BASE PROSPECTUS

CAIXABANK, S.A.

(*incorporated as a limited liability company (sociedad anónima) in Spain*)

EURO 15,000,000,000
Euro Medium Term Note Programme

Under this Euro 15,000,000,000 Euro Medium Term Note Programme (the **Programme** described in this Base Prospectus (which replaces the previous Base Prospectus dated 20 June 2017, in respect of the Programme)), CaixaBank, S.A. (the **Issuer**, the **Bank** or **CaixaBank**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below) subject to any applicable legal or regulatory restrictions. CaixaBank and its subsidiaries comprise the CaixaBank Group (the **CaixaBank Group** or the **Group**).

The Final Terms (as defined below) for each Tranche (as defined on page 78) of Notes will state whether the Notes of such Tranche are to be (a) Senior Notes or (b) Subordinated Notes and, if Senior Notes, whether such notes are (i) Ordinary Senior Notes or (ii) Senior Non Preferred Notes and, if Subordinated Notes, whether such Notes are (i) Senior Subordinated Notes or (ii) Tier 2 Subordinated Notes.

The maximum aggregate original nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 15,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

Potential investors should note the statements on pages 161 – 167 regarding the tax treatment in Spain of income obtained in respect of Notes and the disclosure requirements imposed by Law 10/2014 (as defined below) on the Issuer. In particular, payments on Notes may be subject to Spanish withholding tax if certain information relating to Notes is not received by the Issuer in timely manner.

This document has been approved as a base prospectus by the Central Bank of Ireland (the **CBI**) in its capacity as competent authority under Directive 2003/71/EC, as amended (including the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**). The CBI only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of The Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) (the **Main Securities Market**) or on another regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) or that are to be offered to the public in any Member State of the European Economic Area. Application has been made to Euronext Dublin for Notes to be admitted to its official list (the **Official List**) and trading on the Main Securities Market. References in the Base Prospectus to Notes being "listed" (and all related references)

shall mean that such Notes have been admitted to listing on the Official List of Euronext Dublin and admitted to trading on its regulated market or, as the case may be, a regulated market for the purposes of MiFID II. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II, as amended. This document may be used to list Notes on the regulated market of Euronext Dublin pursuant to the Programme.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market and have been admitted to the Official List.

The requirement to publish a prospectus under the Prospectus Directive and any relevant implementing measure in a relevant Member State of the European Economic Area only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)).

Notice of the aggregate original nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be delivered to the CBI and, where listed, Euronext Dublin. Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin (www.ise.ie).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer.

The Issuer's long term ratings are Baa2 (positive outlook) by Moody's Investors Services España, S.A. (**Moody's**), BBB+ (stable outlook) by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**), BBB (positive outlook) by Fitch Ratings España, S.A.U. (**Fitch**) and A with Stable Trend by DBRS Ratings Limited (**DBRS**). Each of Moody's, Standard and Poor's, Fitch and DBRS is established in the European Union (**EU**) and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's, Standard & Poor's, Fitch and DBRS is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

PRIIPs /IMPORTANT- EEA RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**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 2002/92/EC (as amended, the **IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document

required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA will be prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Amounts payable on Floating Rate Notes may be calculated by reference to one of the Euro Interbank Offered Rate (**EURIBOR**) or the London Interbank Offered Rate (**LIBOR**) as specified in the relevant Final Terms, which are provided by the European Money Markets Institute (**EMMI**) and ICE Benchmark Administration Limited (**ICE**), respectively. As at the date of this Base Prospectus, EMMI and ICE are not included in the European Securities and Markets Authorities' register of administrators and benchmarks under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**).

As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that EMMI and ICE are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

Arranger

BARCLAYS

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.	**Barclays**
BofA Merrill Lynch	**BNP PARIBAS**
CaixaBank, S.A.	**Citigroup**
Commerzbank	**Crédit Agricole CIB**
Credit Suisse	**Deutsche Bank**
Goldman Sachs International	**HSBC**
J.P. Morgan	**Mediobanca - Banca di Credito Finanziario S.p.A.**
Morgan Stanley	**NATIXIS**
Nomura	**Santander Global Corporate Banking**
Société Générale Corporate & Investment Banking	**UBS Investment Bank**

The date of this Base Prospectus is 23 April 2018.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive and any relevant implementing measure in a relevant Member State of the European Economic Area.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or any responsibility accepted for any acts or omissions of the Issuer or any other person in connection with the Base Prospectus or the issue and offering of any Notes. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any Final Terms or any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or

other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the United Kingdom, Spain, Republic of Italy, France and Japan, see "*Subscription and Sale*".

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

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) or the securities laws of any state in the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (see "*Subscription and Sale*").

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- **U.S. dollars** refer to United States dollars;
- **Sterling** and **£** refer to pounds sterling;
- **Kwanza** refer to Angolan Kwanza; and
- **euro** and **€** refer to 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 EU, as amended.

The language of the prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, and, if appropriate, a supplement to the Base Prospectus or a new Base Prospectus will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004, as amended implementing the Prospectus Directive (the **Prospectus Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	CaixaBank, S.A.
LEI Code:	7CUNS533WID6K7DGFI87
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	Barclays Bank PLC
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Banco Santander, S.A. Barclays Bank PLC BNP Paribas CaixaBank, S.A. Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Crédit Agricole Corporate and Investment Bank Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Mediobanca - Banca di Credito Finanziario S.p.A. Morgan Stanley & Co. International plc NATIXIS Nomura International plc Société Générale UBS Limited

	and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus.
Issuing and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Programme Size:	Up to €15,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) in aggregate original nominal amount of all Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	Any maturity of at least one year in the case of Senior Notes and Senior Subordinated Notes and a minimum maturity of five years in the case of Tier 2 Subordinated Notes, as indicated in the applicable Final Terms or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant competent authority or any applicable laws or regulations.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be in bearer form and will on issue be represented by either a temporary global Note or a permanent global Note as specified in the applicable Final Terms. Temporary global Notes will be exchangeable either for (a) interests in a permanent global Note or (b) for definitive Notes as indicated in the applicable Final Terms. Permanent global Notes will be exchangeable for definitive Notes upon the occurrence of an Exchange Event as described under "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer. Fixed Reset Notes may also be issued.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of the reference rate set out in the applicable Final Terms.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default and, in the case of Tier 2 Subordinated Notes, following a Capital Event or, in the case of Senior Notes, if indicated as applicable in the relevant Final Terms, or Senior Subordinated Notes, an Eligible Liabilities Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Redemption for taxation reasons in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with MREL Requirements, or redemption following a Capital Event or an Eligible Liabilities Event, will be subject to the prior permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required therefor under Applicable Banking Regulations) (including, for the avoidance of doubt, Applicable MREL Regulations) and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time. See Condition 5 (*Redemption and Purchase*).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or

	required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each note will be at least €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) in the case of Notes to be admitted to trading on a regulated market for the purposes of MiFID II.
Taxation:	All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined in Condition 6 (*Taxation*)), unless such withholding or deduction is required by law. In that event, the Issuer will, save in certain limited circumstances or exceptions (please refer to Condition 6 (*Taxation*) of the Terms and Conditions of the Notes) be required to pay such additional amounts in respect of interest and, in respect of Senior Notes and Senior Subordinated Notes only (unless otherwise indicated in the relevant Final Terms), principal and/or any premium, as will result in receipt by the Noteholders of such amounts in respect of such interest and, in respect of Senior Notes and Senior Subordinated Notes only (unless otherwise indicated in the relevant Final Terms), principal and/or any premium, as would have otherwise been receivable by them had no such withholding or deduction been required. The Issuer considers that, according to the simplified information procedures set out in Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29th July (**Royal Decree 1065/2007**), the Issuer is not obliged to identify Noteholders as described in "*Taxation – Spain – Simplified information procedures*". For further information regarding the interpretation of Royal Decree 1065/2007 please refer to "*Risk Factors – Risks relating to the Spanish withholding tax regime*". All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6 (*Taxation*)) any law implementing an intergovernmental approach thereto.
Negative Pledge:	The terms of the Notes will not contain a negative pledge provision.
Cross Default:	The terms of the Ordinary Senior Notes will contain a cross default provision as further described in Condition 8 (*Events of Default*) if indicated as applicable in the relevant Final Terms. The terms of the Senior Non Preferred Notes and the Subordinated Notes will not contain a cross default provision.

Status of the Notes:	Notes may be either Senior Notes or Subordinated Notes and, in the case of Senior Notes, Ordinary Senior Notes or Senior Non Preferred Notes and, in the case of Subordinated Notes, Senior Subordinated Notes or Tier 2 Subordinated Notes and will all rank as more fully described in Condition 2 (*Status of the Senior Notes and Subordinated Notes*).
Rating:	The Issuer's long term ratings are Baa2 (positive outlook) by Moody's, BBB+ (stable outlook) by Standard & Poor's; BBB (stable outlook) by Fitch and A with Stable Trend by DBRS. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	This Base Prospectus has been approved by the CBI as competent authority under the Prospectus Directive. Application has been made for Notes issued under the Programme to be listed on the Official List of Euronext Dublin. No unlisted Notes may be issued under the Programme. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions, which are governed by Spanish law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Spain, Japan, the Republic of Italy, France and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S. TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risks relating to Group operations

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

The performance of the Spanish economy has been positive since 2014. Gross Domestic Product (**GDP**) growth was 1.4% in 2014, 3.4% in 2015, 3.3% in 2016 and 3.1% for 2017 (Source: *National Statistics Institute of Spain, Press Note, 30 January 2018*). This constitutes three consecutive years of growth in excess of 3%, a rate of expansion above that of many other advanced economies. Regarding the projections for 2018, the International Monetary Fund expects output growth of 2.4% (Source: *International Monetary Fund, World Economic Outlook, January 2018*), the same rate as that noted by Bank of Spain. Domestic demand is expected to be supported by a number of factors, including robust employment growth, loose credit conditions, improved sentiment and an easing of the pace of fiscal consolidation, while strong growth in the euro area should continue to support export demand. In all, growth will become more balanced as some temporary tailwind factors, such as low oil prices, dissipate. The Spanish economy has made progress in reducing its economic and financial imbalances and implementing important structural reforms. Current account surpluses (reducing external debt), the adjustment in the real estate sector, sustained wage moderation (improving competitiveness) and advanced deleveraging of the private sector have contributed to improving the Spanish economy. Similarly, public sector deficits have continued to decline. Starting from a peak reached in 2009 of 11%, in 2016 the deficit stood at 4.5% and latest estimates suggest it will decline to 3.1% in 2017 (thus meeting the European Commission target) (Source: *European Commission, Autumn 2017 Economic Forecast*). Consistent with this, the public debt is expected to decline from 99% of GDP in 2016, to 98.4% in 2017 and 96.9% in 2018. While these levels are elevated, they are not far from the euro area average of 88.9% of GDP in 2016 (Source: *Eurostat, Statistics Explained, Government finance statistics*). The Spanish banking system is accelerating the pace of new lending as a result of increased demand and improved financial conditions. After the clean-up and restructuring efforts of the past years, the main challenge now is to achieve sustainable profitability levels through a combination of higher revenues from increased business volumes, lower funding costs, additional capacity adjustments and a lower cost-of-risk.

Between 2014 and 2016 Portugal experienced a tepid recovery: output grew by 0.9% in 2014, 1.8% in 2015 and 1.5% in 2016 (Source: *National Statistics Institute of Portugal, Press Notes, 14 February 2018*). However, the economy has gained momentum in 2017 with growth of 2.7%. For 2018, the Bank of Portugal

recently revised its forecast up to 2.6% of GDP (Source: *Bank of Portugal, Economic Projections, 15 December 2017*). Both domestic and external demand will contribute to output growth, although the lion's share will fall on the domestic side. The former will be supported by improved labour market conditions, reduced uncertainty and easier financing conditions, while the latter will benefit from improved competitiveness, strong growth of its main trading partners and the positive performance of the touristic sector. Over the past few years, the Portuguese economy has reduced its economic imbalances and has implemented several structural reforms. In addition, public finances have improved considerably: the fiscal deficit has decreased from 11.2% of GDP in 2010 to 2.0% in 2016 (Source: *National Statistics Institute of Portugal, Press Release, 12 April 2017*), below the European Commission target (2.5%). Public debt, instead, which in 2016 stood at 130% of GDP, remains high (Source: *Bank of Portugal, Press Release, 2 January 2018*), and further fiscal consolidation efforts will be needed in the coming years to reduce it. The private sector deleveraging process is well advanced but unfinished. Finally, the Portuguese banking sector has improved its solvency and its restructuring process is ongoing. However, important challenges remain, as credit volumes remain subdued in a context of the ongoing deleveraging of the private sector, the stock of non-performing loans (**NPL**) remains high, and the average profitability of the sector is low.

The economic recovery of the Eurozone has gained momentum. While annual GDP growth averaged 1.7% between 2014 and 2016, growth in 2017 picked up to 2.5% (Source: *Eurostat, News Release 27/2018, 14 February 2018*). The recovery has been sustained on the back of improved sentiment, a decline of uncertainty, particularly that related with the French and German elections, loose monetary policy conditions, falling unemployment and stronger global growth. Moreover, growth has become more synchronised across euro area member states. For 2018, the European Commission expects growth of 2.3% as the aforementioned factors continue to support activity.

The future is, by definition, uncertain. As such, several factors could derail the output growth projections of the European, Spanish and Portuguese economies and, ultimately, affect the environment in which the Group operates. At the European level, the main internal risk is that of a breakdown of the *Brexit* negotiations that would culminate in a disorderly exit of the UK from the EU. Such event would have negative effects on both the UK and the EU through real and financial channels. While the direct exposure of the European economy to the UK through these channels appears to be relatively small, the impact could be larger due to its impact on consumer and business confidence. In addition, pockets of risks remain in certain areas. For instance, while the Italian banking system appears to have avoided a major crisis after the latest government bailout, the sector remains overburdened with a large stock of non-performing loans and low profitability which acts as a drag on the economy. External risks include a greater slowdown in the emerging economies, another episode of financial volatility, for instance due to tensions derived from rapid growth of corporate debt in China or due to a sudden correction of the US stock market, and geopolitical risks (North Korea and Middle East).

An internal risk to the Spanish economy arises from political fragmentation and uncertainties arising from the political situation within Spain, which may slow the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies or impact economic growth in Spain which could affect the Group's business, financial condition and results of operations. This applies not only to specific Spanish regions such as Catalonia, where considerable uncertainty exists regarding the outcome of political tensions between Spain's central government and the regional government of Catalonia that, if unchecked, could start to weigh on business confidence and investment, and could weaken Spain's current good growth prospects, but also to the central Spanish government where, after the June 2016 Spanish general election result, further instability cannot be ruled out during the legislature due to the forming of a minority government. As a result of such uncertainties arising from the political situation, the Bank of Spain, in an extremely adverse scenario, estimates that if the tensions increase more and last during 2018, the cumulative impact on growth could be of about 2.5% by 2019.

Beyond political factors, there is a consensus that, despite the sustained improvement in the labour market, the unemployment rate will remain high in the months to come. To the degree that the Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and

services exports, a marked slowdown of the recovery in the euro area might also have a negative impact on the Spanish economy.

A risk to the Portuguese economy arises as well from political fragmentation, as the minority government needs the support of two other parties, which may slow or difficult the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies. Another source of concern is that of public debt, which remains very high and limits the room for manoeuvre of the government in the event of future negative shocks. Finally, while the restructuring of the banking sector is well under way, the sector as a whole remains burdened with a large stock of non-performing loans and reduced margins of profitability.

While the economic outlook for Portugal, Spain and the Eurozone remains one of robust growth, if any of the risks listed above were to materialise, the economic situation could deteriorate and adversely affect the Group's business, financial condition and results of operation.

The Group's business could be affected if its capital is not effectively managed (capital adequacy risk)

Effective management of the Group's capital position is important to its ability to operate its business and to pursue its business strategy. In response to the 2008 financial crisis, a number of changes to the regulatory capital framework have been adopted or are being considered. For example, the regulation governing capital requirements according to Regulation (EU) 575/2013, of 26 June, of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (**CRR)** and, together with the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the **CRD IV Directive**), any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, which are applicable to CaixaBank or to the Group, including, without limitation, Law 10/2014, of 26 June, on organisation, supervision and solvency of credit entities (**Law 10/2014**), Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (**RD 84/2015**), Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002, on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council (the **Directive 2002/87/EC**), as amended from time to time and any other regulation, circular or guidelines implementing CRD IV through which the EU is implementing the Basel III capital reforms.

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

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

The financial problems faced by the Group's customers could adversely affect the Group

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses.

Continued market turmoil and economic recession, especially in Spain, could materially and adversely affect the liquidity, businesses and/or financial conditions of the Group's borrowers, which could in turn increase the Group's own NPL ratios, devalue the Group's loan and other financial assets and result in decreased demand for borrowings in general. In the context of the uneven global recovery from the recent market turmoil and economic recession, and the possibility of continued economic contraction in continental Europe combined with continued high unemployment and low consumer spending, the value of assets collateralising the Group's secured loans, including homes and other real estate, could decline significantly, possibly resulting in the impairment of the value of the Group's loan assets. In addition, the Group's customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group's fee and commission income.

Any of the conditions described above could have a material adverse effect on the Group's business, financial condition and results of operations.

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

The Group is exposed to the Spanish real estate market, and the deterioration of Spanish real estate prices could have a material adverse effect on the Group's business, financial condition and results of operations. Spanish real estate assets secure many of the Group's outstanding loans, and the Group holds a significant amount of Spanish real estate assets on its balance sheet, including real estate received in lieu of payment for certain underlying loans. Furthermore, the Group has restructured and extended the maturity of certain of the loans it has made relating to real estate, and the capacity of such borrowers to repay such restructured loans may be materially adversely affected by declining real estate prices.

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

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

The Group has lending exposure to risks in the property development and construction sector, with loans for property construction and/or development amounting to approximately €7,101 million (3.2% of the Group's total gross loans and receivables according to management criteria) as of 31 December 2017 and €8,024 million (3.9% of the Group's total gross loans and receivables according to management criteria) as of 31 December 2016. NPL ratio on loans to real-estate developers as of 31 December 2017 decreased further to 21.7% (30.4% as of 31 December 2016) and provisions for this exposure amounted to approximately €681 million (€1,062 million as of 31 December 2016), 44% of coverage of real estate development risk as of both 31 December 2017 and 31 December 2016.

Additionally, as of 31 December 2017, the Group portfolio of foreclosed real estate assets available for sale stood at €5,878 million net (€473 million real estate assets in the process of foreclosure are not considered since the Bank does not have the possession of the asset) and €6,256 million net as of 31 December 2016 (€556 million real estate assets not considered for the same reason indicated above). The Group's real estate

assets held for rent stood at €3,030 million net as of 31 December 2017 (€3,078 million net as of 31 December 2016).

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

Despite the Group's risk management policies, procedures and methods, the Group may nonetheless be exposed to unidentified or unanticipated risks

The Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon the Group's use of observed historical market behaviour. The Group applies statistical and other tools to these observations to arrive at quantifications of its risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in its statistical models. This would limit the Group's ability to manage its risks and could result in the Group's losses being significantly greater than the historical measures indicate. In addition, the Group's quantified modelling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing it to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could harm the Group's reputation as well as its revenues and profits.

The financial industry is increasingly dependent on information technology systems, which may fail, may not be adequate for the tasks at hand or may no longer be available

Banks and their activities are increasingly dependent on highly sophisticated information technology (**IT**) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, computer viruses, hacking and physical damage to vital IT centres. IT systems need regular upgrading and banks, including the Issuer, may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect financial industry operations from cyber-attacks could result in the loss or compromise of customer data or other sensitive information. These threats are increasingly sophisticated and there can be no assurance that banks will be able to prevent all breaches and other attacks on its IT systems. In addition to costs that may be incurred as a result of any failure of IT systems, banks, including the Issuer, could face fines from bank regulators if they fail to comply with applicable banking or reporting regulations.

The Group is exposed to risks faced by other financial institutions

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Defaults by, and even rumours or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, an unsettling effect on inter-institutional financial transactions in general. Many of the routine transactions the Group enters into expose it to significant credit risk in the event of default by one of the Group's significant counterparties. Despite the risk control measures the Group has in place, a default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Group's business, financial condition and results of operations.

Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Group's business. Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses

The Group is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of the Group's overall financial position, including the Group's trading portfolio and other equity investments (as for example, the Group's stakes in Repsol, S.A. (**Repsol**), Telefónica, S.A. (**Telefónica**) and Erste Group Bank, A.G. (**Erste Group Bank**)). The performance of financial markets may cause changes in the value of the Group's investment, available for sale and trading portfolios. In some of the 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 Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Group for which there are less liquid markets. Further, the value of certain financial instruments (such as derivatives not traded on stock exchanges or other public trading markets), are recorded at fair value, which is determined by using financial models other than publicly quoted prices that incorporates assumptions, judgements and estimations that are inherently uncertain and which may change over time or may ultimately be inaccurate. Consequently, failure to obtain correct valuations for such assets may result in unforeseen losses for the Group in the case of any asset devaluations. Furthermore, monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group does not anticipate.

Any of these factors could require the Group to recognise further write-downs or realise impairment charges, which may have a material adverse effect on the Group's business, regulatory position, financial condition and results of operations.

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

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

The markets in which the Group operates are highly competitive. Financial sector reforms in these markets (mainly in Spain) have increased competition among both local and foreign financial institutions, and it believes that this trend will continue. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which it must now compete, some of which have recently received public capital. This trend is expected to continue as the Bank of Spain continues to impose measures aimed at restructuring the Spanish financial sector, including requirements that smaller, non-viable regional banks consolidate into larger, more solvent and competitive entities, and reducing overcapacity.

The Group also faces competition from non-bank competitors, such as department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds, insurance companies, and public debt. In addition, the Group faces competition from shadow banking entities that operate outside the regulated banking system. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology further continues to connect society. The Group cannot be certain that this competition will not adversely affect its competitive position and for example those objectives set out under CaixaBank's most recent internal review of its strategic plan. In this regard, it is worth noting that targets should not be treated as guarantees of performance as there is no assurance that the objectives of the Group can or will be achieved and they should not be seen as an indication of the Group's expected or actual results or returns.

If the Group is unable to provide competitive product and service offerings, it may fail to attract new customers and/or retain existing customers, experience decreases in its interest, fee and commission income, and/or lose market share, the occurrence of any of which could have a material adverse effect on its business, financial condition and results of operations.

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

The 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 Issuer'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 Group's results of operations. An increase in interest rates, for instance, could cause the Group's interest expense on deposits to increase more significantly and quickly than its interest income from loans, resulting in a reduction in its net interest income as often its liabilities will re-price more quickly than its assets. Further, an increase in interest rates could result in a reduction in the demand for loans and the Group's ability to originate loans, and also contribute to an increase in credit default rates among the Group's customers. Conversely, a decrease in the general level of interest rates could adversely affect the Group through, among other things, increased pre-payments on its loan and mortgage portfolio, lower net interest income from deposits, reduced demand for deposits and increased competition for deposits and loans to clients. Fluctuations in interest rates may therefore have a material adverse effect on the Group's business, financial condition and results of operations.

Operational risk is inherent in the Group's business

Operational risk includes the risk of loss arising from inadequate or failed internal processes, personnel and internal systems or from unforeseen external events, including legal risk. The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately and require it to record and process a large number of transactions and handle large amounts of money accurately on a daily basis. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, the failure of due application of necessary compliance measures or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Despite the risk management measures put in place by the Group, there can be no assurance that the Group will not suffer material losses from operational risk in the future.

Credit, market and liquidity risks may have an adverse effect on the Bank's credit ratings and the Group's cost of funds. Any reduction in the Bank's credit rating could increase the Group's cost of funding and adversely affect the Group's interest margins

The Issuer is rated by various credit rating agencies (see "*Description of the Issuer – Credit ratings*").

The credit ratings of the Issuer are an assessment by rating agencies of its ability to pay its obligations when due. Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and the ratings of the Issuer's long-term debt are based on a number of factors, including the Group's financial strength as well as conditions affecting the financial services industry generally.

Credit ratings are subject to the evaluation of the financial strength of a company in accordance with the methodology applied by rating agencies. In addition, the Issuer's rating is affected by the sovereign rating of Spain, which is the maximum level achievable by the Issuer.

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

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

The Group has a continuous demand for liquidity to fund its business activities. The Group may suffer during periods of market-wide or firm-specific liquidity constraints, and liquidity may not be available to it even if its underlying business remains strong (liquidity risk)

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to timely access funding necessary to cover the Group's obligations to customers as they become due, to meet the maturity of the Group's liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of funding and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with the Group's assets.

Liquidity and funding continues to remain a key area of focus for the Group and the industry as a whole. Should the Group, due to exceptional circumstances, be unable to continue to source sustainable funding, its ability to fund its financial obligations could be affected.

The Group's main source of liquidity and funding is its customer deposit base, as well as on-going access to wholesale lending markets, including senior unsecured and subordinated bonds, interbank deposits, mortgage and public sector covered bonds and short-term commercial paper. CaixaBank'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. Under extreme and unforeseen circumstances, such as the closure of financial markets and uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend could be affected through reduced access to liquidity (including government and central bank facilities). In such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access.

Central banks have taken extraordinary measures to provide adequate amounts of liquidity during the past few years, with the aim of contributing to the stability of the financial system. If current central bank facilities were rapidly removed or significantly reduced, this could have an adverse effect on the Group's ability to access liquidity and on its funding costs.

The Group cannot assure that in the event of a sudden or unexpected shortage of funds in the banking system it will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. These factors may have a material adverse effect on the Group's regulatory position, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

Additionally, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the Group (or to all banks), which could increase the Group's cost of funding and restrict its access to liquidity. The funding structure employed by the Group may also prove to be inefficient, thus giving rise to a level of

funding cost where the cumulative costs are not sustainable over the longer term. The funding needs of the Group may increase and such increases may be material to the Group's business, financial condition or and results of operation.

Withdrawals of deposits or other sources of liquidity may make it more difficult or costly for the Group to fund its business on favourable terms

Historically, one of the Group's major sources of funds has been savings and demand deposits. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the 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. Furthermore, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets or taking additional deleverage measures, which could have a material adverse effect on its business, financial condition and results of operations.

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

The liquidity coverage ratio (**LCR**) is the short-term indicator which expresses the ratio between the amount of available assets readily monetisable (cash and the readily liquidable securities held by CaixaBank) and the net cash imbalance accumulated over a 30-day liquidity stress period. It is a quantitative liquidity standard developed by the Basel Committee on Banking Supervision (**BCBS**) and provided for in CRR to ensure that those banking organisations to which this standard is to apply (including CaixaBank) have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The final standard was announced in January 2013 by the BCBS and since January 2015 has been progressively phased-in. Since 1 January 2018, the banks to which this standard applies (including CaixaBank) must comply with 100% of the applicable LCR requirement. CaixaBank's consolidated LCR was 202% as of 31 December 2017 compared to 160% as of 31 December 2016.

The BCBS's net stable funding ratio (**NSFR**) is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III *phase-in* arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. Both the LCR and NSFR are used by CaixaBank to assess the liquidity profile of the Group.

On 23 November 2016, the European Commission published, among other things, a proposal for a European Directive amending CRR, where the EC proposes to implement the BCBS standard on NSFR introducing some adjustments that take into account European specificities. CaixaBank's NSFR ratio remained above 100% in 2017.

Various elements of the LCR and the NSFR, as they are implemented by national banking regulators and complied with by the Group, may cause changes that affect the profitability of business activities and require changes to certain business practices, which could expose the Group to additional costs (including increased

compliance costs) or have a material adverse effect on the Group's business, financial condition or results of operations. These changes may also cause the Group to invest significant management attention and resources to implement any necessary changes.

The Group's business could also be significantly affected by a failure to monitor concentration and spread of risks

The principal banking business conducted by the Issuer consists of retail banking including, amongst other things, retail financial services such as taking customer deposits and customer lending, as well as the provision of insurance services, securities transactions and foreign exchange transactions. This part of the Issuer's business, in addition to the Issuer's investments to expand and develop it, are subject to certain inherent risks in the financial sector which in turn depend on a series of macroeconomic variables beyond the Issuer's control.

The risks arising from the Group's business in this respect are typically classified as: (i) credit risk (which includes sovereign risk, counterparty risk due to treasury positions and risk associated with the investment portfolio), (ii) market risk, (iii) interest rate risk in the banking book, (iv) actuarial risk, (v) eligible own funds risk, (vi) funding and liquidity risk, (vii) legal/regulatory risk, (viii) conduct and compliance risk, (ix) technological risk, (x) operating processes and external events risk, (xi) reliability of financial reporting risk and (xii) reputational risk.

