000 per Preferred Security.
Outstanding Principal Amount	In respect of each Preferred Security, at any time, the Original Principal Amount of such Preferred Security as reduced from time to time by any Write Down or any other write down or cancellation, as the case may be, and, if applicable, as subsequently increased from time to time by any Write Up in accordance with Condition 6.
Use of Proceeds	The Bank intends to use the net proceeds from the issue of the Preferred Securities for its general corporate purposes, and to further strengthen its regulatory capital, including the refinancing of existing preferred securities. Such refinancing may relate to the repurchase of some or all of the Issuer's outstanding €250,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities issued on 2 October 2018 (ISIN: ES0865936001) pursuant to the tender offer announced by the Issuer on 5 July 2023.
Distributions	The Preferred Securities accrue Distributions on their Outstanding Principal Amount as follows: (i) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 10.625% per annum; and (ii) in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis)

for such Reset Period, first calculated on an annual basis and then converted to a quarterly rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), for such Reset Period, all as determined by the Bank on the relevant Reset Determination Date. Subject as provided in the Conditions (see "*Limitations on Distributions*" below), such Distributions will be payable quarterly in arrear on each Distribution Payment Date.

For further information, see Condition 4.

Limitations on Distributions

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

Payments of Distributions in any financial year of the Bank shall be made out of Distributable Items of the Bank.

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

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

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

The Bank may make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities if and to the extent that payment of any Distribution (including any additional amounts pursuant to Condition 12) would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Spanish law transposing or implementing the CRD IV Directive, which includes Article 48 of Law 10/2014 and any of its development provisions) or the BRRD (or, as the case may be, any provision of Spanish law transposing or implementing BRRD, which includes Article 16bis of Law 11/2015 and any of its development provisions), the Maximum Distributable Amount to

be exceeded or otherwise would cause any other breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital pursuant to Applicable Banking Regulations.

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

Distributions on the Preferred Securities will be non-cumulative. Accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any election of the Bank to cancel such Distribution pursuant to Condition 4.3 or the limitations on payment set out in Conditions 4.4 and 6.1(a)(iii), then the right of the Holders to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.

If the Bank does not pay a Distribution or part thereof on the relevant Distribution Payment Date, such non-payment shall evidence the cancellation of such Distribution (or relevant part thereof) or, as appropriate, the Bank's exercise of its discretion to cancel such Distribution (or relevant part thereof) and accordingly, such Distribution shall not in any such case be due and payable.

For further information, see Condition 4.

Status of the Preferred Securities

The payment obligations of the Bank under the Preferred Securities constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1 of the Spanish Insolvency Law and Additional Provision 14.3 of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise).

For further information, see Condition 3.

Optional Redemption

Provided that any principal amount by which the Preferred Securities have been Written Down has first been reinstated in full, all, and not some only, of the Preferred Securities may be redeemed at the option of the Bank on any day falling in the period commencing on (and including) 14 July 2028 and ending on (and including) the First Reset Date and on any Distribution Payment Date thereafter, in each case, at the Redemption Price. Any optional redemption described above shall be subject to the prior consent of the Competent Authority and shall be made in compliance with Articles 77 and 78 of CRR, Article 29 of the Commission Delegated Regulation (EU) 241/2014 and any Applicable Banking Regulations then in force.

In addition, after the fifth anniversary of the Closing Date (or any such other minimum period permitted by Applicable Banking Regulations), on any Distribution Payment Date, at the Redemption Price if there is a Clean-Up Call Event. Such optional redemption shall be subject to the prior consent of the Competent Authority and shall be made in compliance with Articles 77 and 78

of CRR, Article 29 of the Commission Delegated Regulation (EU) 241/2014) and any Applicable Banking Regulations then in force.

The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank, in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event, subject, in each case, to the prior consent of the Competent Authority and in compliance with Articles 77 and 78 of CRR, Article 29 of the Commission Delegated Regulation (EU) 241/2014) and any Applicable Banking Regulations then in force.

For further information, see Condition 7.

Substitution and Variation

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

For further information, see Condition 8.

Trigger Event

If, at any time, as determined by the Bank or the Competent Authority (or any other agent appointed for such purpose by the Competent Authority) in accordance with the Applicable Banking Regulations, the CET1 ratio of any of the Bank and/or the ABANCA Group is less than 5.125%.

Liquidation Distribution

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

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

For further information, see Condition 5.

Loss Absorption following a Trigger Event

If at any time on or after the Closing Date a Trigger Event occurs, the Bank will (i) immediately notify the Competent Authority that a Trigger Event has occurred; (ii) as soon as reasonably practicable deliver a Write Down Notice to Holders; (iii) cancel any accrued and unpaid Distributions up to (but excluding) the relevant Write Down Date; and (iv) irrevocably and mandatorily (and without the need for the consent of the Holders) without delay, and by no later

than one month from the occurrence of the relevant Trigger Event, reduce the then Outstanding Principal Amount of each Preferred Security by the relevant Write Down Amount.

For further information, see Condition 6.1.

Write Up

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

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

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

For further information, see Condition 6.2.

Purchases	<p>The Bank or any member of the ABANCA Group may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise, in compliance with Applicable Banking Regulations in force at the relevant time, including the applicable limits referred to in Article 78(1) of CRR and subject to the prior consent of the Competent Authority, if required.</p> <p>For further information, see Condition 9.</p>
Waiver of set-off	<p>No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.</p> <p>For further information, see Condition 10.</p>
Meetings of Holders	<p>The Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally and which establishes defined majorities to bind all Holders. The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Preferred Securities must be notified to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting.</p> <p>Notwithstanding the above, the Preferred Securities shall not confer any entitlement to receive notice of or attend or vote at any meeting of shareholders of the Bank.</p> <p>For further information, see Condition 11.</p>
Withholding Tax and Additional Amounts	<p>All payments of Distributions and other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Preferred Securities by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Spain unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of Distributions (but not any Outstanding Principal Amount or other amount), the Bank shall (to the extent such payment can be made on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such Distribution had no such withholding or deduction been required, subject to the exceptions provided in Condition 12.</p> <p>For further information, see Condition 12 and "<i>Taxation—Tax treatment of the Preferred Securities</i>".</p>
Form	<p>The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (<i>anotaciones en cuenta</i>) in euro in</p>

an aggregate nominal amount of €250,000,000 and Original Principal Amount of €200,000 each.

Registration, clearing and settlement	The Preferred Securities have been registered with Iberclear as managing entity of the Spanish Central Registry (as defined in the Conditions). Holders of a beneficial interest in the Preferred Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with Iberclear.
Title and transfer	<p>Title to the Preferred Securities is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Preferred Securities recorded therein. For these purposes, the "Holder" has the meaning given to such term in Condition 2.3.</p> <p>The Preferred Securities are issued without any restrictions on their transferability.</p> <p>For further information, see Condition 2.</p>
Rating	The Preferred Securities are rated B+ by Fitch.
Listing and admission to trading	Application has been made for the Preferred Securities to be admitted to trading on AIAF. The Preferred Securities may also be admitted to trading on any other secondary market compliant with the requirements of Law 10/2014 as may be agreed by ABANCA acting reasonably.
Governing Law	The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, Spanish law (<i>legislación común española</i>).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Preferred Securities in the United States, the European Economic Area, the United Kingdom, Canada, Singapore, Hong Kong, Switzerland, Spain, the Republic of Italy and Belgium. Regulation S, category 2 restrictions under the U.S. Securities Act apply. The Preferred Securities have not and will not be eligible for sale in the United States under Rule 144A of the U.S. Securities Act. For further information, see " <i>Subscription and Sale—Selling Restrictions</i> ".
Loss Absorbing Power	<p>The obligations of the Bank under the Preferred Securities are subject to, and may be limited by, the exercise of any Loss Absorbing Power by the Relevant Resolution Authority.</p> <p>No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Loss Absorbing Power by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.</p> <p>Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority with respect to the Preferred Securities, the Bank will make available a written notice to the Holders as soon as practicable regarding such exercise of the Loss Absorbing Power.</p>

No failure or delay by the Bank to deliver a notice to the Holders shall affect the validity or enforceability of the exercise of the Loss Absorbing Power.

If the Relevant Resolution Authority exercises the Loss Absorbing Power with respect to less than the total Amounts Due, any cancellation, write-off or conversion made in respect of the Preferred Securities pursuant to the Loss Absorbing Power will be made on a pro-rata basis.

None of a cancellation of the Preferred Securities, a reduction in the Amount Due, the conversion thereof into another security or obligation of the Bank or another person, as a result of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Bank or the exercise of the Loss Absorbing Power with respect to the Preferred Securities will be an event of default or otherwise constitute non-performance of a contractual obligation.

For further information, see Condition 14.

RISK FACTORS

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

Only risks which are specific to ABANCA or the ABANCA Group or to the Preferred Securities are included herein, as required by the Prospectus Regulation. Additional risks and uncertainties relating to ABANCA or the ABANCA Group that are not currently known to ABANCA or that it currently deems immaterial or that apply generally to the banking industry (such as, among others, the reputational risk, risks related to the reduction of credit ratings, operational risks inherent to the activity, cyber-risks and information technology risks, risks related to changes in the financial accounting and reporting standards or risks related to compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules) for which reason have not been included herein, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of ABANCA or the ABANCA Group and, if any such risk should occur, the price of the Preferred Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Preferred Securities is suitable for them in light of the information in this Prospectus and their personal circumstances. Risks that apply generally to securities with the characteristics of the Preferred Securities (for instance, risks related to modifications of the Preferred Securities approved by a meeting of Holders of the Preferred Securities, risks related to the absence of limitations on the amount or type of further securities or indebtedness which the Bank may incur or risks related to fluctuations in market interest rates or risk related to the impact of the tax regime), that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations) and those related to the credit ratings assigned to the Preferred Securities (such as changes in the credit ratings or the assignment of unsolicited ratings) have not been included herein. However, such additional risks may affect the value and liquidity of the Preferred Securities.

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

RISKS RELATING TO THE ABANCA GROUP

Business and financial risks and macroeconomic risk

Credit Risk

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

As of 31 December 2022, credits to clients represented 59.4% of the total assets of the ABANCA Group (57.1% as of 31 December 2021) and fixed income securities represented 17.0% of the total assets of the ABANCA Group (16.8% as of 31 December 2021). As of 31 December 2022, €1,919.82 million fixed income securities were valued as financial assets at fair value through other comprehensive income (€420.66 million as of 31 December 2021), €0,877.63 million as financial assets at amortised cost (€1,138.34 million as of 31 December 2021), €6.86 million as non-trading financial assets mandatorily at fair value through profit or loss (€1.04 million as of 31 December 2021), with no financial assets held for trading as of 31 December 2022 and 2021.

In the year ended 31 December 2022 the ABANCA Group allocated provisions for credit for an amount of €783.47 million.

Non-performing or low credit quality loans have in the past negatively impacted the ABANCA Group's results of operations and, as well as to all the banking system, could do so in the future. As of 31 December 2022, the "non-performing loans" ("NPLs", which correspond to the item "impaired assets" of the consolidated balance sheet of the ABANCA Group) amounted to €42.95 million (€95.77 million as of 31 December 2021). The decrease in NPLs in 2022 was driven mainly by the sale of instruments (€108 million) and partial or total loan repayment (€26 million). As of 31 December 2022, 37.2% 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 62.4% benefited from personal guarantees (44.8%, 0.9% and 54.3%, respectively, as of 31 December 2021). The new loan production formalised since the beginning of 2015 that has been at any time classified as NPLs (regardless of whether or not it is classified as such as at 31 December 2022) represented 1.51% of the total new loan production during that period (the entries of NPLs amounted to €271.9 million in the year ended on 31 December 2022 and to €81.9 million in the year ended on 31 December 2021).

As of 31 December 2022, the performing loans portfolio¹ of the ABANCA Group amounted to €45,022.76 million (€45,557.71 million as of 31 December 2021).

As of 31 December 2022, the outstanding balances of refinancing and restructuring transactions amounted to €80.36 million (€1,215.22 million as of 31 December 2021), €377.12 million of which related to impaired assets (€11.21 million as of 31 December 2021).

Some of the ratios that can be used as a measure of the asset quality of the ABANCA Group and of the ability of the ABANCA Group to absorb potential losses arising from them, are the NPL Ratio² (that stood at 2.1% as of 31 December 2022 and at 2.1% as of 31 December 2021), the NPL Coverage Ratio³ (that stood at 83.1% as of 31 December 2022 and at 85.3% as of 31 December 2021) and the Texas Ratio⁴ (that stood at 25.4% as of 31 December 2022 and at 28.7% as of 31 December 2021).

The exposure to the real estate sector is a very significant factor of the credit risk of a financial entity and it has had, and may in the future have, a significant impact on the non-performing assets of the Spanish banking system. Declines in property prices adversely affect the credit quality of property developers to whom loans have been made and decrease the value of the real estate collateral securing a financial entity's mortgage loans. The ABANCA Group has lending exposure to risks in the property development and construction sector, with gross loans for property construction and/or development amounting to €56.4 million (1.4% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2022 (€22.6 million (1.3% of the ABANCA Group's total gross loans and receivables to customers) as of 31 December 2021). The NPLs of the ABANCA Group in this segment represented 3% as of 31 December 2022 and 3.2% as of 31 December 2021.

Furthermore, Spanish real estate assets secure many of the ABANCA Group's outstanding loans, and the ABANCA Group holds Spanish real estate assets on its balance sheet, including real estate received in lieu of payment for certain underlying loans. As of 31 December 2022 the ABANCA Group portfolio of foreclosed real estate assets stood at €22.33 million⁵ (out of which, 33% corresponded to residential assets,

1 Performing loans portfolio is an alternative performance measure ("APM"), which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (Alternative Performance Measures (APMs)) of the 2022 Directors' Report.

2 NPL Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (Alternative Performance Measures (APMs)) of the 2022 Directors' Report.

3 NPL Coverage Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (Alternative Performance Measures (APMs)) of the 2022 Directors' Report.

4 Texas Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (Alternative Performance Measures (APMs)) of the 2022 Directors' Report.

5 As of that date, the "non-performing assets" ("NPAs") of the ABANCA Group amounted to €1,465.29 million (€42.95 million corresponding to total non-performing loans and €22.33 million corresponding to gross foreclosed assets). NPA is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (Alternative Performance Measures (APMs)) of the 2022 Directors' Report.

17% to non-residential assets and 50% to other assets); as of 31 December 2021, the ABANCA Group portfolio of foreclosed real estate assets stood at €637.28 million⁶ (out of which, 39% corresponded to residential assets, 18% to non-residential assets and 43% to other assets). The gross book value of foreclosed assets sold in 2022 was €122.63 million (€79.03 million in 2021). As of 31 December 2022, the Coverage of Foreclosed Assets Ratio⁷ of the ABANCA Group was 63.2% (62.5% as of 31 December 2021), the NPA Coverage Ratio⁸ of the ABANCA Group stood at 76.0% (76.4% as of 31 December 2021) and the NPA Ratio⁹ of the ABANCA Group stood at 3.2% (3.5% as of 31 December 2021).

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

In this regard, as at December 2022 additional allowances for expected losses have been recognised to reflect different aspects, including the macroeconomic environment of rising interest rates and inflation, those allowances amount to €42.6 million.

Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, in Portugal or in Galicia or any deterioration in the European, Spanish and Portuguese financial system (including, among others, the strong inflationary pressures and the adverse effects of the war in Ukraine on the energy crisis and raw materials), could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations

The ABANCA Group conducts its business mainly in Spain (as of 31 December 2022, 95% of the total consolidated assets and liabilities of the ABANCA Group were located in Spain (96% as of 31 December 2021)), with the remaining 5% located mostly in Portugal, where ABANCA has expanded its activity in recent years. In particular, it has a remarkable footprint in the autonomous region (*comunidad autónoma*) of Galicia (please see "*Description of ABANCA—Distribution channels*"). As of 31 December 2022, 42% of ABANCA Group's credit granted in Spain is located in Galicia (40% as of 31 December 2021). This concentration in Galicia gives the ABANCA Group a better knowledge of the market, making it easier to manage the risk and the quality of acceptance, although at the same time it generates greater dependence on the evolution of the Galician economy.

Consequently, the income generated by most of the products sold and by the services rendered by the ABANCA Group depends on the economic conditions in Spain and Portugal, and especially in Galicia. Therefore, events affecting the global economy in general or the Spanish or Portuguese economies in particular, both external and internal, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations. In addition, the Spanish and Portuguese economies are particularly sensitive to economic conditions in the Eurozone, the main market for Spanish and Portuguese goods and services exports. Accordingly, adverse economic conditions in the Eurozone might have an adverse effect on Spanish and Portuguese economic growth and, therefore, may also affect the business, financial condition and results of operations of the ABANCA Group.

Moreover, since the portfolio of loans to customers of the ABANCA Group consists mainly of loans to enterprises (representing 39% of the total portfolio of loans as of 31 December 2022 (38% as of 31 December 2021)) and mortgage and consumer loans granted to individual customers (representing 39% of the total portfolio of loans as of 31 December 2022 (40% as of 31 December 2021)), any adverse economic developments affecting extraordinarily industrial activities can be especially material for the ABANCA Group.

6 As of that date, the NPAs of the ABANCA Group amounted to €1,633.05 million (€95.77 million corresponding to total non-performing loans and €637.28 million corresponding to gross foreclosed assets).

7 Coverage of Foreclosed Assets Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

8 NPA Coverage Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

9 NPA Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

Public support measures to fight the COVID-19 pandemic have raised public deficits and debt levels. A significant number of financial institutions throughout Europe have substantial exposure to sovereign debt issued by Eurozone -and other nations-, which may be under financial stress (as regards ABANCA, please see "*Risks relating to the ABANCA Group—Business and financial risks—Market Risk*" below). Should any of those nations default on their debt, or experience a significant widening of credit spreads, financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions. As of 31 December 2022, the ABANCA Group held Spanish debt (mainly sovereign) representing 8% of its total consolidated assets (9% as of 31 December 2021).

Despite the difficult international context, characterised by extraordinary uncertainty and conditioned by the adverse effects of the war in Ukraine on economic activity, strong inflationary pressures (inflation levels in Spain at the end of 2022 reached 5.7% (source: *Instituto Nacional de Estadística (INE)*) and 3.3% at the end of the first quarter of 2023 (source: *Instituto Nacional de Estadística (INE)*), with underlying inflation -i.e., excluding unprocessed food and energy products- reaching 7% at the end of 2022 (source: *Instituto Nacional de Estadística (INE)*) and 7.5% at the end of the first quarter of 2023 (source: *Instituto Nacional de Estadística (INE)*)) and the tightening of monetary policies (the European Central Bank ("**ECB**") set its deposit facility at 2% as of December 2022 (3.5% as of June 2023) and its Governing Council announced that, as from the beginning of March 2023, it will not reinvest all of the principal payments from maturing securities purchased under the Asset Purchase Programme ("**APP**"). Consequently, the APP portfolio will begin to decline, on average, by €15,000 million per month, at least, until the end of the second quarter of 2023), economic growth has been showing some resilience supported by, among other factors, the gradual normalisation of activity following the crisis generated by the COVID-19 pandemic¹⁰, the fiscal policy measures adopted to address the energy crisis and the spike in prices (which included a scheme of ICO guarantee lines), as well as a dynamic behaviour in the labour markets¹¹. For the year 2022 as a whole, gross domestic product ("**GDP**") increased by 3.5% in the Euro area (source: *Eurostat*). The Spanish economy maintained a growth path driven by the positive evolution of the tourist season in the summer, the dynamism of employment and the resilience of household consumption. In 2022, the Spanish GDP increased by 5.5% (source: *Instituto Nacional de Estadística (INE)*). In the first quarter of 2023 Spain's GDP grew 0.5% quarter-on-quarter (source: *Instituto Nacional de Estadística (INE)*), this was higher than the 0.1% growth in the Eurozone (source: *Eurostat*). ABANCA has no relevant direct exposures to companies based in the countries currently affected by the war in Ukraine.

Galicia's economy, with GDP growth of 3.8% in 2022 and 1.1% quarterly in the first quarter of 2023 (source: *Instituto Galego de Estatística (IGE)*), exceeds pre-pandemic levels of activity by 1.2%, compared to the 0.2% gap still maintained by the Spanish economy. Galicia unemployment rate closed 2022 at 10.6% (source: *Instituto Nacional de Estadística (INE)*), 2.3 percentage points below the national average.

The rise in interest rates, together with the recent increase in other costs of basic goods and services, has had a significant impact on the financial situation of families with variable rate mortgages, which has led to the adoption, among other measures to strengthen the protection of mortgage debtors at risk of vulnerability, of Royal Decree-Law 19/2022, of 22 November, which establishes a Code of Good Practices to alleviate the rise in interest rates on mortgage loans on primary residences (the "**Code of Good Practices**") that will have a two-year transitional period. ABANCA is adhered to the Codes of Good Practices. The NPL ratio¹² could be affected in the coming years as a result of the inflationary pressures and the rise in

¹⁰ In the context of the COVID-19 pandemic, ABANCA contributed to the deployment of Official Credit Institute ("**ICO**") guarantee lines. At 31 December 2022, the outstanding amount of loans and advances with ICO guarantees drawn by clients was €2,484 million (over a total volume of €3,473 million formalised under this scheme). As of 31 December 2022, ABANCA did not have loans subject to legislative or non-legislative COVID-19 moratorium.

¹¹ In 2022, the labour market continued on the path of recovery, with average employment rising by 617,000 people in 2022 (source: *Instituto Nacional de Estadística (INE)*), 2.5% above the pre-pandemic employment level (source: *Instituto Nacional de Estadística (INE)*). The year ended with an unemployment rate of 12.9% (source: *Instituto Nacional de Estadística (INE)*), down five tenths of a percentage point on the year and 0.9 percentage points lower than at the end of 2019. The positive trend has continued at the start of 2023, with 420,000 jobs created in the first four months of the year in seasonally adjusted terms, the best four-month period in the series (source: *Ministry of Inclusion, Social Security and Migration*).

¹² NPL Ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

interest rates, together with the application of the aforementioned Code of Good Practices, although the expected impact of the aforementioned Code of Good Practices in the business is not material.

Structural interest rates risk

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

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

The ABANCA Group has conducted an analysis of the sensitivity of its profit and loss account to interest rates, considering two standard scenarios: (i) a drop in market interest rates by 200 basis points with respect to the implicit interest rates as at 31 December 2022 (determined applying Bank of Spain and EBA criteria), with a floor of -1% for changes in short-term market rates and a floor of 0% for changes in long-term market rates; and (ii) a rise of 200 basis points with respect to the implicit interest rates as at 31 December 2022. This analysis has shown that (i) a 200 basis points drop in Euribor would have had an impact of (a) -€63 million on the net interest income for the year ended 31 December 2022 and (b) -€67 million on the economic value of capital as of 31 December 2022; and (ii) a 200 basis point rise in Euribor would have had an impact of (a) €74 million on the net interest income for the year ended 31 December 2022 and (b) €68 million on the economic value of capital as of 31 December 2022. Please see the 2022 Audited Consolidated Annual Accounts for further information on the sensitivity analysis conducted as at 31 December 2022.

Given the uncertainty regarding the evolution of interest rates, the level of development of the ABANCA Group's net interest income cannot be assured, which may have a material effect on its business, financial situation and operating results. The commercial margin¹³ of the ABANCA Group as of 31 December 2022 was 1.87% (1.27% as of 31 December 2021).

In order to diversify the sources of income beyond net interest income, the ABANCA Group (like other Spanish financial entities) has tried to find alternative means to achieve positive effects on its results of operations, with net fees and commissions among the main ones (especially through the insurance business) but also optimising its cost base and analysing growth opportunities. For the year ended on 31 December 2022 the net fees and commissions¹⁴ of the ABANCA Group amounted to €281.72 million, which represented 25.29% of the gross margin of the ABANCA Group for that period (€257.53 million and 24.47%, respectively, for the year ended on 31 December 2021), with income from non-banking products commercialisation being €107.46 million, income from other services fees being €6.13 million, and income from payments and other services fees being €18.13 million (€105.05 million, €1.41 million and €101.06 million, respectively for the year ended 31 December 2021).

Liquidity risk

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

¹³ Commercial margin is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

¹⁴ Net fees and commissions is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

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

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

As of 31 December 2022, the ABANCA Group had Liquid Assets amounting to €4,285.60 million (€6,494.09 million as of 31 December 2021) to face maturities of issuances for an amount of €4,055 million (€3,765 million as of 31 December 2021), which includes €100 million of covered bonds which mature prior to December 2023 and €250 million of AT1 instruments which first call is prior to December 2023. However, the ABANCA Group cannot guarantee that it will be able to meet its liquidity needs or meet them without incurring higher customer acquisition costs or having to liquidate part of its assets if there is some pressure on its liquidity for any reason, which could cause a negative impact on the interest margin of the ABANCA Group. Additionally, ABANCA has an issuing capacity of covered bonds (*cédulas hipotecarias y territoriales*) of €6,049 million as of 31 December 2022 (€6,226 million as of 31 December 2021).

As of 31 December 2022, ABANCA Group's financing structure consisted of 9% of interbank funding, 12% of ECB funding, 6% of issuances and 73% of retail deposits (amounting to €48,906.15 million as of that date (€49,793.27 million as of 31 December 2021), that compares with the €45,167.46 million of credit to customers as at that date (€45,982.39 million as of 31 December 2021)). This referred surplus is reflected in the Retail Loan to Deposits (LtD) ratio¹⁵ of the ABANCA Group that as of 31 December 2022 was 92.4% (92.3% as of 31 December 2021)). As of 31 December 2021, ABANCA Group's financing structure consisted of 12% of interbank funding, 14% of ECB funding, 5% of issuances and 69% of retail deposits. One of the ABANCA Group's major sources of funds are savings and demand deposits. As of 31 December 2022, 73.3% of the total consolidated liabilities of the ABANCA Group were customer deposits (71.4% as of 31 December 2021).

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

As of 31 December 2022, the ABANCA Group's client resources consisted of 68% demand deposits (€41,717.05 million), 12% term deposits (€7,189.09 million) and 20% off-balance-sheet funds¹⁶ (€2,350.23 million) (as of 31 December 2021, 66% demand deposits (€41,715.37 million), 13% term deposits (€8,077.92 million) and 21% off-balance-sheet funds (€12,906.00 million)).

Due to the last financial market crisis, that was followed by instability, reduced liquidity available to operators in the sector, increase in risk premium and higher capital requirements imposed by the supervisory authorities, there has been a widespread need to guarantee higher level of capitalisation and liquidity for banking institutions. This situation has meant that government authorities and national central banks have had to take action to support the credit system, and has caused some of the biggest banks in Europe and in the world to turn to central institutions in order to meet their short-term liquidity needs. In this context, the ECB has implemented important interventions in monetary policy, both through the conventional channel of managing interest rates, and through unconventional channels, such as the provision of fixed rate

¹⁵ The Retail Loan to Deposits (LtD) ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation is set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

¹⁶ Off-balance-sheet funds is an APM, which is unaudited and whose definition, explanation, use and reconciliation are set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

liquidity with full allotment, the expansion of the list of assets that can be allocated as a guarantee, longer-term refinancing programmes such as the "Targeted Longer-Term Refinancing Operations" (TLTRO) introduced in 2014 (the "TLTRO I"), in 2016 (the "TLTRO II"), and in 2019 (the "TLTRO III"), and purchases on the debt securities market. As of 31 December 2022, the funding with the ECB amounted to €8,014.72 million, €9,765.78 million as of 31 December 2021, which represented 10.5% and 12.1%, respectively, of the total consolidated assets of the ABANCA Group, and 11.2% and 12.9% of the consolidated liabilities of the ABANCA Group, as of 31 December 2022 and 31 December 2021, respectively. Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted as collateral and/or their relative valuations or a reduction or discontinuation of these liquidity support operations, could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations (in connection with the ECB's measures, please see the risk factor "*Risks relating to the ABANCA Group—Business and financial risks and macroeconomic risk—Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, in Portugal or in Galicia or any deterioration in the European, Spanish and Portuguese financial system (including, among others, the strong inflationary pressures and the adverse effects of the war in Ukraine on the energy crisis and raw materials), could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations*").

In addition, the ABANCA Group is required to comply with certain liquidity requirements, the LCR requirements provided in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms ("CRR") and the BCBS NSFR (please see section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations —Capital and eligible liabilities, liquidity and funding requirements*"). The LCR of the ABANCA Group was 237.4% as at 31 December 2022 (256.6% as of 31 December 2021) and the NSFR ratio of the ABANCA Group was 119.9% as at 31 December 2022 (132.0% as of 31 December 2021).

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

The markets in which the ABANCA Group operates are highly competitive and the ABANCA Group faces substantial competition in all parts of its business. The trend towards consolidation in the banking industry has created larger and stronger banks with which the ABANCA Group must now compete, some of which have received public capital support. This trend is currently continuing (for example, through the merger between CaixaBank, S.A. and Bankia, S.A. and between Unicaja Banco, S.A. and Liberbank, S.A.) and is expected to further continue. The restructuring undergone by the Spanish banking industry has given rise to a scenario in which the number of entities has been sharply reduced and market concentration has increased. While in 2008 the five largest banks accounted for 44% of the market, in terms of total assets, as at 31 December 2022 their joint share was 70%, an increase of 61% (source: *Banco de España, CECA and AEB*). There can be no assurance that this increasing competition will not adversely affect the growth prospects of the ABANCA Group, and therefore its operations.

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

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

The European Union ("EU") shadow banking system had total assets of over €42.6 trillion at the end of 2021, accounting for around 38% of the EU financial system (source: *EU Non-Bank Financial Intermediation Risk Monitor 2022, published by the European Systemic Risk Board*).

The degree of digitalisation of the ABANCA Group's customers (73% of their clients as of 31 December 2022) and their age pyramid make ABANCA consider the competition from digital providers as particularly sensitive.

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

Market risk

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

As of 31 December 2022, excluding hold-to-collect portfolio and the credit investment portfolio, the exposure of the ABANCA Group subject to market risk came to a total €732.08 million in fixed income securities with fixed rate and €131.32 million in fixed income securities with floating rate (€4,535.73 million and €23.32 million, respectively, as of 31 December 2021) and €18.76 million in equity instruments (€2.52 million as of 31 December 2021). The fixed income portfolio exposed to market risk mainly comprises government bonds, as of 31 December 2022, 10.43% corresponds to sovereign bonds of the Spanish government and 65.90% to bonds of other countries of the Monetary Economic Union (9.82% and 76.85%, respectively, as of 31 December 2021). Of the global position considered at market risk, the position subject to inflation is €59.1 million (6.9%), since the largest position subject to inflation risk is in the hold to collect portfolio, treated at interest rate risk.

A standard measure to evaluate market risk is "VaR" (Value at Risk)¹⁷. As of 31 December 2022, the VaR of the fixed income securities and equity portfolio (excluding the hold-to-collect portfolio and the credit investment portfolio) of the ABANCA Group, considering a daily time horizon and a confidence level of 99%, was €13.4 million (€27.5 million as of 31 December 2021). In other words, on average, 99 out of 100 times, the real daily losses for the securities portfolio were lower than those reflected by the VaR.

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

Further, the value of certain financial instruments (such as derivatives not traded on stock exchanges or other public trading markets) is 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

¹⁷ "VaR" is a statistic that measures and quantifies the potential loss amount within a firm, portfolio or position over a specific timeframe given a probability of occurrence.

correct valuations for such assets may result in unforeseen losses for the ABANCA Group in the case of any asset devaluations. Moreover, monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the ABANCA Group does not anticipate.

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

As of 31 December 2022, the ABANCA Group had deferred tax assets amounting to a total of €3,505.12 million (€3,482.02 million as of 31 December 2021). These tax assets or credits originate mainly from (i) accounting expenditure not tax-deductible in the year it is reported, but that could be in the future (pre-paid taxes); (ii) negative tax bases in corporation tax due to the losses of the corresponding financial year; and (iii) certain deductions in corporation tax which cannot be applied in the corresponding financial year if the tax base of such tax is negative.

Pursuant to Law 27/2014, of 27 November, on Corporate Income Tax, as amended (the "CIT Law"), the ABANCA Group considers that €2,666.49 million of the €3,505.12 million deferred tax assets mentioned above would become government debt securities (monetisable) (which means that the ABANCA Group also considers that €338.63 million would not be monetisable) if, after 18 years have passed (as from 31 December 2014 or from the accounting record of the tax asset, whichever date is the latest), said tax assets have not been able to be recovered. In this respect, the ABANCA Group plans to pay the financial contribution established under the Thirteenth Additional Provision of the CIT Law, having established a provision amounting to €1.59 million in the 2022 Audited Consolidated Annual Accounts. The future recovery by the ABANCA Group of part of such tax assets will be subject to different time limitations depending on their origin (15 years for deductions pending application regulated by the CIT Law, except for any deduction for research and development and technological innovation activities, the offset deadline for which is 18 years). There is no time limitation for the offset of negative tax bases and deductions to avoid double taxation. Furthermore, the potential recovery of these tax assets is conditioned or limited by the existence of certain assumptions, such as the obtaining of sufficient profits; the non-reduction of corporation tax; or mistakes or discrepancies with the Spanish tax authorities in the settlement of such tax.

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

Internal operational risks

The ABANCA Group may face business combination risks

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

Please see "*Description of ABANCA—History*" for a description of the most recent acquisition transactions undertaken (or to be undertaken) by ABANCA: (i) the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal, which represented the first cross-border acquisition for the ABANCA Group; (ii) the acquisition and subsequent absorption by ABANCA of Banco Caixa Geral, S.A. ("**BCG**"), the former Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos; (iii) the acquisition of Bankoia, S.A. ("**Bankoia**"), a former Spanish subsidiary of the Crédit Agricole Group; (iv) the acquisition of Novo Banco, S.A. ("**Novo Banco Spain**") and (v) the acquisition of Targobank, S.A. ("**Targobank Spain**"), the former Spanish subsidiary of Banque Fédérative du Crédit Mutuel, which is expected to be completed in 2024 with the last milestone being the IT incorporation. Although ABANCA has undertaken acquisitions of the sort in recent years and has proven expertise managing the processes related to them, this type of project represents a challenge, in terms of both technological capabilities and business integration. Any deviation or unforeseen events in these processes may have an impact on the

outcome of the transaction and, thus, may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Actuarial risk

Actuarial risk is associated with the insurance business within the ABANCA Group's existing business lines and types of insurance. Actuarial risk reflects the risk arising from the execution of life and other insurance contracts, considering events covered and the processes used in the conduct of business, and distinguishing mortality, longevity, disability and morbidity risk. Management of this risk depends on actuarial management policies relating to subscription, pricing and accident rates. If actuarial risk was not correctly monitored and managed, it could adversely affect the ABANCA Group's business, financial condition and results of operations. The ABANCA Group had general and life-risk insurance premiums for a value of €79.3 million as of 31 December 2022, representing an increase of 11.0% compared to 31 December 2021.

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

Legal and regulatory risks

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

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

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

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

As described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations —Capital and eligible liabilities, liquidity and funding requirements*", the capital requirements for the ABANCA Group applicable from 1 January 2023 are a Common Equity Tier 1 ("**CET1**") ratio requirement of 8.125% of risk-weighted assets ("**RWAs**") and a phased-in total capital ratio requirement of 12.50% of RWAs. These capital requirements include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8.00% of RWAs), the P2R (CET1 ratio of 1.125% of RWAs and total capital ratio of 2.00% of RWAs), and the capital conservation buffer (2.5% of RWAs to be satisfied with additional CET1 capital).

As of 31 March 2023, the Bank's phased-in individual CET1 ratio was 11.87% (11.99% as of 31 December 2022) and 11.70% fully loaded (11.54% as of 31 December 2022), its phased-in Tier 1 ratio was 13.76% (13.89% as of 31 December 2022) and 13.59% fully loaded (13.44% as of 31 December 2022) and its phased-in total capital ratio was 15.73%¹⁸ (15.86% as of 31 December 2022) and 15.56%¹⁹ fully loaded (15.42% as of 31 December 2022); as of that date the phased-in CET1 ratio of the ABANCA Group was 12.30% (12.48% as of 31 December 2022) and 12.09% fully loaded (11.95% as of 31 December 2022), its phased-in Tier 1 ratio was 14.22% (14.41% as of 31 December 2022) and 14.01% fully loaded (13.88% as of 31 December 2022) and its phased-in total capital ratio was 16.21%²⁰ (16.41% as of 31 December 2022) and 16.00%²¹ fully-loaded (15.88% as of 31 December 2022).

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

In January 2023, the Bank of Spain formally reported on the MREL to be achieved by ABANCA on a consolidated basis, which was established by the SRB. In this decision, a binding intermediate MREL requirement of 14.77% of the TREA and of 5.19% of the LRE have been set, which must be fulfilled on 1 January 2022. The final MREL requirement, which ABANCA must meet no later than 1 January 2024, stands at 18.84% of TREA and at 5.22% of LRE. These ratios (both intermediate and final requirements) do not include the capital allocated to cover the Combined Buffer Requirement (2.5% TREA). The decision of MREL is aligned with the ABANCA's forecasts and the financing plan included in its strategic plan. As of 31 March 2023, ABANCA's MREL (not including the capital allocated to cover the Combined Buffer Requirement) represented 19.29% of the TREA (21.28% after giving pro-forma effect to the EUR 500 million of senior preferred notes issued on 18 May 2023, the EUR 500 million of tier 2 notes issued on 23 June 2023 and the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date) and 8.77% of the LRE (9.68% including the EUR 500 million of senior preferred notes issued on 18 May 2023, the EUR 500 million of tier 2 notes issued on 23 June 2023 and the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date) (19.49% of the TREA and 8.40% of the LRE as of 31 December 2022).

As also described in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations – Capital and eligible liabilities, liquidity and funding requirements – Leverage Ratio*", the EU Banking Reforms contain a binding 3% Tier 1 LR requirement, that has been added to the own funds requirements and which institutions must meet in addition to their risk-based requirements. As of 31 December 2022 the Bank's phased-in LR was 5.91% and its fully-loaded LR was 5.73%, as of that date the ABANCA Group phased-in LR was 6.21% and its fully-loaded LR was 5.99%.

As described in the section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations*", failure by the Bank or the ABANCA Group to comply with certain of the existing regulatory requirements could result in the imposition of administrative actions or sanctions, such as prohibitions or restrictions on making "discretionary payments" (which includes distributions relating Additional Tier 1 capital instruments), further "Pillar 2" requirements or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, which, together with Royal Decree

¹⁸ 16.18% phased-in total capital ratio after giving pro-forma effect to (i) the EUR 500 million of tier 2 notes issued on 23 June 2023; and (ii) the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date.

¹⁹ 16.01% fully loaded total capital ratio after giving pro-forma effect to (i) the EUR 500 million of tier 2 notes issued on 23 June 2023; and (ii) the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date.

²⁰ 16.68% phased-in total capital ratio after giving pro-forma effect to (i) the EUR 500 million of tier 2 notes issued on 23 June 2023; and (ii) the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date.

²¹ 16.46% fully loaded total capital ratio after giving pro-forma effect to (i) the EUR 500 million of tier 2 notes issued on 23 June 2023; and (ii) the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date.

1012/2015, has implemented BRRD into Spanish law, which may have a material adverse effect on the ABANCA Group's business, financial condition and results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future and, since, as explained in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations*", CRD V Directive and BRRD II have been implemented into Spanish law by RDL 7/2021, RD 970/2021, RD 1041/2021 and certain Circulars of the Bank of Spain and most of the provisions of the EU Banking Reforms have started to apply, there is still uncertainty as to how will such implementation and application will affect the ABANCA Group.

Another example of regulatory changes that the ABANCA Group may face are new taxes and levies, which could negatively affect its results of operations. On 29 December 2022, Law 38/2022, of 27 December, for the establishment of temporary levies on energy and credit institutions and the creation of the temporary solidarity tax for high-net-worth individuals ("**Law 38/2022**") entered into force. Law 38/2022 creates a temporary levy for credit institutions operating in Spain with a total interest and commission income in the year ended 31 December 2019 equal to or greater than €800 million (on an individual or a consolidated basis). This bank levy will apply during the years 2023 and 2024 (unless the Spanish Government decides to make this levy permanent) and taxes, at a rate of 4.8%, the sum of the net interest income and commission income and expenses derived from the activity carried out in Spain as stated in the income statement for the calendar year before the payment obligation is triggered and as determined according to applicable accounting standards. Law 38/2022 expressly prohibits the direct or indirect pass-through of payments of the levy and failure to comply with this obligation would result in sanctions to the corresponding credit institution in the amount of 150% of the amount passed through. In accordance with Law 38/2022, ABANCA is subject to the above-described levy, which accrued on 1 January 2023 for the financial year 2023 (and will accrue on 1 January 2024 for the corresponding year) and must be satisfied within the first 20 calendar days of September of that year. This notwithstanding, institutions are required to make an advance payment for 50% of the amount due within the first 20 calendar days of February of the relevant year (ABANCA has made an advance payment of €19.41 million on February 2023, while an amount of €19.41 million shall be paid within the first 20 calendar days of September 2023). ABANCA has estimated (and recorded in the 2023 Consolidated First Quarter Interim Financial Statement) that the impact of this levy in 2023 will amount to €9 million.

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

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

The ABANCA Group is involved in, among others, the following proceedings:

- Proceedings related to mortgage "floor clauses", in connection with which the provisions of ABANCA Group amounted to €3.16 million as of 31 December 2022 (€3.10 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a material aggregate amount in connection with mortgage "floor clauses" as this type of clauses have not been included in the ABANCA Group agreements since 2011).
- Proceedings related to the management of hybrid equity instruments and subordinated debt, in connection with which the provisions of ABANCA Group amounted to €1.14 million as of 31 December 2022 (€1.67 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a material aggregate amount in connection with this matter).
- Proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons, in connection with which the provisions of ABANCA Group amounted to €2.19 million as of 31 December 2022 (€2.56 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a material aggregate amount in connection

with interest rate hedges since most of the portfolio matured between 2012 and 2016 and any contractual liability claims filed after 28 December 2020 could be prescribed).

- Proceedings related to lawsuits filed by buyers of off-plan homes, which resulted in a joint and several liability under the prevailing legislation (Law 57/68, of 27 July, on advance payments for the construction and sale of housing (*Ley 57/1968, de 27 de julio, sobre percibo de cantidades anticipadas en la construcción y venta de viviendas*) ("**Law 57/68**") against the financial entity that guaranteed the development and/or depositary of the payments on account of the price dwelling, in connection with which the provisions of ABANCA Group amounted to €10.87 million as of 31 December 2022 (€13.36 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a material aggregate amount in relation to this type of litigation, since most of the portfolio corresponds to off-plan housing acquisitions made before 2010, and any contractual liability claim filed after the 28 December 2020 could be prescribed).
- Proceedings related to clause of formalisation costs (the provisions set aside by the ABANCA Group in connection with the potential requirement to pay the formalisation costs of mortgage loans are included, together with provisions for other matters, that as of 31 December 2022 amounted to €2.91 million (€2.72 million as of 31 December 2021)).

In addition, as of 31 December 2022 the ABANCA Group had provisions amounting to €13 million to cover commitments with third parties in connection with its activity (€16 million as of 31 December 2021). The ABANCA Group is also involved in other proceedings in connection with which provisions amounted to €6.44 million as of 31 December 2022. No new provisions relating to new legal proceedings have been required in the year ended 31 December 2022 nor in the year ended 31 December 2021.

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

RISKS RELATING TO THE PREFERRED SECURITIES

The Preferred Securities are subject to the provisions of Spanish laws and their official interpretation, which may have a material adverse effect on the terms and conditions of the Preferred Securities and their market value

The Conditions have been established in accordance with Spanish laws in force as of the date of this Prospectus. Any change in such laws or their official interpretation by the regulatory authorities after the date of this Prospectus may affect the rights and effective remedies of Holders and the market value of the Preferred Securities. Therefore, any such changes, which may include, among others, changes in statutory, tax and regulatory regimes during the life of the Preferred Securities, may adversely affect the investment in the Preferred Securities.

In addition, any such changes (including those that may result from the publication of the technical standards interpreting CRR), could affect the calculation of the CET1 ratios or the CET1 capital of the Bank or the ABANCA Group or the Risk-Weighted Assets Amount of the Bank or the ABANCA Group. As the occurrence of the Trigger Event and the restrictions on Distributions to a Maximum Distributable Amount depend, in part, on the calculation of these ratios and capital measures, any such changes could also affect the determination of whether the Trigger Event has actually occurred and/or whether Distributions on the Preferred Securities are subject to restrictions.

The foregoing calculations may also be affected by changes in applicable accounting rules (including IFRS 9), the accounting policies of the ABANCA Group and the application of such policies, including changes over which the ABANCA Group has discretion. Any such changes may have a material adverse effect on the reported financial position of the ABANCA Group (and thus, may cause a Trigger Event to occur), notwithstanding the adverse effect on Holders.

Such legislative and regulatory uncertainty could affect an investor's ability to accurately value the Preferred Securities and, therefore, affect the market price of the Preferred Securities, depending on the extent and impact of one or more regulatory or legislative changes on the Preferred Securities.

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

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

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

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

Furthermore, the exercise of the Spanish Bail-in Power or, if applicable, the Non-Viability Loss Absorption, with respect to the Preferred Securities or the taking of any other action by the Relevant Resolution Authority, or any suggestion that the exercise or taking of any such action may occur, could have a material adverse effect on the rights of Holders, the market price or value or trading behaviour of the Preferred Securities and/or the ability of the Bank to meet its obligations under the Preferred Securities. There may be limited protections, if any, available to holders of securities subject to the Spanish Bail-in Power and the Non-Viability Loss Absorption (including the Preferred Securities) and the broader resolution powers of the Relevant Resolution Authority. Accordingly, Holders may have limited or restricted rights to challenge any decision by the Relevant Resolution Authority to exercise such powers.