Although the Group monitors its risk concentration by geographic area and by business activity, a failure to monitor and adequately remedy any significant imbalances in the spread of the Group's risk concentration could adversely affect the Group's operations in an affected particular geographical region or business sector, or both.

Credit Risk

The Group is exposed to the creditworthiness of its customers and counterparties. Credit risk can be defined as possible losses which may be generated by a potential default in whole or in part of obligations by a counterparty or debtor (including, but not limited to, the insolvency of a counterparty or debtor). Credit risk is the most significant risk item on the Group's balance sheet and, primarily, such risks are of concern in respect of the Group's business activities in the banking, insurance, treasury and investee portfolio sectors. In recent years, the main items in the consolidated assets of the Group that are subject to credit risk have been fluctuating. The movements thereof have been shaped by the integration of Banca Cívica, S.A. (**Banca Cívica**), Banco de Valencia, S.A. (**Banco de Valencia**) and Barclays Bank S.A.U. on the Group's balance sheet in 2012, 2013 and 2015 respectively, and the deleveraging process in connection therewith, and, more recently, by the integration of Banco BPI, S.A. (**Banco BPI**).

Payment defaults by clients and other counterparties may arise from events and circumstances that are unforeseeable or difficult to predict or detect. Market turmoil and economic weakness, especially in Spain, could have a material adverse effect on the liquidity, business and financial conditions of the Group's clients, which could in turn impair its loan portfolio. Adverse changes in the credit quality of CaixaBank's borrowers and counterparties could affect the recoverability and value of CaixaBank's assets and require an increase in provisions for bad and doubtful debts and other provisions. In addition, collateral and security provided to the Group may be insufficient to cover the exposure or the obligations of others to the Group. Accordingly, any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

A weakening in customers' and counterparties creditworthiness' could impact the Group's capital adequacy. The regulatory capital levels the Group is required to maintain are calculated as a percentage of its risk-weighted assets (**RWA**), in accordance with the CRD IV Directive and CRR. The RWA consist of the Group's balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria, and are driven, among other things, by the risk profile of its assets,

which include its lending portfolio. If the creditworthiness of a customer or a counterparty declines, the Group would lower their rating, which would presumably result in an increase in its RWA, which potentially could deteriorate the Group's capital adequacy ratios and limit its lending or investments in other operations. Furthermore, the creditworthiness of a customer or a counterparty resulting in a default it would have an impact in the expected losses of the Group and cause an increase in its relevant provisions.

Sovereign Risk

As a Spanish financial institution with a nationwide footprint and the substantial majority of the Group's gross operating income derived from Spain, any decline in Spain's credit ratings could adversely affect the value of certain respective securities held by the Group in its various portfolios and could also adversely impact the extent to which the Group can use Spanish government bonds it holds as collateral for European Central Bank (the **ECB**) refinancing and, indirectly, for refinancing with other securities, should it choose to do so. Likewise, any permanent reduction in the value of Spanish government bonds would adversely affect its ability to access liquidity, raise capital and meet minimum regulatory capital requirements. As such, a downgrade or series of downgrades in the sovereign rating of Spain and any resulting reduction in the value of Spanish government bonds may have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, any downgrades of Spain's ratings may increase the risk of a downgrade of the Group's credit ratings by the rating agencies.

Likewise following the integration of Banco BPI (see "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*" for additional information), the Group would be adversely affected by a negative development in the credit ratings and value of the Portuguese sovereign bonds, resulting in a material adverse effect on Banco BPI's business, financial condition and results of operations. Additionally, any downgrade of the rating of the Republic of Portugal may increase the risk of a downgrade of Banco BPI's credit ratings.

The carrying amounts of the main items related to the sovereign risk exposure can be found in the 2017 Consolidated Financial Statements (as defined below). For the Group the total exposure to Spain and Portugal amounted to €75,589 million and €4,402 million, respectively, as of 31 December 2017.

Besides Spain and Portugal, the main country where the Group has investment securities exposure is Italy, with investments of €5,424 million as of 31 December 2017 (€2,893 million as of 31 December 2016).

Market Risk

The 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 Group's trading portfolio. Therefore, the Group is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. The Group uses a number of qualitative tools, metrics and models which may fail to predict future risk exposures and, to the extent they do, such predictions may be inaccurate. If the Group were to suffer substantial losses due to any such market volatility, it would adversely affect the Group's business, financial condition and results of operations.

Actuarial Risk

Actuarial risk is associated with the insurance business within the 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.

A new solvency framework for insurance and reinsurance companies operating in the EU, referred to as "Solvency II" has entered into force, as of 1 January 2016.

The establishment of this new solvency framework started with the adoption of the European Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance of 25 November 2009, as amended by Directive 2013/58/EU of 11 December and by Directive 2014/51/EU of 16 April (the **Solvency II Directive**).

The Solvency II Directive has been implemented in Spain through Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance undertakings and Royal Decree 1060/2015, of 20 November, on the regulation, supervision and solvency of insurance and reinsurance undertakings.

The insurance business has a significant role within the Group. The changes introduced by this regulation may have an impact on the capital and liquidity requirements of the insurance business of the Group. Given the recent entry into force of the Solvency II regime and how regulators (including the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones* or the **DGSFP**)) will interpret it, it is difficult to calculate its precise impact of such regime on the Group. As the Group implements the new regulation it might affect how the Group performs its insurance business activities and also have a material adverse effect on the Group's business, financial condition and results of operations.

The position and control of the Insurance Group's risks are monitored regularly by the management, investment and global risks committee of VidaCaixa S.A.U. de Seguros y Reaseguros (**VidaCaixa**) and CaixaBank's global risks committee and ALCO. This involves calculation and analysis of the sufficiency of technical provisions, analysis of the sufficiency of expenses, and analysis of products and operations.

Pursuant to Solvency II, in 2017 the first quantitative annual reporting templates were submitted to the DGSFP and the first own risk and solvency assessment report of VidaCaixa was also published.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the **SSM**), and for resolution, with the new single resolution mechanism (**SRM**),

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

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

The Group is subject to the supervision and/or regulation of the Bank of Spain (*Banco de España*), the ECB, the Single Resolution Board (the **SRB**) the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*) (the **CNMV**) and the DGSPF which are the main regulators of the operations of the Group. The operations of the Group outside of Spain are subject to direct oversight by the local regulators in those jurisdictions. In addition, many of the operations of the Group are dependent upon licenses issued by financial authorities.

Following the deconsolidation of the Issuer from the CriteriaCaixa Group (as defined below) in September 2017, CaixaBank together with its subsidiary VidaCaixa forms a financial conglomerate and, as such, is subject to the additional supervision envisaged in the Directive 2002/87/EC. CaixaBank is the parent company of this financial conglomerate.

Moreover, the regulators of the Group, as part of their supervisory function, periodically review the Group's allowances for loan losses. Those regulators may require the Group to increase such allowances, to recognise further losses or to increase the regulatory risk-weighting of assets, or may increase its combined buffer requirement or increase "Pillar 2" capital requirements. Any such measures, as required by these regulatory agencies, whose views may differ from those of the management of the Group, could have an adverse effect on its earnings and financial condition, including on the Issuer's Common Equity Tier 1 (**CET1**) ratio and on its ability to pay distributions.

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

Any required changes to the Bank's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the Bank's ability to pursue business opportunities in which the Bank might otherwise consider engaging, affect the value of assets that the Bank holds, require the Bank to increase its prices and therefore reduce demand for its products, impose additional costs on the Bank or otherwise adversely affect the Bank's businesses.

Among others, the Group's results may be adversely affected by the changes to the classification and measurement of financial assets arising from IFRS 9 Financial Instruments, which require, among others, the development of an impairment methodology for calculating the expected credit losses on the Bank's financial assets and commitments to extend credit, instead of incurred losses. This methodology could imply more

volatility in profit and loss when estimating the value of existing exposures arising from macroeconomic variations. The adoption of IFRS 9 is effective and applicable to any financial statements issued since 1 January 2018. The initial impact on the financial statements of the Group of the entry into force of IFRS 9 is an increase of €758 million in provisions for credit risk and a net impact on reserves of negative €564 million. The net capital impact has been estimated in a decrease of 15 basis points in terms of the fully loaded CET1 ratio.

As regard IFRS 15, this standard establishes a model for recognising ordinary income other than income from financial instruments, based on identifying the obligations under each contract, determining the price thereof, assigning this to the obligations identified, and lastly, recognising income when control of the assets is transferred (in the widest sense, including the provision of services). Although this may entail certain changes in the timing of revenue recognition, it has not had any material impact as a result of its first time adoption.

In addition, the results of the Group could be adversely affected by the implementation of IFRS 16 in 2019 and IFRS 17 in 2021 (or earlier should such implementation occur before any such dates). The Group is currently analysing the effect of these standards and cannot anticipate as of the date of this Base Prospectus how these will impact the Group's business, financial condition and results of operations.

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

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

The Group is and in the future may be involved in various claims, disputes, legal proceedings and governmental investigations in jurisdictions where the Group is active. These types of claims and proceedings may expose the Group, as the case may be, to monetary damages, direct or indirect costs or financial loss, civil and criminal penalties, loss of licenses or authorisations, or loss of reputation (reputational risk), as well as the potential regulatory restrictions on the Group's businesses, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

CaixaBank maintains provisions covering the obligations that may arise from such ongoing lawsuits totalling €344 million as of 31 December 2016 and €504 million as of 31 December 2017. These provisions mainly relate to different litigations which unit value is not material. However, given the nature of these obligations, the expected timing of these economic outflows, if any, is uncertain.

Additionally, there is an ongoing legal procedure to exercise a class action, subject to appeal, regarding the application of interest rate floor clauses on certain mortgages provided by CaixaBank. On 7 April 2016, a ruling was passed in the aforementioned proceedings declaring such interest rate floor clauses, contained in the general conditions of signed mortgage contracts with customers, null and void due to a lack of transparency, and by which banks must (i) eliminate the abovementioned clauses of the contracts, (ii) cease using them in a non-transparent way, and (iii) reimburse affected consumers for amounts that they overpaid under clauses declared void from the date of publication of the judgment of the Supreme Court on 9 May 2013, together with any interests in accordance with applicable law.

As of the date of this Base Prospectus, this judgment is not final, as it was appealed by various parties. In its appeal, the consumer association ADICAE (*Asociación de Usuarios de Bancos, Cajas y Seguros*) is requesting that the reimbursement of amounts is not limited to those charged from 9 May 2013 but that it extends in each case to the date when the mortgage was granted. The Public Prosecutor (*Ministerio Fiscal*) opposed this request (unless the European Court of Justice rules otherwise). For the Group, the full

retroactive reimbursement in relation to floor clauses means a total exposure of approximately €1,250 million, including all concepts (cancelled transactions, non-performing transactions and legal interest).

On 13 July 2016, the Advocate General of the EU issued its opinion prior to the judgement handed down by the Court of Justice of the European Union (**CJEU**), which was favourable to the Spanish Supreme Court's decision to limit repayments to 9 May 2013 (the doctrine applied by Mercantile Court 11). Nevertheless, on 21 December 2016 the judgement handed down by the CJEU did not endorse the opinion issued by the Advocate General, in contrast to the usual procedure, and it upheld full retroactive reimbursement in relation to floor clauses.

In 2015 the Group removed these interest rate floor clauses and proceeded to record a provision of €515 million for the expected cost of returning the amounts received from May 2013 until such removal. However, after the judgement of the CJEU above mentioned, given the uncertainty surrounding the outcome and drawing on the views of an independent expert, CaixaBank recognised an additional provision of €110 million at year-end 2016 to cover any reasonably expected payouts. The provisions therefore amounted to €625 million as of 31 December 2016.

In 2017, in accordance with the provisions of Royal Decree-Law 1/2017, of 20 January, on urgent consumer protection measures in connection with floor clauses, the Group implemented a code of best practices, creating a specialised department or service to swiftly handle claims filed in relation to this Royal Decree-Law, and thereby attend and provide responses to its customers within three months. The established procedure has been activated. Claims are still being reviewed and customers are being informed of the decisions made and disbursements are made when applicable. From the total amount used from the provision, at 31 December 2017 €241 million of disbursements are related to claims of Royal Decree-Law 1/2017.

The Group faces risks related to its acquisitions and divestitures

The Group's mergers and acquisitions activity involves divesting its interests in some businesses and strengthening other business areas through acquisitions. The Group may not complete these transactions in a timely manner, on a cost-effective basis or at all.

The Group has made significant acquisitions in recent years, including Banca Cívica, Banco de Valencia, Barclays Bank, S.A.U. and, more recently, the tender offer of Banco BPI's shares, which was accepted by 39.01% of Banco BPI's share capital, as a result of which the stake of CaixaBank in Banco BPI has increased from 45.5% to 84.51% of the issued share capital after the end of the acceptance period of the offer on 7 February 2017. Upon the completion of these acquisitions, in certain cases all of the rights and obligations of the acquired businesses were assumed by the Group, and the Group may subsequently uncover information that was not known to the Group and which may give rise to significant new contingencies or to contingencies in excess of the projections made by the Group. Any losses incurred by the Group as a result of the occurrence of any contingencies relating to the Group's past or future acquisitions for which the Group is not otherwise compensated could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, transactions such as these are inherently risky because of the difficulties of integrating people, operations and technologies that may arise. There can be no assurance that any of the businesses that the Group acquires can be successfully integrated or that they will perform well once integrated. Acquisitions may also lead to potential write-downs due to unforeseen business developments that may adversely affect the Group's results of operations.

The Group's results of operations could also be negatively affected by acquisition or divestiture-related charges, amortisation of expenses related to intangibles and charges for impairment of long-term assets. The Group may be subject to litigation in connection with, or as a result of, acquisitions or divestitures, including claims from terminated employees, customers or third parties, and the Group may be liable for future or existing litigation and claims related to the acquired business or divestiture because either the Group is not indemnified for such claims or the indemnification is insufficient. These effects could cause the Group to

incur significant expenses and could materially adversely affect its business, financial condition and results of operations.

In January 2018 Angola changed its currency mechanism that regulated parity between the local currency, the Kwanza, and the US dollar. An orderly and gradual devaluation process has started with the Kwanza losing value against the US dollar. At the date of preparing the 2017 Consolidated Financial Statements, the total impact of the devaluation in CaixaBank for the book value held in Banco de Fomento Angola, S.A. (**BFA**) amounts to, approximately, EUR -87 million. In any event, BFA's carrying amount at 31 December 2017 remains unaffected by these events because the recoverable amount based on information available at the date of preparing the 2017 Consolidated Financial Statements does not indicate any impairment of the investee.

Risks relating to the Issuer arising from applicable legislation and regulation

The Issuer is not able to determine the impact that the following legislation and regulations and that any additional regulations may have. There can be no assurance that the implementation of these requirements will not adversely affect the Issuer's ability to pay dividends, or require the Issuer to issue additional securities that qualify as regulatory capital or eligible liabilities for compliance with MREL, to liquidate assets, to deleverage its business or to take any other actions, any of which may have adverse effects on the business, financial condition, results of operations and prospects of the Issuer. Furthermore, increased capital requirements may negatively affect the Issuer's return on equity and other financial performance indicators.

In addition, there can be no assurance that additional capital or provision requirements will not be adopted by the authorities of the jurisdictions where the Issuer operates and, as some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Failure to comply with existing or new legislation regarding capital or provision requirements could have a material adverse effect on the business, financial condition, results of operations and prospects of the Issuer.

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

As a Spanish credit institution, the Bank is subject to the CRD IV Directive that replaced Directives 2006/48 and 2006/49 through which the EU began implementing the Basel III capital reforms with effect from 1 January 2014, with certain requirements in the process of being phased-in during upcoming years. The core regulation regarding the solvency of credit entities is the CRR which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. Solvency requirements are applied to CaixaBank, on both an individual and consolidated basis and also to Banco BPI on both an individual and sub-consolidated basis.

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 (the **RD-L 14/2013**), Law 10/2014, RD 84/2015 and Bank of Spain Circulars 2/2014, of 31 January and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive (the **Bank of Spain Circular 2/2016**).

Under CRD IV, the Bank is required, on an individual and consolidated basis, to hold a minimum amount of regulatory capital of 8% of RWA of which at least 4.5% must be CET1 capital and at least 6% must be Tier 1 capital (together, the minimum "Pillar 1" capital requirements).

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014 also contemplates that in addition to the "Pillar 1" capital requirements, the supervisory authorities may require further capital to cover other risks, including those not considered to be fully captured by the "Pillar 1" minimum "own funds" requirements under CRD IV or to address macro-prudential considerations. This may

result in the imposition of further CET1, Tier 1 and total capital requirements on the Issuer and/or the Group pursuant to this "Pillar 2" framework. Any failure by the Bank and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios and any additional "Pillar 2" capital requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

Following the introduction of the SSM by means of the Council Regulation (EU) No 1024/2013, of 15 October conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**), the ECB is in charge of assessing additional "Pillar 2" capital requirements to be complied with by each of the European banking institutions now subject to the SSM, such as the Issuer and its Group. The ECB is required under the SSM Regulation to carry out, at least on an annual basis, a supervisory review and evaluation process (the **SREP**) assessments under the CRD IV of the additional "Pillar 2" capital requirements and accordingly requirements may change from year to year. Although CaixaBank and the Group currently meet "Pillar 2" capital requirements, there can be no assurance that the Issuer and/or the Group, as applicable, will be able to comply with any such additional own funds requirements as updated in the future.

The European Banking Authority (the **EBA**) published its guidelines on 19 December 2014 addressed to the European competent supervisors on common procedures and methodologies for the SREP, which contained guidelines for a common approach to determining the amount and composition of additional "Pillar 2" capital requirements to be implemented from 1 January 2016. Under these guidelines, supervisors should set a composition requirement for the "Pillar 2" capital requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital. The guidelines also contemplate that competent supervisors should not set additional own funds requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro prudential requirements.

In addition to the minimum "Pillar 1" and "Pillar 2" capital requirements, credit institutions must comply with the "combined buffer requirement" as set out in the CRD IV Directive. The "combined buffer requirement" has introduced five new capital buffers to be satisfied with additional CET1: (i) the capital conservation buffer for unexpected losses, of up to 2.5% of RWA on a fully loaded basis; (ii) the global systemically important institutions (***G-SIB***) buffer, of between 1% and 3.5% of RWA on a fully loaded basis; (iii) the institution-specific counter-cyclical capital buffer, which may be as much as 2.5% of RWA (or higher pursuant to the Bank of Spain) on a fully loaded basis; (iv) the other systemically important institutions (***O-SII***) buffer, which may be as much as 2% of RWA on a fully loaded basis; and (v) the systemic risk buffer to prevent systemic or macro prudential risks, of at least 1% of RWA (to be set by the Bank of Spain) on a fully loaded basis.

The Bank has not been classified as *G-SIB* 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-SIB* buffer. According to the note published by the Bank of Spain on 24 November 2017, the Bank is considered an *O-SII* and accordingly, during 2018 it will be required to maintain a phase in *O-SII* buffer of 0.1875% and a full *O-SII* buffer of 0.25% in 2019. This buffer is applicable to the Bank on both an individual and a consolidated basis. In addition, the Bank of Spain agreed on 23 March 2018 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the second quarter of 2018 (percentages will be revised each quarter). On 27 March 2018, the Bank of Portugal also published that the countercyclical buffer for credit exposures in Portugal was to be maintained at 0% for the second quarter of 2018.

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

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015 (the **December 2015 EBA Opinion**), competent authorities should ensure that the CET1 capital to be taken into

account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the Maximum Distributable Amount (as defined below) calculation is limited to the amount not used to meet the "Pillar 1" and "Pillar 2" own funds requirements of the institution, and accordingly, the "combined buffer requirement" is in addition to the minimum Pillar 1 capital requirement and to the additional Pillar 2 capital requirement, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order. The Proposal (as defined below) amending CRR published on 23 November 2016 and the draft guidelines on the revised common procedures and methodologies for the SREP and supervisor stress testing published by the EBA on 31 October 2017 (the **EBA Draft Guidelines**) also clarify the stacking order of Pillar 1 capital requirements, Pillar 2 capital requirements (**P2R**) and combined buffer requirements in the same way.

Any failure by the Bank and/or the Group to maintain the combined buffer requirements on top of Pillar 1 capital requirements and P2R, may result in the imposition of restrictions or prohibitions on Discretionary Payments (as defined below) by the Issuer, including dividend payments, and the possible cancellation of distributions relating to Additional Tier 1 capital instruments (in whole or in part).

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

As communicated by the EBA on 1 July 2016, in addition to Pillar 1 capital requirements and P2R and combined buffer requirements, the supervisor can also set a Pillar 2 Guidance. Thus, SREP decisions of 2016 onwards differentiate between P2R and "Pillar 2" guidance (**P2G**). Banks are expected to meet the P2G, which is set on top of the level of binding capital (Pillar 1 and P2R) requirements and on top of the capital buffer requirements. If a bank does not meet its P2G, this will not result in automatic action of the supervisor and will not be used to determine the Maximum Distributable Amount trigger, but will be used in fine-tuned measures based on the individual situation of the relevant bank. In order to assess the final measures taken, the SSM will assess every case of a bank not meeting its P2G. The P2G is not public. The EBA Draft Guidelines also contemplate P2G in the same way.

In December 2017, the Bank has received the decisions of the ECB regarding minimum capital requirements for the Group following the outcomes of the most recent SREP. These decisions state that the Group is to maintain a CET1 ratio of 8.063% over the total amount of RWA during 2018, which includes the minimum Pillar 1 requirement (4.50% of RWAs), the ECB P2R (1.50% of RWAs), the capital conservation buffer (1.875% of RWAs) and the *O-SII* buffer (0.1875% of RWAs). The minimum fully loaded CET1 ratio would therefore stand at 8.75% of RWAs. The minimum Tier 1 and Total Capital ratios would consequently reach 9.563% of RWAs and 11.563% of RWAs, respectively, on a phase-in basis and 10.25% of RWAs and 12.25%, of RWAs respectively, on a fully loaded basis, based on the 6% of RWAs and 8% of RWAs Pillar 1 minimum requirements at a Tier 1 and total capital level, respectively. Pursuant to CaixaBank's most recent internal review of its strategic plan it has set for itself a target CET1 ratio of 11% of RWAs to 12% of RWAs and target Total Capital ratio in excess of 14.5% of RWAs.

The following table shows the solvency requirements compared to the capital position of the Group on a consolidated basis as of 31 December 2017:

Capital position

	31 December 2017		Minimum requirements							
	Phase-in	**Fully loaded**	**Phase-in (2018)**	**Of which Pillar 1**	**Of which Pillar 2R**	**Of which buffers**	**Fully loaded**	**Of which Pillar 1**	**Of which Pillar 2R**	**Of which buffers**
CET1	12.7%	11.7%	8.063%	4.50%	1.50%	2.063%	8.75%	4.50%	1.50%	2.75%
Tier 1	12.8%	12.3%	9.563%	6.00%	1.50%	2.063%	10.25%	6.00%	1.50%	2.75%
Total Capital	16.1%	15.7%	11.563%	8.00%	1.50%	2.063%	12.25%	8.00%	1.50%	2.75%

Note:

(1) All percentages refer to the total amount of RWA.

As a result of ECB's decision, the phase-in CET1 threshold below which the Group would be forced to limit distributions in the form of dividend payments, variable remuneration and interest to holders of Additional Tier 1 instruments, commonly referred to as the activation level of the maximum distributable amount (or Maximum Distributable Amount trigger), is set at 8.063% of RWAs as for 2018 without taking into account any potential shortfalls in the 1.5% of RWAs Additional Tier 1 and 2% of RWAs Tier 2 "Pillar 1" buckets. As of 31 December 2017, the Group had a Tier 2 capital level above 2% of RWAs and would achieve the 1.5% of RWAs minimum requirement for Additional Tier 1 instruments, taking into account the issuance of March 2018.

The ECB has not imposed P2R on the Bank, on an individual basis. Capital buffers are applicable at the same amount on both an individual and sub-consolidated basis.

In addition to CRD IV arrangement which requires maintenance of certain capital buffers before any dividend is paid, the ECB communicated updated recommendations on dividend distribution and remuneration policies to be adopted in 2018 for the financial year 2017. The ECB expects banks to adopt a prudent, forward-looking stance when deciding on their remuneration and dividend distribution policies so that they can fulfil all their capital requirements, including the outcome of the SREP.

In addition to the above, the CRR also includes a requirement for credit institutions to calculate a leverage ratio, report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their leverage ratio in accordance with the methodology laid down in that article. At its meeting of 12 January 2014, the oversight body of the BCBS endorsed the definition of the leverage ratio set forth in the CRD IV. Such definition of the leverage ratio was introduced in the EU via Commission Delegated Regulation 2015/62 in January 2015. On 11 January 2016, the BCBS issued a press release informing the public about the agreement reached by its oversight body, the Group of Governors and Heads of Supervision (**GHOS**) setting an indicative benchmark consisting of 3% of leverage exposures, which must be met with Tier 1 capital. The CRR does not currently contain a requirement for institutions to have a capital requirement based on the leverage ratio though the European

Commission's Proposals (as defined below) amending the CRR contain a binding 3% Tier 1 capital leverage ratio requirement. Full implementation of the leverage ratio as a Pillar 1 measure is currently under consultation as part of the Proposals.

Any failure by the Bank and/or the Group to comply with its regulatory capital requirements could also result in the imposition of further P2Rs and the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms (**Law 11/2015**) as amended by Royal Decree-Law 11/2017 (**RDL 11/2017**), which, together with Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 (**RD 1012/2015**) has implemented Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the **BRRD**) into Spanish law, which could have a material adverse effect on the Group's business and operations.

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of capital and eligible liabilities in relation to total liabilities and own funds (known as **MREL**). The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. From 1 January 2016 the resolution authority for CaixaBank is the SRB and it is subject to the authority of the SRB for the purposes of determination of its MREL requirement. Eligible liabilities will be determined by resolution authorities (including if applicable the SRB) and may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions). The MREL requirement came into force on 1 January 2016 but no formal requirements have been communicated yet by the resolution authority and therefore, the quantum, the requirements to qualify as eligible liabilities and the compliance calendar remain all as open questions.

On 9 November 2015 the *FSB* published its final Total Loss-Absorbing Capacity (**TLAC**) Principles and Term Sheet, proposing that *G-SIB*s maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits, and which forms a new standard for *G-SIB*s. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of *G-SIB*s in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The *FSB* will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet requires a minimum TLAC to be determined individually for each *G-SIB* at the greater of (a) 16% of RWA as of 1 January 2019 and 18% as of 1 January 2022, and (b) 6% of the Basel III Tier 1 leverage ratio exposures as of 1 January 2019, and 6.75% as of 1 January 2022. Under the FSB TLAC standard, capital buffers stack on top of TLAC.

Although the Bank has not been classified as a *G-SIB* by the *FSB*, it cannot be disregarded that this may change in the future or that TLAC requirements are finally extended to non-*G-SIB*s which could create additional minimum capital requirements for the Issuer and/or the Group.

On 23 November 2016, the European Commission published among other a proposal for a European Directive amending CRR, the CRD IV Directive and the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 effective from 1 January 2015 (the **SRM Regulation**).

Additionally, the European Commission proposed an amending directive to facilitate the creation of a new asset class of "non preferred" senior debt (the aforementioned proposals, together, the **Proposals**). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. The Proposals also cover a harmonised national insolvency ranking of unsecured debt instruments to facilitate the

issuance by credit institutions of such "non preferred" senior debt. The Proposals are to be considered by the European Parliament and the Council of the EU and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until all the Proposals are in final form and are finally implemented into the relevant legislation, it is uncertain how the Proposals will affect the Issuer or the holders of the Notes.

Notwithstanding, the Proposals regarding the harmonised national insolvency ranking of unsecured debt instruments and the recognition of the "non preferred" senior debt has been implemented in the EU through the Directive (EU) 2017/2399 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017. It has to be transposed into national law by the Member States by 29 December 2018, provided that the relevant Member States has not been previously legislated in the sense of such Directive. In Spain, the new class of "non preferred" senior debt and its insolvency ranking were introduced earlier through the RDL 11/2017.

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

The European Commission's Proposals require the introduction of some adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for *G-SIIs*.

Any failure by an institution to meet the applicable minimum TLAC/MREL Requirements is intended to be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery and, in particular, could result in the imposition of restrictions on Discretionary Payments.

In addition, on 7 December 2017, the GHOS published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment (**CVA**) risks, introduces a floor to the consumption of capital by internal ratings-based methods (**IRB**) and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use for portfolios with low levels of non-compliance; (iii) regarding the CVA risk, and in connexion with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches (AMA); (v) the introduction of a leverage ratio buffer for *G-SIB*s; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the RWA of the banks generated by internal models from being lower than the 72.5% of the RWA that are calculated with the standard methods of the Basel III framework.

The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks.

There is uncertainty with regards to how and when they will be implemented in the EU.

In light of the above, it would be reasonable not to disregard that new and more demanding additional capital requirements may be applied in the future.

Basel III implementation differs across jurisdictions in terms of timing and the applicable rules. The lack of uniformity in implemented rules may lead to an uneven playing field and to competition distortions. Moreover, a lack of regulatory coordination, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect a bank with global operations such as the Issuer and could undermine its profitability (see "*The Group is subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a material adverse effect on its business, results of operations and financial condition*"). In order to address this, the ECB has issued Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in Union law (**Regulation 2016/445**). There can be no assurance that new additional regulations will not be introduced that could have an impact on capital position.

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

Deferred Tax Assets

In addition to introducing new capital requirements, the CRD IV Directive provides that deferred tax assets (**DTAs**) that rely on the future profitability of a financial institution must be deducted from its regulatory capital (specifically its core capital or CET1 capital) for prudential reasons, as there is generally no guarantee that DTAs will retain their value in the event of the financial institution facing difficulties.

This new deduction introduced by CRD IV has a significant impact on Spanish banks due to the particularly restrictive nature of certain aspects of Spanish tax law. For example, in some EU countries when a bank reports a loss, the tax authorities refund a portion of taxes paid in previous years, but in Spain the bank must earn profits in subsequent years in order for this set-off to take place. Additionally, Spanish tax law does not recognise as tax-deductible certain amounts recorded as costs in the accounts of a bank, unlike the tax legislation of other EU countries.

Due to these differences and the impact of the requirements of CRD IV on DTAs, the Spanish regulator implemented certain amendments to Law 27/2014, of 27 November, on corporate income tax (the **Corporate Income Tax Law**) through RD-L 14/2013, which also provided for a transitional regime for DTAs generated before 1 January 2014. These amendments enabled certain DTAs to be treated as a direct claim against the Spanish tax authorities if a Spanish bank was unable to reverse the relevant differences within 18 years or if it is liquidated, becomes insolvent or incurs accounting losses. This, therefore, allowed a Spanish bank not to deduct such DTAs from its regulatory capital. The transitional regime provided for a period in which only a percentage (which increases yearly) of the applicable DTAs would have to be deducted. This transitional regime was also included in Corporate Income Tax Law.

However, the European Commission initiated a preliminary state aid investigation in relation to the Spanish DTAs regime. Such investigation is now resolved to the extent that the European Commission, the Bank of Spain and the Spanish Ministries of Treasury and Economy agreed a commitment to amend the applicable law in order to reinforce the compatibility of the regime with European Law. In general terms, the amendment passed requires payment of a special tax charge in order for the conversion of the DTAs into a current asset to be enforceable.

The Royal Decree-Law 3/2016 of 2 December 2016 (**RD-L 3/2016**) has implemented a number of amendments to the Corporate Income Tax Law, in force for tax periods beginning on 1 January 2016. The main amendments introduced therein are the following:

- limitation on the use of the DTAs treated as a direct claim and carried forward tax losses up to 25% (provided a certain amount of net operating income);

- new limit on the use of the double taxation deduction up to 50% of the tax liability (*cuota íntegra*), in case the net operating income exceeds €20 million;

- the impairment of the value of stakes held which were considered deductible for tax purposes in tax periods prior to 1 January 2013 should have to be recaptured on the following five tax periods at least on a proportionate basis; and

- as from 2017, losses generated upon the transfer of shares, provided the transfer complies with the relevant requirements to apply the Spanish participation exemption on capital gains, will not be considered as deductible for tax purposes. It applies to tax periods beginning in the year 2017.

In any case, there could be a risk that the Corporate Income Tax Law will be modified in the future and any changes to the DTAs regime could have a material adverse effect on its business, financial condition and results of operations.

Steps taken towards achieving an EU fiscal and banking union

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

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

The SSM (comprised by both the ECB and the national competent authorities) will help to make the banking sector more transparent, unified and safe. The SSM Regulation was passed in October 2013 with effect from 3 November 2013. On 4 November 2014, the ECB assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the 120 largest European banks (including the Issuer). In preparation for this step, between November 2013 and October 2014 the ECB conducted, together with national supervisors, a comprehensive assessment of 130 banks, which together hold more than 80% of Eurozone banking assets. The exercise consisted of three elements: (i) a supervisory risk assessment, which assessed the main balance sheet risks including liquidity, funding and leverage; (ii) an asset quality review, which focused on credit and market risks; and (iii) a stress test to examine the need to strengthen capital or take other corrective measures. On 26 October 2014, the ECB announced the results of the comprehensive assessment.

On 24 February 2016, the EBA announced new methodology and macroeconomic scenarios for the 2016 EU-wide stress test which covered over 70% of the EU banking sector (51 banks) and assessed EU banks' ability to meet relevant supervisory capital ratios during an adverse economic shock. Similar to the 2014 stress test, the 2016 EU-wide stress test was primarily focused on the assessment of the impact of risk drivers on the solvency of banks. On 29 July 2016, the EBA published the results of the stress test, in which CaixaBank, as part of Criteria Group, took part. In an internal exercise, the methodology was applied in an adverse macroeconomic scenario to CaixaBank, resulting in a CET1 ratio of above 9.8% in December 2018 (phase-in) and 8.5% (fully loaded), applying the capital regulations applicable from 2023. The European authorities took into account the whole CriteriaCaixa Group, including, in addition to the Group, the industrial stakes and real estate assets of Criteria, based on the highest prudential consolidation level at 31

December 2015. Under this scope, the CriteriaCaixa Group would have a phase-in CET1 ratio of 9.0% at the end of the adverse scenario (2018) and a fully loaded ratio of 7.8%. Taking into account the swap agreement between CaixaBank and CriteriaCaixa, completed in the first half of 2016, CaixaBank's CET1 ratio at the end of the adverse scenario (2018) would have strengthened to 10.1% (phase-in) and 9.1% (fully loaded) due to the release of deductions deriving from the financial investments transferred to CriteriaCaixa. This amounts to a capital depletion in the adverse scenario of 2.82% (phase-in) and 2.48% (fully loaded).

In 2017, EBA performed its regular annual transparency exercise and on 31 January 2018 it launched 2018 EU wide stress test exercise covering 70% of the EU banking sector. The Group is participating directly for the first time, after the deconsolidation of CriteriaCaixa Group in September 2017. The results are expected to be published by 2 November 2018. The Issuer cannot provide assurance that it will not be subject to recommendations from future EU-wide stress test or similar regulatory exercises which could have an impact on its current asset valuation policies, the classification of some of its exposures or cause other relevant effects.

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

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

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

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

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Issuer's main supervisory authority may have a material impact on the Issuer's business, financial condition and results of operations. In particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes (implemented into Spanish law through Law 11/2015 and RD 1012/2015). A minimum 8% bail-in of a bank's total liabilities and own funds (or, where applicable, 20% of RWA) will be required as a precondition for access to any direct recapitalisation by the European Stability Mechanism

(ESM), as agreed by the Eurozone members in December 2014. Additionally, on 24 November 2015, the European Commission has proposed a draft regulation to amend Regulation the SRM Regulation, in order to establish a European deposit insurance scheme for bank deposits.

There can be no assurance that regulatory developments related to the EU fiscal and banking union, and initiatives undertaken at EU level, will not have a material adverse effect on the Issuer's business, financial condition and results of operations.

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

On 16 August 2012, Regulation (EU) No 648/2012 on over-the-counter (**OTC**) derivatives, central counterparties and trade repositories entered into force (**EMIR**). EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin and various reporting and disclosure obligations. Some of the elements of EMIR may lead to changes which may negatively impact the Group's profit margins, require it to adjust its business practices or increase its costs (including compliance costs).

The new Markets in Financial Instruments legislation (which comprises Regulation (EU) No 600/2014 (**MiFIR**) and MiFID II), introduces a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. Additionally, it includes other requirements such as enhancing the investor protection regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. MiFID II was initially intended to enter into effect on 3 January 2017. In order to ensure legal certainty and avoid potential market disruption, the European Commission has delayed the effective date of MiFID II by 12 months until 3 January 2018. Although MiFID II entered into force on 3 January 2018, it has only been partially transposed to the Spanish legislation by means of Royal Decree Law 21/2017, of 29 December, with regards to the conditions governing the operation of regulated markets, multilateral systems in financial instruments, organised trading facilities and infringements and sanctions. Therefore, there is still uncertainty as to whether the implementation of these new obligations and requirements will have material adverse effects on the Group's business, financial condition and results of operations.

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

Law 11/2015 and RD 1012/2015 have established a requirement for banks, including the Bank, to make at least an annual contribution to the National Resolution Fund (*Fondo de Resolución Nacional*) in addition to the annual contribution to be made to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) by member institutions. The total amount of contributions to be made to the National Resolution Fund by all Spanish banking entities must equal 1% of the aggregate amount of all deposits guaranteed by the Deposit Guarantee Fund by 31 December 2024. The contribution is adjusted to the risk profile of each institution in accordance with the criteria set out in RD 1012/2015 and in the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements. In addition, the *Fondo de Reestructuración Ordenada Bancaria* (the **FROB**) may request extraordinary contributions. Law 11/2015 has also established an additional charge (*tasa*) which shall be used to further fund the activities of the FROB as resolution authority, which charge (*tasa*) shall equal 2.5% of the above annual contribution to be made to the National Resolution Fund. The Bank may need to make contributions to the EU Single Resolution Fund, once the National Resolution Fund has been integrated into it, and will have to pay supervisory fees to the SSM. Any levies, taxes or funding requirements imposed on the Bank in any of the jurisdictions where it operates could have a material adverse effect on the Bank′s business, financial condition and results of operations.

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

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

The outcome of the UK referendum on membership of the EU and the uncertain future relationship of the UK with the EU, could have a material adverse effect on the business, financial condition and results of operations of the Bank and its Group

On 23 June 2016, the UK held a non-binding referendum (the **UK EU Referendum**) on its membership in the EU, in which a majority voted for the UK to leave the EU. Immediately following the result, the UK and global stock and foreign exchange markets commenced a period of significant volatility, including a steep depreciation of the pound sterling (depreciation which however was soon reverted), in addition to which there is now prevailing uncertainty relating to the process, timing and negotiation of the UK's exit from, and future relationship with, the EU.

On 29 March 2017, the UK delivered the official notice of its intention to withdraw from the EU to the European Council president under article 50 of the Treaty of the EU. As from that moment, a two-year period of negotiation has begun to determine the new terms of the UK's relationship with the EU, after which period its EU membership will cease. These negotiations are expected to run in parallel to standalone bilateral negotiations with the numerous individual countries and multilateral counterparties with which the UK currently has trading arrangements by virtue of its membership of the EU. The timing of, and process for, such negotiations and the resulting terms of the UK's future economic, trading and legal relationships are uncertain.

While the longer term effects of the UK EU Referendum are difficult to predict, these are likely to include further financial instability and slower economic growth as well as higher unemployment and inflation, mostly in the UK, but also in continental Europe and the global economy, at least in the short to medium term. For instance, the UK could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. A decline in trade could affect the attractiveness of the UK as a global investment centre and, as a result, could have a detrimental impact on UK growth. In particular, London's role as a global financial centre may also decline, particularly if financial institutions shift their operations to continental Europe and the EU financial services passport is not maintained. Among the significant global implications of the UK EU Referendum is the increased uncertainty concerning a potentially more persistent and widespread imposition by central banks of negative interest rate policies. The Bank of Japan, the ECB and several other monetary authorities in Europe have already introduced negative interest rates to address deflationary concerns and to prevent appreciation of their respective currencies.

The UK EU Referendum has also given rise to calls for certain regions within the UK to preserve their place in the EU by separating from the UK, as well as the potential for other EU member states to consider withdrawal. For example, the outcome of the UK EU Referendum was not supported by the majority of voters in Scotland, who voted in favour of remaining in the EU. This has revived the political debate on a second referendum on Scottish independence, creating further uncertainty as to whether such a referendum may be held and as to how the Scottish parliamentary process may impact the negotiations relating to the UK's exit from the EU and its future economic, trading and legal relationship with the EU. As mentioned above, it has also encouraged anti-EU and populist parties in other member states, raising the potential for

other countries to seek to conduct referenda with respect to their continuing membership of the EU. On 4 December 2016, voters in Italy rejected constitutional reform proposals put forward by the Italian Prime Minister by way of referendum, withdrawing the political support to the Italian Prime Minister and causing his resignation and the euro to fall to a 20-month low against the US dollar. Furthermore, on the elections of 4 March 2018, Italians gave greater support to euro-sceptic parties such as Five Star Movement (*Movimento 5 Stelle*) and Northern League (*Lega Nord*). The results point to a hung parliament which is likely to lead to long and protracted negotiations. However, while government prospects remain highly uncertain, the likelihood that a euro-sceptic party reaches government is elevated.

Following the results of the UK EU Referendum and the Italian elections, the risk of further instability in the Eurozone cannot be excluded. The increase in the political influence of Eurosceptic political parties in these countries have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets.

Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. The major credit rating agencies have downgraded and changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum.

The UK political developments described above, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape to which the Group is subject and could have a negative adverse effect on its financing availability and terms and, more generally, on its business, financial condition and results of operations.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features including factors which may occur in relation to any Notes:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature (including any redemption of the Notes for taxation reasons pursuant to Condition 5.2 (*Redemption for tax reasons*) and upon the occurrence of a Capital Event or an Eligible Liabilities Event (each as defined in Conditions 5.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and 5.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*), respectively, as the case may be) is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, or during which there is an actual or perceived increased likelihood that the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period if the market believes that the Notes may become eligible for redemption in the near term.

The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (as defined in the Terms and Conditions of the Notes) or the application or interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes or, in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, Senior Non Preferred Notes or Subordinated Notes, as applicable, any prior permission of the Regulator and/or the Relevant Resolution Authority (as defined in the Terms and Conditions of the Notes) if and as applicable (if such permission is required) for such redemption will be given. There can be no assurances that, in the event of any such early redemption, Noteholders will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

The Notes may be redeemed prior to maturity at the Issuer's option for taxation reasons or upon the occurrence of a Capital Event or an Eligible Liabilities Event, subject to certain conditions

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Spain or any political subdivision or any authority thereof or therein having power to tax (a **Tax Jurisdiction**), the Issuer may, at its option, redeem all outstanding Notes in whole, but not in part, in accordance with the Terms and Conditions of the Notes. The Notes may be also redeemed for taxation reasons if (i) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in any Tax Jurisdiction in respect of any payment of interest to be made on the Notes on the next payment date due under the Notes or the value of such deduction to the Issuer would be materially reduced or (ii) if the applicable tax treatment of the Notes is materially affected. In each case, the Issuer may only redeem such Notes if such additional payment or inability to claim a tax deduction (as applicable) occurs or the applicable tax treatment of the Notes is materially affected as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and, in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, Senior Non Preferred Notes and Subordinated Notes only if so permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force and subject to the permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required), as further described in Condition 5.2 (*Redemption for tax reasons*).

Furthermore, if a Capital Event occurs as a result of a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law, Applicable Banking Regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date, the Issuer may redeem all, and not some only, of any Series of the Tier 2 Subordinated Notes subject to such redemption being permitted by the Applicable Banking Regulations then in force and subject to the permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required), as further described in Condition 5.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*).

If an Eligible Liabilities Event occurs as a result of a change (or any pending change which the competent authority considers sufficiently certain) in Spanish law or Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) or any change in the official application or interpretation thereof becoming effective on or after the Issue Date, Ordinary Senior Notes where the Eligible Liabilities Event has been specified as applicable in the relevant Final Terms, Senior Non Preferred Notes and Senior Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force, and subject to the prior permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required), as further described in Condition 5.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*).

As above mentioned, the redemption of Tier 2 Subordinated Notes of the Issuer at the option of the Issuer is subject to the permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required) and pursuant to article 78(1) of the CRR such permission will be given only if either of the following conditions is met:

(b) on or before such redemption of the Tier 2 Subordinated Notes, the Issuer replaces the Tier 2 Subordinated Notes with own funds of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or

(c) the Issuer has demonstrated to the satisfaction of the competent authority that its own funds would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV.

Likewise, the early redemption of Notes that qualify as eligible liabilities for the purposes of MREL, such as Ordinary Senior Notes eligible to comply with MREL Requirements, Senior Non Preferred Notes and Senior Subordinated Notes, may also be subject in the future to the prior permission of the Regulator and/or the Relevant Resolution Authority. The proposal for a regulation amending CRR published by the European Commission on 23 November 2016 (the **Proposed CRR Amendment**) provides that the redemption of eligible liabilities prior to the date of their contractual maturity is subject to the prior permission of the competent authority. According to this proposal, such permission will be given only if either of the following conditions are met:

(a) on or before such redemption, the institution replaces the instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(b) the institution has demonstrated to the satisfaction of the competent authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the CRR, the CRD IV and the BRRD by a margin that the competent authority considers necessary.

It is not possible to predict whether or not any further change in the laws or regulations of Spain or the application or interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes or, in the case any prior permission of the Regulator and/or the Relevant Resolution Authority for such redemption is required, whether such permission will be given.

Early redemption features are also likely to limit the market value of the Notes. During any period when the Issuer can redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period if the market believes that the Notes may become eligible for redemption in the near term. See "*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*".

The qualification of certain Ordinary Senior Notes, Senior Non Preferred Notes and Senior Subordinated Notes as eligible liabilities of the Issuer or the Group for the purposes of Article 45 of the BRRD or Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) or any other regulations applicable in Spain from time to time is subject to uncertainty

Certain Ordinary Senior Notes, Senior Non Preferred Notes and Senior Subordinated Notes, are intended to be eligible liabilities of the Issuer and/or the Group for the purposes of Article 45 of the BRRD (as implemented in Spain and including any amendment or replacement of the relevant implementing provisions) or the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) or any other regulations applicable in Spain from time to time. However, there is uncertainty

regarding the final substance of the BRRD and the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in so far as they relate to eligible liabilities and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that certain Ordinary Senior Notes, Senior Non Preferred Notes and Senior Subordinated Notes will be (or thereafter remain) eligible liabilities under such regulations.

In November 2016, the European Commission proposed directives and regulations intended to modify the requirements for MREL eligibility (the **Proposals**). The European Commission is proposing to integrate the TLAC standard into the existing MREL rules and to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be institution-specific and determined by the Relevant Resolution Authority. Among others, the European Commission proposes to amend the BRRD in order to facilitate the creation of a new class of "non preferred" senior debt which will be eligible to count as MREL instrument (for example, similar to Senior Non Preferred Notes). 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 (**RDL 11/2017**), entered into force on 25 June 2017 and amended Additional Provision 14 of Law 11/2015, which paragraph 2 provides for the legal recognition of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) in Spain. While the Terms and Conditions of the Notes may be consistent with the Proposals, these Proposals have not yet been interpreted and, when finally adopted, the final Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) may be different from those set forth in these Proposals or, if finally adopted in a form consistent with the Proposals, may subsequently be amended, supplemented or replaced.

Because of the uncertainty surrounding the substance of the final regulations implementing the TLAC requirements and their interpretation and application and any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that Senior Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes will ultimately be eligible liabilities. If, for any reason they are not eligible liabilities or if they initially are eligible liabilities and subsequently become ineligible due to a change in Spanish law or the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations), then an Eligible Liabilities Event (as defined under "*Terms and Conditions of the Notes*") will occur, with the consequences indicated in the Terms and Conditions of the Notes (if such Eligible Liabilities Event is specified as applicable in the applicable Final Terms). See "*The Notes may be redeemed prior to maturity at the Issuer's option for taxation reasons or upon the occurrence of a Capital Event or an Eligible Liabilities Event, subject to certain conditions"* and "*The conditions of the Notes contain provisions which may permit their modification and/or substitution without the consent of all or any investors*".

The Notes provide for limited events of default unless in the case of Senior Non Preferred Notes or Ordinary Senior Notes additional events of default apply.

The conditions of the Notes do not provide for any events of default, except in the case that an order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer (other than in the context of a Permitted Reorganisation (as defined in the Terms and Conditions of the Notes)). Accordingly, in the event that any payment on the Notes is not made when due, each Noteholder will have a claim only for amounts then due and payable on their Notes but will have no right to accelerate such Notes unless proceedings for the winding-up or dissolution of the Issuer have been instigated (other than in the context of a Permitted Reorganisation).

Pursuant to the CRR, the Issuer is prohibited from including in the conditions of any Tier 2 Subordinated Notes that qualify as Tier 2 capital of the Issuer terms that would oblige it to redeem such Tier 2 Subordinated Notes prior to their stated maturity at the option or request of Noteholders. As a result, the conditions of the Tier 2 Subordinated Notes do not include provisions allowing for early redemption of Tier 2 Subordinated Notes at the option of Noteholders, except in the case that an order is made by any competent

court or resolution passed for the winding-up or dissolution of the Issuer (other than in the context of a Permitted Reorganisation).

Pursuant to the Proposed CRR Amendment, the Issuer would be prohibited from including in the terms of Ordinary Senior Notes, Senior Subordinated Notes and Senior Non Preferred Notes that qualify as eligible liabilities and in the terms of any Tier 2 Subordinated Notes that qualify as Tier 2 capital of the Issuer provisions that give the Noteholders the right to accelerate the future scheduled payment of interest or principal, other than in case of insolvency or liquidation of the Issuer. As a result, the conditions of Ordinary Senior Notes, Senior Subordinated Notes and Senior Non Preferred Notes do not include provisions allowing for early redemption of such Notes at the option of Noteholders, except in the case that an order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer (other than in the context of a Permitted Reorganisation).

Notwithstanding the above, if the Bank so decides by applying additional events of default in the Final Terms, the terms of Ordinary Senior Notes and Senior Non Preferred Notes may provide that each Noteholder has an individual acceleration right in the case any payment on such Notes is not made when due, which right may be subject to grace periods and additional events of default (including cross default) may also apply to Ordinary Senior Notes not eligible to comply with MREL Requirements.

Limitation on gross-up obligation under Tier 2 Subordinated Notes and, if specified in the relevant Final Terms, Senior Notes and Senior Subordinated Notes

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of Tier 2 Subordinated Notes applies only to payments of interest due and paid under such Notes and not to payments of principal. Equally, if specified in the relevant Final Terms, equivalent limitation on the Issuer's obligation to pay additional amounts with respect of principal may also apply to Senior Notes and Senior Subordinated Notes. As such, the Issuer would not be required to pay any additional amounts under the terms of such Notes to the extent that any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to payments of principal under such Notes, holders of such Notes may receive less than the full amount due under the relevant Notes, and the market value of the relevant Notes may be adversely affected. Holders of such Notes should note that principal for these purposes will include any payments of premium.

Conversion of the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest rate, and the conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates on those Notes and could affect the market value of an investment in the relevant Notes.

The interest rate on Fixed Reset Notes will reset on each Reset Date, which can be expected to affect interest payments on an investment in Fixed Reset Notes and could affect the market value of Fixed Reset Notes

Fixed Reset Notes will initially bear interest at the Initial Interest Rate until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the Reset Margin as determined by the Principal Paying Agent on the relevant Reset Determination Date (each such interest rate, a Subsequent Reset Rate). The Subsequent Reset Rate for any Reset Period could be less than the Initial

Interest Rate or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Fixed Reset Notes.

Risks relating to Floating Rate Notes

Investment in Notes which bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Notes may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant reference rate. Should the reference rate be at any time negative, it could, notwithstanding the existence of the relevant margin, result in the actual floating rate be lower than the relevant margin.

The value of the return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks

Reference rates and indices such as EURIBOR or LIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" (each a **Benchmark** and together, the **Benchmarks**), to which interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reforms. This has resulted in regulatory reform and changes to existing Benchmarks. Such reform of Benchmarks includes the Benchmark Regulations.

In addition, on 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (**FCA**), which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. Whilst the announcement related to LIBOR, similar concerns may be applicable to EURIBOR. The FSB also made certain recommendations to reform major interest rate benchmarks, such as key interbank offered rates. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR or EURIBOR submissions to the administrator of LIBOR or EURIBOR going forwards. This may cause LIBOR or EURIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR or EURIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR or EURIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR or EURIBOR rate is to be determined under the Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR or EURIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR or EURIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR or EURIBOR.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the settling of a Benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain Benchmarks including EURIBOR and LIBOR: (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. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or

investigations, could have a material adverse effect on the value or and return on any Notes linked to or referencing a Benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a Benchmark.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount or premium to their original nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

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

The conditions of the Notes are governed by English law, except for Condition 2 (*Status of the Senior Notes and Subordinated Notes)* which is subject to Spanish law, in effect as at the date of this Base Prospectus. Changes in European, English or Spanish laws or their official interpretation by regulatory authorities after the date hereof may affect the rights and effective remedies of Noteholders as well as the market value of the Notes. Such changes in law or official interpretation of such laws may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes. No assurance can be given as to the impact of any possible judicial decision or change to such laws or official interpretation of such laws or administrative practices after the date of this Base Prospectus.

Furthermore, any change in the laws or regulations of Spain, Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) or the application or interpretation thereof may in certain circumstances result in the Issuer having the option to redeem, substitute or vary the terms of the Notes (see "*—The Notes may be redeemed prior to maturity at the Issuer's option for taxation reasons or upon the occurrence of a Capital Event or an Eligible Liabilities Event, subject to certain conditions*" and"*—The conditions of the Notes contain provisions which may permit their modification and/or substitution without the consent of all or any investors*"). In any such case, relevant Notes would cease to be outstanding, be substituted or be varied, each of which actions could materially and adversely affect investors and frustrate investment strategies and goals.

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

Risks Related to Early Intervention and Resolution

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

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing credit institution or investment firm (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 resolution tools set out below to the maximum extent possible while 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 or, 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 (each, a **Relevant Resolution Authority**) as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business - which enables the Relevant Resolution Authority to direct the sale of the firm 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 firm 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 assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives the Relevant Resolution Authority the right to exercise the Spanish Bail-in Power (as defined below). This includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or 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 including both the Senior Notes and Subordinated Notes.

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

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power, the sequence of any resulting write-down or conversion shall be as follows: (i) CET1 instruments; (ii) Additional Tier 1 instruments; (iii) Tier 2 instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; and (v) eligible senior liabilities prescribed in Article 41 of Law 11/2015 in accordance with claim ranking set out in the Insolvency Law. Any application of the Spanish Bail-in Power under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by applicable banking regulations). Accordingly, the impact of such application on Noteholders will depend on the ranking of the relevant Notes in accordance with such hierarchy, including any priority given to other creditors such as depositors.

In addition to the Spanish Bail-in Power which can be applied in respect of any of the Notes, the BRRD, Law 11/2015 and the SRM Regulation also provide for the Relevant Resolution Authority to permanently write down or convert into equity capital instruments (such as the Tier 2 Subordinated Notes qualifying as Tier 2 instruments) at the point of non-viability (**Non-Viability Loss Absorption** and together with the Spanish Bail-in Power, the **Loss Absorbing Power**) of an institution or a group. The point of non-viability

of an institution is the point at which the Relevant Resolution Authority determines that the institution or its group meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Tier 2 Subordinated Notes) are written down or converted into equity or extraordinary public support is 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 Relevant Resolution Authority has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

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

The powers set out in the BRRD as implemented through Law 11/2015, RD 1012/2015 and the SRM Regulation will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, Noteholders may be subject to, among other things, on any application of the Spanish Bail-in-Power a write-down (including to zero) or conversion into equity or other securities or obligations of amounts due under such Notes and, in the case of the Tier 2 Subordinated Notes, may be subject to any Non-Viability Loss Absorption. The exercise of any such powers may result in such Noteholders losing some or all of their investment or otherwise having their rights under such Notes adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in Noteholders receiving a different security, which may be worth significantly less than the Notes. Moreover, the exercise of the Spanish Bail-in Power with respect to the Notes or the taking by an authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Noteholders, the market price or value or trading behaviour of any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. Furthermore, the exercise of the Spanish Bail-in Power and any Non-Viability Loss Absorption by the Relevant Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Issuer's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Noteholders may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power and any Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

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

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

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

Noteholders will not be able to exercise their rights on an event of default in the event of the adoption of any early intervention, restructuring or resolution measure under Law 11/2015 and the SRM Regulation

The Issuer may be subject to a procedure of early intervention, restructuring or resolution pursuant to the BRRD as implemented through Law 11/2015 and RD 1012/2015 and the SRM Regulation if the Issuer or its group of consolidated credit entities is in breach (or due, among other things, to a rapidly deteriorating financial condition, it is likely in the near future to be in breach) of applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls or if the conditions for resolution referred to above are met (see *"Risks Related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes"*).