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

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

The Preferred Securities are perpetual

The Bank has no obligation to redeem the Preferred Securities at any time and the Holders have no right to demand redemption. Only in the event of a voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities will give rise to a right to receive the Liquidation Distribution (as defined in the Conditions) out of the assets of the Bank available for distribution to the Holders.

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

The Preferred Securities are being issued for capital adequacy regulatory purposes with the intention and purpose of qualifying as Additional Tier 1 Capital (as defined in the Conditions) of the Bank and the ABANCA Group. Such eligibility is subject to the satisfaction of a number of conditions set forth in the Conditions. One of these conditions relates to the ability of the Preferred Securities and the proceeds of their issuance to readily absorb any losses of the Bank and the ABANCA Group, respectively.

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

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

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

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

While the Conditions provide for a Write Up of the principal amount of the Preferred Securities under certain circumstances, any such Write Up will be at the sole and absolute discretion of ABANCA, there is no provision for an automatic Write Up of the Preferred Securities under any circumstances and any Write Up will be subject to certain restrictions. A Write Up may only occur if each of the Bank and the ABANCA

Group generates a positive Net Income (as defined in the Conditions) in a given financial year and up to the Maximum Write Up Amount (as defined in the Conditions). Further, no Write Up will be made in circumstances where it would cause a Trigger Event, or would result in the Maximum Distributable Amount (if any) being exceeded. See Condition 6.2 for further details. Even if, following a Trigger Event, each of the Bank and the ABANCA Group record a positive Net Income, there can be no assurance that a Write Up of any part of the principal amount of the Preferred Securities will be effected.

The circumstances that can lead to a Trigger Event are unpredictable

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

Furthermore, the occurrence of a Trigger Event depends on the calculation of the CET1 ratio, which may be affected by, among others, the growth of the Bank's or the ABANCA Group's business and their future earnings; the Bank's expected payments of dividends and distributions and other equivalent payments in respect of instruments ranking junior to the Preferred Securities as well as other instruments ranking *pari passu* with them by law or their terms, to the extent permitted by law; regulatory changes (including possible changes in regulatory capital definitions, calculations and RWAs - for example, the introduction of the output floor under the Basel IV framework); changes in the structure or organisation of the Bank and the ABANCA Group; and changes to the ability of the Bank and the ABANCA Group to actively manage their RWAs. The CET1 ratios of each of the Bank and the ABANCA Group at any time may also depend on decisions taken by the Bank in relation to its business and operations, as well as the management of their capital position. The Bank will not be obliged to take into account the interests of the Holders in connection with strategic decisions, including in respect of capital management. Holders will have no claim against the Bank or any other member of the ABANCA Group in relation to any such decision, which may cause Holders to lose all or part of the value of their investment in the Preferred Securities. In addition, since the Competent Authority may require the Bank to calculate the CET1 ratios at any time, a Trigger Event could occur at any time. See risk factor "*Risks related to the Preferred Securities—The Preferred Securities are subject to the provisions of Spanish laws and their official interpretation, which may have a material adverse effect on the terms and conditions of the Preferred Securities and their market value*".

Due to the inherent uncertainty in determining whether a Trigger Event has occurred, it will be difficult to predict when, if ever, the Outstanding Principal Amount of the Preferred Securities will be written down. Accordingly, trading behaviour with respect to the Preferred Securities is not necessarily expected to follow trading behaviour with respect to other types of securities. Any indication that the CET1 ratio of the Bank and/or the ABANCA Group is decreasing (and thus the risk of a Trigger Event is becoming more imminent) may have an adverse effect on the market price of the Preferred Securities. Under such circumstances, investors may not be able to sell their Preferred Securities easily or at prices comparable to other similarly-yielding instruments.

The Payment of Distributions on the Preferred Securities is discretionary and subject to the satisfaction of certain conditions and may be restricted as a result of the Bank's and/or ABANCA Group's failure to meet its capital requirements and/or its MREL requirements

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

Payments of Distributions in any fiscal year of the Bank shall be made only from the Bank's Distributable Items. The amount of the Bank's Distributable Items is affected by a number of factors, such as changes in accounting rules, regulations or the requirements and expectations of applicable regulatory authorities, the performance of the ABANCA Group's business in general, factors affecting its financial position (including capital and leverage), the economic environment in which the ABANCA Group operates and other factors beyond of the Bank's control. In addition, adjustments to earnings, as determined by the Board, may fluctuate significantly and may have a material adverse effect on Distributable Items. The Bank's future Distributable Items, and therefore the Bank's ability to make Distributions under the Preferred Securities, depend on, among others, the Bank's existing Distributable Items and its future profitability. In addition, the Bank's Distributable Items may also be adversely affected by the servicing of more senior instruments or *pari passu* instruments.

The Bank will cancel any Distribution (in whole or in part) that would otherwise be payable on any Distribution Payment Date if and to the extent that payment of such Distribution, together with any other relevant required payments or distributions, exceeds the Bank's Distributable Items. As of 31 December 2022, the Distributable Items of the Bank amounted to €1,482,360 thousand (€1,276,327 thousand as of 31 December 2021). See "*Description of Abanca—Overview of Financial Information—Distributable Items*".

In addition, no payment will be made in respect of the Preferred Securities (whether by way of repayment of the Liquidation Distribution, the payment of any Distribution or otherwise) if and to the extent that such payment would result in a breach of any regulatory restriction or prohibition on the payment of Additional Tier 1 Capital under Applicable Banking Regulations including, without limitation, any such restriction or prohibition relating to any Maximum Distributable Amount, under Article 48 of Law 10/2014 and the provisions implementing that Article (and any other provision of Spanish law transposing or implementing Article 141(2) of the CRD IV), under Article 16bis of Law 11/ 2015 and any provisions implementing that Article (and any other provision of Spanish law transposing or implementing Article 16a of the BRRD), or under Article 10 of the SRM Regulation, and any other restrictions contained in the Applicable Banking Regulations. See "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations*" for additional information.

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

- the "Maximum Distributable Amount" applies when the "combined buffer requirement" is not maintained. The "combined buffer requirement" represents the amount of capital that a financial institution is required to hold above the minimum capital requirements under "Pillar 1" and "P2R" and above its MREL requirements. However, there are several different buffers, some of which are designed to encourage countercyclical behaviour (with extra capital retained when profits are robust) and others which are designed to provide additional capital cushions for institutions whose failure would result in a significant systemic risk;
- as of 1 January 2019, the capital conservation buffer reached a fully loaded value of 2.5% of RWAs. The institution-specific countercyclical buffer and the systemic risk buffer may be applied and changed at any time, as decided by the relevant authorities. As a result, the potential impact of the "Maximum Distributable Amount" will change over time;
- the Maximum Distributable Amount calculation could be different for the Bank on a consolidated and on an individual basis (e.g. the amount of profits referred to in CRR for the calculation of the Maximum Distributable Amount may differ in each case).
- different capital buffers could also apply on a consolidated and on an individual basis. In this regard, a capital buffer may be met on an individual basis but not on a consolidated basis.
- it is also possible that some discretionary payments may have an impact on the Maximum Distributable Amount on a consolidated basis but not on an individual basis for the Bank, and vice versa; and
- payments made earlier in the year will reduce the remaining "Maximum Distributable Amount" available for payments later in the year, and the Bank will be under no obligation to preserve any portion of the "Maximum Distributable Amount" for payments to be made later in any given year. Even if the Bank attempts to do so, there can be no assurance that it will be successful because the "Maximum Distributable Amount" at any time depends on the amount of net income earned during the course of the relevant year, which will necessarily be difficult to predict.

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

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

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

In addition, upon the occurrence of a Trigger Event, all accrued and unpaid Distributions up to (but excluding) the applicable Write Down Date shall be cancelled. See risk factor "*Risks related to the Preferred Securities—Upon the occurrence of a Trigger Event, the principal amount of the Preferred Securities will be Written Down*".

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

No such election to cancel the payment of any Distribution (or part thereof) or non-payment of any Distribution (or part thereof) shall constitute an event of default or the occurrence of any event relating to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank. See risk factor "*Risks related to the Preferred Securities—There are no events of default and only limited remedies available under the Preferred Securities*".

Notwithstanding the applicability of any one or more of the foregoing conditions resulting in non-payment or partial payment of Distributions under the Preferred Securities, the Bank shall not be limited or restricted in any way from making any Distribution or equivalent payment in respect of any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 capital) or in respect of any other instrument ranking *pari passu* with the Preferred Securities by law or by its terms, to the extent permitted by law.

In conclusion, (i) the Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution, in whole or in part, at any time; (ii) payment of a Distribution shall be made only out of Distributable Items; (iii) there are certain circumstances described above related to Distributable Items and regulatory capital that will lead to the cancellation of the payment of the relevant Distribution, including, among others, any restriction or prohibition relating to any Maximum Distributable Amount (which calculation is particularly complex); (iv) the Competent Authority may also, in accordance with Applicable Banking Regulations, require the Bank to cancel the relevant Distribution in whole or in part; (v) upon the occurrence of a Trigger Event, all accrued and unpaid Distributions up to (but excluding) the applicable Write Down Date shall be cancelled; (vi) any unpaid Distribution will not be cumulative; and (vii) the cancellation of the payment of the relevant Distribution (a) shall not constitute an event of default nor the occurrence of any event relating to the insolvency of the Bank and shall not entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank and (b) will not limit or restrict the Bank's ability from making any Distribution or equivalent payment in respect of any instrument ranking junior to the Preferred Securities.

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

The Bank's obligations under the Preferred Securities are subordinated

The payment obligations of the Bank under the Preferred Securities constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1. of the Spanish Insolvency Law (as defined in the Conditions) read in conjunction with Additional Provision 14.3 of Law 11/2015, and upon the insolvency of the Bank, for so long as the Preferred Securities constitute Additional Tier 1 Instruments, but subject to any other ranking that may apply as a result of any mandatory legal (or other) provisions, will rank as set forth in Condition 3. For these purposes, as of the

date of this Prospectus and pursuant to Additional Provision 14.3 of Law 11/2015, the ranking of the Preferred Securities and any other subordinated obligations of the Bank may depend on whether such obligations constitute at the relevant time Additional Tier 1 Instruments or Tier 2 Instruments or constitute subordinated obligations of the Bank that do not constitute Additional Tier 1 Instruments or Tier 2 Instruments. See Condition 3 for the full provisions relating to the ranking of the Preferred Securities.

No security or guarantee of any kind whatsoever is or shall at any time be given by the Bank or any other person to secure the rights of the Holders.

Moreover, second paragraph of Article 48.7 of BRRD, as implemented in Spain through Additional Provision 14.3 of Law 11/2015, clarified that if an instrument is only partly recognised as an own funds instrument, the whole instrument shall be treated in insolvency as a claim resulting from an own funds instrument and shall rank lower than any claim that does not result from an own funds instrument.

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

Furthermore, if a Trigger Event occurs but the relevant Write Down of the Preferred Securities under the Conditions is still to be made prior to the liquidation or winding-up of the Bank, Holders will be entitled to receive out of the relevant assets of the Bank an amount of money equal to the amount that Holders would have received on a distribution of the assets of the Bank if such Write Down had been made immediately prior to such liquidation or winding-up.

There are no events of default and only limited remedies available under the Preferred Securities

Holders have no right to require the Bank to redeem their Preferred Securities. The terms of the Preferred Securities do not provide for any events of default. The Bank is entitled to cancel the payment of any Distribution (including any additional amounts payable pursuant to Condition 12), in whole or in part, at any time and as further provided in Condition 4 and such cancellation will not constitute an event of default or similar event or entitle Holders to take any action against the Bank in respect thereof. In addition, if the Preferred Securities are not Written Down following a Trigger Event upon the liquidation or winding-up of the Bank, the claim of a Holder will be an entitlement to receive from the relevant assets an amount of money equal to that which Holders would have received on a distribution of the assets of the Bank if such reduction had taken place immediately prior to such liquidation, dissolution or winding-up. See "*Risks related to the Preferred Securities—The Payment of Distributions on the Preferred Securities is discretionary and subject to the satisfaction of certain conditions and may be restricted as a result of the Bank's and/or ABANCA Group's failure to meet its capital requirements and/or its MREL requirements*".

If the Bank fails to make any payment when due, the only remedy available to Holders is an action for breach of contract.

The Preferred Securities are redeemable at the option of the Bank

All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank, subject to the prior consent of the Competent Authority, on any day falling in the period commencing on (and including) 14 July 2028 and ending on (and including) the First Reset Date or on any Distribution Payment Date thereafter, in each case at the Redemption Price and otherwise in accordance with Applicable Banking Regulations then in force.

Under CRR, the Competent Authority shall give its consent to, among others, redemption or repurchase of the Preferred Securities in such circumstances if one of the following conditions is met:

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

- (ii) the Bank has demonstrated to the satisfaction of the Competent Authority that, after such redemption or repurchase, its own funds and eligible liabilities would exceed the own funds and eligible liabilities requirements set out in CRR, CRD IV Directive and BRRD by such margin as the Competent Authority considers necessary.

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

In addition, if after the fifth anniversary of the Closing Date (or any such other minimum period permitted by Applicable Banking Regulations), there is a Clean-Up Call Event (as defined in the Conditions) the Preferred Securities may also be redeemed at the option of the Bank, in whole but not in part, on any Distribution Payment Date at the Redemption Price, all subject to the prior consent of the Competent Authority and in accordance with Applicable Banking Regulations then in force.

If a notice of redemption of the Preferred Securities is given pursuant to Condition 7 and a Trigger Event occurs prior to such redemption, the relevant notice of redemption shall be automatically cancelled and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and instead the reduction of the Outstanding Principal Amount of the Preferred Securities shall occur in accordance with Condition 6.1.

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

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

In the case of an early redemption of the Preferred Securities, at the option of the Bank, on any day in the period commencing on (and including) 14 July 2028 and ending on (and including) the First Reset Date or on any Distribution Payment Date thereafter, the Bank may exercise this option (subject to the prior consent of the Competent Authority) if its funding costs are less than the Distribution Rate at which Distributions are then payable in respect of the Preferred Securities. In such circumstances, the rate at which Holders are able to reinvest the proceeds of such redemption is unlikely to be as high as, and may be significantly lower than, such Distribution Rate.

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

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

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

Holders shall be deemed to have waived, to the fullest extent permitted by applicable law, any right or claim of deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly out of or in connection with the Preferred Securities with respect to all such actual and potential rights, claims and liabilities. The interest rate on the Preferred Securities will be reset on each Reset Date, which may affect the market value of the Preferred Securities.

The Preferred Securities will bear interest at an initial fixed interest rate from (and including) the Closing Date to (but excluding) the First Reset Date. From (and including) the First Reset Date, and on every Reset Date thereafter, the interest rate will be reset as described in Condition 4. Such reset interest rate may be lower than the original interest rate and/or the interest rate in effect immediately prior to such Reset Date, which may affect the amount of any Distributions under the Preferred Securities and, therefore, the market value of an investment in the Preferred Securities.

Impact of interest rates and inflation on the price and yield of Preferred Securities

An investment in the Preferred Securities involves the risk that the value of the Preferred Securities may be adversely affected if inflation and/or market interest rates subsequently increase above the rate paid on the Preferred Securities. Investors should be aware that inflation and/or movements of the interest rate may adversely affect the price of the Preferred Securities and may result in losses for the Holders if they sell the Preferred Securities.

Holders are exposed to the risk of fluctuating interest rates levels. Fluctuating interest rates levels make it impossible to determine the yield of the Preferred Securities in advance.

Substitution and variation of the Preferred Securities without Holder consent

Subject to Condition 8, upon the occurrence of a Tax Event or a Capital Event, instead of redeeming the Preferred Securities, the Bank may at any time, without the consent of the Holders and subject to the approval of the Competent Authority, either (a) substitute new preferred securities for all (but not some only) of the Preferred Securities for new preferred securities, such new preferred securities replacing the Preferred Securities or (b) modify the terms of all (but not some only) of the Preferred Securities, so that the Preferred Securities become or remain Qualifying Preferred Securities (as defined in the Conditions), provided that such substitution or modification does not result in terms that are materially less favourable to Holders, as certified by two Authorised Signatories (as defined in the Conditions) of ABANCA. In exercising its discretion, the Bank will have regard to the interests of the Holders as a class.

Although Qualifying Preferred Securities must contain terms that are not materially less favourable to Holders than the original terms of the Preferred Securities, there can be no assurance that the terms of any Qualifying Preferred Securities will be viewed by the market as equally or more favourable, or that the Qualifying Preferred Securities will trade at prices that are equal to or higher than the prices at which the Preferred Securities would have traded on the basis of their original terms.

Moreover, the Bank shall have no obligation to consider the tax position of any Holders or the tax consequences to any Holder of any such substitution or variation prior to making such substitution or variation. No Holder shall be entitled to claim any indemnification or payment, whether from the Bank, or from any other person, in respect of the tax consequence to individual Holders of any such substitution or variation.

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

The calculation of any Distributions in respect of the Preferred Securities from and including the First Reset Date are dependent upon the applicable 5-year Mid-Swap Rate (as defined in the Conditions) as determined at the relevant time (as specified in the Conditions). Certain interest rates and indices that are considered "benchmarks" (including the 5-year Mid-Swap Rate) have been the subject of recent national and international regulatory guidance and proposals for reform, including the Benchmark Regulation, which applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Following the implementation of any such reforms, the manner in which benchmarks are administered may change, resulting in benchmarks performing differently than they have in the past or other consequences that cannot be predicted.

In this respect, the Benchmark Regulation applies to "contributors", "administrators" and "users" of "benchmarks" in the EU and the UK, and, among other, (i) requires benchmark administrators to be

authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" (or, if non-EU based, to be subject to equivalent requirements), (ii) prevents certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed), and (iii) requires benchmark administrators to publish a benchmark statement for each benchmark (or, where applicable, for each family of benchmarks) setting out the criteria and procedures used to determine the benchmark and informing users that changes to, or the cessation of, the benchmark may have an impact on the financial contracts and financial instruments referencing the benchmark.

These reforms could have a material effect on the Preferred Securities, their value and return, particularly, if the methodology or other terms of any benchmarks, such as the 5-year Mid-Swap Rate, are changed in order to comply with new requirements. Such changes or the general increased regulatory scrutiny of benchmarks may, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark and may increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark.

If at the time of determining the Distribution Rate, a Benchmark Event (as defined in the Conditions) (which includes, among others, the permanent discontinuance of the 5-year Mid-Swap Rate) occurs or has occurred, then the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser (as defined in the Conditions) as soon as reasonably practicable to determine a Successor Rate or an Alternative Rate (as each of these terms is defined in the Conditions) to be used in place of the 5-year Mid-Swap Rate. If the Bank is unable to appoint an Independent Financial Adviser or if the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing that, an Alternative Rate, the Bank (after consultation with the Independent Financial Adviser, if any) may determine a Successor Rate or, failing that, an Alternative Rate. Therefore, in certain circumstances, an independent third party may not be involved in the determination of the Successor Rate or Alternative Rate, and of the Adjustment Spread.

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

If (i) the Bank is unable to appoint an Independent Financial Adviser or if the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing that, an Alternative Rate and the Issuer is unable or unwilling to determine the Successor Rate or Alternative Rate or (ii) in the determination of the Bank, the adoption of the Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) could reasonably be expected to adversely affect the qualification of the Preferred Securities as Additional Tier 1 Capital of the Bank or the ABANCA Group, the Distribution Rate applicable to the next succeeding Reset Period (as defined in the Conditions) will be equal to the Distribution Rate last determined with respect to the Preferred Securities for the immediately preceding Reset Period. If the Bank fails to make such a determination prior to the first Reset Determination Date, the Distribution Rate will be 10.625%. This may result in the effective application of a fixed interest rate to Preferred Securities that are initially designated as fixed reset securities. In addition, due to the uncertainty regarding the availability of a Successor Rate or an Alternative Rate and the involvement of an Independent Financial Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

If a Successor Rate or Alternative Rate is determined by the Independent Financial Adviser or the Issuer (as applicable), the Conditions also provide that an Adjustment Spread may be determined by the Independent Financial Adviser or the Issuer (as applicable) and applied to such Successor Rate or Alternative Rate. In certain circumstances, the Adjustment Spread is the spread (which may be positive, negative or zero), amount, formula or method determined to be appropriate to reduce, to the extent reasonably practicable in the circumstances, any economic disadvantage or benefit (as the case may be) to Holders as a result of replacing the 5-year Mid-Swap Rate by the Successor Rate or the Alternative Rate (as the case may be). However, such an Adjustment Spread may not be effective to reduce the economic disadvantage to Holders or it may not be possible to determine or apply an Adjustment Spread (if an

Adjustment Spread cannot be determined, a Successor Rate or Alternative Rate may nevertheless be used to determine the relevant interest rate).

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

The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread and also including any other amendment to the Conditions) may result in the Preferred Securities performing differently (which may include the payment of a lower interest rate) than they would if the relevant benchmark continued to apply.

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

Limitation on gross-up obligation under the Preferred Securities

The obligation of the Bank under Condition 12 to pay additional amounts in the event of any withholding or deduction for or on account of taxes, duties, assessments or governmental charges of any kind on payments of Distributions and other amounts payable does not apply to any redemption of principal. Accordingly, if any such withholding or deduction is applied, Holders of the Preferred Securities may receive less than the full amount of principal due under the Preferred Securities upon redemption, and the market value of the Preferred Securities may be adversely affected.

The Bank shall pay additional amounts only so long as the Bank has sufficient Distributable Items. Therefore, the Bank would not be required to pay any additional amounts under the terms of the Preferred Securities to the extent that it has insufficient Distributable Items.

Credit ratings may not reflect all risks associated with an investment in the Preferred Securities

The Preferred Securities are rated B+ by Fitch. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors described above, and other factors that may affect the value of the Preferred Securities.

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

Any change in the credit ratings assigned to the Preferred Securities may affect the market value of the Preferred Securities. Such a change may be due to, among others, a change in the methodology used by a rating agency to rate securities similar in structure to the Preferred Securities, as opposed to a reassessment of the Bank's financial strength or other factors such as conditions affecting the financial services industry generally.

In addition, rating agencies may assign unsolicited ratings to the Preferred Securities. In such circumstances, there can be no assurance that any such rating will not differ from, or be lower than, the ratings originally assigned to the Preferred Securities by Fitch. The decision to reject a rating assigned by an engaged rating agency, the delay in the publication of such rating or the assignment of an unsolicited rating by a rating agency not engaged by the Bank could adversely affect the market value and liquidity of the Preferred Securities.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Therefore, potential investors should not rely on any rating of the Preferred Securities and should make their investment decision based on considerations such as those described above. Neither ABANCA nor the ABANCA Group participates in the decision making of the rating agencies and any revision or withdrawal of a rating assigned to the Bank or any of its securities is a decision of a third party for which neither ABANCA nor the ABANCA Group assume any responsibility.