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

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD, Law 11/2015 and RD 1012/2015 and the SRM Regulation in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see *"Risks Related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 could materially affect the rights of the Noteholders under, and the value of, any Notes"*). Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015 and RD 1012/2015 and the SRM Regulation. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

Risks applicable to Senior Notes

Claims of Noteholders under Senior Notes are effectively junior to those of certain other creditors and claims of Noteholders under Senior Non Preferred Notes are further junior to those of other senior creditors

Senior Notes are unsecured and unsubordinated obligations of the Issuer. Upon the insolvency (*concurso*) of the Issuer, in accordance with the Insolvency Law and Additional Provision 14.2 of Law 11/2015 (but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)), the payment obligations of the Issuer under the Senior Notes in respect of principal (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of the Insolvency Law), will rank: (a) in the case of Ordinary Senior Notes: (i) senior to (A) any Senior Non Preferred Obligations (as defined in the Terms and Conditions of the Notes) and (B) any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); and (ii) *pari passu* among themselves and with any other Senior Preferred Obligations (as defined in the Terms and Conditions of the Notes); and (b) in the case of Senior Non Preferred Notes: (i) senior to any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); (ii) *pari passu* among themselves and with any other Senior Non Preferred Obligations and (iii) junior to any Senior Preferred Obligations.

Ordinary Senior Notes rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*) (including, without limitation, any deposits for the purposes of Additional Provision 14.1º of Law 11/2015) which shall be paid in full before ordinary credits.

Senior Non Preferred Notes constitute non preferred ordinary claims (*créditos ordinarios no preferentes*) under Additional Provision 14.2 of Law 11/2015 and rank below credits against the insolvency estate (*créditos contra la masa*) and credits with a privilege (*créditos privilegiados*) (including, without limitation, any deposits for the purposes of Additional Provision 14.1º of Law 11/2015) and any other ordinary claims (*créditos ordinarios*) against the Issuer, including without limitation, the Issuer's Senior Preferred Obligations.

Therefore, the Senior Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other obligations that rank senior under the Spanish Law.

The Senior Notes are also structurally subordinated to all indebtedness of subsidiaries of the Issuer insofar as any right of the Issuer to receive any assets of such companies upon their winding-up will be effectively subordinated to the claims of the creditors of those companies in the winding-up.

Moreover, the BRRD, Law 11/2015 and the SRM Regulation contemplate that Senior Notes may be subject to the exercise of the Spanish Bail-in Powers by the Relevant Resolution Authority. This may involve the variation of the terms of the Senior Notes or a change in their form, if necessary, to give effect to, the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. (see *"Risks Related to Early Intervention and Resolution – The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes" above*).

Ordinary Senior Notes may afford less protection to Noteholders than other senior ranking debt instruments issued by the Issuer

Ordinary Senior Notes issued under the Programme may differ in the level of protection afforded to Noteholders, including as compared to Ordinary Senior Notes issued on or before the date of this Base Prospectus. By way of example, Ordinary Senior Notes issued under this Base Prospectus will not benefit

from a negative pledge, whereas other senior ranking debt instruments issued by the Issuer previously and/or under debt programmes may benefit from a negative pledge.

Senior Non Preferred Notes are new types of instruments for which there is little trading history

On 25 June 2017, RDL 11/2017 entered into force amending Additional Provision 14 of Law 11/2015, which paragraph 2 creates the legal category of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) in Spain. Although certain financial institutions have issued securities with similar features in the past, there is little trading history for securities of financial institutions with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non preferred securities. The credit ratings assigned to senior non preferred securities such as Senior Non Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non preferred securities such as Senior Non Preferred Notes will be lower than those expected by investors at the time of issuance of Senior Non Preferred Notes. If so, Noteholders may incur losses in respect of their investments in Senior Non Preferred Notes.

Risks applicable to Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency or resolution

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated obligations (*créditos subordinados*) of the Issuer and will rank junior in priority of payment to all unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Obligations (as defined in the Conditions)). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and RD 1012/2015) and the SRM Regulation and the Subordinated Notes become subject to the application of the Spanish Bail-in Power (including, in the case of Tier 2 Subordinated Notes, Non-Viability Loss Absorption) or (ii) insolvent.

In the case of any exercise of the Spanish Bail-in Power by the Relevant Resolution Authority, the sequence of any resulting write-down or conversion of the Notes under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for the principal amount of Tier 2 instruments (such as the Tier 2 Subordinated Notes if they qualify as such) to be written-down or converted into equity or other securities or obligations prior to the principal amount of subordinated debt that is not Additional Tier 1 or Tier 2 capital (such as the Senior Subordinated Notes) in accordance with the hierarchy of claims provided in the Insolvency Law and for the latter to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of the principal amount or outstanding amount of any other eligible liabilities (such as the Senior Notes and the Senior Non Preferred Notes), in accordance with the hierarchy of claims provided in the Insolvency Law. Tier 2 Subordinated Notes may be subject to Non-Viability Loss Absorption, which may be imposed prior to any insolvency or formal resolution procedure being initiated and prior to or in combination with any exercise of the Spanish Bail-in Power. See "*Risks Related to Early Intervention and Resolution-The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*".

In an insolvency scenario, after payment in full of unsubordinated and unsecured claims (*créditos ordinarios*), (including any senior non preferred claims (*créditos ordinarios no preferentes*)) but before distributions to shareholders, under article 92 of the Insolvency Law read in conjunction with Additional Provision 14.3º of Law 11/2015, the Issuer will meet subordinated claims after payments in full of unsubordinated claims but before distributions to shareholders, in the following order and pro-rata within each class:

(i) late or incorrect claims.

(ii) contractually subordinated liabilities (firstly, those that do not qualify as Additional Tier 1 or Tier 2 instruments, which is expected to be the case of Senior Subordinated Notes, secondly, those that qualify as Tier 2 instruments, which is expected to be the case of Tier 2 Subordinated Notes, and thirdly, Additional Tier 1 instruments);

(iii) interest (including accrued and unpaid interest due on the Notes);

(iv) fines;

(v) claims of creditors which are specially related to the Issuer as provided for under the Insolvency Law;

(vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and

(vii) claims arising from contracts with reciprocal obligations as referred to in articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

Under the Insolvency Law, accrual of interest on the Notes shall be suspended from the date of the declaration of insolvency of the Issuer.

Risks Relating to the Insolvency Law

The Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency (if the insolvency proceeding is declared as abridged, the term to report may be reduced to fifteen days), (ii) provisions in a bilateral contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated. Any payments of interest in respect of debt securities will be subject to the subordination provisions of Article 92.3 of the Insolvency Law.

The Insolvency Law, in certain instances, also has the effect of modifying or impairing creditors' rights even if the creditor, either secured or unsecured, does not consent to the amendment. Secured and unsecured dissenting creditors may be written down not only once the insolvency has been declared by the judge as a result of the approval of a creditors' agreement (*convenio concursal*), but also as a result of an out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*) without insolvency proceedings having been previously opened (e.g., refinancing agreements which satisfy certain requirements and are validated by the judge), in both scenarios (i) to the extent that certain qualified majorities are achieved and unless (ii) some exceptions in relation to the kind of claim or creditor apply (which would not be the case for the Notes).

The majorities legal regime envisaged for these purposes also hinges on (i) the type of the specific restructuring measure which is intended to be imposed (e.g., extensions, debt reductions, debt for equity swaps, etc.) as well as (ii) on the part of claims to be written-down (i.e. secured or unsecured, depending on the value of the collateral as calculated pursuant to the rules established in the Insolvency Law).

In no case shall subordinated creditors be entitled to vote upon a creditors' agreement during the insolvency proceedings, and accordingly, shall be always subject to the measures contained therein, if passed. Additionally, liabilities from those creditors considered specially related persons for the purpose of Article 93.2 of the Insolvency Law would not be taken into account for the purposes of calculating the majorities required for the out-of-court restructuring agreement (*acuerdo de refinanciación pre-concursal*).

Risks related to Notes generally

Risks relating to the Spanish withholding tax regime

Article 44 of Royal Decree 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014 (the **Simplified Information Procedures**). The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of Royal Decree 1065/2007, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, and are recognised by Spanish law or by the law of another OECD country (such as Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**)), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the Issuer submits a statement to the Issuer, the form of which is included in the Agency Agreement, with the following information:

(i) identification of the Notes;

(ii) income payment date (or refund if the Notes are issued at a discount or segregated);

(iii) total amount of income (or total amount to be refunded if the Notes are issued at a discount or segregated); and

(iv) total amount of the income corresponding to each clearing system located outside Spain.

These obligations refer to the total amount paid to investors through each foreign clearing house. For these purposes, "income" means interest and the difference, if any, between the aggregate amount payable on the redemption of the Notes and the issue price of the Notes.

In accordance with Article 44 of Royal Decree 1065/2007, the relevant Issuing and Principal Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Issuer or the Issuing and Principal Paying Agent on its behalf will make a withholding at the general rate (currently 19%) on the total amount of the return on the relevant Notes otherwise payable to such entity.

The Issuer considers that, according to Royal Decree 1065/2007, any payments under the Notes will be made by the Issuer free of Spanish withholding tax, provided that the Simplified Information Procedures described above (which do not require identification of the Noteholders) are complied with by the Issuer and the Issuing and Principal Paying Agent.

In the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 19%.

Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None the Issuer, the Dealers, the Issuing and Principal Paying Agent or any clearing system (including Euroclear and Clearstream, Luxembourg) assume any responsibility therefore.

The procedure described in this Base Prospectus for the provision of information required by Spanish laws and regulations is a summary only and neither of the Issuer or the Dealers, assumes any responsibility therefore. In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer will notify the holders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on distributions in respect of the relevant securities if the holders do not comply with such information procedures.

The Notes are complex instruments that may not be suitable for certain investors

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

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets;

(d) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where Euros (the currency for principal and interest payments) is different from the potential investor's currency; and

(e) 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.

Legal investment considerations may restrict certain investment

The investment activities of certain investors are subject to legal investment laws and regulation, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The conditions of the Notes contain provisions which may permit their modification and/or substitution without the consent of all or any investors

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

In addition, subject as provided herein, in particular to the provisions of Condition 18 (*Substitution and Variation*), if a Capital Event, an Eligible Liabilities Event, an Alignment Event or a circumstance giving rise to the right to early redeem Ordinary Senior Notes eligible to comply with MREL Requirements, Subordinated Notes or Senior Non Preferred Notes for taxation reasons, occurs, or in order to ensure the effectiveness and enforceability of Condition 17 (*Loss Absorbing Power*) the Issuer may, at its option, and without the consent or approval of the Noteholders, elect either (i) to substitute all (but not some only) of the Notes or (ii) to vary the terms of all (but not some only) of the Notes (including changing the governing law of Condition 17 (*Loss Absorbing Power*) from English law to Spanish law), in each case so that they are substituted for, or varied to, become or remain Qualifying Notes. While Qualifying Notes must contain terms that are materially no less favourable to Noteholders as the original terms of the relevant Notes (other than in respect of the effectiveness and enforceability of Condition 17 (*Loss Absorbing Power*), there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally favourable, or that the Qualifying Notes will trade at prices that are equal to the prices at which the Notes would have traded on the basis of their original terms.

In addition, subject as provided herein, in particular to the provisions of Condition 18 (*Substitution and Variation*), and in order to ensure the effectiveness and enforceability of Condition 17 (*Loss Absorbing Power*) the Issuer may, at its option, and without the consent or approval of the Noteholders, vary the terms of Condition 17 (*Loss Absorbing Power*) of all (but not some only) of the Ordinary Senior Notes not eligible to comply with MREL Requirements (including changing the governing law of Condition 17 (*Loss Absorbing Power*) from English law to Spanish law).

Further, prior to the making of any such substitution or variation, the Issuer shall not be obliged to have regard to the tax position of individual Noteholders or to the tax consequences of any such substitution or variation for individual Noteholder. No Noteholder shall be entitled to claim, whether from the Paying Agent, the Issuer, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Noteholders.

The terms of the Notes contain very limited covenants and restrictions on the amount or type of further securities or indebtedness which the Issuer may incur

The Terms and Conditions of the Notes place no restrictions on the amount or type of securities that the Issuer may issue that ranks senior to Subordinated Notes or Senior Non Preferred Notes, or on the amount or type of securities it may issue that rank *pari passu* with the Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders upon liquidation, dissolution or winding-up of the Issuer and may limit the ability of the Issuer to meet its obligations in respect of the Notes, and result in a Holder losing all or some of its investment in the Notes.

In addition, the Notes do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those under the Notes.

The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank senior in priority of payment to, or *pari passu* with, Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes which are intended to be eligible liabilities.

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

The Proposed CRR Amendment provides that Notes qualifying as Tier 2 instruments and eligible liabilities may not be subject to set-off or netting rights that would undermine their loss-absorbing capacity in resolution. The exercise of set-off rights in respect of the Issuer's obligations under the Notes upon the

opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Spanish law).

The Terms and Conditions of the Notes provide that Noteholders waive any deduction, set-off, netting or compensation rights arising directly or indirectly under or in connection with any Note against any right, claim, or liability the Issuer has or may have or acquire against any Noteholder, directly or indirectly, howsoever arising. As a result Noteholders will not at any time be entitled to set off the Issuer's obligations under the Notes against obligations owed by them to the Issuer.

Substitution of the Issuer

If the conditions set out in Condition 16 (*Substitution of the Issuer)* are met, the Issuer may, without the further consent of the Noteholders, subject to such substitution being in compliance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and subject to the prior permission of the Regulator and/or the Relevant Resolution Authority, if and as applicable (if such permission is required), be replaced and substituted by any of its wholly owned Subsidiaries (as defined in the Terms and Conditions of the Notes) as the principal debtor in respect of all obligations arising under or in connection with the Notes, Coupons, Talons and the Deed of Covenant (the **Substituted Debtor**). In that case, the Noteholders will assume the risk that the Substituted Debtor may become insolvent or otherwise be unable to make all payments due in respect of the Notes.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Notes will be represented on issue by Global Notes that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Notes, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Conflicts of interest between the Calculation Agent and Noteholders

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including a Dealer acting as a Calculation Agent), including with respect to certain determinations and judgements that such Calculation Agent may make pursuant to the Terms and Conditions of the Notes which may influence the amounts that can be received by the Noteholders during the term of the Notes and upon their redemption.

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts

receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be or be perceived in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

If an investor holds Notes which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes (including on an unsolicited basis). The ratings may not reflect the potential impact of all the risks related to structure, market and additional factors discussed above, and do not address the price, if any, at which the Notes may be resold prior to maturity (which may be substantially less than the original offering prices of the Notes), and other factors that may affect the value of the Notes. However, real or anticipated changes in the

Issuer's credit rating will generally affect the market value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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. 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, subject to transitional provisions that apply in certain circumstances). 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 the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CBI shall be incorporated in, and form part of, this Base Prospectus:

(a) CaixaBank's audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards as adopted by the EU (**IFRS–EU**) (including the independent auditor's report thereon) for the financial year ended 31 December 2016 (the **2016 Consolidated Financial Statements**) together with CaixaBank's management report in respect of the 2016 Consolidated Financial Statements (**CaixaBank Group Management Report for 2016**) (available at https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Informacion_accionistas_inversores/MEMGRUPCAIXABANK2016WEBING.pdf)

(b) CaixaBank's audited consolidated financial statements prepared in accordance with the IFRS–EU (including the independent auditor's report thereon) for the financial year ended 31 December 2017 (the **2017 Consolidated Financial Statements**) together with CaixaBank's management report in respect of the 2017 Consolidated Financial Statements (**CaixaBank Group Management Report for 2017**) (available at https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Informacion_accionistas_inversores/MEMGRUPCAIXABANK31122017-CNMV-ING.pdf)

(c) the terms and conditions of the Notes contained in previous Base Prospectuses dated 20 June 2017 at pages 73-110 (inclusive), 13 June 2016 at pages 60-95 inclusive, 9 June 2015 at pages 53-87 (inclusive) and 15 October 2013 at pages 48-82 (inclusive) prepared by the Issuer in connection with the Programme (available at:

http://www.ise.ie/debt_documents/FinalBaseProspectus_e42a1032-98cb-492e-b076-aba6726cc96d.PDF

http://www.ise.ie/debt_documents/Base%20Prospectus_ae00599e-d866-49e4-a253-38e876d33859.PDF

http://www.ise.ie/debt_documents/Base%20Prospectus_b8eaae8e-f8ab-4f22-9139-85f9560f6e2f.PDF

and

http://www.ise.ie/debt_documents/Base%20Prospectus_c4de75df-1e9c-433c-bb5e-7248964f991d.PDF

respectively).

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Issuing and Principal Paying Agent for the time being in Luxembourg.

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

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 8 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has

been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or (iii) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than the Temporary Global Notes) and on all interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 8 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 23 April 2018 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a supplement to the Base Prospectus or a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, on or prior to the original issue date of the Tranche the Global Notes or Global Certificates will be delivered to a Common Safekeeper and Euroclear and Clearstream, Luxembourg will be informed whether or not the Notes are intended to be held as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem (**Eurosystem eligible collateral**).

Depositing the Global Notes intended to be held as Eurosystem eligible collateral with a Common Safekeeper does not necessarily mean that the Notes will be recognised as Eurosystem eligible collateral either upon issue, or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met. In the case of Notes issued in NGN form which are not intended to be held as Eurosystem eligible collateral as of their issue date, should the Eurosystem eligibility criteria be amended in the future so that such Notes are capable of meeting the eligibility criteria, such Notes may then be deposited with Euroclear or Clearstream, Luxembourg as Common Safekeeper.

FORM OF FINAL TERMS

NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Instruments is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative market*] Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[**PRIIPs /IMPORTANT- EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**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 the Directive 2002/92/EC (as amended, the **IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation] [1]

[Date]

CaixaBank, S.A.

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the €15,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 23 April 2018 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive and any relevant implementing measure in a relevant Member State of the European Economic Area (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Central Bank of Ireland's website at *http://www.centralbank.ie* and on the website of Euronext Dublin at *www.ise.ie*. In addition, if the Notes are to be admitted to trading on the regulated market of Euronext Dublin, copies of the Final Terms will be published on the website of Euronext Dublin at *www.ise.ie.*

[1] Legend to be included on front of the Final Terms (i) if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable"

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated [*original date*] [and the supplement to it dated [*date*]] which are incorporated by reference in the Base Prospectus dated 23 April 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 23 April 2018 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive and any relevant implementing measure in a relevant Member State of the European Economic Area (the **Base Prospectus**), including the Conditions incorporated by reference in the Base Prospectus[2]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A summary of the Notes (which comprises the summary in the Base Prospectus as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Base Prospectus has been published on the Central Bank of Ireland's website at http://www.centralbank.ie and on the website of Euronext Dublin at *www.ise.ie*.]

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

1.	Issuer:		CaixaBank, S.A.
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 27 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)
6.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) and be in integral multiples*

[2] *When preparing Final Terms prepared in relation to an issuance of Notes to be listed on a non-regulated market, Prospectus Directive references are to be removed.*

			of the specified minimum denomination)
	(b)	Calculation Amount:	[ ]
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8.		Maturity Date:	[*Specify date*/*or for Floating rate notes* - Interest Payment Date falling in or nearest to [*specify month and year*]]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [Fixed Reset Notes] [[[ ] month [LIBOR/EURIBOR]] +/- [ ] per cent. Floating Rate] (see paragraph [15]/[16]/[17] below)
10.		Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11.		Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 17 below and identify there*][Not Applicable]
12.		Put/Call Options:	Investor Put pursuant to Condition 5.6 is [Applicable/Not Applicable][see paragraph 22 below] Issuer Call pursuant to Condition 5.3 is [Applicable/Not Applicable][see paragraph 19 below] Issuer Call – Capital Event (Tier 2 Subordinated Notes) pursuant to Condition 5.4 is [Applicable/Not Applicable] Issuer Call – Eligible Liabilities Event (Senior Subordinated Notes/Senior Non Preferred/Ordinary Senior Notes) pursuant to Condition 5.5 is [Applicable/Not Applicable]
13.	(a)	Status of the Notes:	[Senior Notes – Ordinary Senior Notes/Senior Notes – Senior Non Preferred Notes][Subordinated Notes - Senior Subordinated Notes/Subordinated Notes - Tier 2 Subordinated Notes]
	(b)	Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] [Not Applicable]

		(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
14.	Gross-up in respect of principal and any premium (pursuant to Condition 6.1):	[Yes/No/Not Applicable] (*N.B. Only relevant for Senior Notes and Senior Subordinated Notes*) (*Include "Not Applicable" if issue is of Tier 2 Subordinated Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form.)	[ ] per Calculation Amount
	(d)	Broken Amount(s): (Applicable to Notes in definitive form.)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable] (*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*)
	(e)	Day Count Fraction:	[30/360 or 30/360 (ISDA)] [Actual/Actual (ICMA)][Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Not Applicable]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
16.	Fixed Reset Provisions:		[Applicable/Not Applicable]
	(a)	Initial Interest Rate:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date]
	(b)	Interest Payment Date(s):	[[ ] in each year up to and including the Maturity

		Date]
(c)	Fixed Coupon Amount to (but excluding) the First Reset Date:	[[ ] per Calculation Amount/Not Applicable]
(d)	Broken Amount(s):	[[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA)]
(f)	Determination Date(s):	[[ ] in each year][Not Applicable]
(g)	First Reset Date:	[ ]
(h)	Second Reset Date:	[ ]/[Not Applicable]
(i)	Subsequent Reset Date(s):	[ ] [and [ ]]
(j)	Mid Swap Rate:	[ ]
(k)	Reset Margin:	[+/-][ ] per cent. per annum
(l)	Relevant Screen Page:	[ ]
(m)	Floating Leg Reference Rate:	[ ]
(n)	Floating Leg Screen Page:	[ ]
(o)	Initial Mid-Swap Rate:	[ ] per cent. per annum (quoted on a[n annual/semi-annual basis])
17. Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]

(f)	Screen Rate Determination:		
	(i)	Reference Rate:	[ ] month [[*currency*] LIBOR/EURIBOR]
	(ii)	Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	(iii)	Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
(g)	ISDA Determination:		
	(i)	Floating Rate Option:	[ ]
	(ii)	Designated Maturity:	[ ]
	(iii)	Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*)
(h)	Linear Interpolation:		[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):		[+/-] [ ] per cent. per annum
(j)	Minimum Rate of Interest:		[ ] per cent. per annum
(k)	Maximum Rate of Interest:		[ ] per cent. per annum
(l)	Day Count Fraction:		[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition 5.2 [*Redemption for tax reasons*]:	Minimum period: [ ] days Maximum period: [ ] days
19.	Issuer Call (pursuant to Condition 5.3):	[Applicable/Not Applicable] (*If not applicable, delete the remaining*

subparagraphs of this paragraph)

(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount:	[ ] per Calculation Amount
(c)	If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ]
	(ii) Maximum Redemption Amount:	[ ]
(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 5 clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)

20.	Capital Event (Tier 2 Subordinated Notes pursuant to Condition 5.4):	[Applicable/Not Applicable]
21.	Eligible Liabilities Event (Senior Subordinated Notes, Senior Non Preferred or Ordinary Senior Notes pursuant to Condition 5.5):	[Applicable/Not Applicable]
22.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount:	[ ] per Calculation Amount (*NB: The Optional Redemption Amount cannot be other than a specified amount per Calculation Amount*)
	(c) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems* (*which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer*

		and the Agent)
23.	Final Redemption Amount:	[ ] per Calculation Amount
24.	Early Redemption Amount payable on redemption for taxation reasons, on an event of default [or upon the occurrence of a Capital Event] [or upon the occurrence of an Eligible Liabilities Event]:	[ ] per Calculation Amount
25.	Ordinary Senior Notes optionality:	*(Note that this paragraph provides additional optionality to comply with certain of the proposed CRR amendments dated 23 November 2016 set out in the draft Article 72(b)(2) if Senior Notes are intended to qualify as eligible liabilities*)
	(a) Additional Events of Default (Condition 8):	[Condition 8.2(a) [Not] Applicable] [Condition 8.2(b) [Not] Applicable]
	(b) [Grace period for Condition 8.2(b):	[30] days [*only if Condition 8.2(b) applies*]]
26.	Senior Non Preferred Notes optionality:	
	(a) Additional Events of Default (Condition 8):	[Condition 8.2(b) [Not] Applicable]
	(b) [Grace period for Condition 8.2(b):	[30] days [*only if Condition 8.2(b) applies*]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]
	(b) New Global Note:	[Yes][No]
28.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of*

		payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which sub-paragraph 17(c) relates)
29.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of CaixaBank, S.A.:

By: .....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing:	[Application [has been/will be] made by the Issuer (or on its behalf) to Euronext Dublin for the Notes to be admitted to the [Official List of Euronext Dublin] and admitted to trading on the [Regulated Market of Euronext Dublin] with effect from [ ].] [Application is [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [*specify relevant listing venue (i.e. listing on an official list*] with effect from [ ].]
(b)	Admission to trading:	[Application [has been/will be] made by the Issuer (or on its behalf) to the Official List of Euronext Dublin for the Notes to be admitted to trading on its [Regulated Market] with effect from [ ].] [Application [has been/will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated or unregulated market (for example the Bourse de Luxembourg or the London Stock Exchange's regulated market) and, if relevant, listing on an official list*] with effect from [ ].] [Not Applicable] (*When documenting a fungible issue need to indicate that original Notes are already admitted to trading*.)
(c)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [*insert details*]] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. [[*Insert the legal name of the relevant CRA entity*] is established in the European Union and is registered

under Regulation (EC) No. 1060/2009 (as amended). [As such [*insert the legal name of the relevant CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended)[. [*Insert the legal name of the relevant non-EU CRA entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings have been endorsed by [insert the legal name of the relevant EU-registered CRA entity] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU CRA entity*] is established in the European Union and registered under the CRA Regulation]. As such [*insert the legal name of the relevant EU CRA entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU CRA entity that applied for registration*] may be used in the EU by the relevant market participants.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation[[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant*

non-EU CRA entity] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority [and [*insert the legal name of the relevant CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*][, although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].] The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU CRA entity that applied for registration*] may be used in the EU by the relevant market participants.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for fees [●] [*insert relevant fee disclosure*] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

(*N.B. When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

4. REASONS FOR THE OFFER

Reasons for the offer:	[General financing requirements of the CaixaBank Group / Other]

5. YIELD (Fixed Rate Notes only)

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/*replicate other as specified in the Conditions*] rates can be obtained from [Reuters].

7. OPERATIONAL INFORMATION

(a)	ISIN:	[ ]
(b)	Common Code:	[ ]
(c)	CUSIP number:	[ ]
(d)	CFI:	[[ ]/Not Applicable]
(e)	FISN:	[[ ]/Not Applicable] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be Not Applicable*)
(f)	WKN:	[ ] [Not applicable]
(g)	Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]

(h)	Delivery:	Delivery [against/free of] payment
(i)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(j)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(c)	Date of [Subscription] Agreement:	[ ]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(f)	U.S. Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]
(g)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by CaixaBank, S.A. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 23 April 2018 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/71/EU) and, solely for the purposes of this Note, includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes, have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and

conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 23 April 2018 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of Euronext Dublin the applicable Final Terms will be published on the website of Euronext Dublin (*www.ise.ie*). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions:

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

Calculation Amount has the meaning given in the applicable Final Terms;

Group means the Issuer and its Subsidiaries; and

Subsidiary means, in relation to an entity, any entity controlled by that first person entity where control is determined in accordance with Regulation 43 of Circular 4/2017, of 27 November, of the Bank of Spain as amended from time to time (*Norma 43 de la Circular 4/2017, de 27 de noviembre, del Banco de España*), whether any such entity is a financial institution or not.

For the avoidance of doubt, an Ordinary Senior Note will be deemed to be **eligible to comply with MREL Requirements** even if it is not so eligible provided that its ineligibility arises solely as a result of the circumstances described in paragraphs (a)(i) to (iv) of the definition of Eligible Liabilities Event.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Fixed Reset Note or a Floating Rate Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note and, in the case of a Senior Note, an Ordinary Senior Note or a Senior Non Preferred Note, and in the case of a Subordinated Note, a Senior Subordinated Note or a Tier 2 Subordinated Note, all as indicated in the applicable Final Terms.