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

Investors subject to regulation in the UK are subject to similar restrictions under the CRA Regulation, as it forms part of the domestic law of the UK by virtue of the EUWA (the “**UK CRA Regulation**”). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by non-UK credit rating agencies, credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a non-UK credit rating agency that is certified in accordance with the UK CRA Regulation. This is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of ratings issued by non-UK credit rating agencies, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

The Preferred Securities may not become or remain listed on AIAF and may be listed on any other secondary market compliant with the requirements of Law 10/2014 as may be agreed by ABANCA acting reasonably

Application has been made for the Preferred Securities to be admitted to trading on AIAF. However, there can be no assurance that the Preferred Securities will become or remain listed on AIAF. If the Issuer cannot maintain the listing on AIAF, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on AIAF and application shall be made for the Preferred Securities to be admitted to trading on any other secondary market compliant with the requirements of Law 10/2014 as may be agreed by the Issuer acting reasonably.

Although no assurance is made as to the liquidity of the Preferred Securities as a result of listing on AIAF or any other secondary market compliant with the requirements of Law 10/2014, failure to be approved for listing of the Preferred Securities on AIAF or any such other secondary market or the delisting of the Preferred Securities from AIAF or any such other secondary market may have an adverse effect on a Holder’s ability to resell Preferred Securities in the secondary market.

INFORMATION INCORPORATED BY REFERENCE

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

- ABANCA Group's unaudited condensed consolidated interim financial statements prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the consolidated interim directors' report as of and for the three-month period ended 31 March 2023, together with the limited review report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2023-1t-es.pdf>) (together, the "**2023 Consolidated First Quarter Interim Financial Statement**").

The 2023 Consolidated First Quarter Interim Financial Statements were published by ABANCA as an announcement of other material information (*anuncio de otra información relevante*) (registry number: 22,269) on 28 April 2023, which is available at the CNMV's website.

- ABANCA Group's audited consolidated annual accounts prepared in accordance with IFRS-EU and the directors' report as of and for the year ended 31 December 2022 (the "**2022 Directors' Report**"), together with the audit report of KPMG Auditores, S.L., available at ABANCA's website (<https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2022-4t-es.pdf>) (together, the "**2022 Audited Consolidated Annual Accounts**").

The 2022 Audited Consolidated Annual Accounts were published by ABANCA as an announcement of other material information (*anuncio de otra información relevante*) (registry number: 21,960) on 17 April 2023, which is available at the CNMV's website.

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

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

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

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

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

English translations

English translations of the 2023 Consolidated First Quarter Interim Financial Statement, of the 2022 Audited Consolidated Annual Accounts and of the 2021 Audited Consolidated Annual Accounts are available at ABANCA's website:

- 1 <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2023-1t-en.pdf>.
- 2 <https://www.abancacorporacionbancaria.com/files/documents/cuentas-consolidadas-2022-4t-en.pdf>.

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

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

CONDITIONS OF THE PREFERRED SECURITIES

The following is the text of the Conditions of the Preferred Securities. Words and expressions defined elsewhere in this Prospectus have the same meanings in this section.

The Preferred Securities (as defined below) have been issued by ABANCA Corporación Bancaria, S.A. (the "**Bank**") on the basis of the resolutions approved at the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 27 February 2023 and in accordance with the First Additional Provision of Law 10/2014, of 26 June, on regulation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended or replaced from time to time ("**Law 10/2014**") and the CRR (as defined below).

1. Definitions

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

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

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading "EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT" as of 11:00 am (CET) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate for such Reset Period, unless a Benchmark Event has occurred, in which case the 5-year Mid-Swap Rate shall be determined pursuant to Condition 4.9;

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

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

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

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

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

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

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

"**Additional Tier 1 Instrument**" means any instrument of the Bank qualifying as Additional Tier 1 Capital, in whole or in part;

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or a formula or methodology for calculating a spread, in either case, to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the 5-year Mid-Swap Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is in the customary market usage in the debt capital markets for transactions which reference the 5-year Mid-Swap Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (c) (if no such determination is made), the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the 5-year Mid-Swap Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (d) (if no such industry standard is recognised or acknowledged), the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines to be appropriate having regard to the objective, so far as reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (d), of reducing any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate (as the case may be);

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

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

"**Amounts Due**" means the Outstanding Principal Amount or other amounts, including additional amounts, if any, due on the Preferred Securities under Condition 12 (*Taxation*). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Loss Absorbing Power by the Relevant Resolution Authority;

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

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

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

"**Bank's Certificate**" means a certificate signed by two Authorised Signatories of the Bank stating that, in the opinion of the Bank, (i) the changes determined pursuant to a substitution or variation of the Preferred Securities under Condition 8 will result in the Qualifying Preferred

Securities having terms not materially less favourable to the Holders than the terms of the Preferred Securities on issue and (ii) the differences between the terms and conditions of the Qualifying Preferred Securities and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Additional Tier 1 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

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

"**Benchmark Event**" means:

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

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

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

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

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

- (a) the exclusion of any of the aggregate Outstanding Principal Amount of the Preferred Securities from the Additional Tier 1 Capital of the Bank or the ABANCA Group (in each case, to the extent required by Applicable Banking Regulations); or

- (b) the reclassification of any of the aggregate Outstanding Principal Amount of the Preferred Securities as a lower quality form of own funds of the Bank or the ABANCA Group, in accordance with the Applicable Banking Regulations (in each case, to the extent required by Applicable Banking Regulations);

"**Certificate**" has the meaning given to such term in Condition 2.3;

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

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

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

"**Chairman**" has the meaning given to such term in Condition 11.4;

"**Clean-Up Call Event**" means that 75% or any higher percentage of the Preferred Securities has been redeemed or repurchased by, or on behalf of, the Bank;

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

"**Closing Date**" means 14 July 2023;

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

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

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

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

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

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

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

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

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

"Distribution Payment Date" means each of 14 January, 14 April, 14 July and 14 October, in each year, with the first Distribution Payment Date falling on 14 October 2023;

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

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

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

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

"EURIBOR 6-month" means:

- (a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as of 11:00 am (CET) on the Reset Determination Date for the relevant Reset Period; or
- (b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates at which deposits in euros are offered by four major banks in the Eurozone interbank market, as selected by the Bank, at such time on such Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

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

"Extraordinary Resolution" has the meaning given to such term in Condition 11.9(b);

"FATCA" has the meaning given to such term in Condition 12.2;

"FATCA Withholding Tax" has the meaning given to such term in Condition 12.2;

"First Reset Date" means 14 January 2029;

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

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

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

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

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

"**Initial Margin**" means 7.643% per annum;

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

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

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

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

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

Accordingly, the exercise of the Loss Absorbing Power by the Relevant Resolution Authority may include and result in any of the following, or some combination thereof:

(a) the reduction of all, or a portion of, the Amounts Due on a permanent basis;

(b) the conversion of all, or a portion of, the Amounts Due into shares, other securities or other obligations of the Bank or another person (and the issue to the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Preferred Securities, in which case the Holder agrees to accept in lieu of its rights under the Preferred Securities any such shares, other securities or other obligations of the Bank or another person;

(c) the cancellation of the Preferred Securities or Amounts Due;

(d) the amendment or alteration of the maturity of the Preferred Securities or amendment of the amount of interest payable on the Preferred Securities, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(e) the amendment of the terms of the Preferred Securities;

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

"Maximum Distributable Amount" means, at any time, any maximum distributable amount required to be calculated, if applicable, at such time in accordance with Article 48 of Law 10/2014 (and any provision developing such Article), Article 16bis of Law 11/2015 (and any provision developing such Article) and any other provision of Spanish law transposing or implementing Article 141 of the CRD IV Directive and Article 16a of BRRD, respectively, and/or Applicable Banking Regulations;

"Maximum Write Up Amount" means the lowest of:

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

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

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

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

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of Holders; and
- (b) the determination of how many and which Preferred Securities are for the time being outstanding for the purposes of Condition 11,

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

"Outstanding Principal Amount" means, in respect of each Preferred Security, at any time, the Original Principal Amount of such Preferred Security as reduced from time to time by any Write Down or any other write down or cancellation, as the case may be, and, if applicable, as subsequently increased from time to time by any Write Up in accordance with Condition 6.2;

"Preferred Securities" means the €250,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities issued by the Bank on the Closing Date;

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

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

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

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

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

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

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

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

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

"Relevant Resolution Authority" means the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*), the Single Resolution Board, the Bank of Spain, the CNMV or any other entity with the authority to exercise any of the resolutions tools and powers contained in Law 11/2015 from time to time that performs the role of primary bank resolution authority;

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

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

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

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

"Reset Reference Bank Rate" means, in relation to a Reset Period and the Reset Determination Date in relation to such Reset Period, the percentage determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11:00 am (CET) on such Reset Determination Date. The Bank will request the principal offices of each of the Reference Banks to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for such Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be:

- (a) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period; or
- (b) in the case of the Reset Period commencing on the First Reset Date, 3.455% per annum;

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

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

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

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

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

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

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

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

"**SRM Regulation**" means Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended or replaced from time to time);

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

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

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

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system;

"**TARGET Business Day**" means any day on which T2 is open for settlement of payments;

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

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

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

"**Tier 1 Capital**" means tier 1 capital (*capital de nivel 1*) in accordance with Chapters 1, 2 and 3 (Tier 1 Capital, Common Equity Tier 1 Capital and Additional Tier 1 Capital) of Title I (Elements of own funds) of Part Two (Own Funds and Eligible Liabilities) of the CRR and/or the Applicable Banking Regulations at any time, including any applicable transitional, phasing-in or similar provisions;

"**Tier 2 Capital**" means the tier 2 capital (*capital de nivel 2*) in accordance with Chapter 4 (Tier 2 capital) of Title I (Elements of own funds) of Part Two (Own Funds and Eligible Liabilities) of the CRR and/or Applicable Banking Regulations at such time, including any applicable transitional, phasing-in or similar provisions;

"**Tier 2 Instrument**" means any instrument of the Bank qualifying as Tier 2 Capital, in whole or in part;

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

"Waived Set-Off Rights" means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Preferred Security;

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

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

- (i) the amount per Preferred Security which is determined by the Bank to be necessary (in conjunction with (a) the concurrent Write Down of the other Preferred Securities; and (b) the concurrent (or substantially concurrent) write down or conversion into equity of, or other loss absorption measures taken in respect of, any other Loss Absorbing Instruments, in each case in the manner and to the extent provided in Condition 6.1(b)) to restore the CET1 ratio of each of the Bank or the ABANCA Group, as applicable, to at least 5.125%; and
- (ii) the amount necessary to reduce the Outstanding Principal Amount of each Preferred Security to one cent (€0.01).

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

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

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

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

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

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

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

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

2. Form, Denomination and Title

- 2.1 The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €250,000,000 and Original Principal Amount of €200,000.
- 2.2 The Preferred Securities have been registered with Iberclear as managing entity of the central registry of the Spanish clearance and settlement system (the "**Spanish Central Registry**"). Holders

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

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

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Preferred Securities: ES0865936027. The Common Code for this issue is 265071317.

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

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

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

3. Status of the Preferred Securities

The payment obligations of the Bank under the Preferred Securities constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 281.1 of the Spanish Insolvency Law and, in accordance with Additional Provision 14.3 of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Bank, for so long as the Preferred Securities constitute Additional Tier 1 Instruments, rank:

- (a) *pari passu* among themselves and with:
 - (i) any other subordinated obligations (*créditos subordinados*) of the Bank under Additional Tier 1 Instruments; and
 - (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Bank's obligations under the Preferred Securities;
- (b) junior to:
 - (i) any unsubordinated obligations (*créditos ordinarios*) of the Bank;
 - (ii) any subordinated obligations (*créditos subordinados*) of the Bank under Tier 2 Instruments; and

- (iii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Bank's obligations under the Preferred Securities; and
- (c) senior to:
 - (i) any claims for the liquidation amount of the ordinary shares of the Bank; and
 - (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the Bank's obligations under the Preferred Securities.

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

4. Distributions

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

- (a) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 10.625% per annum; and
- (b) in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Period, first calculated on an annual basis and then converted to a quarterly rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Bank on the relevant Reset Determination Date.

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

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

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

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

- 4.3 The Bank may elect, at its sole and absolute discretion, to cancel the payment of any Distribution (including any additional amounts pursuant to Condition 12) in whole or in part at any time that it deems necessary or desirable and for any reason.
- 4.4 Without prejudice to the right of the Bank to cancel the payments of any Distribution under Condition 4.3 above:
- (a) Payments of Distributions (including any additional amounts pursuant to Condition 12) in any financial year of the Bank shall be made only to the extent the Bank has sufficient Distributable Items. To the extent that the Bank has insufficient Distributable Items to make Distributions (including any additional amounts pursuant to Condition 12) on the Preferred Securities scheduled for payment in the then current financial year and any interest payments, distributions or other payments on own funds items that have been paid or made or are scheduled or required to be paid out of or conditional to sufficient Distributable Items in the then current financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Bank or which are not required to be made conditional upon Distributable Items, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.
 - (b) If the Competent Authority, in accordance with Article 68 of Law 10/2014 and/or Article 16 of the SSM Regulation and/or with Applicable Banking Regulations, requires the Bank to cancel a relevant Distribution (including any additional amounts pursuant to Condition 12) in whole or in part, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.
 - (c) The Bank may make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities if and to the extent that payment of any Distribution (including any additional amounts pursuant to Condition 12) would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Spanish law transposing or implementing CRD IV Directive, which will include Article 48 of Law 10/2014 and any of its development provisions) or the BRRD (or, as the case may be, any provision of Spanish law transposing or implementing BRRD, which will include Article 16bis of Law 11/2015 and any of its development provisions), the Maximum Distributable Amount to be exceeded or otherwise would cause any other breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital pursuant to Applicable Banking Regulations.
 - (d) If a Trigger Event occurs at any time on or after the Closing Date, any accrued and unpaid Distributions up to (but excluding) the corresponding Write Down Date (whether or not such distributions have become due for payment) shall be automatically cancelled in accordance with Condition 6.1(a)(iii).
- 4.5 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any election of the Bank to cancel such Distribution pursuant to Condition 4.3 above or the limitations on payment set out in Condition 4.4 above and Condition 6.1(a)(iii) below then the right of the Holders to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.
- 4.6 No such election to cancel the payment of any Distribution (or part thereof) pursuant to Condition 4.3 above or non-payment of any Distribution (or part thereof) as a result of the limitations on payment set out in Condition 4.4 above and Condition 6.1(a)(iii) below will constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding-up of the Bank or in any way limit

or restrict the Bank from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 Capital) or in respect of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities. If the Bank does not pay a Distribution or part thereof on the relevant Distribution Payment Date, such non-payment shall evidence the cancellation of such Distribution (or relevant part thereof) or, as appropriate, the Bank's exercise of its discretion to cancel such Distribution (or relevant part thereof) and accordingly, such Distribution shall not in any such case be due and payable. Notwithstanding the previous sentence, the Bank will give notice to the Holders in accordance with Condition 13 of any election under Condition 4.3 and of any limitation set out in Condition 4.4 occurring or applying and for avoidance of doubt, failure to deliver such notice shall not affect the validity of the cancellation.

4.7 The Bank will at, or as soon as practicable after, the relevant time on each Reset Determination Date at which the Distribution Rate is to be determined, determine the Distribution Rate for the relevant Reset Period. The Bank will cause the Distribution Rate for each Reset Period to be notified to any stock exchange or other relevant authority on which the Preferred Securities are for the time being listed or by which they have been admitted to listing and notice thereof is to be published in accordance with Condition 13 as soon as possible after its determination but in no event later than the fourth Business Day thereafter.

4.8 All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on all Holders.

4.9 Benchmark discontinuation

(a) Independent Financial Adviser

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

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

If the Bank is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the relevant Reset Determination Date, the Distribution Rate applicable to the next succeeding Reset Period shall be equal to the Distribution Rate last determined in relation to the Preferred Securities in respect of the immediately preceding Reset Period. If the Bank fails to make such a determination prior to the first Reset Determination Date, the Distribution Rate shall be 10.625%. For the avoidance of doubt, this Condition 4.9(a) shall apply to the relevant next succeeding Reset Period only and any subsequent Reset Periods are subject to the subsequent operation of, and adjustments as provided in, this Condition 4.9(a).

(b) Successor Rate or Alternative Rate

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

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

(c) Adjustment Spread

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

(d) Benchmark Amendments

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

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

(e) Notices, etc.

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

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

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

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

5. Liquidation Distribution

- 5.1 Subject as provided in Condition 5.2 below, in the event of any voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities will confer an entitlement to receive, out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of ordinary shares of the Bank or any other instrument of the Bank ranking junior to the Preferred Securities.
- 5.2 If, before such liquidation or winding-up of the Bank described in Condition 5.1, a Trigger Event occurs but the relevant reduction of the Outstanding Principal Amount pursuant to Condition 6.1 below is still to take place, the entitlement conferred by the Preferred Securities for the purposes of Condition 5.1, will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which Holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such reduction had taken place immediately prior to such liquidation or winding-up.
- 5.3 After payment of the relevant entitlement in respect of a Preferred Security as described in Conditions 5.1 and 5.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Bank.

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

6.1 Loss Absorption following a Trigger Event.

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

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

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

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

- (b) Write Down of the Preferred Securities will be effected, save as may otherwise be required by the Competent Authority, pro rata with the concurrent (or substantially concurrent) write down or conversion into equity, as the case may be, of any Loss Absorbing Instruments (based on the prevailing principal amount of the relevant Loss Absorbing Instrument), provided that:

- (i) with respect to each Loss Absorbing Instrument (if any), such pro rata write down or conversion shall only be taken into account to the extent required to restore the relevant CET1 ratio(s) to the lower of (a) such Loss Absorbing Instrument's trigger level and (b) 5.125% (being the level at which a Trigger Event occurs in respect of the Preferred Securities); and
- (ii) if for any reason the Bank is unable to effect the concurrent (or substantially concurrent) write down or conversion of any given Loss Absorbing Instruments within the period required by the Competent Authority, the Preferred Securities will be Written Down notwithstanding that the relevant Loss Absorbing Instruments are not also written down or converted.

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

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

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

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

6.2 Write Up of the Preferred Securities

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

any distributions cancelled) on the basis of a prevailing principal amount that is lower than the original principal amount at which such Loss Absorbing Written Down Instruments were issued at any time after the end of the then previous financial year.

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

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

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

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

7. Optional Redemption

- 7.1 The Preferred Securities are perpetual and are only redeemable in accordance with the following provisions of this Condition 7.
- 7.2 Subject to Conditions 7.3, 7.4 and 7.5 below, the Preferred Securities shall not be redeemable prior to 14 July 2028. All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank on any day falling in the period commencing on (and including) 14 July 2028 and ending on (and including) the First Reset Date or on any Distribution Payment Date thereafter; at the Redemption Price, subject to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force.

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

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

- (b) *the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, repayment or repurchase, exceed the requirements laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Competent Authority considers necessary.*
- 7.3 If, on or after the Closing Date, there is a Capital Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force, at any time, at the Redemption Price.
- As of the Closing Date, Article 78(4) of the CRR provides that the Competent Authority may permit the Bank to call, redeem, repay or repurchase the Preferred Securities during the five years following the Closing Date in the case of a Capital Event if, in addition to meeting one of the conditions referred to in Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification was not reasonably foreseeable at the Closing Date.*
- 7.4 If, on or after the Closing Date, there is a Tax Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority and in compliance with Applicable Banking Regulations then in force, at the Redemption Price.
- As of the Closing Date, Article 78(4) of the CRR provides that the Competent Authority may permit the Bank to call, redeem, repay or repurchase the Preferred Securities during the five years following the Closing Date in the case of a Tax Event if, in addition to meeting one of the conditions referred to in Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable at the Closing Date.*
- 7.5 If, on or after the fifth anniversary of the Closing Date (or any such other minimum period permitted by Applicable Banking Regulations), there is a Clean-Up Call Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority in accordance with Articles 77 and 78 of CRR, Article 29 of the Commission Delegated Regulation (EU) 241/2014 and/or any other Applicable Banking Regulations then in force, on any Distribution Payment Date, at the Redemption Price.
- 7.6 The decision to redeem the Preferred Securities must be, subject to Condition 7.7 below, irrevocably notified by the Bank to the Holders not less than 5 and not more than 60 calendar days prior to the relevant redemption date in accordance with Condition 13.
- The Bank will not give notice under this Condition 7.6 unless, at least 15 calendar days prior to the publication of any notice of redemption, it will make available to the Holders at its registered office, a certificate signed by two of its duly authorised officers stating that a Capital Event or a Tax Event has occurred, or there is sufficient certainty that it will occur, as the case may be.
- 7.7 If the Bank gives notice of redemption of the Preferred Securities, then by 12:00 (CET) on the relevant redemption date, the Bank will:
- (a) irrevocably deposit sufficient funds to pay the Redemption Price; and
 - (b) give irrevocable instructions and authority to pay the Redemption Price to the Holders.
- 7.8 If the notice of redemption has been given, and the funds deposited and instructions and authority to pay given as required above, then on the date of such deposit:
- (a) Distributions on the Preferred Securities shall cease;
 - (b) such Preferred Securities will no longer be considered outstanding; and
 - (c) the Holders will no longer have any rights as Holders except the right to receive the Redemption Price.
- 7.9 The Bank may not give a notice of redemption pursuant to this Condition 7 if a Trigger Event notice has been given. If any notice of redemption of the Preferred Securities is given pursuant to

this Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and, instead, a Write Down of the principal amount of the Preferred Securities will occur as provided under Condition 6.1. The Bank shall give notice of any such automatic rescission of a redemption notice to the Holders in accordance with Condition 13 as soon as possible thereafter.

- 7.10 If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Bank improperly withholds or refuses to pay the Redemption Price of the Preferred Securities, Distributions will continue to accrue in accordance with Condition 4 above from (and including) the redemption date to (but excluding) the date of actual payment of the Redemption Price.
- 7.11 The Bank shall not be entitled to redeem the Preferred Securities pursuant to Condition 7.2 or Condition 7.5 (but this restriction shall not, for the avoidance of doubt, apply to a redemption pursuant to Conditions 7.3 and 7.4) if, on the relevant redemption date, the Outstanding Principal Amount of the Preferred Securities is lower than their Original Principal Amount as a result of a Write Down until any principal amount by which the Preferred Securities have been Written Down pursuant to Condition 6.1 have first been reinstated in full pursuant to Condition 6.2 (and any notice of redemption which have been given in such circumstances shall be automatically rescinded and shall be of no force and effect).

8. Substitution and Variation

- 8.1 Subject to the prior consent of the Competent Authority and in accordance with Applicable Banking Regulations then in force and having given no less than 5 nor more than 60 calendar days' notice to the Holders (in accordance with Condition 13), if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Preferred Securities or vary the terms of all (but not some only) of the Preferred Securities, without the consent of the Holders, so that they become or remain Qualifying Preferred Securities. Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Preferred Securities. Such substitution or variation will be effected without any cost or charge to the Holders.
- 8.2 Holders shall, by virtue of subscribing and/or purchasing the Preferred Securities, be deemed to accept the substitution or variation of the terms of such Preferred Securities and to grant the Bank full power and authority to take any action and/or execute and deliver any document in the name and/or on behalf of the Holders which is necessary or convenient to complete the substitution or variation of the terms of the Preferred Securities.
- 8.3 The Bank will not give a notice of substitution or variation after a Trigger Event notice has been given. If the Bank has given a notice of substitution or variation in accordance with these Conditions but prior to such substitution or variation a Trigger Event is effective, the relevant substitution or variation notice shall be automatically rescinded and shall be of no force and effect. The Bank shall give notice thereof to the Holders in accordance with Condition 13 as soon as possible following any such automatic rescission of a substitution or variation notice.
- 8.4 In connection with any substitution or variation in accordance with this Condition 8, the Bank shall comply with the rules of any stock exchange on which the Preferred Securities are for the time being listed or admitted to trading.

9. Purchases of Preferred Securities

The Bank or any member of the ABANCA Group may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise in accordance with Applicable Banking Regulations in force at the relevant time, including the applicable limits referred to in Article 78(1) of CRR, and subject to the prior consent of the Competent Authority, if required.

Any Preferred Securities so acquired by the Bank or any member of the ABANCA Group may (subject to the approval of the Competent Authority and in accordance with Applicable Banking Regulations

then in place) be held, resold or, at the option of the Bank or such member of the ABANCA Group, cancelled.

10. Waiver of Set-off

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

For the avoidance of doubt, nothing in this Condition 10 is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any Preferred Security but for this Condition 10.

11. Meetings of Holders

- 11.1 The Bank may, without the consent of the Holders, amend these Conditions in order to (a) correct any manifest error, or (b) make any amendment of a formal, minor or technical nature or to comply with mandatory provisions of law.

In addition, the Bank and the Holders, the latter with the approval of a resolution of the Meeting of Holders, may agree to any amendment, whether material or not, to these Conditions and any waiver of any breach or proposed breach of these Conditions, subject to the approval of the Competent Authority where such approval is required under Applicable Banking Regulations.

- 11.2 Convening meetings

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

- 11.3 Procedures for convening meetings

- (a) At least 21 clear days' notice specifying the place (which need not be a physical place and instead may be by way of conference call, including by use of a videoconference or an electronic platform), day and hour of the meeting shall be given to the Holders in the manner provided in Condition 13. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either:

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

The notice shall:

- (i) include statements as to the manner in which Holders are entitled to attend and vote at the meeting; or

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

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

- (b) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 21 were replaced by 10 in Condition 11.3(a) and the notice shall state the relevant quorum. Subject to the foregoing it shall not be necessary to give any notice of an adjourned meeting.

11.4 Chairman

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

11.5 Quorums

- (a) Regular Quorum

At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5% in Outstanding Principal Amount of the Preferred Securities for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business, and no business (other than the choosing of a Chairman in accordance with Condition 11.4) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

- (b) Extraordinary Quorum

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

- (c) Enhanced Quorum

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

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

(v) the sanctioning of any scheme or proposal described in Condition 11.9(b)(vi) below; or

(vi) alteration of this proviso or the proviso to Condition 11.6(b) below,

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

11.6 Adjourned Meeting

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 11.2, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Bank). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.
- (b) At any adjourned meeting one or more Eligible Persons present (whatever the Outstanding Principal Amount of the Preferred Securities so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 11.5(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in Outstanding Principal Amount of the Preferred Securities for the time being outstanding.

11.7 Right to attend and vote

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Preferred Securities must be notified to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting.
- (b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the definition of "outstanding", no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- (c) Subject as provided in Condition 11.7(b), at any meeting:
- (i) on a show of hands every Eligible Person present shall have one vote; and
 - (ii) on a poll every Eligible Person present shall have one vote in respect of each Preferred Security.

11.8 Holding of meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the Outstanding Principal Amount of the Preferred Securities held by him), a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (c) Subject to Condition 11.8(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as of the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business, which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

11.9 Approval of the resolutions

- (a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 13 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (b) The expression "**Extraordinary Resolution**" when used in this Condition 11 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 11 by a majority consisting of not less than 75% of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes given on the poll.

A meeting of the Holders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to the quorum contained in Conditions 11.5(b) and 11.5(c)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
- (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Preferred Securities or otherwise;
- (iii) power to agree to any modification of the provisions contained in these Conditions or the Preferred Securities, including, in particular, any provision relating to the Write Down and Write Up of the Preferred Securities, which is proposed by the Bank;

- (iv) power to give any authority or approval which under the provisions of this Condition 11 or the Preferred Securities is required to be given by Extraordinary Resolution;
 - (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;
 - (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the Preferred Securities.
- (c) Subject to Condition 11.9(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 11, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.

11.10 Miscellaneous

- (a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.
- (b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (c) Any modification or waiver of the Conditions in accordance with this Condition 11 will be effected in accordance with the Applicable Banking Regulations and conditional upon any prior approval from the Competent Authority, to the extent required thereunder.

12. Taxation

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

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

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the Preferred Securities will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA (each such deduction or withholding, a "**FATCA Withholding Tax**"). For the avoidance of doubt, the Issuer shall not be required to pay any additional amounts in relation to any FATCA Withholding Tax.

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

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

13. Notices

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

So long as the Preferred Securities are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public to the market through announcements of inside information (*información privilegiada*) or of other relevant information (*otra información relevante*), as the case may be, to be filed with the CNMV and to be published at the CNMV's official website at www.cnmv.es and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*). Neither the CNMV's website nor any of its contents form part or are incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has neither examined nor approved its website nor any of its contents for the purposes of this Prospectus.

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

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

14. Loss Absorbing Power

- 14.1 The obligations of the Bank under the Preferred Securities are subject to, and may be limited, by the exercise of any Loss Absorbing Power by the Relevant Resolution Authority.
- 14.2 No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Loss Absorbing Power by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.
- 14.3 Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority with respect to the Preferred Securities, the Bank will make available a written notice to the Holders as soon as practicable regarding such exercise of the Loss Absorbing Power. No failure or delay by the Bank to deliver a notice to the Holders shall affect the validity or enforceability of the exercise of the Loss Absorbing Power.
- 14.4 If the Relevant Resolution Authority exercises the Loss Absorbing Power with respect to less than the total Amounts Due, any cancellation, write-off or conversion made in respect of the Preferred Securities pursuant to the Loss Absorbing Power will be made on a pro-rata basis.
- 14.5 None of a cancellation of the Preferred Securities, a reduction in the Amounts Due, the conversion thereof into another security or obligation of the Bank or another person, as a result of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Bank or the exercise of the Loss Absorbing Power with respect to the Preferred Securities will be an event of default or otherwise constitute non-performance of a contractual obligation.

15. Prescription

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

16. Governing Law and Jurisdiction

- 16.1 The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, Spanish law (*legislación común española*).
- 16.2 Each of the Bank and any Holder submits to the exclusive jurisdiction of the Spanish courts, in particular, to the venue of the city of Madrid, in relation to any dispute arising out of or in connection with the Preferred Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Preferred Securities). Each of the Bank and any Holder in relation to any such disputes further waives any objection to the Spanish courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute.

USE OF PROCEEDS

The estimated net amount of proceeds from the issuance of the Preferred Securities amounts to €247,278,446.97 and will be used by ABANCA for general corporate purposes, and to further strengthen its regulatory capital, including the refinancing of existing preferred securities. Such refinancing may relate to the repurchase of some or all of the Issuer's outstanding €250,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securities issued on 2 October 2018 (ISIN: ES0865936001) pursuant to the tender offer announced by the Issuer on 5 July 2023.

DESCRIPTION OF ABANCA

HISTORY AND DEVELOPMENTS

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

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

The telephone number of the registered address of ABANCA is (+34) 981 18 70 00 and its corporate website is www.abancacorporacionbancaria.com/. Neither ABANCA's website nor any of its contents form part or are incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has neither examined nor approved ABANCA's website nor any of its contents.

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

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

History

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

- On 25 June 2014, the transfer to ABANCA Holding Financiero, S.A. ("**ABANCA Holding**") (a company that was mainly owned by Mr. Juan Carlos Escotet Rodríguez) of the shares that the *Fondo de Reestructuración Ordenada Bancaria* (the "**FROB**") and the Deposit Guarantee Fund held in the Bank (which represented 88.33% of the share capital of the Bank) was completed.
- In August 2014, the boards of directors of the Bank and Banco Etcheverría, S.A. approved the absorption of Banco Etcheverría, S.A. by the Bank (the merger was registered with the Commercial Registry in November 2014). The activities of Banco Etcheverría, S.A. were located in the autonomous regions (*comunidades autónomas*) of Galicia, Madrid, Asturias, Castilla-La Mancha, Aragón and Canarias and also in the provinces of León and Valladolid.
- In December 2014, the General Shareholders' Meeting of the Bank agreed to amend the Bank's name, thus becoming "ABANCA Corporación Bancaria, S.A.".
- In May 2017, ABANCA purchased all shares in Popular Servicios Financieros, E.F.C., S.A.U. from Banco Popular Español, S.A., for a total amount of €39.3 million. Popular Servicios Financieros, E.F.C., S.A.U. had a deep knowledge of consumer business and a historic base of prescribers focused on transactions with good quality in terms of payment capacity.
- On 9 June 2019, ABANCA completed the acquisition of Deutsche Bank AG's private and commercial client banking unit in Portugal ("**DB PCB**"). DB PCB was a business unit specialised in retail and private banking services (specially focused on personal and private banking), whose business generation capacity with corporations was leveraged on the ABANCA Group's know-how.

- On 10 June 2019, the annual general shareholders' meeting of ABANCA approved the absorption of ABANCA Holding by ABANCA (the "**Merger**"). The Merger was approved on 14 June 2019 by the annual general shareholders' meeting of ABANCA Holding and was registered with the Commercial Registry in February 2020.
- On 14 October 2019, ABANCA completed the acquisition of 99.8% of the shares in BCG, the former Spanish subsidiary of the Portuguese Grupo Caixa Geral de Depósitos. The main business segments of BCG were retail banking, private banking and corporate banking. This acquisition allowed the ABANCA Group to extend its commercial network (mainly in the autonomous region of Castilla y León) and to reinforce its presence in Extremadura and Galicia.

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

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

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

- On 30 November 2021, once the required authorisations were received, the ABANCA Group acquired Novo Banco Spain from the Novo Banco Group. This acquisition strengthened the ABANCA Group's position in the areas of personal and private banking and corporate banking and has also provided growth potential in lines such as insurance activity. The transaction was fully accomplished with the technology integration completion on 22 October 2022.
- On 22 February 2023, ABANCA acquired 100% of the shares in Targobank Spain from Banque Fédérative du Crédit Mutuel. The acquisition is expected to be completed throughout 2023, once the required authorisations are obtained and the IT integration is expected to be completed in 2024.

According to the financial information publicly available in the announcement of the acquisition, Targobank Spain is expected to contribute a business volume of €5,544 million to the ABANCA Group. This acquisition will allow the ABANCA Group to extend its commercial network in Madrid, Andalusia and the Mediterranean basin and to strengthen the ABANCA Group's position in strategic lines such as insurance activity, payment services or investment funds, as well as small and medium-sized enterprises, which are considered to be strategic for the ABANCA Group. This transaction implies a consumption of capital (-35/40 basis points in CET1 according with initial calculations), and is expected to produce significant synergies.

Strategic Plan 2021-2024

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

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

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

- Increase the generation of recurring revenues: it will be fundamentally articulated by promoting insurance activity with the deployment of the company ABANCA Generales de Seguros y Reaseguros, S.A. ("**ABANCA Seguros Generales**") and will aim at becoming a benchmark in

advising ABANCA clients on savings, but maintaining the focus on consumer financing and means of payment, financing SMEs and businesses and promoting the capture of value customers (please see "*Business Overview -Description of the Main business lines -A. Retail Banking -Specialised Business -Insurance*" for further information).

- Cost efficiency: optimising the omnichannel distribution model in a context of growing customer digitalisation, increasing the efficiency of support structures and capturing the value from the synergies arising from inorganic growth. Despite the last acquisitions carried out, the Bank remains open to explore opportunities in the market to the extent they allow generating clear synergies and efficiency improvements, complementing priority business lines of the Bank (e.g., business with corporations, asset management, insurance, consumer) and its condition as an Iberian company that is capable of developing "cross border" businesses.
- Management of risks linked to the current environment, with a selective risk appetite framework that is aimed at sectors less exposed to the pandemic and more sustainable, that will be reinforced with the change in the production model defined in Next Generation (the UE fund created in connection with the COVID-19 pandemic). At the same time, recovery processes will be strengthened by developing a greater capability for anticipation, both in identifying customers with problems and in generating solutions. In this area of risk management, cybersecurity will be a key element, enhancing the risk culture throughout the company and in particular the model "*Secure by design*".
- Exponential bank transformation: promoting digitalisation of processes and the development of new skills (reskilling), especially with regard to sustainability. These transformation projects will be implemented for years and that, in some cases, could exceed the timeframe of the 2021-2024 Strategic Plan itself.

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

In 2022, the restrictions associated with the COVID pandemic have been progressively eliminated, and the return to an environment of positive interest rates in the second half of the year, have conditioned the annual review of the Strategic Plan 2021-2024.

BUSINESS OVERVIEW

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

The ABANCA Group 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 the ABANCA Group and is aimed at a variety of retail customers (individuals, businesses and public administrations), who are provided with a range of financial and para-financial products through either the branch network or alternative distribution channels (internet, on-line banking, mobile banking, etc.). Within the retail banking line, individuals and small scale enterprises are considered strategic.

This business line contributed 82.16% of the gross margin of the ABANCA Group for the year ended on 31 December 2022 (76.45% for the year ended on 31 December 2021) and 72.24% of the profit before tax from continuing operations of the ABANCA Group for the year ended on 31 December 2022 (79.92% for the year ended on 31 December 2021).

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

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

This business line contributed 6.88% of the gross margin of the ABANCA Group for the year ended on 31 December 2022 (15.47% for the year ended on 31 December 2021) and 8.51% of the profit before tax from continuing operations of the ABANCA Group for the year ended on 31 December 2022 (15.42% for the year ended on 31 December 2021).

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

This business line contributed 10.96% of the gross margin of the ABANCA Group for the year ended on 31 December 2022 (8.07% for the year ended on 31 December 2021) and 19.25% of the profit before tax from continuing operations of the ABANCA Group for the year ended on 31 December 2022 (4.66% for the year ended on 31 December 2021).

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 2022 and 2021:

Financial year 2022

SEGMENTATION 2022 (in accordance with IFRS-EU)	Retail Banking	Wholesale Banking	Non- financial subsidiaries	Total
	<i>(€ million)</i>			
Net interest income	747.54	(0.93)	23.11	769.73
Dividend income	-	6.68	-	6.68
Share of profit or loss of equity-accounted investees	-	-	(3.05)	(3.05)
Fee and commission income and expense	264.63	-	17.09	281.72
Gains or losses on financial assets and liabilities	-	34.60	(2.34)	32.26
Exchange differences, net	(0.04)	(0.20)	0.06	(0.18)
Other operating income and expenses	(96.78)	36.44	87.23	26.89
Gross margin	915.35	76.60	122.10	1,114.05
Personnel expenses	(365.66)	(14.62)	(18.33)	(398.61)
Other administrative expenses, depreciation and amortisation	(289.99)	(21.44)	(44.10)	(355.52)
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(52.61)	(1.23)	-	(53.84)
Net Operating income	207.10	39.32	59.67	306.08
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.76)	(4.06)	0.32	(6.50)
Gains or losses on derecognition of non-financial assets, net	(0.06)	3.56	(0.01)	3.49
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	20.81	(12.30)	-	8.52
Profit before tax from continuing operations	225.09	26.52	59.98	311.59

Financial year 2021

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

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

Description of the main business lines

The ABANCA Group develops a business model based on retail banking where its main focus is the customer, who receives individual and specialised attention in those cases in which their profile so 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, the ABANCA Group also operates in the financial markets, which are a source of diversification for recurrent income and contribute to the optimisation of resources and risks.

The ABANCA Group identifies the following business lines which coincide with the breakdown reported in the 2022 Audited Consolidated Annual Accounts and the 2021 Audited Consolidated Annual Accounts:

A. Retail Banking

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

As of 31 December 2022, the ABANCA Group had approximately 2.2 million customers, of whom 2.0 million were active customers. In turn, these 2.0 million active customers are divided into 1.7 million individual customers and 0.3 million self-employed and corporate clients.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Retail Banking" business segment for the financial years 2022 and 2021:

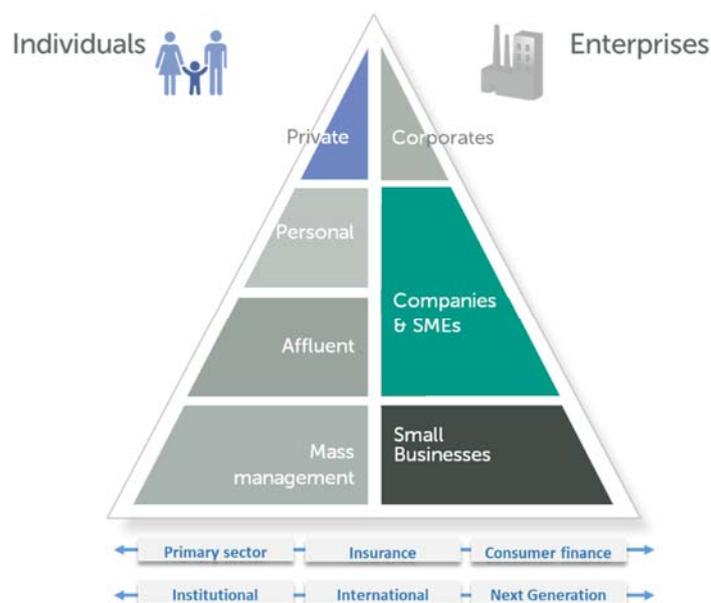
RETAIL BANKING (in accordance with IFRS-EU)	31 December 2022	31 December 2021	Var.
		(€ million)	
Net interest income	747.54	628.17	19.00%
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	264.63	257.53	2.76%
Gains or losses on financial assets and liabilities	-	-	-
Exchange differences, net	(0.04)	4.14	n.a.
Other operating income and expenses	(96.78)	(85.31)	13.45%
Gross margin	915.35	804.52	13.78%
Personnel expenses	(365.66)	(349.92)	4.50%
Other administrative expenses, depreciation and amortisation	(289.99)	(276.21)	4.99%
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(52.61)	(97.87)	(46.25%)
Net Operating income	207.10	80.53	157.17%
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(2.76)	(11.65)	(76.26%)
Gains or losses on derecognition of non-financial assets, net	(0.06)	0.10	n.a.
Negative goodwill recognised in profit or loss	-	205.89 ^(*)	(100.00%)
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	20.81	21.14	(1.56%)
Profit before tax from continuing operations	225.09	296.02	(23.96%)

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

Customer types and segmentation

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

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



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

- *Individuals*, which in turn are classified in (i) mass management (groups of customers with certain homogeneous needs which can be addressed with a more standardised approach), and other categories which are more adapted to specific needs; (ii) affluent; (iii) personal banking; and (iv) private banking.
- *Enterprises*: the difference is made based on invoicing and activity, for the purpose of offering a better service adapted to the specific needs of each group: (i) self-employed workers, businesses and small-scale enterprises; (ii) companies; and (iii) corporates.

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

- *Primary sector*: specialised unit serving individuals and legal entities related to agricultural and livestock activities, and another unit serving maritime and fishing activities.
- *Insurance*: this unit provides insurance solutions to all types of customers in the insurance business.
- *Consumer finance*: this unit provides solutions to the consumer sector, requested both by end consumers (purchase deferral, point of sale financing, etc.) and by businesses.
- *Institutional*: this unit deals with public sector needs.
- *International*: this unit develops the strategy of complementary international presence in geographic areas which have links with the "natural market" of the ABANCA Group. Please see "*Principal markets*" below.
- *Next Generation funds*: this unit collaborates closely with public administrations and businesses to develop their projects (promotion of the circular economy, digitalisation, energy transition, etc.) and make them eligible for European funds.

1. Specialisation by legal nature

Individuals

Individual customers constitute the main segment of ABANCA, since they represented 85% of its total active customers and 39% of the financing granted to customers as of 31 December 2022. Within this total, as of 31 December 2022, €14.3 billion have been allocated to the acquisition of homes.

Among the main products and services of the ABANCA Group 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. The ABANCA Group complements this offer with other products such as guarantees, letters of credit or means of payment. Additionally, the ABANCA Group offers an increasing range of sustainable products such as financing of electric cars, installations of self-consumption and renewable energy storage facilities, as well as the implementation of renewable heating systems in the residential sector and loans to homeowners' associations to maintain or improve the safety of the building, its accessibility, the implementation of energy saving installations and the thermal insulation, etc.
- *Savings*: the products offered include, inter alia, term deposits, savings books, current accounts, investment funds in their different modalities, insurance, pension schemes and fixed- and variable-yield securities. Additionally, the ABANCA Group offers delegated portfolio management services with different options adjusted to the customer needs, including a variety of sustainable investments. These products are accessible to a wide range of customers as they can be formalised from €3,000.

In order to promote the generation of added value for all individual customers (and specially for those categorised in personal and private banking), ABANCA decided to optimise its corporate

structure by merging its two investment fund management companies, Imantia Capital, S.G.I.I.C., S.A. and Bankoa Gestión, S.A., S.G.I.I.C., into a single company, ABANCA Gestión de Activos, S.A. S.G.I.I.C., a brand with which the bank will promote the growth of its off-balance sheet business. With this decision to merge the ABANCA Group gains efficiency through the standardisation of its catalogue of products in the off-balance sheet segment, avoiding duplications and increasing the transparency to the market.

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

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

- *Mass management:* this unit serves those customers whose monthly income is lower than €1,500. It is the unit with the broadest base of customers, who are "characterised" to be served by one of the members of the office staff (directors, assistant directors, specialised managers or managers) following criteria of added value. The specialised members of the "Mass management" unit also provide services adapted to the needs of those customers with the higher number of products or services contracted with the ABANCA Group.
- *Affluent:* this unit serves customers with a regular monthly balance above €500 and additionally meeting different relationship conditions in terms of a minimum balance in value-added products, certain use of payment methods or general insurance policies contracted. These customers deal with specialist managers who provide an improved financial relationship with regard to each of the previously mentioned products.
- *Personal banking:* this unit serves customers whose net worth is between €100,000 and €500,000 and/or whose monthly income is higher than €3,000, and who therefore have a great interest in purchasing products which are an alternative to the fixed term and request more differentiated and personalised services. As of 31 December 2022, this segment represented had more than 230,000 customers, and it is one of the main pillars of growth for the Individuals segment which the ABANCA Group is boosting with the greatest intensity.