Definitive Notes are issued with Coupons attached.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be required to obtain any proof thereof or as to the identity of such bearer but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. STATUS OF THE SENIOR NOTES AND SUBORDINATED NOTES

The applicable Final Terms will indicate whether the Notes are Senior Notes or Subordinated Notes and, in the case of Senior Notes, Ordinary Senior Notes or Senior Non Preferred Notes, and in the case of Subordinated Notes, Senior Subordinated Notes or Tier 2 Subordinated Notes**.**

2.1 Status of the Senior Notes

The payment obligations of the Issuer in respect of principal under Notes which specify their status as Ordinary Senior Notes (**Ordinary Senior Notes**) or as Senior Non Preferred Notes (**Senior Non Preferred Notes**, together with the Ordinary Senior Notes, **Senior Notes**) in the relevant Final Terms constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer (*créditos ordinarios*).

The Senior Non Preferred Notes constitute non preferred ordinary claims (*créditos ordinarios no preferentes*) under Additional Provision 14.2º of Law 11/2015. It is expressly stated for the purposes of Additional Provision 14.2º of Law 11/2015 that upon the insolvency of the Issuer, the Senior Non Preferred Notes will rank below any other ordinary claims (*créditos ordinarios*) against the Issuer and accordingly, claims in respect of the Senior Non Preferred Notes shall be paid after payment of any such other ordinary (*créditos ordinarios*) claims of the Issuer.

Therefore, in accordance with the Insolvency Law and Additional Provision 14.2º 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 Issuer, the payment obligations of the Issuer under

the Senior Notes in respect of principal (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of the Insolvency Law) will rank:

(a) in the case of Ordinary Senior Notes:

(i) **senior** to (A) any Senior Non Preferred Obligations and (B) any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future); and

(ii) ***pari passu*** among themselves and with any other Senior Preferred Obligations; and

(b) in the case of Senior Non Preferred Notes:

(i) **senior** to any claims against the Issuer qualifying as subordinated claims (*créditos subordinados*) under Article 92 of the Insolvency Law (or equivalent legal provision which replaces it in the future);

(ii) ***pari passu*** among themselves and with any other Senior Non Preferred Obligations; and

(iii) **junior** to any Senior Preferred Obligations.

In the Conditions:

Insolvency Law means Law 22/2003 of 9 July, 2003 (*Ley 22/2003, de 9 de julio, Concursal*), as amended or replaced from time to time.

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

Senior Preferred Obligations means any obligations of the Issuer with respect to any ordinary claims (*créditos ordinarios*) against the Issuer, other than the Senior Non Preferred Obligations.

Senior Non Preferred Obligations means any obligation of the Issuer with respect to any non preferred ordinary claims (*créditos ordinarios no preferentes*) against the Issuer referred to under Additional Provision 14.2 of Law 11/2015 and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Obligations.

In the event of insolvency (concurso) of the Issuer, under the currently in force Insolvency Law (as defined below), claims relating to Senior Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency estate (créditos contra la masa) and credits with a privilege (créditos privilegiados) (including, without limitation, any deposits for the purposes of Additional Provision 14.1º of Law 11/2015 (as defined below)) which shall be paid in full before ordinary credits. Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, accrual of interest shall be suspended from the date of declaration of the insolvency of the Issuer. Claims of Senior Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of

article 92 of the Insolvency Law (including without limitation, after claims on account of principal in respect of contractually subordinated obligations of the Issuer)

2.2 Status of the Subordinated Notes

The payment obligations of the Issuer in respect of principal under Notes which specify their status as Subordinated Notes in the relevant Final Terms (**Subordinated Notes**, which may be, in turn, Senior Subordinated Notes (**Senior Subordinated Notes**) or Tier 2 Subordinated Notes (**Tier 2 Subordinated Notes**), as specified in the relevant Final Terms) constitute direct, unconditional and subordinated obligations of the Issuer. In accordance with Article 92 of the Insolvency Law and Additional Provision 14.3º of Law 11/2015 (but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise)), upon the insolvency of the Issuer the payment obligations of the Issuer under the Subordinated Notes in respect of principal (unless they qualify as subordinated claims pursuant to Articles 92.4º to 92.7º of the Insolvency Law), will rank:

(a) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes do not constitute Tier 2 Instruments of the Issuer:

(i) **senior** to (i) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3º to 92.7º of the Insolvency Law; and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the Senior Subordinated Notes;

(ii) ***pari passu*** among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments of the Issuer and which are not subordinated obligations under Articles 92.4º to 92.7º of the Insolvency Law; and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* to the Issuer's obligations under the Senior Subordinated Notes; and

(iii) **junior** to (i) any unsubordinated obligations of the Issuer (including any Senior Non Preferred Obligations); (ii) any subordinated obligations of the Issuer under Article 92.1º of the Insolvency Law; and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the Senior Subordinated Notes.

(b) for so long as the obligations of the Issuer in respect of the relevant Subordinated Notes constitute Tier 2 Instrument of the Issuer:

(i) **senior** to (i) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 Instruments; (ii) any subordinated obligations of the Issuer under Articles 92.3º to 92.7º of the Insolvency Law, and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank junior to the Issuer's obligations under the relevant Subordinated Notes;

(ii) ***pari passu*** among themselves and with (i) any other claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Tier 2 Instruments and which are not subordinated obligations under Articles 92.4º to 92.7º of the Insolvency Law, and (ii) any other subordinated obligations which by law

and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Notes; and

(iii) **junior** to (i) any unsubordinated obligations of the Issuer (including any Senior Non Preferred Obligations); (ii) any subordinated obligations of the Issuer under Article 92.1 of the Insolvency Law; (iii) any claim for principal in respect of other contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments (such as the Senior Subordinated Notes, if and as applicable) and which are not subordinated obligations under Articles 92.4º to 92.7º of the Insolvency Law; and (iv) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Notes.

Senior Subordinated Notes are expected to rank as provided in paragraph (a) above on the basis that such Notes are not intended to qualify as Tier 2 Capital of the Issuer and/or the Group. Tier 2 Subordinated Notes are expected to rank as provided in paragraph (b) above on the basis that such Notes are intended to qualify as Tier 2 Capital of the Issuer and/or the Group.

In the Conditions:

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 Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect of the Regulator and / or the Relevant Resolution Authority, in each case to the extent then in effect in Spain (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 Issuer and/or the Group).

Additional Tier 1 Capital means Additional Tier 1 capital (*capital de nivel 1 adicional*) as provided under Applicable Banking Regulations.

Additional Tier 1 Instrument means any contractually subordinated obligation of the Issuer constituting an Additional Tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with Applicable Banking Regulations and as referred to in Additional Provision 14.3(c) of Law 11/2015, as amended or replaced from time to time.

BRRD means Directive 2014/59/EU of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may come into effect in place thereof, as implemented into Spanish law by Law 11/2015 and RD 1012/2015, as amended or replaced from time to time and including any other relevant implementing regulatory provisions (in all cases, as amended from time to time).

CRD IV means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures.

CRD IV Directive means Directive 2013/36/EU of the European Parliament and of the Council of 26th June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC or such other directive as may come into effect in place thereof (in all cases, as amended 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 Regulator, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand-alone basis) or the Group (on a consolidated basis) including, without limitation, Law 10/2014, as amended from time to time, RD 84/2015, as amended from time to time, and any other regulation, circular or guidelines implementing CRD IV (in all cases, as amended from time to time).

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26th June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 or such other regulation as may come into effect in place thereof (in all cases, as amended from time to time).

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

RD 1012/2015 means Royal Decree 1012/2015, of 6 November, implementing 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.

RD 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.

Regulator means the *European Central Bank* or such other or successor authority exercising primary bank supervisory authority, or any other entity or institution carrying out such duties on its/their behalf (including the Bank of Spain), in each case with respect to prudential matters in relation to the Issuer and/or the Group.

Tier 2 Capital means Tier 2 capital (*capital de nivel 2*) as provided under the Applicable Banking Regulations.

Tier 2 Instrument means any contractually subordinated obligation of the Issuer constituting a Tier 2 instrument (*instrumentos de capital de nivel 2*) in accordance with the Applicable Banking Regulations and as referred to in Additional Provision 14.3(b) of Law 11/2015, as amended or replaced.

As indicated above, the claims of Subordinated Noteholders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure of the Issuer shall constitute subordinated claims of the Issuer ranking in accordance with the provisions of Article 92 of the Insolvency Law. Under Spanish Law, accrual of interest on the Subordinated Notes shall be suspended from the date of the declaration of insolvency of the Issuer.

3. INTEREST

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Fixed Reset Notes or Floating Rate Notes.

3.1 Interest on Fixed Rate Notes

This Condition 3.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 3.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 3.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number

of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);

(c) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(d) if "30/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day a month, or (b) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(e) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

3.2 Interest on Fixed Reset Notes

(a) Rates of Interest and Interest Payment Dates

Each Fixed Reset Note bears interest:

(i) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date at the rate per annum equal to the Initial Interest Rate;

(ii) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if none, the Maturity Date (the **First Reset Period**) at the rate per annum equal to the First Reset Rate; and

(iii) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each a **Subsequent Reset Period**) at the rate per annum equal to the relevant Subsequent Reset Rate,

(in each case rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) (each a **Rate of Interest**) payable, in each case, in arrear on the Interest Payment Date(s) in each year up to and including the Maturity Date.

The provisions of this Condition 3.2 shall apply, as applicable, in respect of any determination by the Principal Paying Agent of the Rate of Interest for a Reset Period in accordance with this Condition 3.2 as if the Fixed Reset Notes were Floating Rate Notes. The Rate of Interest for each Reset Period shall otherwise be determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with the provisions of this Condition 3.2. Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 3.1 (*Interest – Interest on Fixed Rate Notes*) shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

In these Conditions:

First Reset Rate means the sum of the Reset Margin and the Mid-Swap Rate for the First Reset Period;

Mid-Swap Rate means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the rate for the Reset Date of, in the case of semi-annual or annual Interest Payment Dates, the semi-annual or annual swap rate, respectively (with such semi-annual swap rate to be converted to a quarterly rate in accordance with market convention, in the case of quarterly Interest Payment Dates) for swap transactions in the Specified Currency maturing on the last day of such Reset Period, expressed as a percentage, which appears on the Relevant Screen Page as of approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date. If such rate does not appear on the Relevant Screen Page, the Mid-Swap Rate for the Reset Date will be the Reset Reference Bank Rate for the Reset Period;

Reference Banks means five leading swap dealers in the interbank market for swap transactions in the Specified Currency with an equivalent maturity to the Reset Period as selected by the Bank;

Relevant Screen Page means the display page on the relevant service as specified in the applicable Final Terms or such other page as may replace it on that information service, or on such other equivalent information service as determined by the Principal Paying Agent, for the purpose of displaying the relevant swap rates for swap transactions in the Specified Currency with an equivalent maturity to the Reset Period;

Representative Amount means an amount that is representative for a single transaction in the relevant market at the relevant time;

Reset Date means the First Reset Date, the Second Reset Date and each Subsequent Reset Date, as applicable;

Reset Determination Date means the second Business Day immediately preceding the relevant Reset Date;

Reset Period means the First Reset Period or any Subsequent Reset Period, as the case may be;

Reset Period Mid-Swap Rate Quotations means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on the day count basis customary for fixed rate payments in the Specified Currency), of a fixed-for-floating interest rate swap transaction in the Specified Currency with a term equal to the Reset Period commencing on the Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg (in each case calculated on the day count basis customary for floating rate payments in the Specified Currency), is equivalent to the Rate of Interest that would apply in respect of the Notes if (a) Screen Rate Determination was specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, (b) the Reference Rate was the Floating Leg Reference Rate and (c) the Relevant Screen Page was the Floating Leg Screen Page; and

Reset Reference Bank Rate means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the percentage determined on the basis of the Reset Period Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 in the principal financial centre of the Specified Currency on the Reset Determination Date. The Principal Paying Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the Reset Date will be 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 Mid-Swap Rate will be the last observable Mid-Swap Rate which appears on the Relevant Screen Page, if any, as determined by the Agent. If no Mid-Swap Rate is available on the Relevant Screen Page, the Mid-Swap Rate will be the Mid-Swap Rate for the immediately preceding Reset Period or, if none, the Initial Mid-Swap Rate.

(b) Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount

The Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the other Paying Agents and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (where a **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.

(c) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3.2 by the Agent shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the

absence wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

3.3 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 3.3 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 3.3 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 3.3(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

(a) 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 each Additional Business Centre specified in the applicable Final Terms; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such other replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 3.3:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*).

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3.3 by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

3.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

4. PAYMENTS

4.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6 (*Taxation*) any law implementing an intergovernmental approach thereto.

4.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 4.1 (*Payments – Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 4.4 (*Payments – General provisions applicable to payments*)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6 (*Taxation*) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose original nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the original nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

4.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

4.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

4.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 7 (*Prescription*)) is:

(a) 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:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Financial Centre specified in the applicable Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, 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 the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

4.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 6 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes; and

(e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6 (*Taxation*).

In these Conditions, **Final Redemption Amount** means, in respect of any Note, (i) its principal amount or (ii) such percentage of its principal amount to be determined by the Issuer as may be specified in the relevant Final Terms.

5. REDEMPTION AND PURCHASE

5.1 Redemption at maturity

Senior Notes and Senior Subordinated Notes will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations).

Tier 2 Subordinated Notes will have an original maturity of at least five years from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations.

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

5.2 Redemption for tax reasons

Subject to Condition 5.7 (*Redemption and Purchase – Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if this Note is not a Floating Rate Note); or

(b) on any Interest Payment Date (if this Note is a Floating Rate Note),

on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if, as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (as defined in Condition 6 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) the Issuer would not be entitled to claim a deduction in computing taxation liabilities in any Tax Jurisdiction (as defined in Condition 6 (*Taxation*)) in respect of any payment of interest to be made on the Notes on the occasion of the next payment date due under the Notes or the value of such deduction to the Issuer would be materially reduced; or

(iii) the applicable tax treatment of the Notes would be materially affected,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (i) would be obliged to pay such additional amounts were a payment in respect of the Notes then due, (ii) would no longer be entitled to claim a deduction or the amount of such deduction would be materially reduced or (iii) would be obliged to apply the materially affected applicable tax treatment.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall (i) deliver to the Agent to make available at its specified office to the Noteholders a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) use its best efforts to deliver to the Agent to make available at its specified office to the Noteholders an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and, in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with MREL Requirements, a copy of the permission of the Regulator and/or the Relevant Resolution Authority, to redemption, if and as applicable (if such permission is required).

Notes redeemed pursuant to this Condition 5.2 will be redeemed at their Early Redemption Amount referred to in Condition 5.7 (*Redemption and Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Redemption for taxation reasons in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with MREL Requirements, will be subject to the prior permission of the Regulator and/or the Relevant Resolution Authority if and as applicable (if such permission is required) therefor under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time.

In these Conditions, a **Relevant Resolution Authority** means the *Fondo de Resolución Ordenada Bancaria* (**FROB**), the Single Resolution Board (**SRB**) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Loss Absorbing Power (as defined in Condition 17 (*Loss Absorbing Power*)) from time to time.

5.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 5.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than under any of Conditions 5.2 (*Redemption for tax reasons*), 5.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*), or 5.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*)), such option being referred to as an Issuer Call. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 5.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, subject in the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with MREL Requirements, to compliance with the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force and subject to the prior permission of the Regulator and/or the Relevant Resolution Authority, if and as applicable (if such permission is required), having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable

Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption.

5.4 Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes

If the Notes are Tier 2 Subordinated Notes and Capital Event is specified as applicable in the applicable Final Terms, then upon the occurrence of a Capital Event as a result of a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law, Applicable Banking Regulations or of any change in the official application or interpretation thereof becoming effective on or after the Issue Date (including as a result of the implementation or applicability in Spain on or after the Issue Date of CRD IV), the Tier 2 Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations then in force, and may only take place in accordance with Applicable Banking Regulations in force at the relevant time and subject to the prior permission of the Regulator and/or the Relevant Resolution Authority, if and as applicable (if such permission is required) pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

Tier 2 Subordinated Notes redeemed pursuant to this Condition 5.4 will be redeemed at their Early Redemption Amount referred to in Condition 5.7 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption).

In the Conditions, **Capital Event** means the determination by the Issuer after consultation with the Regulator that all or part of the outstanding nominal amount of the Tier 2 Subordinated Notes is not eligible for inclusion in the Tier 2 Capital of the Issuer and/or Group (but, in the case of partial ineligibility, only if early redemption of the Tier 2 Subordinated Notes in such circumstances is permitted under then Applicable Banking Regulations) pursuant to then Applicable Banking Regulations (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer).

5.5 Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes

If the Notes are Senior Subordinated Notes or Senior Notes and Eligible Liabilities Event is specified as applicable in the applicable Final Terms, then upon the occurrence of an Eligible Liabilities Event as a result of a change (or any pending change which the competent authority considers sufficiently certain) in Spanish law or Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) or of any change in the official application or interpretation thereof becoming effective on or after the Issue Date, the relevant Senior Notes or Senior Subordinated Notes, as applicable, may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) then in force, and may only take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time and subject to the permission of the Regulator and/or the Relevant Resolution Authority, if and as applicable (if such permission is required) pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to

the Principal Paying Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

Senior Notes and Senior Subordinated Notes redeemed pursuant to this Condition 5.5 will be redeemed at their Early Redemption Amount referred to in Condition 5.7 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, **Eligible Liabilities Event** means:

(a) in respect of Ordinary Senior Notes eligible to comply with MREL Requirements, the determination by the Issuer after consultation with the Regulator and/or the Relevant Resolution Authority, that all or part of the outstanding principal amount of such Notes will not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Preferred Instruments of the Issuer and/or the Group, except where the non-qualification as MREL Eligible Senior Preferred Instruments is due:

(i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or

(ii) to the relevant Notes being bought back by or on behalf of the Issuer; or

(iii) to a subordination requirement being applied by the Relevant Resolution Authority for such Notes to be eligible to comply with MREL Requirements; or

(iv) there being insufficient headroom for such Notes to qualify as eligible liabilities within prescribed limits established by Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain);

(b) in respect of Senior Non Preferred Notes, the determination by the Issuer after consultation with the Regulator and/or the Relevant Resolution Authority, that all or part of the outstanding principal amount of such Notes will not at any time prior to the Maturity Date fully qualify as MREL-Eligible Senior Non Preferred Instruments of the Issuer and/or the Group, except where the non-qualification as MREL-Eligible Senior Non Preferred Instruments is due (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or (ii) to the relevant Notes being bought back by or on behalf of the Issuer; and

(c) in respect of Senior Subordinated Notes, the determination by the Issuer after consultation with the Regulator and/or the Relevant Resolution Authority, that all or part of the outstanding principal amount of such Notes will not at any time prior to the Maturity Date fully qualify as eligible liabilities of the Issuer and/or the Group, except where the non-qualification as eligible liabilities is due (i) solely to the remaining maturity of such Notes (or effective remaining maturity where the Notes, for example, are subject to an Investor Put) being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) (or any other regulations applicable in Spain) as at the Issue Date; or (ii) to the relevant Notes being bought back by or on behalf of the Issuer.

An Eligible Liabilities Event shall, without limitation, be deemed to include where such ineligibility for inclusion of the Notes in the eligible liabilities arises as a result of (a) any legislation which gives effect to the EU Banking Reforms in Spain differing in any respect from the form of the EU Banking Reforms as published by the European Commission on 23 November, 2016 (the **Draft EU Banking Reforms**) (including if the EU Banking Reforms are not implemented in full in Spain), or (b) the official interpretation or application of the Draft EU Banking Reforms or the EU Banking Reforms as implemented in Spain (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the Draft EU Banking Reforms have been reflected in the Terms and Conditions of the Notes.

Applicable MREL Regulations means at any time the laws, regulations, requirements, guidelines and policies giving effect to the MREL including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those laws, regulations, requirements, guidelines and policies giving effect to the MREL, in each case to the extent then in effect in Spain (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 Issuer and/or the Group) (in all cases, as amended from time to time).

MREL means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in Spain), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, or any successor requirement under EU legislation and relevant implementing legislation and regulation in Spain.

MREL-Eligible Senior Preferred Instrument means an instrument included in the eligible liabilities which are available to meet the MREL Requirements for the purposes of the Applicable MREL Regulations where such instrument ranks *pari passu* with the Senior Preferred Obligations of the Issuer.

MREL-Eligible Senior Non Preferred Instrument means an instrument included in the eligible liabilities which are available to meet the MREL Requirements for the purposes of the Applicable MREL Regulations where such instrument ranks *pari passu* with the Senior Non Preferred Obligations of the Issuer.

MREL Requirements means the minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the Group under Applicable MREL Regulations.

5.6 Redemption at the option of the Noteholders (Investor Put)

This Condition 5.6 applies to Senior Notes and Senior Subordinated Notes, if specified as being applicable in the applicable Final Terms, and if allowed under the Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations), which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 5.6 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding)

the Optional Redemption Date. No such redemption option will be applicable to any Tier 2 Subordinated Notes, unless as permitted under Applicable Banking Regulations.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 5.6 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5.6 and instead to declare such Note forthwith due and payable pursuant to Condition 8 (*Events of Default*).

5.7 Early Redemption Amounts

For the purpose of Conditions 5.2 (*Redemption and Purchase – Redemption for tax reasons*), 5.4 (*Redemption and Purchase – Redemption at the option of the Issuer (Capital Event)*: *Tier 2 Subordinated Notes) and 5.5 (Redemption and Purchases - Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*) above and Condition 8 (*Events of Default*) each Note will be redeemed at its Early Redemption Amount as specified in the relevant Final Terms.

5.8 Purchases

The Issuer or any Subsidiary of the Issuer may purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

In the case of Subordinated Notes, Senior Non Preferred Notes and Ordinary Senior Notes eligible to comply with MREL Requirements, the purchase of the relevant Notes by the Issuer or any of its Subsidiaries shall take place in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time and will be subject to the prior permission of the Regulator and/or the Relevant Resolution Authority, if and as applicable (if such permission is required).

5.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5.8 (*Redemption and Purchase –*

Purchases) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6. TAXATION

6.1 Taxation in respect of Senior Notes and Senior Subordinated Notes

All payments of interest and, if so specified in the relevant Final Terms, principal (and/or premium, if any) in respect of Senior Notes and Senior Subordinated Notes (and their respective Coupons) by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of interest and, if so specified in the relevant Final Terms, principal (and/or premium, if any), as shall be necessary in order that the net amounts received by the Senior Noteholders, Senior Subordinated Noteholders or their respective Couponholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of Senior Notes, Senior Subordinated Notes or their respective Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Senior Note or Senior Subordinated Note or their respective Coupons:

(a) presented for payment in Spain; or

(b) to, or to a third party on behalf of, a holder who is liable for such taxes or duties in respect of such Senior Note or Coupon or Senior Subordinated Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Senior Note or Coupon or Senior Subordinated Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4.5 (*Payments – Payment Day*)); or

(d) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporation Income Tax if the Spanish Tax Authorities determine that the Senior Notes or Senior Subordinated Notes do not comply with applicable exemption requirements including those specified in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or

(e) to, or to a third party on behalf of, a holder in respect of whom the Issuer does not receive such information concerning such Senior Noteholder's or Senior Subordinated Noteholder's identity and tax residence as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities.

6.2 Taxation in respect of the Tier 2 Subordinated Notes

All payments in respect of the Tier 2 Subordinated Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts in respect of interest (but not in respect of payments of principal or any premium) as shall be necessary in order that the net amounts received by the Tier 2 Subordinated Noteholders or

Couponholders after such withholding or deduction shall equal the amount of interest which would otherwise have been receivable in respect of the Tier 2 Subordinated Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Tier 2 Subordinated Note or Coupon:

(a) presented for payment in Spain; or

(b) to, or to a third party on behalf of, a holder who is liable for such taxes or duties in respect of such Tier 2 Subordinated Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Tier 2 Subordinated Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4.5 (*Payments – Payment Day*)); or

(d) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporation Income Tax if the Spanish Tax Authorities determine that the Tier 2 Subordinated Notes do not comply with applicable exemption requirements including those specified in the Reply to a Non-Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or

(e) to, or to a third party on behalf of, a holder in respect of whom the Issuer does not receive such information concerning such Tier 2 Subordinated Noteholder's identity and tax residence as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities.

As used herein:

(i) **Tax Jurisdiction** means Spain or any political subdivision or any authority thereof or therein having power to tax; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

See "*Taxation – Spain – Simplified information procedures" for a fuller description of certain tax considerations relating to the Notes, the formalities which must be followed in order to claim exemption from withholding tax and for a description of certain disclosure requirements imposed on the Issuer*.

7. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6 (*Taxation*) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4.2

(*Payments – Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 4.2.

8. EVENTS OF DEFAULT

8.1 Events of Default relating to the Notes

If:

(a) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (except in any such case for the purpose of a Permitted Reorganisation (as defined in Condition 8.2(c) below)); or

(b) so specified in the Final Terms, any Additional Event of Default (as defined in Condition 8.2 (*Additional Events of Default relating to Ordinary Senior Notes and Senior Non Preferred Notes*)) occurs and is continuing,

(each an **Event of Default**), then any Noteholder of the relevant Series in respect of such Notes may, by written notice to the Issuer, declare that such Notes or Note (as the case may be) and all interest then accrued but unpaid on such Notes or Note (as the case may be) shall be forthwith due and payable, whereupon the relevant Notes shall, when permitted by applicable Spanish law, become immediately due and payable at their Early Redemption Amount together with all accrued interest thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary.

8.2 Additional Events of Default relating to Ordinary Senior Notes and Senior Non Preferred Notes

(a) This Condition 8.2(a) only applies to Ordinary Senior Notes if so specified in the applicable Final Terms as being applicable to the Ordinary Senior Notes and references to "Notes" shall be construed accordingly.

If this Condition 8.2(a) applies, each of the following events shall be an **Additional Event of Default**:

(i) ***Non-payment***: the Issuer fails to pay any amount of principal in respect of the Notes within 14 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 21 days of the due date for payment thereof; or

(ii) ***Breach of other obligations***: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or, as the case may be, the Agency Agreement, as the case may be, the Deed of Covenant and such default remains unremedied for 30 days or after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer; or

(iii) ***Cross-default of Issuer or Relevant Subsidiary:***

(A) any Indebtedness for Borrowed Money of the Issuer or any of its Relevant Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or

(B) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the Relevant Subsidiaries or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness for Borrowed Money,

provided that the amount of Indebtedness for Borrowed Money referred to in sub-paragraph (A) and/or sub-paragraph (B) above individually or in the aggregate exceeds €50,000,000 (or its equivalent in any other currency or currencies);

(iv) ***Unsatisfied judgment***: one or more final judgment(s) or order(s) for the payment of any amount which individually or in the aggregate exceeds €50,000,000 or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Relevant Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(v) ***Security enforced***: any Security Interest created or assumed by the Issuer or any of its Relevant Subsidiaries becomes enforceable and any steps are taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) provided that the Indebtedness for Borrowed Money to which such Security Interest relates either individually or in aggregate exceeds €50,000,000 (or its equivalent in any other currency or currencies); or

(vi) ***Cessation of business***: the Issuer (or any of its Relevant Subsidiaries) ceases or threatens to cease to carry on the whole or a substantial part of its business (except in any such case for the purpose of a Permitted Reorganisation) or the Issuer (or any of its Relevant Subsidiaries) stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(vii) ***Insolvency proceedings***: (i)(A) in respect of the Issuer, an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against it or an order is made or a resolution is passed for the dissolution or winding up of the Issuer, and in respect of any of the Issuer's Relevant Subsidiaries, proceedings are initiated against any such Relevant Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (except in any such case for the purpose of a Permitted Reorganisation); or (B) an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer (or any of its Relevant Subsidiaries) or in relation to the whole or any substantial part of the undertaking or assets of any of them; or (C) an encumbrance takes possession of the whole or any substantial part of the undertaking or assets of the Issuer (or any of its Relevant Subsidiaries); or (D) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of the Issuer (or any of its Relevant Subsidiaries); and (ii) in any case is or are not discharged within 30 days; or

(viii) ***Arrangements with creditors***: the Issuer (or any of its Relevant Subsidiaries) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a

conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or

(ix) ***Failure to take action etc.***: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of Spain or England is not taken, fulfilled or done; or

(x) ***Unlawfulness***: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant.

(b) This Condition 8.2(b) only applies to Ordinary Senior Notes or Senior Non Preferred Notes if so specified in the applicable Final Terms as being applicable to the Ordinary Senior Notes or Senior Non Preferred Notes, and references to "Notes" shall be construed accordingly.