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

- *Private banking:* this unit is focused on serving those customers whose balance is above €500,000 through management with a more specific degree of personalisation, tailored to each customer. As of 31 December 2022, this segment had almost 8,000 customers.

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

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

Enterprises

The service for enterprises holds another pillar in the activity of ABANCA, upon which one of the main focuses of development for ABANCA hinges on SMEs and the self-employed. As of 31 December 2022, the ABANCA Group had a customer base of almost 320,000 enterprises and freelancers who are served by specialised managers assigned according to their needs. The breakdown of the lending portfolio of the ABANCA Group is well diversified in different business sectors, including manufacturing, wholesale and retail trade or transport and storage.

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

- *Financing:*
 - *Working capital:* the ABANCA Group 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:* the ABANCA Group provides everyday products such as guarantees, overdrafts, leasing, renting, risk coverage products, etc., or specific solutions for foreign trade operations. The latter include Comex advice, import-export financing, accounts in foreign currencies, payment risk coverage and the delivery of goods and international transfers, among other things. Additionally, the ABANCA Group offers an increasing range of sustainable products while providing support to the primary sector, from the dissemination of information on aid for business model improvement plans to assistance with formalities.
- *Cash saving-management:* company solutions include particular products such as "cash pooling", current and savings accounts, and joint promotion deposits or pension schemes, in addition to the everyday solutions offered to individuals.
- *Other products and services:* including insurance, e-commerce, different advice lines on commercial reports, public aid and subsidies, public tenders and bidding, specific electronic banking services for legal persons, etc. As of 31 December 2022, more than 240,000 enterprises used the electronic banking services rendered by the ABANCA Group.

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

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

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

- *Companies & SMEs Unit:* this unit is intended to serve medium-sized enterprises. Its purpose is to serve SMEs (annual turnover between €2 million and €10 million) and companies whose annual turnover is between €10 million and €200 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 €200 million per year) in order to form part of their financing needs and provide them with integrated coverage. The managers of this area provide support to a large number of the main economic groups in Spanish territory.

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

2. Specialised Businesses

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

Primary sector

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

ABANCA Mar provides its services to the maritime and fishery sector through a network of 97 branches as of 31 December 2022. It has a team of professionals with financial solutions (products and services) adapted to the characteristics and needs of the fishery sector and ancillary industry.

ABANCA Agro provides its services and support through a range of products designed for this collective (financial support for those affected by fires, aid for dairy farmers, etc.). This service is provided through 238 branches as of 31 December 2022 where managers are specialised in this sector work.

Insurance

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

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

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

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

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

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

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

The ABANCA Group had general and life-risk insurance premiums for a value of €379.3 million as of 31 December 2022, representing an increase of 11.0% compared to 31 December 2021.

Consumer finance

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

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

Institutional

The public sector has a specific area in the ABANCA Group, in which financial solutions are offered to address the needs of public bodies, public enterprises, associations, foundations, etc. Organised around a territorial network, the institutional banking co-ordinators were managing a portfolio of more than 1,800 customers throughout Spain as of 31 December 2022. 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 250 collaboration agreements with town councils, autonomous regions, associations, foundations, etc. for the development of initiatives which promote the social, economic and cultural development of their environment. ABANCA also collaborates with revenue-collecting entities for the purpose of improving the efficiency of the processes for the collection of fees, public prices and other revenues.

International

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

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

Next Generation

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

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

Recoveries and Real Estate assets

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

The recovery task focuses on reducing portfolios of suspicious and failed transactions (both current and planned transactions) for the purpose of minimising their negative impact on the results through standardisation, collection or judicial management. All these arrangements have the support of the commercial network, mainly in early delinquency stages. ABANCA's NPL ratio²² decreased significantly from 13.9% as of 31 December 2014 to 2.1% as of 31 December 2022 (2.1% as of 31 December 2021).

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

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

As of 31 December 2022, the internal commercial team directed and co-ordinated a group of 429 real estate broker (REBs) distributed throughout the Spanish territory.

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

B. Wholesale Banking

Although ABANCA finances its credit activity as a retail business (with a Retail Loan to Deposits (LtD) ratio²³ of 92.4% as of 31 December 2022 (92.3% as of 31 December 2021)), the "Wholesale Banking" business segment complements the commercial activity of ABANCA and constitutes an additional source of revenue for the consolidated statements of profit and loss.

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

²² NPL ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation is set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

²³ Retail Loan to Deposits (LtD) ratio is an APM, which is unaudited and whose definition, explanation, use and reconciliation is set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

of partners in companies from the Iberian market, in addition to capital increase, debt restructuring and other corporate transactions.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Wholesale Banking" business segment for the financial years 2022 and 2021:

WHOLESALE BANKING (in accordance with IFRS-EU)	31 December 2022	31 December 2021	Var.
		<i>(€ million)</i>	
Net interest income	(0.93)	21.04	n.a.
Dividend income	6.68	5.71	16.94%
Share of profit or loss of equity-accounted investees	-	-	-
Fee and commission income and expense	-	-	-
Gains or losses on financial assets and liabilities	34.60	118.31	(70.76%)
Exchange differences, net	(0.20)	5.02	n.a.
Other operating income and expenses	36.44	12.77	185.50%
Gross margin	76.60	162.85	(52.96%)
Personnel expenses	(14.62)	(10.38)	40.83%
Other administrative expenses, depreciation and amortisation	(21.44)	(19.07)	12.43%
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(1.23)	(60.01)	(97.95%)
Net Operating income	39.32	73.39	(46.43%)
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	(4.06)	(3.38)	19.99%
Gains or losses on derecognition of non-financial assets, net	3.56	(0.16)	n.a.
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(12.30)	(12.73)	(3.43%)
Profit before tax from continuing operations	26.52	57.12	(53.56%)

C. Non-Financial Subsidiaries

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

As of 31 December 2022, the ABANCA Group maintained an investees portfolio with presence in the food and beverage sectors (*bodegas*), leisure and tourism (hotels, marina concessionaires, thalassotherapy and fitness etc.), insurance (brokerage and insurance companies), finance (venture capital, consumer finance, etc.), infrastructure (motorway concessionaires) and others such as information and car, maritime, commercial transport, real estate and energy sectors, etc. The investee companies have an important presence and performance in the autonomous region of Galicia.

The following table includes a breakdown of the consolidated result before tax of the ABANCA Group's "Non-Financial Subsidiaries" business segment for the financial years 2022 and 2021:

NON FINANCIAL SUBSIDIARIES (in accordance with IFRS-EU)	31 December 2022	31 December 2021	Var.
		<i>(€ million)</i>	
Net interest income	23.11	24.94	(7.33%)
Dividend income	-	-	-
Share of profit or loss of equity-accounted investees	(3.05)	(1.66)	83.32%
Fee and commission income and expense	17.09	-	n.a.
Gains or losses on financial assets and liabilities	(2.34)	-	n.a.
Exchange differences, net	0.06	0.01	409.09%
Other operating income and expenses	87.23	61.66	41.46%
Gross margin	122.10	84.95	43.74%
Personnel expenses	(18.33)	(15.36)	19.34%
Other administrative expenses, depreciation and amortisation	(44.10)	(38.53)	14.48%
Provisions or reversals of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	-	(0.38)	(100.00%)
Net Operating income	59.67	30.68	94.49%
Impairment or reversal of impairment on investments in joint ventures or associates and on non-financial assets	0.32	(13.43)	n.a.
Gains or losses on derecognition of non-financial assets, net	(0.01)	0.00	n.a.
Negative goodwill recognised in profit or loss	-	-	-
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-	-	-
Profit before tax from continuing operations	59.98	17.25	247.71%

Distribution channels

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

Branches

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

- Galicia, Asturias, Extremadura and the province of León: the "natural market" of ABANCA, where it has its major market share (as of 31 December 2022, ABANCA was the market leader in Galicia with a share of 41.8% (source: *Statement FI 132.E December 2022 of the Bank of Spain*)). ABANCA has a broad network of branches in its "natural market" (518 branches as at 31 December 2022).
- Rest of Spain: where the presence of ABANCA is selective and focused on larger towns (105 branches as of 31 December 2022). The integration of Bankoia and Novo Banco branch network in Spain, carried out in 2021, has provided further presence, especially in the Basque Country.

Additionally, the incorporation of Targobank, expected for 2023, will also reinforce the presence of ABANCA in the rest of Spain, especially in those areas where ABANCA was less represented (Mediterranean area and Andalusia).

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

The branches of ABANCA are distributed as follows:

Number of branches	Dec 2022	Dec 2021
Spain	623	634
Galicia, Asturias, Extremadura and León.....	518	521
Rest of Spain	105	113
Portugal	44	44
Abroad	2	2
Representative offices abroad	8	8
Total	677	688

ABANCA has also a network of agents which is complementary to the aforementioned branch network. This network of agents has an increasing relevance in the distribution network of ABANCA and contributes to a greater presence in the Spanish and Portuguese territories thanks to the 51 agents.

Number of agents	Dec 2022	Dec 2021
Spain	23	24
Portugal	28	25
Total	51	49

In addition, the presence of ABANCA in the Iberian market is complemented by a presence in the international markets through two operational branches in Switzerland and Miami (as of 31 December 2022) and representative offices (France, the UK, Switzerland, Germany, Panama, Brazil, Mexico and Venezuela). Please also see "—History and development – History" above.



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

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

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

ATMs

As of 31 December 2022, ABANCA offers its customers a network of 1,170 integrated ATMs within the EURO 6000 network. ABANCA is also continuing with the implementation of state-of-the-art fully equipped ATMs as well as the implementation of new functionalities to respond to the demands reported by customers and branches. These devices allow customers to conduct on their own recurrent transactions that involve a high administrative load for the branch employees, such as making cash withdrawals with return of coins, multiple payment of receipts and deposits of exact amounts and return of change with the card. Moreover, as of 31 December 2022, ABANCA had a wide network of point of sale terminals (54,980 units) and cards (2.7 million units).

Digital channels

ABANCA also has a virtual banking service (electronic, telephone and mobile banking) for all of its products that is used by 73% of its customers. ABANCA's mobile banking is used by two out of three private customers from the bank.

In order to adapt to new customers habits, ABANCA, within its digital strategy offers numerous payment tools (ABANCA Pay, ABANCA Cash, Samsung Pay, Apple Pay and Google Pay, contactless technology) and products suited to the demands of digital customers.

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

This digital strategy allowed ABANCA to increase the number of active digital customers by 8% during 2022 with a special focus on electronic and mobile banking to carry out all types of transactions and manage and contract products through the web and telephone. During the year ended 31 December 2022, more than 1.3 million customers of the ABANCA Group used remote services for their queries and transactions (more than 1.2 million during 2021); moreover, 75.5% (69.6% in 2021) of the total transactions conducted by the ABANCA Group clients during that period were conducted through digital channels. In that period, the number of ABANCA Group's customers that used mobile banking grew 13.2% (14.5% in 2021).

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

Client satisfaction

The key idea of ABANCA's model of specialisation and differentiation is that the service must be provided in the most satisfactory and experiential manner to all ABANCA customers and, in particular, to ABANCA

best customers. ABANCA focuses on creating and strengthening experiences with customers which generate positive emotions, leading them to recommend ABANCA to friends and relatives, as well as maintaining long-term relationships, increasing their product bundling and thus building-up product and brand loyalty.

ABANCA considers the digital strategy as one of the fundamental tools leading to the improvement of customer experience. In this respect, ABANCA's digital project seeks to accelerate processes in order to offer a multi-channel and innovative service with higher quality levels and with the possibility of contracting products and services without the need to go to a branch. The promotion of the digital strategy, with a special emphasis on mobile banking and electronic banking to carry out all kinds of transactions and manage and contract products via the web and by telephone, has enabled ABANCA to increase both the number of active digital customers and the number of loyal customers. ABANCA continues to innovate and incorporating best practices in all matters relating to the digital world without neglecting its less-digital customers. ABANCA has a high sensitivity with respect to these customers, so they are given facilities in their transactions in the branches, with increased service hours, offering them training in the use of ATMs and accompanying them in the management of the bank's digital tools.

ABANCA has been using "ABANCA ESCUCHA" for years, a comprehensive customer experience management tool that aims to collect customer opinions and assessments quickly and in real time. Given the strategic importance of the client-centric approach, in 2023 it is planned to replace this tool with a more sophisticated and high-tech one. This tool, in addition to allowing the monitoring of the main experience metrics, will bring together all customer interactions on a single platform, more precisely identify the aspects to be improved and solve their complaints faster. This new system uses artificial intelligence technology such as speech analytics, which makes it possible to automatically process written or spoken language and thus facilitate better and deeper research. In addition, it also brings about high-impact internal collateral improvements since it facilitates the management of customer dissatisfaction, involves central service support areas and extends better business practices.

PRINCIPAL MARKETS

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

- In the "*natural market*" (autonomous regions of Galicia, Asturias, Extremadura and province of León), the branch network remains as the basic instrument for the relationship with the customer, acting as the advice centre and point of sale, always counting on the support of remote services that make it easier for the customer to carry out their transactions. The credit market share ABANCA had in the natural markets (Galicia, Asturias, León and Extremadura) as of 31 December 2022 amounted approximately to 21% in credit, 26% in deposits and 24% in total turnover (source: *FI 132.E Statement of Bank of Spain dated 31 December 2022*).
- In Galicia, the large branch network of the ABANCA Group makes it easier for the Galician population to access financial services in an environment with a dispersed population. As of 31 December 2022, ABANCA provided its services in 143 small towns where it is the only financial institution present and as of 31 December 2022 ABANCA Group had two mobile offices which move on a regular basis to other centres of population where there is no branch, thus favouring their financial inclusion.
- In the rest of the Spanish territory, ABANCA opts for a far more selective physical network, focusing on the customer, with a high net worth and strongly spurred on by online banking. The acquisition of Bankoa reinforced the ABANCA Group position in the Basque Country as well as strengthened the enterprises and asset management business areas. Moreover, the acquisition of the Novo Banco Group's branch network in Spain reinforced ABANCA's position in urban areas of province capitals with high income and business fabric that support the business in neighbouring provinces by strengthening strategic business lines such as personal and private banking, enterprises (specially aimed at cross-border scope) and insurance activity. Additionally, the incorporation of Targobank is expected to reinforce the presence of ABANCA in areas where ABANCA was less represented such as Mediterranean basin and Andalusia.
- In Portugal, the intention of ABANCA has been to expand throughout this territory. Due to the acquisition of DB PCB's business, ABANCA had the opportunity to expedite this expansion based

on an already consolidated branch network and client base. In this way, ABANCA currently manages a physical presence that covers 18 of the 20 Portuguese districts and autonomous regions (among which are the most developed ones) in a country with great links with ABANCA's mentioned "natural market". Additionally, as it occurs in the rest of the territories where ABANCA operates, this physical presence is complemented by top-level digital solutions.

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

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

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

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

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

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

Director	Company	Title
Mr. Juan Carlos Escotet Rodríguez	Confederación Española de Cajas de Ahorro	Director
	Banesco Holding, C.A.	Chairman
	Banesco Banco Universal, C.A.	Chairman
	Banesco Holding Latinoamérica, S.A.	Director
	Banesco USA	Vice-Chairman
Mr. Francisco Botas Ratera	Cecabank, S.A.	Director
	Sociedade para o Desenvolvimento de Proxectos Estratégicos de Galicia, S.L.	R.P.F. Director of Galicia Business and Financial Corporation, S.L.
	Miura Holding, C.V.	Director/ Chairman
Mr. Pedro Raúl López Jácome	MWM Holdings Group, INC	Director
	Miura Capital Panamá, Inc.	Director/ Chairman
	Abanca Gestión de Activos S.G.I.I.C., S.A.	Chairman
	Grifols, S.A.	Director
	Kanoar Ventures SGEIC, S.A.	Chairman
Ms. Carina Szpilka Lázaro	Karvela Holdk, S.L.	Chairman
	Asociación Española de la Economía Digital (Adigital)	Chairman
	Meliá Hotels International, S.A.	Director
	AENA SME, S.A.	Director
	LAR España Real Estate Socimi, S.A.	Director

	Abanca Gestión de Activos	
	S.G.I.I.C., S.A.	Director
	Acerinox, S.A.	Director
Ms. Ana Valente da Cunha Barros	Luís Pacheco de Melo, Lda.	Partner
	REN-Redes Energéticas	Director
	Nacionais SGPS, S.A.	
	ECS Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	Director
Ms. Rosa Sánchez-Yebra Alonso	Sociedade para o Desenvolvimento de Proxectos Estratégicos de Galicia, S.L.	Director

As of the date of this Prospectus, there are no conflicts of interest in relation to members of the Board of Directors of ABANCA between any duties owed to ABANCA and their private interests and other duties. The Ethic and Conduct Code (*Código Ético y de Conducta*) of ABANCA contains provisions about, among others, conflicts of interest.

Executive Credit Commission

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

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

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

Audit and Compliance Commission

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

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

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

Appointments and Sustainability Commission

The Appointments and Sustainability Commission has, in general terms, the following functions: (i) to evaluate the balance between knowledge, skills, diversity and experience within the Board of Directors and

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

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

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

Remuneration Commission

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

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

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

Comprehensive Risk Commission

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

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

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

Management Team

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

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

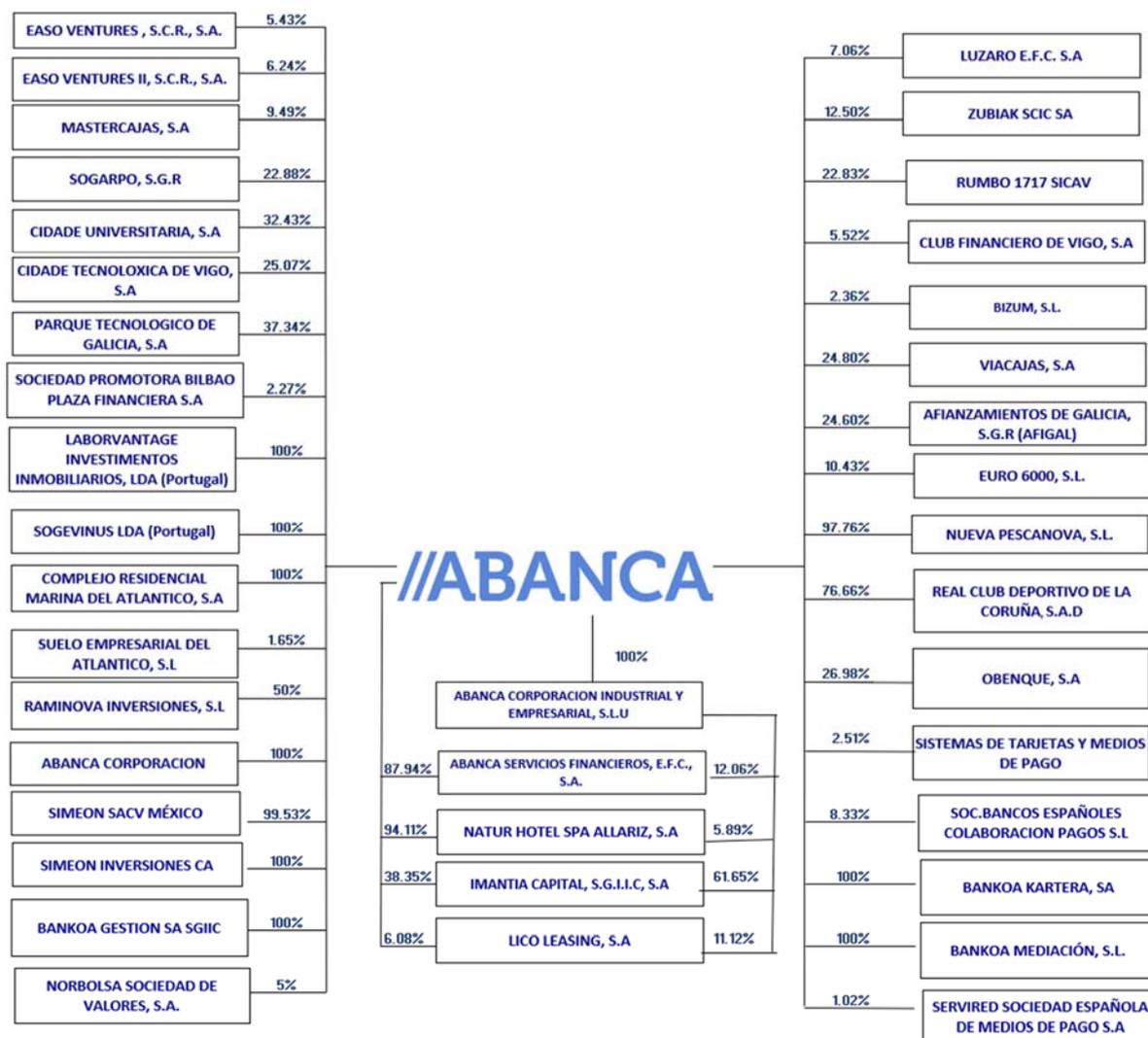
There are no members of the management team of ABANCA with activities performed outside ABANCA or companies or members of the ABANCA Group as of the date of this Prospectus that are significant with respect to ABANCA.

As of the date of this Prospectus, there are no conflicts of interest in relation to members of the management team of ABANCA between any duties owed to ABANCA and their private interests and other duties. The Ethic and Conduct Code (*Código Ético y de Conducta*) of ABANCA contains provisions about, among others, conflicts of interest.

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

ORGANISATIONAL STRUCTURE

The following chart summarises the companies making up the ABANCA Group and ABANCA's ownership of such companies as of 31 December 2022:



The book value of the investees portfolio of the ABANCA Group (excluding fully consolidated subsidiaries and associates) and of ABANCA Corporación Industrial y Empresarial, S.L.U. amounted to €139.85 million as of 31 December 2022 (€108.31 million as of 31 December 2021) and as of that date there were no material pending recapitalisation commitments.

Furthermore, as of 31 December 2022 the ABANCA Group had classified group entities for a value of €1,070.71 million recorded in "non-current assets and disposal groups classified as held for sale" and for a value of €702.03 million recorded in "liabilities included in disposal groups classified as held for sale".

CAPITAL STRUCTURE

Share capital

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

Shareholders

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

<u>Shareholder</u>	<u>Interest</u>
Mr. Juan Carlos Escotet Rodríguez	84.7481% ^(*)
Other shareholders	14.8548%
Treasury shares	0.3971%

^(*) Out of which, 41.2481% indirectly held through Escotet Family Office, S.L.U.

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

LEGAL AND ARBITRATION PROCEEDINGS

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

In particular, the ABANCA Group is involved in, among others, the following proceedings:

- Proceedings related to mortgage "floor clauses", in connection with which the provisions of ABANCA Group amounted to €3.16 million as of 31 December 2022 (€3.10 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with mortgage "floor clauses" as this type of clauses have not been included in the ABANCA Group agreements since 2011).
- Proceedings related to the management of hybrid equity instruments and subordinated debt in connection with which the provisions of ABANCA Group amounted to €1.14 million as of 31 December 2022 (€1.67 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with this matter).
- Proceedings related to the arrangement of interest rate hedges tied to mortgage loans granted to families and self-employed persons, in connection with which the provisions of ABANCA Group amounted to €2.19 million as of 31 December 2022 (€2.56 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a relevant aggregate amount in connection with interest rate hedges due to most of the portfolio matured between 2012 and 2016 and that any claims of contractual liability filed after 28 December 2020 could be prescribed).
- Proceedings related to lawsuits filed by buyers of off-plan homes, which resulted in a joint and several liability under the prevailing legislation (Law 57/68) against the financial entity that guaranteed the development and/or depositary of the payments on account of the price dwelling, in connection with which the provisions of ABANCA Group amounted to €10.87 million as of 31 December 2022 (€13.36 million as of 31 December 2021) (ABANCA does not expect to receive new claims for a relevant aggregate amount in relation to this type of litigation, since most of the portfolio corresponds to off-plan housing acquisitions made before 2010, and any contractual liability claim filed after 28 December 2020 could be prescribed).
- Proceedings related to the clause of formalisation costs of mortgage loans (as further described below).

In addition, the ABANCA Group has provisions amounting to €13 million to cover commitments with third parties in connection with its activity (€16 million as of 31 December 2021). The ABANCA Group is also involved in other proceedings in connection with which provisions amounted to €6.44 million as of 31 December 2022. No new provisions relating to new legal proceedings have been required in the year ended 31 December 2022 nor in the year ended 31 December 2021.

Proceedings related to the clause of formalisation costs of mortgage loans

On 23 December 2015, the Spanish Supreme Court (*Tribunal Supremo*) declared that the clause of formalisation costs of mortgage loans was null and void on the grounds of its omni-comprehensiveness in attributing to the consumer payment of all expenses and taxes arising from the formalisation, amendment and performance of the agreement. In January 2019, the Spanish Supreme Court (*Tribunal Supremo*) clarified the consequences arising from the declaration of nullity and established the first distribution of costs. In accordance with that distribution of costs, the stamp duty would be paid by the taxable person established by the tax law (the client, until the modification introduced in 2018), while the registration expenses would be paid by the bank, and the notary and agency fees would be shared equally between the client and the credit institution. Subsequently, after the ruling of the Court of Justice of the European Union of 16 July 2020, the Spanish Supreme Court (*Tribunal Supremo*) has modified its criteria with regards to the attribution of agency fees and established that those fees would be borne by the lending institution, and clarified that the appraisal expenses would also be borne by the bank.

Even though ABANCA considered that the clause whereby the loan provision expenses were attributed to the borrower was not absolutely unusual in the market, in application of a principle of prudence consistent with the rest of the industry, as from March 2017 the ABANCA has modified the operational procedures and drafts for mortgage loan contracts with consumers in order to ensure that loan provision expenses are reasonably and equitably shared.

Following the entry into force of the Law 5/2019, of 15 March, regulating real estate credit agreements (*Ley 5/2019, de 15 de marzo, reguladora de los contratos de crédito inmobiliario*), the distribution of loan expenses is mandatorily established by law for any contracts entered into after the date of entry into force of such law.

The provisions set aside by the ABANCA Group in connection with this potential requirement to pay the formalisation costs in relation to mortgage loans, together with provisions for other matters, as of 31 December 2022 amounted to €2.91 million (€2.72 million as of 31 December 2021).

OVERVIEW OF FINANCIAL INFORMATION

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

2022 Audited Consolidated Annual Accounts

The table below includes the consolidated balance sheets of the ABANCA Group as of 31 December 2022 and 2021:

ASSETS	<i>(millions of euros)</i>			2022 restated*
	2022	2021	Var.	
Cash, cash balances with central banks and other demand deposits	8,581.61	12,461.40	(31.13%)	8,5681.61
Financial assets held for trading				
Derivatives	470.92	139.37	237.89%	470.92
Debt securities	-	-	-	-
	470.92	139.37	237.89%	470.92
Non-trading financial assets mandatorily at fair value through profit or loss				
Equity instruments	162.67	144.79	12.34%	162.67

Debt securities	96.86	1.04	9,240.69%	96.86
Loans and advances	-	-	-	-
Customers	-	-	-	-
	259.53	145.83	77.97%	259.53
Financial assets designated at fair value through profit or loss				
Equity instruments	-	-	-	-
Debt securities	-	-	-	-
Financial assets at fair value through other comprehensive income				
Equity instruments	21.08	15.79	33.50%	21.08
Debt securities	1,919.82	5,420.66	(64.58%)	1,919.82
	1,940.91	5,436.46	(64.30%)	1,940.91
Financial assets at amortised cost				
Debt securities	10,877.63	8,138.34	33.66%	10,877.63
Loans and advances				
Credit institutions	985.93	986.62	(0.07%)	985.93
Customers	45,167.46	45,982.39	(1.77%)	45,167.46
	57,031.02	55,107.35	3.49%	57,031.02
Derivatives-- hedge accounting	870.89	69.02	1,161.72%	870.89
Investments in joint ventures and associates				
Associates	162.29	156.24	3.87%	162.29
	162.29	156.24	3.87%	162.29
Assets covered by insurance or reinsurance contracts	5.58	5.36	4.26%	5.58
Tangible assets				
Property, plant and equipment/Fixed assets				
For own use	958.81	977.09	(1.87%)	958.81
Leased out under operating leases	-	-	-	-
Investment property	231.43	243.33	(4.89%)	231.43
	1,190.24	1,220.42	(2.47%)	1,190.24
Intangible assets				
Goodwill	66.35	61.73	7.48%	66.35
Other intangible assets	395.01	400.18	(1.29%)	395.01
	461.36	461.92	(0.12%)	461.36
Tax assets				
Current tax assets	22.32	29.81	(25.11%)	22.32
Deferred tax assets	3,505.12	3,482.02	0.66%	3,523.03
	3,527.44	3,511.83	0.44%	3,545.35
Other assets				
Insurance contracts linked to pensions	30.12	160.74	(81.26%)	30.12
Inventories	76.93	63.81	20.55%	76.93
Other assets	134.28	180.88	(25.76%)	133.78
	241.33	405.43	(40.48%)	240.83
Non-current assets and disposal groups classified as held for sale		1,376.30	(4.99%)	1,307.66
	1,307.66			
TOTAL ASSETS	76,050.77	80,496.91	(5.52%)	76,068.18

* As a result of the implementation of IFRS 17, the comparative information contained in the balance sheet of the 2023 Consolidated First Quarter Interim Financial Statement is restated information (but not in the 2022 Audited Consolidated Annual Accounts). On 1 January 2023 IFRS 17 entered into effect which supersedes IFRS 4 for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 introduces substantial changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability among entities.

(millions of euros)

EQUITY AND LIABILITIES	2022	2021	Var.	2022 restated*
LIABILITIES				
Financial liabilities held for trading				
Derivatives	461.50	141.30	226.61%	461.50
	461.50	141.30	226.61%	461.50
Financial liabilities at amortised cost				
Deposits				
Central banks	8,014.72	9,765.78	(17.93%)	8,014.72
Credit institutions	3,923.68	5,536.41	(29.13%)	3,923.68
Customers	52,518.53	54,255.83	(3.20%)	52,518.53
Debt securities issued	2,811.07	2,557.57	9.91%	2,811.07
Other financial liabilities	329.07	312.09	5.44%	329.07
<i>Memorandum item: subordinated liabilities</i>	<i>1,304.53</i>	<i>1,303.79</i>	<i>0.06%</i>	<i>1,304.53</i>
	67,597.08	72,427.68	(6.67%)	67,597.08
Derivatives— hedge accounting	523.25	298.58	75.25%	523.25
Liabilities covered by insurance or reinsurance contracts	1,536.64	1,472.24	4.37%	1,534.24
Provisions				
Pensions and other post-employment defined benefit obligations	237.56	276.16	(13.98%)	237.56
Outstanding tax-related legal proceedings and litigation	20.22	20.98	(3.60%)	20.22
Commitments and guarantees given	96.03	97.89	(1.89%)	96.03
Other provisions	19.47	23.87	(18.42%)	19.47
	373.29	418.89	(10.89%)	373.29
Tax liabilities				
Current tax liabilities	39.39	44.25	(10.99%)	39.39
Deferred tax liabilities	112.59	170.98	(34.15%)	131.08
	151.98	215.23	(29.39%)	170.46
Other liabilities	289.66	277.17	4.50%	289.66
Liabilities included in disposal groups classified as held for sale	702.03	726.60	(3.38%)	702.03
TOTAL LIABILITIES	71,635.42	75,977.68	(5.72%)	71,651.50
EQUITY				
SHAREHOLDERS' EQUITY				
Capital				
Paid-up capital	2,476.21	2,476.21	-	2,476.21
	2,476.21	2,476.21	-	2,476.21
Share premium	208.79	208.79	-	208.79
Equity instruments issued other than capital				
Other equity instruments	-	-	-	-
Retained earnings	2,084.22	1,831.37	13.81%	2,084.22
Other reserves				
Reserves or accumulated losses of investments in joint ventures and associates	22.76	22.92	(0.71%)	22.76
Other	(135.99)	(91.22)	49.08%	(182.18)
	(113.24)	(68.30)	65.79%	(159.43)

Treasury shares	(20.40)	(17.40)	17.30%	(20.40)
Profit attributable to the owners of the Parent	215.01	323.31	(33.50%)	217.45
Interim dividends	(56.62)	(66.67)	(15.07%)	(56.62)
	4,793.97	4,687.31	2.28%	4,750.22
Accumulated other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial gains or losses on defined benefit pension plans	(0.84)	(12.92)	(93.52%)	(0.84)
Fair value changes of equity instruments measured at fair value through other comprehensive income	0.58	1.29	(55.00%)	0.58
Items that may be reclassified to profit or loss				
Foreign currency translation	4.56	2.44	86.74%	4.56
Hedging derivatives Cash flow hedges reserve (effective portion)	(346.04)	(202.37)	70.99%	(346.04)
Fair value changes of debt securities measured at fair value through other comprehensive income	(36.41)	56.75	n.a.	8.67
Share of other recognized income and expense of investments in joint ventures and associates	3.55	(7.46)	n.a.	3.55
	(374.59)	(162.26)	130.85%	(329.51)
Minority interests (non-controlling interests)				
Accumulated other comprehensive income	(0.45)	(0.51)	(11.83%)	(0.45)
Other items	(3.58)	(5.31)	(32.55%)	(3.58)
	(4.03)	(5.82)	(30.74%)	(4.03)
TOTAL EQUITY	4,415.35	4,519.23	(2.30%)	4,416.68
TOTAL EQUITY AND LIABILITIES	76,050.77	80,496.91	(5.52%)	76,068.18

* As a result of the implementation of IFRS 17, the comparative information contained in the balance sheet of the 2023 Consolidated First Quarter Interim Financial Statement is restated information (but not in the 2022 Audited Consolidated Annual Accounts). On 1 January 2023 IFRS 17 entered into effect which supersedes IFRS 4 for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 introduces substantial changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability among entities.

In the year ended 31 December 2022 the Retail Business Volume of the ABANCA Group amounted to €106,423.84 million and its Retail Business Volume per employee was €8.9 million (€108,681.66 million and €8.9 million, respectively, in the year ended 31 December 2021)²⁴.

The table below includes the consolidated statements of profit and loss of the ABANCA Group for the years ended 31 December 2022 and 2021:

	<i>(millions of euros)</i>		
	Income / (Expenses)		
	2022	2021	Var.
Interest Income	946.60	793.64	19.27%
Financial assets at fair value through other comprehensive income	40.81	52.28	(21.94%)
Financial assets at amortised cost	859.17	677.48	26.82%
Other interest income	46.62	63.88	(27.02%)
Interest expense	(176.88)	(119.50)	48.02%
NET INTEREST INCOME	769.73	674.15	14.18%
Dividend income	6.68	5.71	16.94%

²⁴ The Retail Business Volume and the Retail Business Volume per employee are APMs, which are unaudited and whose definition, explanation, use and reconciliation is set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

Share of profit or loss of equity-accounted investees	(3.05)	(1.66)	83.32%
Fee and commission income	335.60	306.00	9.67%
Fee and commission expense	(53.87)	(48.48)	11.13%
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	47.81	106.11	(54.94%)
Financial assets at amortised cost	14.23	8.98	58.55%
Other financial assets and liabilities	33.58	97.14	(65.43%)
Gains or losses on financial assets and liabilities held for trading, net	14.90	12.07	23.44%
Other gains or losses	14.90	12.07	23.44%
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	(18.92)	17.71	n.a.
Other gains or losses	(18.92)	17.71	n.a.
Gains or losses from hedge accounting, net	(11.53)	(17.58)	(34.44%)
Exchange differences, net	(0.18)	9.16	n.a.
Other operating income	112.40	81.10	38.60%
Other operating expenses	(139.06)	(127.36)	9.19%
Income from assets covered by insurance or reinsurance contracts	524.28	111.61	369.73%
Expenses from liabilities covered by insurance or reinsurance contracts	(470.73)	(76.23)	517.49%
GROSS MARGIN / GROSS INCOME	1,114.05	1,052.32	5.87%
Administrative expenses	(664.24)	(616.64)	7.72%
Personnel expenses	(398.61)	(375.66)	6.11%
Other administrative expenses	(265.63)	(240.98)	10.23%
Depreciation and amortisation	(89.89)	(92.82)	(3.15%)
Provisions or reversals of provisions	(10.74)	(94.01)	(88.58%)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(43.10)	(64.25)	(32.92%)
Financial assets at fair value through other comprehensive income	(1.23)	0.09	n.a.
Financial assets at amortised cost	(41.87)	(64.34)	(34.92%)
NET OPERATING INCOME	306.08	184.60	65.81%
Impairment or reversal of impairment on investments in joint ventures or associates	(3.00)	-	n.a.
Impairment or reversal of impairment on non-financial assets	(3.50)	(28.46)	(87.70%)
Tangible assets	(3.22)	(13.22)	(75.61%)
Intangible assets	(0.28)	(15.16)	(98.17%)
Others	-	(0.08)	(100.00%)
Gains or losses on derecognition of non-financial assets, net	3.49	(0.05)	n.a.
Negative goodwill recognised in profit or loss	-	205.89 ^(*)	(100.00%)
Gains or losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	8.52	8.41	1.27%
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	311.59	370.39	(15.88%)
Tax expense or income related to profit or loss from continuing operations	(35.99)	(34.25)	5.07%

PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	275.60	336.14	(18.01%)
Profit or loss after tax from discontinued operations	(58.65)	(15.57)	276.74%
PROFIT FOR THE YEAR	216.95	320.57	(32.32%)
Attributable to minority interests (non-controlling interests)	1.94	(2.74)	n.a.
Attributable to the owners of the parent	215.01	323.31	(33.50%)

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

In the year ended on 31 December 2022 the Basic Margin of the ABANCA Group was €1,051.45 million, its Cost to Income Ratio was 67.7%, its operating expenses amounted to €754.13 million and its Return on Equity was 4.5% (€31.67 million, 67.4%, €709.46 million and 7.0%, respectively, in the year ended on 31 December 2021).²⁵

Distributable Items

The following table sets forth the Distributable Items of ABANCA as of 31 December 2022 and 31 December 2021:

	<u>31/12/2022</u>	<u>31/12/2021</u>
	<i>(thousand (€))</i>	
Distributable items of the Bank^(*)	1,482,360	1,276,327

^(*) This figure is calculated as net income for the period, plus voluntary reserves, plus share premium, minus dividends distributed during the period.

CREDIT RATINGS

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

<u>Agency</u>	<u>Modification date</u>	<u>Short-term rating</u>	<u>Long-term rating</u>	<u>Outlook</u>
Moody's	July 2021	P-3	Baa3	Stable
S&P	April 2022	A-3	BBB-	Stable
Fitch	September 2021	F3	BBB-	Stable
DBRS	June 2022	R-1 (low)	BBB (high)	Stable

Each of Moody's Investors Service España, S.A., S&P Global Ratings Europe Limited, Fitch and DBRS Rating GmbH is a rating agency established in the EU and registered under the CRA Regulation. A list of registered credit rating agencies is published at the ESMA's website: www.esma.europa.eu. Neither the ESMA's website nor any of its contents form part or are incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has neither examined nor approved the ESMA's website nor any of its contents.

²⁵ Basic Margin, Cost to Income Ratio, operating expenses and Return on Equity are APMs, which are unaudited and whose definition, explanation, use and reconciliation is set out in section 12 (*Alternative Performance Measures (APMs)*) of the 2022 Directors' Report.

CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING REGULATIONS

CAPITAL AND ELIGIBLE LIABILITIES, LIQUIDITY AND FUNDING REQUIREMENTS

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

Directive 2014/59/EU of the European Parliament and of the Council of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"), that has been implemented in Spain through Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**") and Royal Decree 1012/2015, of 6 November, developing Law 11/2015 ("**Royal Decree 1012/2015**"), also establishes certain requirements in terms of a minimum level of capital and eligible liabilities in relation to total liabilities and own funds (known as "**MREL**").

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

The CRD V Directive and the BRRD II have been partially implemented into Spanish law through Royal Decree-Law 7/2021, of 27 April, ("**RDL 7/2021**") which has amended, amongst others, Law 10/2014 and Law 11/2015. Furthermore, Royal Decree 970/2021, of 8 November, ("**RD 970/2021**") which amended Royal Decree 84/2015, and Circulars 5/2021 and 3/2022 of the Bank of Spain, which amended the Bank of Spain Circular 2/2016, completed the implementation into Spanish law of the CRD V Directive and Royal Decree 1041/2021 ("**RD 1041/2021**"), which amended Royal Decree 1012/2015, completed the implementation of BRRD II into Spanish law.

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

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

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

On 18 April 2023 the European Commission adopted a legislative proposal to update the existing EU's bank crisis management and deposit insurance ("**CMDI**") framework. The package implies the review of the BRRD and SRM Regulation as well as a separate legislative proposal to amend the DGSD, all of which aim at further preserving financial stability, protecting taxpayers and depositors, and supporting the real economy and its competitiveness. The proposal enables authorities to organise the orderly market exit for a failing bank of any size and business model and consists of three pillars: (i) preserving financial stability and protecting taxpayers' money through facilitating the use of deposit guarantee schemes in crisis situations; (ii) shielding the real economy from the impact of bank failure by allowing authorities to fully use resolution as a key component of the crisis management toolbox; and (iii) better protecting depositors. The European Commission's proposal harmonises the standards of depositor protection across the EU and further extends the new framework of depositor protection to public entities. Furthermore, the proposal harmonises the protection of temporary high balances on bank accounts in excess of €100,000 linked to specific life events. In particular, the new rules introduce a new depositor preference, according to which the "super-preference" of deposit guarantee schemes is removed and a single-tier ranking for all deposits (covered deposits and deposit guarantee schemes' claims, non-covered deposits of households and small and medium enterprises, other non-covered deposits) is created. Therefore, covered deposits would have no "super-preference" on insolvency compared to other deposits, but would continue to be excluded from bail-in (and therefore have better protection than other deposits in a bail-in). Furthermore, the new rules foresee that all deposits relative to ordinary unsecured claims are preferred. The European Commission's proposal will go through the standard legislative process and, as of the date of this Prospectus, are subject to further discussion by the European Parliament and the Council so there is a high degree of uncertainty with regards to the proposed adjustments to the CMDI framework and when they will be finally implemented in the EU.

Additionally, on 27 October 2021, the European Commission published legislative proposals amending CRR and CRD IV Directive, as well as a separate legislative proposal amending CRR and BRRD in the area of resolution. In particular, these legislative proposals are the following: (i) Directive of the European Parliament and of the Council amending CRD IV Directive as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending BRRD; (ii) Regulation of the European Parliament and of the Council and its annex amending CRR as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and (iii) Regulation of the European Parliament and of the Council amending CRR and BRRD as regards the prudential treatment of global systemically important institution groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities²⁶. The legislative proposals referred to in (i) and (ii) will need to follow the ordinary legislative procedure to become binding EU law. The final package

²⁶ In October 2022, Regulation (EU) 2022/2036 of the European Parliament and of the Council of 19 October 2022 amending Regulation (EU) No 575/2013 and Directive 2014/59/EU as regards the prudential treatment of global systemically important institutions with a multiple-point-of-entry resolution strategy and methods for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities was adopted.

of new legislation may not include all elements currently set out in the proposal and new or amended elements may be introduced through the course of the legislative process.

Capital Requirements

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

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

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

The Bank has not been classified as G-SII or as O-SII by the Financial Stability Board ("**FSB**") nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer. In addition, the Bank of Spain agreed to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the third quarter of 2023 (requirements will be revised each quarter). Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

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

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

the competent authority should be entitled to take supervisory measures and, where appropriate, to impose additional own funds requirements.

In December 2022, the Bank received the decisions of the ECB regarding minimum capital requirements applicable as from 1 January 2023 following the outcomes of the most recent SREP. These decisions require ABANCA to maintain on a consolidated basis, a phased-in CET1 ratio of 8.125% of RWAs and a phased-in total capital ratio of 12.50% of RWAs. These ratios include the minimum "Pillar 1" capital requirements (CET1 ratio of 4.50% of RWAs and total capital ratio of 8% of RWAs), the P2R (CET1 ratio of 1.125% of RWAs and total capital ratio of 2.00% of RWAs), and the capital conservation buffer (2.50% of RWAs).

The table below sets out ABANCA's and the ABANCA Group's CET1 ratios, Tier 1 ratios, total capital ratios as of 31 March 2023, 31 December 2022 and 31 December 2021:

	Phased in		Fully Loaded	
	ABANCA	ABANCA Group	ABANCA	ABANCA Group
CET1 ratio as at 31 March 2023	11.87%	12.30%	11.70%	12.09%
CET1 ratio as at 31 December 2022	11.99%	12.48%	11.54%	11.95%
CET1 ratio as at 31 December 2021	12.33%	13.02%	11.83%	12.38%
Tier 1 ratio as at 31 March 2023	13.76%	14.22%	13.59%	14.01%
Tier 1 ratio as at 31 December 2022	13.89%	14.41%	13.44%	13.88%
Tier 1 ratio as at 31 December 2021	14.22%	14.94%	13.73%	14.30%
Total Capital ratio as at 31 March 2023 ²⁷	15.73%	16.21%	15.56%	16.00%
Total Capital ratio as at 31 December 2022	15.86%	16.41%	15.42%	15.88%
Total Capital ratio as at 31 December 2021	16.20%	16.93%	15.71%	16.30%

The ABANCA Group also has a solid capitalisation, with an asset density (i.e., the percentage of RWAs over Total Assets) of 42.7% as at 31 December 2022 (40.5% as at 31 December 2021).