If this Condition 8.2(b) applies, an **Additional Event of Default** shall occur if the Issuer fails to pay any amount of principal or interest in respect of the Notes within the number of days specified as the applicable grace period in the applicable Final Terms, or if no grace period is specified, 30 days of the due date for payment thereof.

(c) For the purpose of this Condition 8:

Indebtedness for Borrowed Money means any money borrowed, liabilities in respect of any acceptance credit, note or bill discounting facility, liabilities under any bonds, notes, debentures, loan stocks, securities or other indebtedness by way of loan capital.

Permitted Reorganisation means:

(a) with respect to the Issuer, a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Noteholders; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a financial institution (*entidad de crédito*) under article 1 of Law 10/2014 (or any other law or regulation which may replace it in the future), as amended and restated and (B) has a rating for long-term senior debt assigned by Standard & Poor's Credit Services Europe Limited, Moody's Investor Services España, S.A., Fitch Ratings España, S.A.U. or DBRS Ratings Limited equivalent to or higher than the rating for long-term senior debt of the Issuer immediately prior to such reconstruction, merger or amalgamation); and

(b) with respect to a Relevant Subsidiary, a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Noteholders; or (ii) is on a solvent basis.

When related to a Relevant Subsidiary, an Event of Default shall only be considered as such when the creditworthiness of the Issuer is materially weaker immediately after the occurrence of such event, where: **materially weaker** shall mean that two of the four Rating Agencies modify at least by three lower notches the rating previously applied to the Issuer; and **Rating Agencies** shall mean Standard & Poor's Rating Services, Moody's Investor Services, Fitch Ratings Ltd and DBRS Ratings Ltd.

Relevant Subsidiary means, at any particular time, any Subsidiary of the Issuer:

(a) whose net assets represent not less than 10 per cent. of the net consolidated assets of the Group as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) of such Subsidiary and the most recently published audited consolidated accounts of the Issuer; or

(b) whose gross revenues represent not less than 10 per cent. of the gross consolidated revenues of the Group, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Issuer.

For the purposes of this definition:

(i) if there shall not at any time be any relevant audited consolidated accounts of the Issuer, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer of the relevant audited accounts of the Issuer and its Subsidiaries;

(ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated gross revenues shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer;

(iii) if (A) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (B) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the Issuer relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period;

(iv) where any Subsidiary is not wholly owned by the Issuer there shall be excluded from all calculations all amounts attributable to minority interests;

(v) in calculating any amount all amounts owing by or to the Issuer and any Subsidiary to or by the Issuer and any Subsidiary shall be excluded; and

(vi) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as are necessary to achieve a true and fair comparison of such financial items.

9. WAIVER OF SET-OFF

No Noteholder may at any time exercise or claim any or all rights of or claims of any Noteholder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note (the **Waived Set-Off Rights**) against any right, claim, or liability the Issuer has or may have or acquire against such Noteholder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Noteholder 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 Noteholder by the Issuer in respect of, or arising under or in connection with the Notes is

discharged by set-off, such Noteholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition 9 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 Noteholder of any Note but for this Condition 9.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4.4 (*Payments – General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if

such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 7 (*Prescription*).

13. NOTICES

Notice to Noteholders:

All notices regarding the Notes will be deemed to be validly given if published (a) if the rules of the exchange on which the Notes are listed so require, in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*), or (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of Euronext Dublin, on the Euronext Dublin's website, www.ise.ie. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

14.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the nominal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes any matter defined in the Agency Agreement as a Basic Terms Modification, including the modification of certain of these Conditions (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the nominal amount or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an

Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

14.2 Modification

The Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification of, the Notes, the Coupons or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or

(b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders.

Any modification shall be binding on the Noteholders and the Couponholders and, unless the Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. SUBSTITUTION OF THE ISSUER

(a) The Issuer (or any previous substitute under this Condition 16) may, with respect to any Series of Notes issued by it (the **Relevant Notes**), without the further consent of the Noteholders but, subject to such substitution being in compliance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) and subject to the prior permission of the Regulator and/or the Relevant Resolution Authority, if and as applicable (if such permission is required), be replaced and substituted by any of its wholly owned Subsidiaries as the principal debtor in respect of the Notes, Coupons, Talons and the Deed of Covenant (the **Substituted Debtor**), provided that*:*

(i) the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;

(ii) the Issuer (or any previous substitute under this Condition) and the Substituted Debtor have entered into a deed poll and such other documents (the **Documents**) as are necessary to give effect to the substitution and in which the Substituted Debtor

has undertaken in favour of each Noteholder of the Relevant Notes to be bound by these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as the debtor in respect of such Notes in place of the Issuer (or of any previous substitute under this Condition 16) and pursuant to which the Issuer shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor with the Issuer's obligations under the New Guarantee ranking *pari passu* with the Issuer's obligations under the Notes prior to the substitution becoming effective;

(iii) if the Substituted Debtor is resident for tax purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was resident for tax purposes (the **Former Residence**) the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Noteholder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 6 (*Taxation*), with, where applicable, the substitution of references to the Former Residence with references to the New Residence. The Documents also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

(iv) the Documents contain a warranty and representation by the Substituted Debtor and the Issuer that the Substituted Debtor and the Issuer have obtained all necessary governmental approvals and consents for such substitution and for the giving by the Issuer of the New Guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of their respective obligations under the Documents and that all such approvals and consents are in full force and effect;

(v) each stock exchange on which the Relevant Notes are listed has confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be listed on such stock exchange (of the Issuer or the Substituted Debtor is otherwise satisfied of the same);

(vi) a legal opinions shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor and the country which laws governs this Programme, confirming, as appropriate, that upon the substitution taking place the Notes, Coupons and Talons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms;

(vii) a legal opinion shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in the country of jurisdiction of the Documents that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute

legal, valid and binding obligations of the Issuer enforceable in accordance with their terms;

(viii) legal opinion shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in England that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law;

(ix) any rating agency which has issued a rating in connection with the Relevant Notes shall have confirmed that following the proposed substitution of the Substituted Debtor, the credit rating of the Relevant Notes will remain the same or be improved;

(x) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Relevant Notes and any Coupons and the Documents; and

(xi) the substitution complies with all applicable requirements established under the applicable laws.

(b) Upon the execution of the Documents and the delivery of the legal opinions, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer (or any previous substitute under this Condition) under the Relevant Notes and any related Coupons or Talons and the Agency Agreement and the Deed of Covenant with the same effect as if the Substituted Debtor had been named as the principal debtor in place of the Issuer herein, and the Issuer or any previous substitute under these provisions shall, upon the execution of the Documents be released from its obligations under the Relevant Notes and any related Coupons or Talons and under the Agency Agreement and the Deed of Covenant.

(c) After a substitution pursuant to Condition 16(a), the Substituted Debtor may, without the further consent of any Noteholder, effect a further substitution. All the provisions specified in Condition 16(a) and 16(b) shall apply, *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.

(d) After a substitution pursuant to Condition 16(a) or 16(c) any Substituted Debtor may, without the further consent of any Noteholder, reverse the substitution, *mutatis mutandis*.

(e) The Documents shall be delivered to, and kept by, the Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder in relations to the Notes or the Documents shall not have been finally adjudicated or settled or discharged. Copies of the Documents will be available free of charge at the specified office of each of the Agents.

(f) Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 13 (*Notices*).

17. LOSS ABSORBING POWER

17.1 Acknowledgement

(a) Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Noteholders, by its subscription and/or purchase and holding of the Notes, each Noteholder (which for the purposes of this Condition 17 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority, which 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 Issuer or another person (and the issue to the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes, in which case the Noteholder agrees to accept in lieu of its rights under the Notes any such shares, other securities or other obligations of the Issuer or another person;

(C) the cancellation of the Notes or Amounts Due;

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

(ii) that the terms of the Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Loss Absorbing Power by the Relevant Resolution Authority.

17.2 Payment of Interest and Other Outstanding Amounts Due

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.

17.3 Notice to Noteholders

Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority with respect to the Notes, the Issuer will make available a written notice to the Noteholders as soon as practicable regarding such exercise of the Loss Absorbing Power. The Issuer will also deliver a copy of such notice to the Agent for information purposes.

17.4 Duties of the Agents

Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority, (a) the Agent shall not be required to take any directions from Noteholders, and (b) the Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Loss Absorbing Power by the Relevant Resolution Authority.

17.5 Proration

If the Relevant Resolution Authority exercises the Loss Absorbing Power with respect to less than the total Amounts Due, unless any of the Paying Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Notes pursuant to the Loss Absorbing Power will be made on a pro-rata basis.

17.6 Conditions Exhaustive

The matters set forth in this Condition 17 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any Noteholder.

17.7 No Event of Default

None of a cancellation of the Notes, a reduction in the Amount Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Issuer or the exercise of the Loss Absorbing Power with respect to the Notes will be an Event of Default or otherwise constitute non-performance of a contractual obligation, or entitle the Noteholders to any remedies (including equitable remedies) which are hereby expressly waived.

17.8 Definitions

In this Condition 17:

Amounts Due means the principal amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes under Condition 6 (*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;

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 Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time, 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) 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); and

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

18. SUBSTITUTION AND VARIATION

18.1 This Condition 18.1 applies to Ordinary Senior Notes eligible to comply with MREL Requirements, Subordinated Notes and Senior Non Preferred Notes.

If a Capital Event, an Eligible Liabilities Event, an Alignment Event or circumstance giving rise to the right of the Issuer to redeem the Ordinary Senior Notes eligible to comply with MREL Requirements, Subordinated Notes or Senior Non Preferred Notes under Condition 5.2 (*Redemption for Tax Reasons*) occurs and is continuing, or in order to ensure the effectiveness and enforceability of Condition 17 (*Loss Absorbing Power*), the Issuer may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes (including changing the governing law of Condition 17 (*Loss Absorbing Power*) from English law to Spanish law), without any requirement for the consent or approval of the Noteholders, so that they are substituted for, or varied to become or remain, Qualifying Notes, subject to having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) and the Agent (which notice shall be irrevocable and specify the date for substitution or, as applicable, variation), and subject to obtaining the prior permission of the Regulator and/or Relevant Resolution Authority if and as applicable (if such permission is required therefor under Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations)) and in accordance with Applicable Banking Regulations (including, for the avoidance of doubt, Applicable MREL Regulations) in force at the relevant time.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the relevant Notes. Such substitution or variation shall be effected without any cost or charge to the Noteholders.

Noteholders shall, by virtue of subscribing and/or purchasing the relevant Notes, be deemed to accept the substitution or variation of the terms of such Notes and to grant the Issuer full power and authority to take any action and/or execute and deliver any document in the name and/or on behalf of the Noteholder which is necessary or convenient to complete the substitution or variation of the terms of the Notes.

18.2 In the Conditions:

An **Alignment Event** is deemed to have occurred if there is a change in, or amendment to, the Applicable MREL Regulations, or any change in the application or interpretation thereof, that results in the requirements for Ordinary Senior Notes to qualify as MREL-Eligible Senior Preferred Instruments, for Senior Non Preferred Notes to qualify as MREL-Eligible Senior Non Preferred Instruments and for Senior Subordinated Notes to qualify as eligible liabilities being different in any respect from the Conditions, provided that if an event or circumstance which would otherwise constitute an Alignment Event also constitutes an Eligible Liabilities Event, it will be treated as an Eligible Liabilities Event and will not constitute an Alignment Event.

Qualifying Notes means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer that, other than to ensure the effectiveness and enforceability of Condition 17 (*Loss Absorbing Power*) have terms not otherwise materially less favourable to the Noteholders than the terms of the Ordinary Senior Notes eligible to comply with MREL Requirements, the Subordinated Notes and the Senior Non Preferred Notes (as applicable) provided that the Issuer shall have delivered a certificate signed by two authorised signatories to that effect to the Noteholders in accordance with Condition 13 (*Notices*) and the Agent not less than five Business Days prior to (x) in the case of a substitution of the Notes, the issue date of the relevant securities or (y) in the case of a variation of the Notes, the date such variation becomes effective, provided that such securities shall:

(a) (i) in the case of Ordinary Senior Notes eligible to comply with MREL Requirements, contain terms that comply with the then current requirements for MREL-Eligible Senior Preferred Instruments of the Issuer and/or the Group; (ii) in the case of Senior Non Preferred Notes, contain terms that comply with the then current requirements for MREL-Eligible

Senior Non Preferred Instruments of the Issuer and/or the Group; (iii) in the case of Senior Subordinated Notes contain terms which comply with the then current MREL Requirements, in each case as embodied in the Applicable MREL Regulations; and (iv) in the case of Tier 2 Subordinated Notes, contain terms which comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer and/or the Group, as embodied in the Applicable Banking Regulations; and

(b) carry the same rate of interest as the Notes prior to the relevant substitution or variation; and

(c) have the same denomination and aggregate outstanding principal amount as the Notes prior to the relevant substitution or variation; and

(d) have the same date of maturity and the same dates for payment of interest as the Notes prior to the relevant substitution or variation; and

(e) have the same ranking or higher as the Notes; and

(f) not, immediately following such substitution or variation, be subject to (i) in the case of Senior Notes and Senior Subordinated Notes, an Eligible Liabilities Event or an early redemption right for taxation reasons according to Condition 5.2; and (ii) in the case of Tier 2 Subordinated Notes, a Capital Event or an early redemption right for taxation reasons according to Condition 5.2; and

(g) be listed or admitted to trading on any stock exchange as selected by the Issuer, if Notes were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation.

18.3 This Condition 18.3 applies to any Ordinary Senior Notes not eligible to comply with MREL Requirements.

In relation to any Ordinary Senior Notes not eligible to comply with MREL Requirements and in order to ensure the effectiveness and enforceability of Condition 17 (*Loss Absorbing Power*), the Issuer may, at its option, without any requirement for the consent or approval of the Noteholders of that Series, and having given not less than 30 nor more than 60 days' notice to the Noteholders of that Series, at any time vary the terms of Condition 17 (*Loss Absorbing Power*) of all (but not some only) of such Notes (including changing the governing law of Condition 17 (*Loss Absorbing Power*) from English law to Spanish law) or, in case it is not possible to vary the terms of Condition 17 (*Loss Absorbing Power*), may substitute all (but not some only) of the Notes.

Noteholders shall, by virtue of subscribing and/or purchasing the relevant Notes, be deemed to accept the substitution or variation of Condition 17 (*Loss Absorbing Power*) of such Notes and to grant the Issuer full power and authority to take any action and/or execute and deliver any document in the name and/or on behalf of the Noteholder which is necessary or convenient to complete the substitution or variation of Condition 17 (*Loss Absorbing Power*) of such Notes.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The status of the Notes, the capacity of the Issuer and the relevant corporate resolutions will be governed by Spanish law. The Agency Agreement, the Deed of Covenant, the Notes (save as provided above), the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

20.2 Submission to jurisdiction

(a) Subject to Condition 20.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 20.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

20.3 Appointment of Process Agent

The Issuer appoints Caixabank, S.A., United Kingdom Branch at 8th floor, 63 St Mary Axe, EC3A 8AA, London as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Caixabank, S.A., United Kingdom Branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for the general financing requirements of the CaixaBank Group of which it forms a part. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

History and development of the Issuer

CaixaBank, S.A. (**CaixaBank** or the **Issuer**) and its subsidiaries compose the CaixaBank Group (the **CaixaBank Group** or the **Group**). The Issuer has its registered office in the city of Valencia, at calle Pintor Sorolla, 2-4, 46002 Valencia (contact telephone number +34 93 411 75 03), registration number 2100 in the register of the Bank of Spain (*Banco de España*) with Legal Entity Identifier (L.E.I.) code 7CUNS533WID6K7DGFI87. It is a Spanish company with legal status as a public limited company (*sociedad anónima*) admitted to trading on the Spanish stock exchanges and is governed by the Restated Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2nd July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*), as amended. The Issuer is also subject to special legislation applicable to lending institutions in general and to companies admitted to trading; the supervision, control and regulation of the ECB; and, as a listed company, the regulatory oversight of the CNMV.

The Issuer was incorporated for an indefinite period under the corporate name Grupo de Servicios, S.A. by virtue of a public deed granted on 12 December 1980. The Issuer changed its name to GDS-Grupo de Servicios, S.A. on 22 December 1983 and adapted its by-laws to the Royal Decree Legislative 1564/1989, of 22 December, approving the Spanish Companies Law (*Ley de Sociedades Anónimas*) in force at that time on 1 June 1992.

On 1 June 2000, GDS-Grupo de Servicios, S.A. merged with CaixaHolding, S.A.U. and adopted its corporate name, formalised by virtue of a public deed granted on 11 July 2000. In July 2000, Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", (**la Caixa**) transferred the majority of its portfolio of companies in which it held a stake to the Issuer.

The Issuer subsequently changed its corporate name to Criteria CaixaCorp, S.A. (**Criteria**) on 2 August 2007 and in October 2007, the Issuer completed the process to have its securities admitted to trading on the Barcelona, Madrid, Valencia and Bilbao stock exchanges (the **Spanish stock exchanges**) further to a public offering.

Reorganisation of la Caixa Group in 2011

The enactment of Royal Decree-Law 11/2010, of 9 July 2010, on the governing bodies and other matters relating to the legal framework of savings banks (*Real Decreto-ley 11/2010, de 9 de julio, de órganos de gobierno y otros aspectos del régimen jurídico de las Cajas de Ahorros*) (**Royal Decree-Law 11/2010**), and the approval of the consolidated text of the Catalan Savings Banks Law pursuant to Royal Decree-Law 5/2010, of 3 August 2010 (*Decreto-ley 5/2010, de 3 de agosto, de modificación del texto refundido de la Ley de Cajas de Ahorros de Cataluña, aprobado por el Decreto Legislativo 1/2008, de 11 de marzo*) (**Royal Decree-Law 5/2010**), enabled Spanish savings banks (*cajas*) based in Catalonia to conduct their financial activities indirectly through a bank.

Under this legal framework, on 27 January, 2011, the boards of directors of la Caixa, Criteria and MicroBank de la Caixa, S.A. (**MicroBank**) entered into a framework agreement which set out the structure for the reorganisation of the la Caixa group. The structure was designed to enable la Caixa to indirectly carry out its financial activity while maintaining its social welfare activities. The restructuring plan was approved at the Ordinary General Assembly of la Caixa held on 28 April 2011, and at the ordinary general shareholders meeting of Criteria held on 12 May 2011.

Pursuant to the framework agreement, dated 27 June 2011, la Caixa assigned the assets and liabilities comprising its financial business to MicroBank and, by means of a swap, la Caixa transferred all post-

segregation shares in MicroBank to Criteria. Further to the swap, Criteria became owner of 100% of the outstanding share capital of MicroBank. On 30 June 2011, Criteria and MicroBank merged, MicroBank ceased to exist, and the Issuer adopted its current corporate name, CaixaBank, S.A. Also on this date, the Issuer was entered on the Bank of Spain's Registry of Banks and Bankers (*Registro Especial de Bancos y Banqueros*) and, on 1 July 2011, it was listed on the Spanish stock exchanges as a bank.

Merger with Banca Cívica in 2012

On 26 March 2012, the boards of directors of la Caixa, CaixaBank, Caja de Ahorros y Monte de Piedad de Navarra (**Caja Navarra**), Caja General de Ahorros de Canarias (**Caja Canarias**), Caja de Ahorros Municipal de Burgos (**Caja de Burgos**), Monte de Piedad Caja de Ahorros San Fernando de Guadalajara, Huelva, Jerez y Sevilla (**Cajasol**, together with Caja Navarra, Caja Canarias and Caja de Burgos, the **Cajas**) and Banca Cívica entered into a merger agreement to establish the terms of the integration of Banca Cívica into CaixaBank.

At that date, Banca Cívica was the central company (*sociedad central*) of the Institutional Protection Scheme (*Sistema Institucional de Protección*, or "SIP") comprising the Cajas, and the entity through which the Cajas carried on their financial activity indirectly under Royal Decree-Law 11/2010. Prior to the integration of Banca Cívica into CaixaBank, the Cajas owned 55.32% of the share capital and voting rights of Banca Cívica.

On 18 April 2012, the boards of directors of the Issuer and Banca Cívica signed the merger plan, which was approved by their respective extraordinary general shareholders' meetings held on 26 June 2012. The merger was also approved at the ordinary general assembly of la Caixa held on 22 May 2012.

Further to completion of all applicable conditions precedent on 26 July 2012, the Issuer took control of Banca Cívica's assets and liabilities. On 3 August 2012, the public merger deed was registered at the Companies Register and the merger of Banca Cívica and CaixaBank was completed. From this date, Banca Cívica ceased to exist.

Pursuant to the merger, five CaixaBank shares were exchanged for eight Banca Cívica shares, the share capital of which at the date of approval of the merger consisted of 497,142,800 shares. CaixaBank completed the exchange of shares with a combination of 71,098,000 treasury shares and 233,000,000 newly issued shares, issued pursuant to a capital increase approved at the CaixaBank extraordinary general shareholders' meeting of 26 June 2012, registered with the Companies Register on 3 August 2012. The exchange did not take into account either the shares of Banca Cívica previously held by CaixaBank, or Banca Cívica's treasury shares which were cancelled.

Acquisition of Banco de Valencia in 2013

On 27 November 2012, the Issuer signed a share purchase agreement to acquire, for €1 per share, the shares of Banco de Valencia held by the FROB. Having obtained the required administrative approvals and authorisations, and under the terms and conditions agreed with the FROB and official approval and authorisation by Spanish and EU authorities, on 28 February 2013, the Issuer confirmed the purchase of these shares (98.9% of the outstanding share capital of Banco de Valencia).

In accordance with the share purchase agreement, prior to the acquisition, Banco de Valencia's distressed assets were transferred to the *Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.* (**Sareb**).

The acquisition was subject to a series of financial support measures structured through an asset protection scheme (*esquema de protección de activos*). Pursuant to this scheme, during a 10-year period the FROB will assume 72.5% of losses incurred in Banco de Valencia's small and medium sized entities (**SMEs**), self-

employed professionals, and contingent risk portfolios (guarantees), following the application of any existing provisions recognised for these assets.

On 4 April 2013, the planned merger between CaixaBank and Banco de Valencia was approved by the boards of directors of each entity pursuant to which one CaixaBank share was to be exchanged for 479 shares of Banco de Valencia.

Following the approval of the Ministry of Economy and Competition (*Ministerio de Economía y Competitividad*), on 19th July 2013, CaixaBank registered its merger with Banco de Valencia on the Companies Register, rendering the merger fully effective as from that date.

Reorganisation of la Caixa Group in 2014

In accordance with Law 26/2013, of 27 December (the **Savings Banks and Banking Foundations Act**), la Caixa, as a savings bank that conducted its credit institution activities through an indirectly-owned subsidiary bank, was required to change its corporate form to a banking foundation prior to 29 December 2014. In order to comply with these new legal requirements, on 22 May 2014, a General Assembly of la Caixa resolved to transform la Caixa into a banking foundation. The public deed formalising this transformation was recorded in the Register of Foundations on 16 June 2014, completing the change of corporate form and thereby ending la Caixa's indirect conduct of its credit institution activities through CaixaBank.
The transformation of la Caixa into a banking foundation carried with it a dual-step reorganisation of the la Caixa group: firstly, the dissolution and liquidation of Fundación Caixa d'Estalvis i Pensions de Barcelona (**la Caixa Foundation**) by means of the transfer of 100% of the la Caixa Banking Foundation's assets and liabilities to Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona (**la Caixa Banking Foundation**), completed on 16 October 2014; and secondly, the segregation and transfer to Criteria Caixa, S.A.U. (**CriteriaCaixa**) (formerly known as Criteria CaixaHolding, S.A.U.) of any debt instruments issued by la Caixa and the shares held by la Caixa Banking Foundation in CaixaBank (58.91% of the total share capital of CaixaBank as at 14 October 2014), completed on 14 October 2014 with the registration of a public deed of spin-off (*segregación*) with the Commercial Registry of Barcelona.

As a result of this process of reorganisation, la Caixa Banking Foundation held its ownership interest in CaixaBank through CriteriaCaixa and la Caixa Banking Foundation is no longer classified as a credit institution (or savings bank).

Deconsolidation of CaixaBank from CriteriaCaixa Group

On 26 May 2016, CriteriaCaixa, which held 56.8% of CaixaBank's issued share capital by that time, disclosed its intention to deconsolidate CaixaBank from CriteriaCaixa and its subsidiaries (the **CriteriaCaixa Group**) as well as the response issued by the ECB to the enquiry made by CriteriaCaixa setting the following conditions precedent for the deconsolidation of CaixaBank from the CriteriaCaixa Group:

- The voting and dividend rights of CriteriaCaixa in CaixaBank must not exceed 40% of all voting and dividend rights. The reduction must allow new investors or new funds to enter the shareholding structure of CaixaBank, without factoring in the asset swap agreement involving BEA (as defined below) and GF Inbursa (as defined below) which was disclosed by way of disclosure notification to the market on 3 December 2015;

- The proprietary directors of CriteriaCaixa at CaixaBank must not exceed 40% of all directors. This limit must also apply to the relevant Board committees. Any Board member proposed by a shareholder that has an agreement with CriteriaCaixa will be considered a proprietary director of CriteriaCaixa for these purposes. Accordingly, Board members proposed by the savings banks (now foundations) formerly comprising Banca Cívica (which was absorbed by CaixaBank) will therefore be considered as proprietary directors of CriteriaCaixa;

- In relation to appointments of directors elected by the Board itself (co-opted), the proprietary directors of CriteriaCaixa shall only vote for the directors proposed by CriteriaCaixa and shall abstain in all other cases. With regard to appointments of directors by shareholders at the general shareholders' meeting, CriteriaCaixa shall not object to any appointments proposed by the Board of Directors of CaixaBank;

- A coordinating director must be appointed from among the independent directors of CaixaBank with extensive powers, including relations with shareholders in corporate governance matters; and

CaixaBank may not grant CriteriaCaixa and/or la Caixa Banking Foundation financing that exceeds 5% of the eligible capital at the sub-consolidated level of the CaixaBank Group in the 12 months following the deconsolidation, and the financing must be zero as of that date. In addition, indirect financing may not be provided by distributing debt instruments among CaixaBank's customers.

Once the conditions set by the ECB had been complied with, the ECB would evaluate the deconsolidation of CaixaBank from the CriteriaCaixa Group. If the ECB confirmed that the conditions had been met and that CriteriaCaixa is no longer the controlling entity over CaixaBank, then provided that CriteriaCaixa does not hold a controlling stake in any other bank, it would cease to be a mixed financial holding company for the purposes of CRR. This would result in the CriteriaCaixa Group no longer being required to comply with the capital requirements set out in CRR.

The Board of Trustees of the la Caixa Banking Foundation and CriteriaCaixa's Board of Directors agreed to intend to comply, before the end of 2017, with the above conditions such that the prudential deconsolidation of CriteriaCaixa with respect to the CaixaBank Group would proceed. This decision took into account the disincentive measures for maintaining control contained in the Savings Banks and Banking Foundations Law, as well as the likelihood of the EBA to define the scope of resolution at CriteriaCaixa Group level which would effectively commit all of the la Caixa Banking Foundation's net worth to one single investment (CaixaBank). It was also understood that under IFRS-EU, the fulfilment of the above conditions for prudential deconsolidation would also result in the accounting deconsolidation of CaixaBank.

On 31 May 2016, CriteriaCaixa and CaixaBank disclosed to the market the completion of the asset swap that was disclosed to the public on 3 December 2015, by means of which CaixaBank transferred to CriteriaCaixa its stakes in BEA and GF Inbursa. In turn, CriteriaCaixa transferred to the Issuer shares of CaixaBank representing 9.9% of CaixaBank's share capital and a cash consideration of €678 million. On 7 June 2016, CriteriaCaixa and la Caixa Banking Foundation published a relevant event announcement (*hecho relevante*) informing of the fall under the 50% threshold as a result of the above mentioned swap. See "*Description of the Issuer – Key Events in 2015, 2016, 2017 and 2018 - Asset swap with CriteriaCaixa of the stakes held in BEA and GF Inbursa in exchange for treasury shares and cash*" for additional information.

On 13 December 2016, CriteriaCaixa released a relevant event announcement (*hecho relevante*) reporting the completion of an Accelerated Bookbuilt Offering (ABO) of a package 100 million CaixaBank shares, accounting for approximately 1.7% of its share capital, for €315 million. On 20 December 2016, CriteriaCaixa issued a notification of voting rights and financial instruments for the above mentioned sale of CaixaBank's shares and the subscription of 38,505,212 shares resulting from the capital increase carried out by CaixaBank in the context of the CaixaBank Scrip Dividend Program (as defined below) in December 2016.