Any failure by the Bank to comply with their regulatory capital requirements could result in the imposition of administrative actions or sanctions, such as further P2Rs or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, RD 1012/2015 and the SRM Regulation.

Leverage Ratio

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

The table below sets out ABANCA's and the ABANCA Group's LRs as of 31 March 2023, 31 December 2022 and 31 December 2021:

	Phased in		Fully Loaded	
	ABANCA	ABANCA Group	ABANCA	ABANCA Group
LR as at 31 March 2023	6.17%	6.47%	6.10%	6.37%
LR as at 31 December 2022	5.91%	6.21%	5.73%	5.99%
LR as at 31 December 2021	5.84%	6.20%	5.64%	5.94%

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

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

²⁷ Phased-in Total Capital ratio of 16.18% and 16.68% of ABANCA and ABANCA Group, respectively, and fully loaded Total Capital ratio of 16.01% and 16.46% of ABANCA and ABANCA Group, respectively, after giving pro-forma effect to (i) the EUR 500 million of tier 2 notes issued on 23 June 2023; and (ii) the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date.

MREL Requirements

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

In January 2023, the Bank of Spain formally reported on the MREL to be achieved by ABANCA on a consolidated basis, which was established by the SRB. In this decision, a binding intermediate MREL requirement of 14.77% of the Total Risk Exposure Amount ("**TREA**") and of 5.19% of the Leverage Ratio Exposure ("**LRE**") have been set, which must be fulfilled on 1 January 2022. The final MREL requirement, which ABANCA must meet no later than 1 January 2024, stands at 18.84% of TREA and at 5.22% of LRE. These ratios (both intermediate and final requirements) do not include the capital allocated to cover the Combined Buffer Requirement (2.5% TREA). The decision of MREL is aligned with the ABANCA's forecasts and the financing plan included in its strategic plan. As of 31 March 2023, ABANCA's MREL (not including the capital allocated to cover the Combined Buffer Requirement) represented 19.29% of the TREA (21.28% after giving pro-forma effect to EUR 500 million of senior preferred notes issued on 18 May 2023, the EUR 500 million of tier 2 notes issued on 23 June 2023 and the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date) and 8.77% of the LRE (9.68% including EUR 500 million of senior preferred notes issued on 18 May 2023, the EUR 500 million of tier 2 notes issued on 23 June 2023 and the disqualification of the issuance "EUR 350 million Fixed Rate Reset Subordinated Notes due 2029" that was bought-back on 23 June 2023, as if they had occurred on that date) (19.49% of the TREA and 8.40% of the LRE as of 31 December 2022).

According to the EU Banking Reforms, MREL application is subject to a different regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIIs, "top tier" entities (entities which are not G-SIIs but have consolidated total assets above EUR 100 billion), other entities which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its failure ("**other systemic entities**") and the rest of the resolution institutions. In particular, the EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIIs and "top tier" banks, involving a minimum "Pillar 1" subordination requirement and an institution specific "Pillar 2" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt under the new insolvency hierarchy introduced into Spain will be senior debt eligible for compliance with the subordination requirement as other eligible MREL instruments). Resolution authorities may also impose "Pillar 2" subordination requirements (including to institutions not constituting G-SIIs or "top tier" banks), which would be determined on a case-by-case basis but subject to certain caps. Although ABANCA is not a "top tier" bank as of the date of this Prospectus, it cannot be disregarded that it may comply with the conditions to be classified as such in the future, so that more demanding MREL requirements are applicable to it.

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

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

Maximum Distributable Amount

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

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

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

Liquidity Requirements

The ABANCA Group should also comply with the Liquidity Coverage Ratio ("**LCR**") requirements provided in CRR. The LCR is the short-term indicator which expresses the ratio between the amount of available assets readily monetisable (cash and the readily liquidable securities held by the ABANCA Group) and the net cash imbalance accumulated over a 30-day liquidity stress period, it is a quantitative liquidity standard designed to ensure that banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. Since 1 January 2018, the entities to which this standard applies (including the ABANCA Group) must comply with 100% of the applicable LCR requirement. The LCR of the ABANCA Group was 237.4% as at 31 December 2022 (256.6% as of 31 December 2021).

The Basel Committee on Banking Supervision (the "**BCBS**") net stable funding ratio ("**NSFR**") is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III phase-in arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. The EU Banking Reforms contain the implementation of the BCBS standard on NSFR introducing some adjustments. The NSFR ratio of the ABANCA Group was 119.9% as at 31 December 2022 (132.0% as of 31 December 2021).

Prudential Treatment of NPLs

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

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

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

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

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

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

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

and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims and subordinated obligations.

The "**Spanish Bail-in Power**" is any write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015 in addition to the mandatory exclusions set forth in Article 27.3 of the SRM Regulation and in Article 42 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 Capital or Tier 2 Capital in accordance with claim ranking set out in the Spanish Insolvency Law; and (v) the principal or outstanding amount of "bail-inable liabilities" (*pasivos susceptibles de recapitalización interna*) in accordance with the hierarchy of claims in normal insolvency proceedings (with "non-preferred" ordinary claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other ordinary claims against the Bank).

In addition to the Spanish Bail-in Power, the BRRD, Article 38 of Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write down or convert into equity capital instruments and certain internal eligible liabilities at the point of non-viability of an institution or a group (the "**Non-Viability Loss Absorption**"). The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or that it will no longer be viable unless the relevant capital instruments are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of any other Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

In accordance with Article 64.1(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other bail-inable liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

TAXATION

The following is a general description of certain Spanish tax considerations relating to the Preferred Securities. It does not purport to be a complete analysis of all tax considerations relating to the Preferred Securities whether in those countries or elsewhere. Prospective purchasers of Preferred Securities should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Preferred Securities and receiving payments of interest, principal and/or other amounts under the Preferred Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date (which may have retroactive effects). Investors should consider the legislative changes which could occur in the future.

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

Spanish tax considerations

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Preferred Securities by individuals or entities who are the beneficial owners of the Preferred Securities. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or Holders by reason of employment) may be subject to special rules. This analysis is a general description of the tax treatment under the currently in force Spanish legislation applicable in the common territory of Spain and, hence, does not describe the regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre or the provisions passed by autonomous regions (*Comunidades Autónomas*) which may apply to investors for certain taxes.

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

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

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

- (a) of general application, the First Additional Provision of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended ("**Royal Decree 1065/2007**");
- (b) for individuals resident for tax purposes in Spain who are personal income tax ("**PIT**") taxpayers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the "**PIT Law**"), and Royal Decree 439/2007, of 30 March, approving the PIT Regulations, as amended (the "**PIT Regulations**") by Royal Decree 633/2015, of 10 July, along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended, and Law 38/2022, of 27 December, for the establishment of temporary taxes on energy and on credit institutions and financial credit establishments and introducing a provisional wealth tax for high-net-worth individuals (the "**Solidarity Tax Law**");
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax ("**CIT**") taxpayers, the CIT Law, and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the "**CIT Regulations**"); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("**NRIT**") taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the

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

Tax treatment of the Preferred Securities

Indirect taxation

Whatever the nature and residence of the Holder, the acquisition and subsequent transfer of Preferred Securities will be exempt from Transfer Tax, Stamp Duty and Value Added Tax, in accordance with Article 338 of the Law 6/2023, of 17 March, on Securities Markets and Investment Services.

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

Direct taxation

(a) Individuals with tax residency in Spain

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

Both interest periodically received and income derived from the transfer, redemption or repayment of the Preferred Securities constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in each investor's savings income and taxed at the tax rate applicable from time to time, currently 19 per cent. for taxable income up to €6,000; 21 per cent. for taxable income between €6,000.01 and €50,000 and 23 per cent. for taxable income between €50,000.01 and €200,000; 27 per cent. for taxable income between €200,000.01 and €300,000 and 28 per cent. for taxable income in excess of €300,000.

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

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

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

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

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

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

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

- (i) the acquirer would be a non-resident or a CIT taxpayer;
- (ii) the explicit yield derived from the Preferred Securities being transferred is exempt from withholding tax in relation to the acquirer.

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

Reporting Obligations

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

Wealth Tax (*Impuesto sobre el Patrimonio*) and Solidarity Tax (*Impuesto Temporal de Solidaridad de las Grandes Fortunas*)

According to Wealth Tax regulations (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*), individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Preferred Securities which they hold as of 31 December in each year, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In addition, the solidarity provisional wealth tax for high-net-worth individuals (the so-called "**Solidarity Tax**") was approved in December 2022 by the Solidarity Tax Law. The Solidarity Tax is a direct and personal tax that complements the Wealth Tax in which the taxable event is a natural person's ownership of at least €3,000,000 in net assets on 31 December of each year.

The taxpayers of the Solidarity Tax and the Wealth Tax are individuals. In practice, as the Solidarity Tax Law allows the Wealth Tax amount payable to be deducted, the Solidarity Tax will have a greater impact on taxpayers residing in autonomous regions in which the Wealth Tax is partially or fully exempt. The rates of the Solidarity Tax are (i) 1.7 per cent. on a net worth between EUR 3,000,000 and EUR 5,000,000, (ii) 2.1 per cent. on a net worth between EUR 5,000,000 and EUR 10,000,000 and (iii) 3.5 per cent. on a net worth of more than EUR 10,000,000.

The Solidarity Tax is designed to be temporary and will remain in force for two fiscal years, although the Solidarity Tax Law includes a review clause allowing the legislator to assess whether to extend it at the end of the initial period.

Prospective investors are advised to seek their own professional advice in relation to the Wealth Tax and the Solidarity Tax.

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

Individuals with tax residency in Spain who acquire ownership or other rights over any Preferred Securities by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. The applicable rates range between 7.65 per cent. and 34 per cent., although the final tax rate may vary depending on relevant factors and any applicable regional tax laws. the final effective tax cost may range from 0 per cent. to 81.6 per cent.

(b) Spanish tax resident legal entities

Corporate Income Tax (*Impuesto sobre Sociedades*)

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

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

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

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

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

Reporting Obligations

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

Wealth Tax (*Impuesto sobre el Patrimonio*) and Solidarity Tax (*Impuesto Temporal de Solidaridad de las Grandes Fortunas*)

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

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

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

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

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

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

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

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

Reporting Obligations

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

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

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

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

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

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

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

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

Wealth Tax (*Impuesto sobre el Patrimonio*) and Solidarity Tax (*Impuesto Temporal de Solidaridad de las Grandes Fortunas*)

According to Wealth Tax regulations, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. although some reductions may apply.

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

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

Individuals that are not resident in Spain for tax purposes may apply the rules approved by the autonomous region (*Comunidad Autónoma*) where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

In addition, the solidarity provisional wealth tax for high-net-worth individuals (the Solidarity Tax) was approved in December 2022 by the Law for the establishment of temporary taxes on energy and on credit institutions and financial credit establishments (the Solidarity Tax Law). The Solidarity Tax is a direct and personal tax, that applies, in general terms and under certain conditions, to those Non-Spanish tax resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory on 31 December of each year.

The taxpayers of the Solidarity Tax and the Wealth Tax are individuals. In practice, as the Solidarity Tax Law allows the Wealth Tax amount payable to be deducted, the Solidarity Tax will have a greater impact on taxpayers who have the highest value of their assets and rights located or exercisable in autonomous regions in which the Wealth Tax is partially or fully exempt. The rates of the Solidarity Tax are (i) 1.7 per cent. on a net worth between €3 million and €5 million, (ii) 2.1 per cent. on a net worth between €5 million and €10 million and (iii) 3.5 per cent. on a net worth of more than €10 million. Prospective investors are advised to seek their own professional advice in this regard.

Non-Spanish resident legal entities are not subject to Wealth Tax nor to the Solidarity Tax.

Prospective purchasers of the Preferred Securities should seek their own professional advice in relation to the Net Wealth Tax and the Solidarity Tax.

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

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

If no treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax applies, applicable Inheritance and Gift Tax rates would range between 7.65 per cent. and 34 per cent, although the final tax rate may vary depending on relevant factors, including the applicable regional legislation. The final effective tax cost may range from 0 per cent. To 81.6 per cent.

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

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

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

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

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

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to ABANCA in a timely manner in respect of a payment of income made by ABANCA under the Preferred Securities, such payment will be made net of Spanish withholding

tax, currently at the rate of 19 per cent. If this were to occur, affected Holders will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to ABANCA no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, Holders may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

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

The proposed financial transactions tax ("EU FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may withdraw.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Preferred Securities (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

It should be noted that the EU FTT could, if implemented, have an impact on the Spanish FTT and thus, the abovementioned treatment. Prospective holders of the Preferred Securities are advised to seek their own professional advice in relation to the EU FTT.

The Spanish Financial Transactions Tax

Spanish Law 5/2020 on the Financial Transactions Tax, implementing the Spanish tax on financial transactions ("**Spanish FTT**") came into force on 16 January 2021.

Spanish FTT charges a 0.2 per cent. rate on specific onerous acquisitions of listed shares issued by Spanish companies admitted to trading on a Spanish or other EU-regulated market, or on an equivalent market of a non-EU country, with a market capitalization that exceeds €1 billion on December 1 of the year prior to the acquisition, regardless of the jurisdiction of residence of the parties involved in the transaction.

The list of the Spanish companies with a market capitalisation exceeding €1 billion at 1 December of each year will be published on the Spanish tax authorities' website before 31 December each year. For the purposes of transactions closed during 2023, the Spanish tax authorities issued a list of entities whose market capitalisation exceeded €1 billion as of 1 December 2022, which will fall within the scope of the Spanish FTT.

According to the criterion of the Spanish tax authorities, the Spanish FTT would not apply in relation to the acquisition of debt securities.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. ABANCA may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of ABANCA) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that

it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Preferred Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred Securities, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Preferred Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Preferred Securities, no person will be required to pay additional amounts as a result of the withholding.

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

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

ANNEX I

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

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

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

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

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

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

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

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

Makes the following statement, according to its own records:

1 En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores

1.1 Identification of the securities

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso interviene una Entidad Gestora

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

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

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

- ⁽¹⁾ ***En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia***
- ⁽¹⁾ In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 7 July 2023 (the "**Subscription Agreement**") entered into among ABANCA and the Joint Lead Managers on the terms and subject to the customary conditions precedent contained therein, which have been complied with, agreed to procure subscribers for, or to subscribe and pay for, the Preferred Securities on the Closing Date at the issue price of 100% of their principal amount. ABANCA has agreed to pay the Joint Lead Managers a combined management and underwriting fee and to reimburse them for certain of their expenses incurred in connection with the management of the offering of the Preferred Securities.

ABANCA will use all reasonable endeavours to procure that the Preferred Securities are admitted to listing on the AIAF within 30 days from the Closing Date and to maintain such admission until none of the Preferred Securities is outstanding. The Preferred Securities may also be admitted to listing on any other secondary market compliant with the requirements of Law 10/2014 as may be agreed by ABANCA acting reasonably.

Selling Restrictions

Canada

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

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

Prohibition of sales to EEA Retail Investors

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

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

Prohibition of Sales to UK Retail Investors

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

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

Spain

Each of the Joint Lead Managers has represented and agreed that the Preferred Securities have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law and related legislation, to provide investment services in Spain, and as agreed between ABANCA and the Joint Lead Managers, offers of the Preferred Securities in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 194 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 196 of the Spanish Securities Market Law.

United Kingdom

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

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

United States of America

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

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

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

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

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager severally (and not jointly) has represented, warranted and agreed that it has not offered or sold any Preferred Securities or caused the Preferred Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Preferred Securities or cause the Preferred Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the

conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

Republic of Italy

Each Joint Lead Manager has represented and agreed that the offering of the Preferred Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation. Each Joint Lead Manager has represented and agreed that any offer, sale or delivery of the Preferred Securities or distribution of copies of this Prospectus or of any other document relating to the Preferred Securities in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver any Preferred Securities or distribute copies of this Prospectus and/or any other document relating to the Preferred Securities in the Republic of Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation; or
- (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Financial Services Act**”), Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any such offer, sale or delivery of the Preferred Securities or distribution of copies of this Prospectus or any other document relating to the Preferred Securities in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time);
- (ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities

in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016 and on 2 November 2020); and

- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

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

Switzerland

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

Belgium

Each Joint Lead Manager has represented and agreed that the offering of the Preferred Securities may not be advertised to any individual in Belgium qualifying as a consumer (*consument/consommateur*) within the meaning of Article I.1 of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*) dated 28 February 2013, as amended from time to time (a "**Belgian Consumer**"), and that it has not offered, sold, transferred or delivered, and will not offer, sell, transfer or deliver, directly or indirectly, Preferred Securities to any Belgian Consumers, and that it has not distributed and will not distribute any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Preferred Securities, directly or indirectly, to any Belgian Consumer.

General

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

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

MARKET INFORMATION

Summary of Clearance and Settlement Procedures

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

The Spanish clearing, settlement and recording system of securities transactions has undergone a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects (the "**Reform**"). Following the Reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system T2.

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

Iberclear and BME Clearing

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

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. ("**BME**"), a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

The securities recording system of Iberclear is a two tier registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorised to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorised central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorised to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;
- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions. BME Clearing is also owned by BME.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner's request the relevant participating entity must issue a legitimization certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

Market Information in relation to the Preferred Securities

Iberclear Settlement of securities traded on AIAF

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

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

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

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

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

Euroclear and Clearstream

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

GENERAL INFORMATION

Responsibility Statement

1. ABANCA, duly represented by the undersigned, Mr Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as Chief Investment Officer (*Director General de Mercado de Capitales, Gestión y Distribución*) of ABANCA and Mr Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of ABANCA, acting under the power of attorney granted by the Board of Directors on 27 February 2023, accept responsibility for the information contained in this Prospectus and declare, to the best of their knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus contains no omissions likely to affect its import.

Significant/Material Change and Trend Information

2. Save for the impact that the military conflict between Russia and Ukraine (followed by an energy crisis in Europe, strong inflationary pressures and a tightening of monetary policies) may have on the global economy in general or the Spanish or Portuguese economies in particular, as disclosed in the 2023 Consolidated First Quarter Interim Financial Statement and in the risk factor titled "*Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, in Portugal or in Galicia or any deterioration in the European, Spanish and Portuguese financial system (including, among others, the strong inflationary pressures and the adverse effects of the war in Ukraine on the energy crisis and raw materials), could have a material adverse effect on the ABANCA Group's business, financial condition and results of operations*", since 31 December 2022 there has been no material adverse change in the prospects of ABANCA.
3. Since 31 March 2023 there has been no significant change in the financial position or in the financial performance of the ABANCA Group.

Independent Auditors

4. The 2022 Audited Consolidated Annual Accounts and the 2021 Audited Consolidated Annual Accounts have been audited without qualification, modifications of opinions, disclaimers or emphasis of matter by KPMG Auditores, S.L., independent auditors.
5. The 2023 Consolidated First Quarter Interim Financial Statement has been subject to a limited review by KPMG Auditores, S.L., independent auditors.

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

Certain information on the financial information

6. The 2021 Audited Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 27 June 2022.
7. The 2022 Audited Consolidated Annual Accounts were approved by the General Shareholders' Meeting of ABANCA held on 26 June 2023.
8. The audit reports for the 2021 Consolidated Annual Accounts and the 2022 Consolidated Annual Accounts do not contain qualifications, modifications of opinions, disclaimers or emphasis of matter.

Documents on display

9. Electronic copies of the bylaws (*Estatutos Sociales*) of ABANCA (as the same may be updated from time to time) may be inspected on ABANCA's website for the 12 months from the date of this Prospectus: www.abancacorporacionbancaria.com. Neither ABANCA's website nor any of its contents form part or are incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein. The CNMV has neither examined nor approved ABANCA's website nor any of its contents.

Third party information

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

Material Contracts

11. There are no contracts entered into in the ordinary course of business which could result in any ABANCA Group member being under an obligation or entitlement that is material to the ability of ABANCA to meet its obligations in respect of the Preferred Securities.

ADDITIONAL INFORMATION

Authorisation

1. The creation and issue of the Preferred Securities has been authorised by a resolution approved by the Board of Directors of ABANCA on 27 February 2023.

Presentation of financial information

2. As a result of the implementation of IFRS 17, the comparative information contained in the balance sheet of the 2023 Consolidated First Quarter Interim Financial Statement is restated information. Unless otherwise stated in this Prospectus, figures as of 31 December 2022 are not restated figures and have been included as included in the 2022 Audited Consolidated Annual Accounts before the adoption of IFRS 17.

Certain definitions and rounding

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

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

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

Yield

4. On the basis of the issue price of the Preferred Securities of 100% of their principal amount, the annual yield of the Preferred Securities for the period from (and including) the Closing Date to (but excluding) the First Reset Date is 11.056%. This yield was calculated on the Closing Date and is not an indication of future yield.

Clearing: ISIN and Common Code

5. The Preferred Securities will be admitted to listing on AIAF, or on any other secondary market as may be agreed by ABANCA at its sole discretion, and have been accepted for clearance through Iberclear. The Preferred Securities bear the ISIN ES0865936027 and the common code 265071317.

Listing

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

Application has been made for the Preferred Securities to be admitted to trading on AIAF. AIAF is a regulated market for the purposes of MiFID II. The Preferred Securities may also be admitted to trading on any other secondary market as may be agreed by ABANCA at its sole discretion.

Paying agency

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

Ratings

8. The Preferred Securities are rated "B+" by Fitch. Fitch is established in the European Union and is registered under the CRA Regulation. Fitch appears on the latest update of the list of registered

or certified credit rating agencies (as of 27 March 2023) on the European Securities and Markets Authority website.

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

Stabilisation

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

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

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

Other relationships

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

Subscription and disbursement

12. As of the date of this Prospectus, 1,250 Preferred Securities of €200,000 of Original Principal Amount each have been fully subscribed and disbursed.

Statement of the capacity in which the advisor have acted

13. In addition to the Joint Lead Managers, the following entities have provided advisory services in relation with the offering of the Preferred Securities:
 - Uría Menéndez Abogados, S.L.P., legal advisers to the Issuer, as to Spanish law; and
 - Linklaters, S.L.P., legal advisers to the Joint Lead Managers, as to Spanish law.

Expenses related to the admission to trading

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

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear	14,000
CNMV fees (approval and registration of the listing prospectus)	5,203.03
Total	19,203.03

SIGNATURES

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed Mr Juan Luis Vargas-Zúñiga de Mendoza, in his capacity as Chief Investment Officer (*Director General de Mercado de Capitales, Gestión y Distribución*) of ABANCA, and Mr Alberto Manuel de Francisco Guisasola, in his capacity as Chief Financial Officer (*Director General de Finanzas*) of ABANCA, in A Coruña, on 14 July 2023.

REGISTERED OFFICE OF ABANCA

ABANCA Corporación Bancaria, S.A.

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A Coruña
Spain

STRUCTURING ADVISOR AND JOINT LEAD MANAGER

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LEGAL ADVISORS

To ABANCA as to Spanish law

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