On 20 December 2016, both la Caixa Banking Foundation and CriteriaCaixa filed a notification with the CNMV reporting that, following the last events, the stake held by the la Caixa Banking Foundation Group in CaixaBank had fallen from 46.908% to 45.322%. It also reported that, in compliance with additional provision eight of the Savings Banks and Banking Foundations Law, banking foundations that subscribe capital increases at an investee credit institution may not exercise the voting rights corresponding to that part of the capital acquired which would allow them to maintain a position of 50% or higher or a controlling

position. In accordance with this legislation, la Caixa Banking Foundation may only exercise its vote over 2,672,375,355 shares representing 44.68% of the share capital of CaixaBank.

On 6 February 2017, CriteriaCaixa published a relevant event announcement (*hecho relevante*) announcing the placement on the market of a package of 318,305,355 CaixaBank shares owned by CriteriaCaixa and accounting for approximately 5.3% of CaixaBank's share capital through an ABO. The share placement amounted to €1,069 million, at a sale price of €3.36 per share. As of 30 April 2017, CriteriaCaixa held a stake of a 40% in the CaixaBank's share capital.

The general shareholders' meeting of CaixaBank held on 6 April 2017 approved certain corporate governance improvements to comply with the conditions established by the ECB for the prudential deconsolidation of CriteriaCaixa. Essentially, these improvements include the insertion of several provisions in the Bank's bylaws. Such provisions establish, for example, that (i) no shareholder may be represented by a number of proprietary directors exceeding 40% of the members of the Board of Directors, notwithstanding the proportional representation right to which such shareholders are entitled to in the terms set forth in the applicable laws, (ii) the majority of the members of all internal Committees of the Board of Directors shall be independent directors, (iii) when a shareholder is represented in the Board of Directors by more than one proprietary director, the proprietary directors representing such shareholder shall abstain from participating in the deliberation and voting of the resolutions for the appointment of independent directors by co-option and of the appointment proposals of independent directors made to the general shareholders' meeting, (iv) independent directors are only entitled to grant their proxies in favor of other independent directors, (v) no more than a half of the executive directors should be appointed from amongst the proprietary directors representing a same shareholder, neither amongst directors who are current or past members of the governing bodies or senior management of a shareholder holding, or having held, control of the Issuer, unless three or five years, respectively, have elapsed since the termination of such relationship, and (vi) the Board of Directors shall, with the abstention of the executive directors, appoint, among its independent directors, a coordinating director who will have the powers attributed to it by the Bank's bylaws and the regulations of the Board of Directors and, in any event, when the Chairman is an executive director, the powers set forth by the applicable laws.

On 26 September 2017, the ECB resolved that having confirmed the loss of control of CriteriaCaixa over CaixaBank, CriteriaCaixa had ceased to be considered a mixed financial holding company for the purposes of CRR under its supervision. The parent company of the new group for the purposes of complying with the capital requirements set out in CRR is CaixaBank, as published in CaixaBank's relevant event announcement (*hecho relevante*) dated 26 September 2017.

Strategic Plan. Financial and operating targets 2015-18

The CaixaBank Group devised and further revised a new strategic plan for 2015 through to 2018 taking into consideration a scenario of gradual economic recovery, low interest rates, the start-up of the banking union and continued advances in technology and innovation in customer relations. The new strategic plan also addresses the challenge facing the financial system of recovering high levels of trust and reputation, which represents an opportunity for CaixaBank.

The plan has the following five strategic lines:

- Customer focus: being the best bank in both quality and reputation.
- Attaining recurring returns above the cost of capital.
- Managing capital actively.
- Leading the digitalisation of the banking industry.

- Having the best-prepared and most dynamic human team possible.

For the four-year plan period CaixaBank aims to achieve, among other financial and operating targets: (i) a ROTE[3] of between 9% to 11%; (ii) a recurrent cost-to-income ratio of less than 55%; (iii) a compound annual growth rate for core revenues of 4% (excluding Banco BPI); (iv) a stabilised figure of recurrent operating expenses with reference to those for 2014; (v) reducing the cost of risk to less than 40 bps; (vi) maintaining the fully loaded CET1 ratio between 11% and 12%; (vii) maintaining the fully loaded total capital above 14.5% (viii) distributing to shareholders a cash dividend payout ratio equal to or above 50% of its consolidated net profit; and (ix) a special dividend and/or share buyback program if the fully loaded CET1 ratio is above 12%.

These are targets only and not forecasts. There can be no assurance that these targets can or will be met and they should not be seen as an indication of the Group's expected or actual results or returns. Accordingly, prospective investors should not place any reliance on these targets in deciding whether to invest in the Notes. In addition, as noted previously, prior to making any investment decision, prospective investors should carefully consider the risk factors described in this Base Prospectus.

Key events in 2015, 2016, 2017 and 2018

Acquisition of Barclays Bank, S.A.U.

On 2 January 2015, CaixaBank acquired 100% of the share capital of Barclays Bank, S.A.U., having already obtained full go-approval to the entire retail banking, wealth management and corporate banking arms of Barclays Bank, S.A.U. in Spain, excluding the investment banking and card businesses.

CaixaBank paid €815.7 million to Barclays Bank PLC as the final price for Barclays Bank, S.A.U.

On 30 March 2015, the boards of directors of CaixaBank and Barclays Bank, S.A.U. approved the provisional terms of the merger between CaixaBank (absorbing company) and Barclays Bank, S.A.U. (absorbed company).

On 14 May 2015 the merger was registered at the Companies Register, entailing as from the date: (i) the dissolution of Barclays Bank, S.A.U., and (ii) the block transfer of its equity to CaixaBank, which acquired its rights and obligations under universal succession arrangements.

Sale of shareholding in Boursorama, S.A. and Self Trade Bank, S.A.

On 18 June 2015, CaixaBank announced the sale to Société Générale Group of its total stake held in Boursorama, S.A., which represents 20.5% of the share capital, as well as the voting rights, for a price of €218.5 million. The price paid by Société Générale was the same as the one offered to the minority shareholders' during the simplified public takeover bid and to the one offered during the exclusion process carried out in 2014, i.e. €12 per share.

With this transaction the alliance that began in 2006 after the sale to Boursorama, S.A. of CaixaBank France ended. As a consequence of this, the shareholders' agreement entered into between CaixaBank and Boursorama, signed in May 2006 and renegotiated in March 2014, has also been terminated.

Similarly, CaixaBank announced the signing of the sale to Boursorama of its total stake held in Self Trade Bank, S.A., the joint venture that both entities have in Spain, which represents 49% of the share capital. The agreed consideration is €33 million. As a consequence of this transaction, both the joint venture and the

[3] Profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon after tax reported in equity) divided by 12 months average shareholder equity deducting intangible assets using management criteria (calculated as the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of provisions, recognised in Investments in joint ventures and associates in the public balance sheet).

shareholders' agreement entered into between Boursorama, S.A. and CaixaBank in July 2008 have been terminated.

These transactions generated a consolidated pre-tax gain for CaixaBank of around €38 million. These announcements are in accordance the Strategic Plan 2015-2018, referred to above.

Asset swap with CriteriaCaixa of the stakes held in The Bank of East Asia (BEA) and GF Inbursa in exchange for treasury shares and cash

On 30 May 2016, CaixaBank completed the asset swap which was announced on 3 December 2015, when it transferred its stake in BEA representing approximately 17.30% of its share capital and its stake in GF Inbursa representing approximately 9.01% of its share capital, to CriteriaCaixa. In turn CriteriaCaixa transferred CaixaBank treasury shares representing 9.9% of its share capital and a cash amount of €678 million to CaixaBank.

As a result of the asset swap, the agreements related to BEA and GF Inbursa have been amended so that CriteriaCaixa replaces CaixaBank as shareholder. CaixaBank intends to remain banking partner to both banks and continue cooperating with them in commercial activities. For example, if making strategic investments in banks that operate in Latin America or the Asia-Pacific, CaixaBank will keep its commitment to make such investments through GI Inbursa and BEA respectively, except in the case of GF Inbursa, if GF Inbursa decides not to participate in the investment. The transfers under the swap agreement have an estimated negative impact of €14 million net in the consolidated results of CaixaBank on closing of the transaction and an approximated impact on tier 1 regulatory capital (CET1) of -0.3% (phased in) and +0.2% (fully loaded), placing the tier 1 regulatory capital (CET1) of CaixaBank on the results reported at 31 March 2016 at 12.5% (phased-in) and 11.8% (fully loaded).

On 28 April 2016 CaixaBank's Annual General Meeting approved a capital reduction by €584,811,827 through the redemption of 584,811,827 treasury shares, such number of shares being equivalent to those that were to be later acquired from CriteriaCaixa under the swap agreement described above (9.9%).

The Annual General Meeting authorised the Board of Directors to determine the date of implementation of this capital reduction within a maximum period of six months following the date of acquisition of the treasury shares under the swap agreement. In addition, the Annual General Meeting also authorised the Board of Directors to resolve on the non-execution of the capital reduction if, based on the corporate interest and due to new circumstances affecting CaixaBank, it would not be advisable to reduce the share capital, and regardless of whether the necessary authorisations for its implementation have been obtained or not.

Stake held in Visa Europe Ltd.

As of 21 June 2016, Visa Inc. completed the acquisition of Visa Europe Ltd. from CaixaBank. The sale of the stake in Visa Europe Ltd., previously classified as a financial asset available for sale, generated a gross capital gain of €165 million (€115 million, net) in the Group's consolidated statement of profit or loss for 2016 and the addition of Visa Inc securities to the portfolio.

Disposal of Repsol shares as a result of the early amortisation of CaixaBank's mandatory exchangeable bonds into Repsol shares.

In connection with the early redemption of all of CaixaBank's "Unsecured Mandatory Exchangeable Bonds due 2026", with ISIN code XS0994834587, announced on 28 January 2016 and made effective on 10 March 2016, CaixaBank delivered a total of 29,824,636 Repsol shares representing 2.069% of Repsol's share capital.

Banco BPI Takeover Bid

On 18 April 2016, CaixaBank announced to the market that the Board of Directors had decided to launch a voluntary tender offer for the shares of Banco BPI. The offered price was €1.113 per share payable in cash and was subject to the elimination of the voting cap in Banco BPI, obtaining a number of acceptance declarations so that CaixaBank would become owner of more than 50% of Banco BPI's share capital and to the regulatory approvals. The price was equivalent to the volume weighted average price of Banco BPI shares for the six months prior to such preliminary announcement of the tender offer.

At the extraordinary general shareholders' meeting of Banco BPI held on 21 September 2016, the shareholders of Banco BPI approved a resolution to eliminate the voting cap that had been established in the articles of association of Banco BPI. Due to such elimination and to the fact of CaixaBank holding a stake in Banco BPI above 33.3%, the Portuguese securities regulator (the **CMVM**) revoked the waiver to launch a mandatory tender offer over Banco BPI originally granted to CaixaBank in 2012 and, therefore, CaixaBank became bound to the duty of launching a mandatory tender offer over Banco BPI. Consequently, the legal nature of the tender offer (initially voluntary) was converted into a mandatory tender offer (the **Banco BPI Tender Offer**). Furthermore, CaixaBank increased the price of the Banco BPI Tender Offer up to €1.134 per share payable in cash, equivalent to the volume weighted average price of Banco BPI shares for the six months prior to 21 September 2016.

On 22 September 2016, 585 million treasury shares, representing 9.9% of CaixaBank's share capital with a book value of €2,013 million, were sold with the objective of reinforcing the regulatory capital ratio in view of the Banco BPI Tender Offer and complying with the current objective of CaixaBank's Strategic Plan to maintain a CET 1 ratio fully loaded between 11% and 12%. The proceeds raised amounted to €1,322 million and the impact on the CET1 ratio was a 0.98% on a fully loaded basis and a 0.97% on a phased-in basis. Hence, this capital impact was included in the capital evolution of the second half of 2016 (from 30 June 2016 to 31 December 2016) in which period the fully loaded CET1 ratio changed a 0.2% due to capital generation, a 0.98% due to this sale of treasury shares and a -0.26% due to value adjustments and others.

On 5 January 2017, Banco BPI lost control over Banco de Fomento Angola, S.A. (**BFA**) as a result of the execution of the sale of a 2% BFA stake to Unitel, S.A (**Unitel**) and the execution of a new shareholders' agreement between Banco BPI and Unitel in relation to BFA. Unitel currently holds 51.9% of the share capital of BFA and Banco BPI has reduced its stake in BFA down to 48.1%. This transaction was previously approved by an extraordinary general shareholders' meeting of Banco BPI held on 13 December 2016. This transaction will allow Banco BPI to solve the situation of non-compliance of the large exposure risks derived from its participation in BFA.

Finally, on 16 January 2017, after CaixaBank obtained all the applicable regulatory approvals, the CMVM registered Banco BPI Tender Offer prospectus. The acceptance period of the Banco BPI Tender Offer started on 17 January 2017 and ended on 7 February 2017, as result of which CaixaBank increased its stake in Banco BPI from 45.5% to 84.51% of the issued share capital. The payment for the 39.01% of share capital stood at €645 million.

Banco BPI Group

As of 31 December 2017, Banco BPI was the fifth bank by assets in Portugal, with a market share of 9.3% in credit facilities and 10.5% in client resources, and is the lead bank in terms of customer satisfaction (Source: *Bank of Portugal, ECSI Portugal – Nationals Clients' Satisfaction Index*).

The financial group of which Banco BPI is the holding company (the **Banco BPI Group**) centres its activity on the Portuguese market, offering commercial banking, asset management and insurance, as well as investment banking and private equity services to companies, institutions and individuals. The Banco BPI Group serves its clients through its multi-channel distribution network comprising 505 branches for the domestic activity, as of 31 December 2017.

As of 31 December 2017, Banco BPI Group total assets amounted €29,544 million (€38,285 million as of 31 December 2016).

2017 early retirement schemes

On 10 January 2017, a paid early retirement scheme was launched for employees of the Group born between 1 March 1953 and 31 December 1959, which has been accepted by 350 people, with an impact in the profit and loss statement of costs of approximately €152 million.

On 12 May 2017, a paid early retirement scheme was launched for employees of the Group born before 1 January 1962. On 19 May 2017, the sign-up period for the scheme ended, with the acceptance of 610 employees and an estimated one-off expense of €303 million gross.

Mortgage covered bond issue

On 11 January 2017, CaixaBank issued €1,500,000,000 1.25% mortgage covered bonds due 11 January 2027. The interest on this bond will accrue from (and including) the issue date until (but not including) 11 January 2027 at an annual rate of 1.25%.

Subordinated bond issue – February 2017

On 15 February 2017, CaixaBank issued, under its €10,000,000,000 Euro Medium Term Note Programme, €1,000 million subordinated bond due 2027 callable one time at the option of the issuer in year 5, subject to regulatory approval. The interest on this bond will accrue from (and including) the issue date until (but not including) 15 February 2022 at an annual rate of 3.50% and from that date (including) the interest will accrue at a fixed interest rate equal to a 5-year Mid Swap Rate plus a margin of 3.35%, where the 5-year Mid Swap Rate will be determined on 15 February 2022.

CaixaBank has received confirmation from the ECB that the subordinated bond qualifies as Tier 2 capital.

Senior notes issue – May 2017

On 17 May 2017, CaixaBank issued €1,000,000,000 1.125% senior notes due 17 May 2024 under its €10,000,000,000 Euro Medium Term Note Programme. The interest on this bond will accrue from (and including) the issue date until (but not including) 17 May 2024 at an annual rate of 1.125%.

Perpetual preferred securities contingently convertible to newly issued ordinary shares - June 2017

On 13 June 2017 CaixaBank issued perpetual preferred securities contingently convertible into newly issued ordinary shares of CaixaBank with exclusion of pre-emption rights for a nominal value of €1,000 000,000 (the **June 2017 AT1 Issue**).

The preferred securities were issued at par and their remuneration, payment of which is discretionary and subject to certain conditions, was fixed at an annual 6.75% for the first seven years. Thereafter, it will be revised applying a spread of 649.8 basis points above the 5-year EUR Mid Swap rate. Such distributions will be payable quarterly in arrear.

Such preferred securities are perpetual, although they may be redeemed in certain circumstances at CaixaBank's option, and, in any case, are to be converted into newly issued ordinary shares of CaixaBank if the common equity Tier 1 (CET1) ratio of CaixaBank or of the Group falls below 5.125%. The conversion price of the preferred securities will be the highest of: (i) the average of the daily volume weighted average prices of an ordinary share of CaixaBank on each of the five consecutive dealing days ending on the date on which the conversion event is announced, (ii) €2.803, and (iii) the nominal value of an ordinary share of CaixaBank at the time of conversion.

CaixaBank has received confirmation from the ECB that the preferred securities qualify as Tier 1 capital.

Agreement with Cecabank

On 28 June 2017, CaixaBank Asset Management SGICC, S.A.U. (**CaixaBank AM**) and VidaCaixa, two fully owned subsidiaries of CaixaBank, reached an agreement with Cecabank, S.A. (**Cecabank**) whereby the latter will continue to act, until 31 March 2027, as the exclusive depositary for 80% of the assets under management related to the mutual funds, SICAVs (*Sociedades de Inversión de Capital Variable*) and individual pension funds which are managed by CaixaBank AM and VidaCaixa.

Subordinated notes issue – July 2017

On 14 July 2017, CaixaBank issued €1,000,000,000 subordinated notes due 2028 under its €10,000,000,000 Euro Medium Term Note Programme callable one time at the option of the issuer in year 6, subject to regulatory approval. The interest on this bond will accrue from (and including) the issue date until (but not including) 14 July 2023 at an annual rate of 2.75% and from that date (including) the interest will accrue at a fixed interest rate equal to a 5-year Mid Swap Rate plus a margin of 2.35%, where the 5-year Mid Swap Rate will be determined on 14 July 2022.

CaixaBank has received confirmation from the ECB that the subordinated bond qualifies as Tier 2 capital.

Senior non preferred notes issue – September 2017

On 12 September 2017, CaixaBank issued €1,250,000,000 1.125% senior non preferred notes due 12 January 2023 under its €10,000,000,000 Euro Medium Term Note Programme. The interest on this bond will accrue from (and including) the issue date until (but not including) 12 January 2018 at an annual rate of 1.125%.

Interim dividend

On 23 October 2017, the Board of Directors of CaixaBank agreed to pay an interim dividend of €0.07 per share, with payment taking place on 2 November 2017.

Mortgage covered bond issue – January 2018

On 17 January 2018, CaixaBank issued €1,000,000,000 1.00% mortgage covered bond due 17 January 2028. The interest on this bond will accrue from (and including) the issue date until (but not including) 17 January 2028 at an annual rate of 1.00%. On the same day, CaixaBank increased by €375,000,000 its existing 1.625% mortgage covered bond issuance due 14 July 2032 up to a total amount of €750,000,000.

Senior notes issue – January 2018

On 18 January 2018, CaixaBank issued €1,000,000,000 0.75% senior notes due 18 April 2023 under its €10,000,000,000 Euro Medium Term Note Programme. The interest on this bond will accrue from (and including) the issue date until (but not including) 18 April 2019 at an annual rate of 0.75%.

Banco de Fomento Angola, S.A.

In January 2018 Angola changed its currency mechanism that regulated parity between the local currency, the Kwanza, and the US dollar. An orderly and gradual devaluation process has started with the Kwanza losing value against the US dollar. At the date of preparing the 2017 Consolidated Financial Statements, the total impact of the devaluation in CaixaBank for the book value held in BFA amounts to, approximately, €87 million. In any event, BFA's carrying amount at 31 December 2017 remains unaffected by these events because the recoverable amount based on information available at the date of preparing the 2017 Consolidated Financial Statements does not indicate any impairment of this investee.

Distribution of a final cash dividend against 2017 profits to be submitted for approval at CaixaBank's ordinary general shareholders' meeting

On 22 February 2018 the Board of Directors of CaixaBank agreed to submit a resolution proposal to CaixaBank's ordinary general shareholders' meeting to be held on 6 April 2018, on second call, if it cannot be held at first call (on 5 April 2018), for the distribution of a final cash dividend of €0.08 per share (gross) against 2017 profits, amounting to a total distribution of €478,515 thousand. In accordance with the proposal's terms, the dividend would be paid on 13 April 2018. The approval of this dividend at the ordinary general shareholders' meeting, as applicable, and the specific payment conditions will be disclosed after such ordinary general shareholders' meeting.

After payment of this dividend, the total shareholder remuneration for 2017 would be €0.15 per share (gross), bringing the total cash amount paid to 53% of consolidated net profit, in line with the 2015-2018 Strategic Plan.

Under CaixaBank's current dividend policy, remuneration for 2018 will comprise two half-yearly dividends payable in cash and CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit, in line with the 2015-2018 Strategic Plan.

Perpetual preferred securities contingently convertible to newly issued ordinary shares - March 2018

On 13 March 2018 CaixaBank decided to issue perpetual preferred securities contingently convertible into newly issued ordinary shares of CaixaBank with exclusion of pre-emption rights of its shareholders for a nominal value of €1,250,000,000 (the **March 2018 AT1 Issue**) which terms were determined on the same date.

The preferred securities have been issued at par and their remuneration, payment of which is discretionary and subject to certain conditions, was fixed at an annual 5.25% for the first 8 years. Thereafter, it will be revised applying a spread of 450.4 basis points above the 5-year EUR Mid Swap rate. Such distributions will be payable quarterly in arrears.

Such preferred securities are perpetual, although they may be redeemed in certain circumstances at CaixaBank's option, and, in any case, are to be converted into newly issued ordinary shares of CaixaBank if the CET1 ratio of CaixaBank or of the Group falls below 5.125%. The conversion price of the preferred securities will be the highest of: (i) the average of the daily volume weighted average prices of an ordinary share of CaixaBank on each of the five consecutive dealing days ending on the date on which the conversion event is announced, (ii) €2.583, and (iii) the nominal value of an ordinary share of CaixaBank at the time of conversion.

Capital ratios of CaixaBank Group as of 1 January 2018[1], taking into account the Issue are as follows:

	Capital Position 1 January 2018		**Capital Position Post AT1 issue**	
	Phase-in	***Fully loaded***	***Phase-in***	***Fully loaded***
CET1.....	11.7%	11.5%	11.7%	11.5%
Tier 1.....	12.4%	12.2%	13.2%	13.0%
Capital Total	15.8%	15.6%	16.6%	16.4%

[1] Capital ratios include the estimated impact of the first time adoption of IFRS9 on 1 January 2018. Phased-in capital ratios apply transitional rules as of January 2018

The Preferred Securities are pending authorisation of the ECB for regulatory eligibility as Additional Tier 1 Capital of CaixaBank and the CaixaBank Group, in accordance with the Regulation (EU) No 575/2013 and Spanish Law 10/2014 of 26 June 2014 on the organisation, supervision and solvency of credit institutions.

Subordinated notes issue - April 2018

On 17 April 2018, CaixaBank issued €1,000,000,000 subordinated notes due April 2030 under its €10,000,000,000 Euro Medium Term Note Programme callable one time at the option of the issuer in year 7 subject to regulatory approval. The interest on this bond will accrue from (and including) the issue date until (but not including) 17 April 2025 at an annual rate of 2.250% and from that date (including) the interest will accrue at a fixed interest rate equal to the then prevailing 5-year EUR Mid Swap rate plus a margin of 1.68%.

Business overview

For segment reporting purposes, CaixaBank's results, prior to the effective takeover of BPI, were classified into three main businesses:

- **Banking and Insurance:** including all revenues from banking, insurance and asset management, liquidity management, ALCO, income from financing the other businesses and the Group-wide Corporate Centre.

  Following completion of the takeover of BPI, the banking and insurance business includes the results of the business combination since it was originated in a corporate transaction.

- **Non-Core Real Estate:** showing the results, net of financing costs, of real estate assets in Spain defined as non-core, which include:

  – Non-core lending to real estate developers.

  – Foreclosed real estate assets (available for sale and rental) mainly owned by the real estate subsidiary BuildingCenter.

  – Other real estate assets and interests.

- **Equity Investments**: including essentially income from dividends and/or profit accounted for using the equity method, net of financing costs, from the interests held in Erste Group Bank, Repsol and Telefónica. It also includes the significant impacts on income of other relevant stakes acquired as part of its diversification across sectors incorporated through the latest acquisitions of the Group.

  It also includes the contribution to the Group through to May 2016 of the attributable results due to the stakes held in Bank of East Asia and GF Inbursa. In 2017, it includes Banco BPI's results through to and including January. With the takeover completed, effective from February 2017, Banco BPI's results are reported as a new business under the full consolidation method.

Operating expenses for these three business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

Capital is assigned to the non-core real estate and equity investment businesses to pursue the corporate target of maintaining a fully-loaded regulatory Common Equity Tier 1 (CET1) ratio of between 11% and 12%. The capital assigned to these businesses takes into account both the consumption of capital for risk-weighted assets at 11% and all applicable deductions. Capital is assigned to BPI on a sub-consolidated basis, meaning in view of the subsidiary's resources.

The difference between the Group's total own funds and the capital assigned to the other businesses is included in the banking and insurance business, which includes the Group's Corporate Centre.

Banking and Insurance business

This is the Group's core business and includes the entire banking business (retail banking, corporate and institutional banking, among others, cash management and market transactions) and insurance business, primarily carried out in Spain through its branch network and other distribution channels.

As of 31 December 2017, CaixaBank had approximately 13.8 million customers, including individuals, companies and institutions. It also includes the liquidity management and the asset liability committee (ALCO) and income from financing other businesses.

The gross balance of customer loans amounted to €199,990 million as at 31 December 2017 as compared to €201,970 million as at 31 December 2016. Total customer funds, using management criteria, amounted to €320,500 million as at 31 December 2017 compared to €303,781 million as at 31 December 2016.

Following the completion of the takeover of BPI, the banking and insurance business includes the results of the business combination since it was originated in a corporate transaction.

Banking Business

The Banking Business relies on a universal banking model based on quality, innovation, accessibility and personalised service, with a wide range of products and services that are adapted to customers' various needs and an extensive multi-channel distribution network.

As of 31 December 2017, the Banking Business services were offered through a network of 4,874 branches in Spain, of which 4,681 are retail branches.

The Banking business has different divisions based on the type of customers its services are directed at:

Individual Banking

Individual Banking is directed at individuals with less than €60,000 in net worth, as well as businesses, including retail establishments, self-employed and freelance professionals, micro-companies and agribusiness, with a turnover of less than €2 million annually. This division represents the Group's most traditional business, and provides the basis for the development of other, more specialised, lines of business. As a result of CaixaBank's high-quality multi-channel approach it has strengthened customer loyalty through the launch of a wide range of new products and services. CaixaBank has expanded and consolidated itself as a benchmark entity with a penetration amongst retail clients aged 18 or above in Spain of 30.0% as of 31 December 2017 (26.7% amongst those who cite CaixaBank as their main bank) (Source: *FRS Insmark*).

The market share for direct-deposit payrolls, which is a key indicator of customer engagement, increased to 26.3% as of 31 December 2017 (data prepared inhouse based on Social Security).

Premier Banking

This division is directed towards individual customers with a net worth of between €60,000 and €500,000, with advisory services provided by specialised managers that are focused on tailored solutions to customer needs.

Private Banking

The Private Banking division is aimed at customers with assets under management in excess of €500,000, with services offered by professionals through exclusive Private Banking Centres.

Business Banking

The Business Banking division provides services to business customers with annual turnover of between €2 million and €200 million. The purpose of this specialised business line is to establish a long-term relationship with companies, underpinning their growth and day-to-day management.

CaixaBank manages this business line through a network of specialised offices and specialist managers. Customers also receive support from the Group's branch network and advisory services from its professionals specialised in financing and services, treasury and foreign trade.

Corporate and Institutional Banking

The Corporate and Institutional division provides services to business customers with annual turnover in excess of €200 million.

Corporate Banking's value proposition offers a tailor-made service to corporate clients, seeking to become their main bank. This involves crafting personalised value propositions and working with clients in export markets.

Institutional Banking serves public and private-sector institutions, through specialist management of financial services and solutions.

International Business

The Group provides international banking services to its clients through operating branches, representative offices and correspondent banks, as described below:

- *Operating branches*: The Group has branches in Poland (Warsaw), the United Kingdom (London), Morocco (Casablanca, Tangier and Agadir) and Germany (Frankfurt).

- *Representative offices*: Within the EU, the Group maintains representative offices located in Italy (Milan) and France (Paris). Outside the EU, the Group maintains representative offices in China (Beijing, Shanghai and Hong Kong), Turkey (Istanbul), Singapore, the United Arab Emirates (Dubai), India (New Delhi), Egypt (Cairo), Chile (Santiago de Chile), Colombia (Bogotá), Perú (Lima), the United States (New York), South Africa (Johannesburg), Algeria (Algiers) and Brazil (São Paulo).

Certain of CaixaBank's subsidiaries and investments provide business support to its banking operations. The tables below set out the principal subsidiaries providing such support and their respective areas of activity, as of 31 December 2017:

Banking, other financial services and other support functions

Company	Ownership	Activity
CaixaBank Asset Management, SGIIC, S.A.U	100%	Collective Investment Institutions management
CaixaBank Consumer Finance	100%	Consumer financing
Nuevo MicroBank, S.A.U.	100%	Microcredit financing

Banking, other financial services and other support functions

Company	Ownership	Activity
CaixaBank Payments, EFC EP, S.A.	100%	Cards management
CaixaBank Titulización, SGFT, S.A.	100%	Asset securitisation
Comercia Global Payments, S.L.	49%	Electronic payment services management
CaixaBank Electronic Money, EDE, S.L.	88%	Payment instruments issuer
Silk Aplicaciones, S.L.	100%	Management of the Group's technological infrastructure
CaixaBank Digital Business, S.A.	100%	Management of multichannel platform.
GDS-CUSA, S.A	100%	Non-performing loan management and other legal services

Insurance

CaixaBank complements its banking services with a variety of life insurance, pension and general insurance products and services.

The Group offers these insurance and pension products and services through the following entities:

- VidaCaixa, a wholly-owned subsidiary through which the Group provides life insurance products and pension plans; and

- SegurCaixa Adeslas, S.A., a joint venture 49.9% of which is owned by VidaCaixa, 50% of which is owned by Mutua Madrileña and the remaining 0.1% is owned by minority shareholders, through which the Group provides non-life insurance products.

As of 31 December 2017, VidaCaixa was the largest provider in the Spanish market, with a 23.5% share of the pension market according to INVERCO (*Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones*) and 26.3% share of the life insurance market regarding technical provisions, according to ICEA (*Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones*).

As of 31 December 2017, SegurCaixa Adeslas was the market leader in health insurance in Spain, with a market share of 29.1% and had a number two market position in the Spanish home insurance market (Source: *ICEA* (*Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones*)).

The net profit of VidaCaixa for the year ended 31 December 2017 reached €634 million (€492 million the year ended 31 December 2016).

Non-Core Real Estate

Effective 1 January 2015, the Group implemented a new structure for its real estate management model by segregating some of its real estate activities, in particular real estate loans requiring special management, from the Group's Banking and Insurance business line. This resulted in a dedicated team and network of centres comprising the new Non-Core Real Estate business line. Until 1 January 2016, the Group differentiated between two different lines of business: Banking and Insurance and Equity Investments. Under this model, the Non-Core Real Estate business was part of the Banking and Insurance business line.

Through this business line, the Group manages its current non-core real estate assets, which mainly include, amongst other real estate assets and interests, non-core developer loans and foreclosed real estate assets. The stock of foreclosed real estate assets, all of which are available for sale and rental, is mainly owned by

CaixaBank's real estate subsidiary, BuildingCenter, S.A.U. BuildingCenter, S.A.U. acquires the real estate assets deriving from CaixaBank's lending activity and manages them through Servihabitat Servicios Inmobiliarios, S.L., on which CaixaBank held a stake of 49% of the share capital as of 31 December 2017.

As of 31 December 2017 the total assets in the balance sheet of the Non-Core Real Estate business line amounted to €11,530 million.

Equity Investments

The Equity Investments business line includes the income of equity stakes in international financial entities, such as Erste Group Bank, as well as stakes in certain corporates mainly in the service sector, such as Repsol and Telefónica. It also includes equity stakes in other sectors incorporated as a result of CaixaBank's recent acquisitions.

In 2016 and until January 2017, upon completion of the Banco BPI Tender Offer in February 2017, this business line also included the equity stake in Banco BPI (see "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*"), and, until May 2016, the equity stake in BEA and GF Inbursa (see "*Acquisitions and Disposals during 2014-2016 – Asset swap with CriteriaCaixa of the stakes held in BEA and GF Inbursa in exchange for treasury shares and cash*").

Erste Group Bank, A.G.

Erste Group Bank is one of the leading banking groups in Austria and the Central and Eastern Europe region in terms of total assets. Erste Group Bank is present in Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia. The bank serves a total of about 16 million customers through a network of 2,565 branches. As of 31 December 2017, Erste Group Bank had total assets amounting to €220,659 million (€208,227 million as of 31 December 2016) (Source: *Erste Group Preliminary Results 2017*).

As of 31 December 2017, CaixaBank holds 9.92% of the issued outstanding share capital of Erste Group Bank.

Repsol

Repsol is an international company that operates in the hydrocarbon sector (exploration and production, refining and marketing) in 37 countries. As of 31 December 2017, Repsol had total assets amounting to €59,857 million (€64,849 million as of 31 December 2016) (Source: *financial statements of Repsol and company's website*).

As of 31 December 2017, CaixaBank held 9.64% of the issued outstanding share capital of Repsol.

Telefónica

Telefónica is a digital telecommunications operator, present in 21 countries across Europe and Latin America. It generates 75% of its business outside of Spain and has established itself as the leading operator in the Spanish-Portuguese speaking market. In January – December 2017, Telefónica had consolidated revenues of €52,008 million and more than 343 million total accesses, 271.8 million mobile phones accesses, 37 million fixed telephony accesses, more than 21.9 million Internet and data accesses and more than 8.4 million pay TV accesses. As of 31 December 2017, Telefónica had total assets amounting to approximately €115 billion (€124 billion as of 31 December 2016) (Source: *financial statements of Telefónica and company's website*).

As of 31 December 2017, CaixaBank held 5.00% of the issued outstanding share capital of Telefónica.

Banco BPI Business Segment

The Banco BPI business segment includes the profit and loss contributed by Banco BPI to the consolidated Group as from the acquisition of control in February 2017, at which time the Group began fully consolidating the interest held. The statement of profit and loss reflects the reversal of the adjustments derived from the fair value measurement of assets and liabilities assumed in the business combination. Equity in this business segment relates exclusively to Banco BPI's equity at the sub-consolidated level.

As of 31 December 2017, Banco BPI was Portugal's fifth largest bank when it comes to assets, with market shares of 9.3% in lending activity and 10.5% in customer funds (data prepared in-house; includes deposits, mutual funds, capitalisation insurance and insured pensions plans) (Source: *Banco de Portugal, APS, APFIPP*). It was also, for the second consecutive year, the market leader in customer satisfaction (Source: *ECSI Portugal 2016 and 2017 – Índice Nacional de Satisfação dos Clientes (National Customer Satisfaction Index)*).

As of 31 December 2017, CaixaBank's stake in BPI stands at 84.5% following completion, on 7 February 2017, of the acceptance period for the mandatory takeover bid filed with the Portuguese stock market regulatory (*Comissão do Mercado de Valores Mobiliários*) on 16 January 2017. The offered price for the bid was €1.134 per share and with demand totalling 39.01% of BPI's share capital, the total payout was therefore €644.5 million (See "*Key Events in 2015, 2016, 2017 and 2018 – Banco BPI Takeover Bid*" for additional information).

In accordance with applicable accounting law, 7 February 2017 was set as the effective assumption of control date and the total stake in BPI (84.5%) has been reported under the full consolidation method since 1 February, having been previously reported under the equity method.

Relevant figures by business segment

The table below shows the audited consolidated statement of profit or loss of the Group by business segments for the years ended 31 December 2017 and 31 December 2016:

	Banking and Insurance[1]		**Non-Core Real Estate**		**Equity Investments[2]**		**BPI[3]**		**Total CaixaBank Group**	
	For the Year Ended 31 December		**For the Year Ended 31 December**		**For the Year Ended 31 December**		**For the Year Ended 31 December**		**For the Year Ended 31 December**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
					(€ million)					
Net interest income	**4,603**	**4,387**	**(71)**	**(66)**	**(163)**	**(164)**	**377**	**—**	**4,746**	**4,157**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	191	159	32	18	318	651	112	—	653	828
Net fee and commission income	2,222	2,089	1	1	—	—	276	—	2,499	2,090
Gain/(losses) on financial assets and liabilities and others	303	846	—	—	(44)	2	23	—	282	848
Income and expenses under insurance or reinsurance contracts	472	311	—	—	—	—	—	—	472	311
Other operating income and expenses	(80)	(156)	(332)	(251)	—	—	(18)	—	(430)	(407)
Gross income/(loss)	**7,711**	**7,636**	**(370)**	**(298)**	**111**	**489**	**770**	**—**	**8,222**	**7,827**

	Banking and Insurance[1]		Non-Core Real Estate		Equity Investments[2]		BPI[3]		Total CaixaBank Group	
	For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Administrative expenses	(3,602)	(3,687)	(42)	(55)	(4)	(4)	(502)	—	(4,150)	(3,746)
Depreciation and amortisation	(328)	(309)	(63)	(61)	—	—	(36)	—	(427)	(370)
Pre-impairment income	**3,781**	**3,640**	**(475)**	**(414)**	**107**	**485**	**232**	**—**	**3,645**	**3,711**
Impairment losses on financial assets and other provisions	(1,606)	(769)	(138)	(136)	4	(164)	29	—	(1,711)	(1,069)
Net operating income/(loss)	**2,175**	**2,871**	**(613)**	**(550)**	**111**	**321**	**261**	**—**	**1,934**	**2,642**
Gains/(losses) on disposal of assets and other	154	21	6	(1,034)	5	(91)	(1)	—	164	(1,104)
Profit/(loss) before tax from continuing operations	**2,329**	**2,892**	**(607)**	**(1,584)**	**116**	**230**	**260**	**—**	**2,098**	**1,538**
Income tax	(575)	(904)	194	459	57	(37)	(54)	—	(378)	(482)
Profit/(loss) after tax from continuing operations	**1,754**	**1,988**	**(413)**	**(1,125)**	**173**	**193**	**206**	**—**	**1,720**	**1,056**
Profit/(loss) attributable to minority interests	6	9	—	—	—	—	30	—	36	9
Profit/(loss) attributable to the Group	**1,748**	**1,979**	**(413)**	**(1,125)**	**173**	**193**	**176**	**—**	**1,684**	**1,047**
Equity [4]	*19,641*	*20,332*	*1,331*	*1,598*	*1,012*	*1,470*	*2,220*	*—*	*24,204*	*23,400*
Total assets	*335,945*	*327,606*	*11,530*	*12,949*	*6,167*	*7,372*	*29,544*	*—*	*383,186*	*347,927*

Notes:

(1) This segment includes the impact of the business combination resulting from the acquisition of Banco BPI (€256 million), as it derived from a corporate operation.

(2) Profit and loss of Banco BPI was included in the investments business until acquisition of control in February 2017.

(3) Banco BPI includes the profit and loss contributed by Banco BPI to the consolidated Group from February 2017, using the full consolidation method to account for the assets and liabilities (considering the adjustments made in the business combination).

(4) Equity allocated to the businesses.

For the year ended 31 December 2017, the Group's core revenues amounted to €7,887 million, representing 96% of the gross income and an increase of 18% in respect of the year ended 31 December 2016, when they amounted to €6,683 million and represented 85% of the gross income. For the year ended 31 December 2017, the Group's core operating income amounted to €3,420 million, representing an increase of 27% in respect of the year ended 31 December 2016, when they amounted to €2,688 million. On the other hand, recurring expenses have remained stable at around €1 billion per quarter (excluding Banco BPI).

The following table shows amounts invested as at 31 December 2017 and 31 December 2016. The investments are accounted for using the equity method on the basis of the best available estimate of underlying carrying amount at the date of preparation of the consolidated financial statements. The latest public figures are shown:

Breakdown of investments in associates and joint ventures

(Thousands of euros)	For the Year Ended 31 December 2017			For the Year Ended 31 December 2016		
	Carrying amount	***Of which: Goodwill***	***Of which: Impairment allowances***	**Carrying amount**	***Of which: Goodwill***	***Of which: Impairment allowances***
Investments in associates	**6,037,318**	***360,875***	***(12,732)***	**6,279,416**	***665,899***	***(550,975)***
Investments in joint ventures	**187,107**	***1,624***	***(37)***	**141,294**	**1,882**	**(37)**
Total	**6,224,425**	***362,499***	***(12,769)***	**6,420,710**	***667,781***	***(551,012)***

The following table presents the main listed companies classified as associates or available-for-sale financial assets as at 31 December 2017 and 31 December 2016, detailing the percentage of ownership held by CaixaBank:

		31 December 2017	31 December 2016
Company		**% holding**	**% holding**
Banco BPI[1]	(ASSOC)	84.51	45.50
Telefónica	(AFS)	5.00	5.15
Repsol	(ASSOC)	9.64	10.05
Erste Group Bank	(ASSOC)	9.92	9.92

(ASSOC) = Associates; (AFS) = Available-for-sale

[1] Please see "*Description of the Issuer - Banco BPI takeover bid*" for additional information.

Business by Geographical Area

The Group's ordinary income for the years ended 31 December 2017 and 31 December 2016 by geographical area is as follows:

Distribution of ordinary income[(1)]

	For the Year Ended 31 December					
	Ordinary income from customers		**Ordinary income between segments**		**Total ordinary income**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	(thousands of €)					
Banking and Insurance.....	10,727,138	11,113,629	316,457	334,937	11,043,595	11,448,566
Spain	10,703,810	11,092,718	316,457	334,937	11,020,267	11,427,655
Other countries	23,328	20,911	—	—	23,328	20,911
Non-Core Real Estate	259,334	288,533	—	—	259,334	288,533
Spain	259,334	288,533	—	—	259,334	288,533
Other countries	—	—	—	—	—	—
Equity Investments.....	273,725	652,564	—	—	273,725	652,564

Distribution of ordinary income[(1)]

	For the Year Ended 31 December					
	Ordinary income from customers		Ordinary income between segments		Total ordinary income	
	2017	2016	2017	2016	2017	2016
Spain	239,446	385,072	—	—	239,446	385,072
Other countries	34,279	267,492	—	—	34,279	267,492
BPI	851,719	—	3,263	—	854,982	—
Portugal/Spain	713,713	—	3,263	—	716,976	—
Other countries	138,006	—	—	—	138,006	—
Adjustments and eliminations of ordinary income between segments			(319,720)	(334,937)	(319,720)	(334,937)
Total	**12,111,916**	**12,054,726**	—	—	**12,111,916**	**12,054,726**

Notes:

(1) Corresponds to the following line items of the CaixaBank Group's public statement of profit and loss calculated pursuant to Bank of Spain Circular 5/2014: (1) Interest income; (2) Dividend income; (3) Share of profit/(loss) of entities accounted for using the equity method; (4) Fee and commission income; (5) Gains/(losses) on financial assets and liabilities; (6) Gains/(losses) from hedge accounting; (7) Other operating income; and (8) Income from assets under insurance and reinsurance contracts.

Organisational Structure

As of 31 December 2017, the Group comprised 60 fully consolidated subsidiaries (entities over which CaixaBank has control, due to direct or indirect ownership of more than 50% of the relevant entity's voting rights or, if the percentage of ownership is lower than 50%, because it is party to agreements with other shareholders of the relevant entity that gives CaixaBank the majority of voting power); 8 joint ventures; and 52 associates (entities over which it exercises significant influence but which are neither subsidiaries nor jointly controlled entities).

The following table sets out the main subsidiaries of CaixaBank as at 31 December 2017 (the main investment portfolio). The companies which form part of the Group are principally domiciled in Spain.

The main investment portfolio as at 31 December 2017	
Company	**% holding**
Banco BPI	84.51
BFA[1]	40.65
Banco Comercial e de Investimentos (BCI)	30.15
Erste Group Bank	9.92
Repsol	9.64
Telefónica	5.00
BuildingCenter	100
ServiHabitat Servicios Inmobiliarios	49
Sareb	12.24
VidaCaixa	100
SegurCaixa Adeslas	49.92
Comercia Global Payments	49
CaixaBank Consumer Finance	100
CaixaBank Asset Management	100
Nuevo MicroBank	100
CaixaBank Payments	100
CaixaBank Titulización	100
SILK Aplicaciones	100
CaixaBank Digital Business	100

[1] Please see "*Description of the Issuer – Banco BPI takeover bid*" for additional information.

Capital structure

As at the date of this Base Prospectus, CaixaBank's share capital is €5,981,438,031 divided into 5,981,438,031 fully subscribed and paid ordinary shares with a par value of €1 each. All shares are of the same class with the same rights attached.

CaixaBank's shares are admitted to trading on the Spanish stock exchanges and on the continuous market, and have been included in the IBEX 35 since 4 February 2008. CaixaBank is subject to the oversight of the CNMV, the European Central Bank and the Bank of Spain.

Capital position of CaixaBank Group

Capital position of CaixaBank Group as of the date of this Base Prospectus is as follows:

	Capital Position 31 December 2017	
	Phased-in	**Fully loaded**
CET1.....	12.7%	11.7%
Tier 1.....	12.8%	12.3%
Total Capital	16.1%	15.7%

Major Shareholders

The following table sets forth information as of 17 April 2018 concerning the significant ownership interests of CaixaBank's shares (as defined by Spanish regulations, those who hold a stake in the Issuer's share capital representing 3% or more of the total voting rights, or 1% or more if the relevant significant shareholder is established in a tax haven), based on filings with the CNMV, excluding the members of the Board of Directors:

Name of Shareholder	**Ownership (voting rights)**		
	Direct	**Indirect**	**% Total**
la Caixa Banking Foundation(1)	3,493	2,392,575,212	40.00
Invesco Limited(2).....	0	58,429,063	1.00
Blackrock INC(3)	0	205,079,574	3.43

Notes:

(1) la Caixa Banking Foundation's indirect stake is held through its wholly subsidiary CriteriaCaixa.

(2) Invesco Limited holds its stake through Invesco Asset Management Limited (0.900%) and other entities (0.103%), as reported to the CNMV on 2 November 2015.

(3) In addition to the 3.07% voting rights in shares, Blackrock INC has reported entitlement to 0.344% voting rights through securities lent and 0.015% voting rights through contract for difference ownership of certain financial instruments.

With regard to the stakes held by CriteriaCaixa in CaixaBank see *Description of the Issuer - "Deconsolidation of CaixaBank of Criteria Caixa Group".*

In order to strengthen transparency and governance at CaixaBank, and in line with recommendation 2 of the Listed Companies' Code of Good Governance, CaixaBank and la Caixa Banking Foundation, as its controlling shareholder, signed an internal relations protocol (the **IRP**) which has been novated on various occasions to reflect the changes in the Group's structure.

The initial IRP was signed when the Issuer, previously known as Criteria CaixaCorp, was listed on the stock market and was replaced by a new IRP when a number of reorganisation transactions were carried out at the la Caixa group, as a result of which CaixaBank became the bank through which la Caixa indirectly carried on its financial activity. Thereafter, following the merger and absorption of Banca Cívica by CaixaBank and as a result of the transfer of the activity of Monte de Piedad de CaixaBank, S.A. (**Monte de Piedad**) to CaixaBank, the IRP was amended by means of a novation agreement to remove reference to the exceptionality of Monte de Piedad's indirect activity. On 16 June 2014, a novation of the IRP was entered into to adapt it to the new situation whereby la Caixa would no longer indirectly carry out its financial activity through CaixaBank and to contemplate the former's transformation into la Caixa Banking Foundation.

The purpose of the IRP was to develop the basic principles governing relations between la Caixa and CaixaBank; define the main areas of activity of CaixaBank, bearing in mind that CaixaBank was the vehicle via which the financial activity of la Caixa was carried on; demarcate the general parameters governing any mutual business or social dealings between CaixaBank and its Group and la Caixa and other la Caixa group companies; and to ensure an adequate flow of information to allow la Caixa and CaixaBank to prepare financial statements and meet their periodic reporting and supervision obligations with the Bank of Spain, the CNMV and other regulatory bodies.

As a result of the entry into force of the Savings Banks and Banking Foundations Law, as la Caixa owned over 10% of the share capital and voting rights of CaixaBank, the former had to become a banking foundation. The primary activity of the banking foundation would be to manage and carry out welfare projects and appropriately manage its stake in CaixaBank. Consequently, this extinguished the arrangement whereby la Caixa indirectly carried out its financial activity through CaixaBank.

Once la Caixa Banking Foundation was registered in the Foundations Registry, la Caixa Banking Foundation immediately ceased to carry out its financial activity indirectly through CaixaBank, therefore rendering the IRP ineffective. It was therefore necessary to amend the IRP to extend its validity for all matters not related to the indirect exercise of la Caixa Banking Foundation's financial activity until a new IRP was signed outlining the la Caixa Group's new structure. The parties entered into a novation agreement amending the IRP on 16 June 2014, duly informing the CNMV the following day.

The Savings Banks and Banking Foundations Law requires banking foundations to approve, within two months from their creation, a management protocol (the **Management Protocol**) for managing its ownership interest in the financial institution. This Management Protocol must establish, at a minimum, the strategic criteria for managing the interest, the relations between the Board of Trustees and the governing bodies of the bank, specifying the criteria for proposing director appointments and the general criteria for carrying out operations between the banking foundation and the investee credit institution, and the mechanisms to avoid potential conflicts of interest. La Caixa Banking Foundation signed its Management Protocol for managing its ownership interest in CaixaBank on 24 July 2014. The CNMV was notified on 9 December 2014, following the Bank of Spain approval.

On 18 February 2016, CaixaBank and la Caixa Banking Foundation executed a new Management Protocol for the management of the participation interest held by la Caixa Banking Foundation in CaixaBank, that superseded the Management Protocol executed on 24 July 2014. The purpose of this new Management Protocol was to adapt the text to the Circular 6/2015 of the Bank of Spain on the obligations of the banking foundations in relation to their interest held in credit entities.

In accordance with the provisions of the Management Protocol, CaixaBank, la Caixa Banking Foundation and CriteriaCaixa, signed a new IRP on 19 December 2016. Such IRP was subsequently replaced by a new agreement in 2018 as a result of the deconsolidation of CaixaBank from la Caixa Banking Foundation and CriteriaCaixa Group. This IRP is currently applicable to the relations between them and replaces the previous one being its main objectives to:

- manage related-party transactions derived from the conduct of transactions or the provision of services;
- establish mechanisms that try to avoid the emergence of conflicts of interest;
- make provisions for la Caixa Banking Foundation to have a pre-emptive right in the event of a transfer by CaixaBank of Monte de Piedad;
- establish the basic principles for a possible collaboration between CaixaBank and la Caixa Banking Foundation in the adoption of corporate social responsibility (CSR) policies; and
- regulate the flow of adequate information to allow la Caixa Banking Foundation, CriteriaCaixa and CaixaBank to prepare their financial statements and to comply with periodic reporting and supervisory duties.

Agreement Among Shareholders

On the basis of information provided to the Issuer by shareholders, the Issuer has knowledge of the agreement described below.

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, la Caixa Banking Foundation and Caja Navarra Banking Foundation, Cajasol Foundation, Caja Canarias Foundation and Caja de Burgos, Banking Foundation (the **Foundations**) entered into an agreement which regulates the relationships between the Foundations and la Caixa Banking Foundation as shareholders of CaixaBank, and their cooperation, with the aim of strengthening their respective positions at CaixaBank and supporting the control of la Caixa Banking Foundation.

The shareholders agreement foresees that la Caixa Banking Foundation would vote in favour of the appointment of two members of the Board of Directors of CaixaBank proposed by the Foundations and, in order to give stability to their shareholding in CaixaBank, the Foundations agreed to a four-year lock-up period, and to grant a pre-emptive acquisition right in favour of the other Foundations in the first place and then to la Caixa Banking Foundation, in the case any of the Foundations intended to transfer all or part of their stake, during two years once the lock-up period expires.

On 17 October 2016, CaixaBank published a relevant event announcement (*hecho relevante*) reporting the amendments to the mentioned agreement that determine: (i) the savings banks that constituted Banca Cívica will appoint one director at CaixaBank and one director at VidaCaixa, a subsidiary of CaixaBank, instead of two directors at CaixaBank and (ii) the extension of the agreements, which in August 2016 was set automatically for three years, will now last for four years instead of the afore-mentioned three (i.e., until 2020).

Management of the Issuer

Board of Directors

The table below sets out the names of the members of the Board of Directors of CaixaBank, the respective dates of their appointment, their positions within CaixaBank and the nature of their membership:

Name	First appointment	Last appointment	Appointment expiration date	Title	Category
Jordi Gual Solé	30/06/2016	06/04/2017	06/04/2021	Chairman	Proprietary(1)
Gonzalo Gortázar Rotaeche	30/06/2014	23/04/2015	23/04/2019	CEO	Executive
Xavier Vives Torrents	05/06/2008	23/04/2015	23/04/2019	Lead Independent Director	Independent(4)
Fundación CajaCanarias represented by Natalia Aznárez Gómez	23/02/2017	06/04/2017	06/04/2021	Director	Proprietary(2)
Maria Teresa Bassons Boncompte	26/06/2012	26/06/2012	26/06/2018	Director	Proprietary(1)
María Verónica Fisas Vergés	25/02/2016	28/04/2016	28/04/2020	Director	Independent
Alejandro García-Bragado Dalmau	01/01/2017	06/04/2017	06/04/2021	Director	Proprietary(1)
Ignacio Garralda Ruiz de Velasco	06/04/2017	06/04/2017	06/04/2021	Director	Proprietary(3)
Javier Ibarz Alegría	26/06/2012	26/06/2012	26/06/2018	Director	Proprietary(1)
Alain Minc	06/09/2007	24/04/2014	24/04/2018	Director	Independent
María Amparo Moraleda Martínez	24/04/2014	24/04/2014	24/04/2018	Director	Independent
John S. Reed	03/11/2011	19/04/2012	19/04/2018	Director	Independent
Juan Rosell Lastortras	06/09/2007	24/04/2014	24/04/2018	Director	Independent
Antonio Sáinz de Vicuña y Barroso	01/03/2014	24/04/2014	24/04/2018	Director	Independent
Eduardo Javier Sanchiz Irazu	21/09/2017	06/04/2018	06/04/2022	Director	Independent
José Serna Masiá	30/06/2016	06/04/2017	06/04/2021	Director	Proprietary(1)
Koro Usarraga Unsain	30/06/2016	06/04/2017	06/04/2021	Director	Independent
Óscar Calderón de Oya	27/06/2011	—	—	Non-director	General Secretary and of the Board
Óscar Figueres Fortuna	23/10/2017	—	—	Non-director	Deputy Secretary of the Board

Notes:

(1) Shareholder represented: la Caixa Banking Foundation.

(2) Shareholder represented: Fundación Bancaria Caja Navarra, Fundación Cajasol, Fundación Caja Canarias, Fundación Caja de Burgos and Fundación Bancaria

(3) Shareholder represented: Mutua Madrileña.

(4) Appointed by the Board of Directors on 22 June 2017, with effects since 18 July 2017, after authorisation by the ECB.

At the meeting held on 21 December 2017, the Board of Directors resolved to appoint Tomás Muniesa Arantegui as a member of the Board of Directors at the proposal of the la Caixa Banking Foundation (indirectly through CriteriaCaixa). Tomás Muniesa Arantegui has also been appointed Deputy Chairman of the Board of Directors and member of the Executive Committee. At the 2018 Annual General Meeting, Mr. Muniesa Arantegui has also been ratified and appointed as a member of the Board of Directors, however, his appointment remains subject to the results of the suitability assessment by the ECB.

The table below sets out all entities in which the members of the Board of Directors are members of administrative, management or supervisory bodies or in which they hold partnership positions as of the date of this Base Prospectus, notified to the Register of Senior Officers at Bank of Spain, except (i) purely familiar or patrimonial companies, (ii) subsidiaries of an issuer in which they are also a member of the administrative, management or supervisory bodies and (iii) la Caixa Group companies.

Name	Company	Position
Jordi Gual Solé	Erste Bank	Member of the Supervisory Board
	Repsol, S.A.	Member of the Board
	Telefonica, S.A.	Member of the Board

Name	Company	Position
Gonzalo Gortázar Rotaeche	Repsol, S.A.	1st Deputy Chairman
María Teresa Bassons Boncompte	Laboratorios Ordesa, S.A.	Director
Ignacio Garralda Ruiz de Velasco	Mutua Madrileña Automovilista, Sociedad de Seguros a prima fija	Executive Chairman
	Endesa, S.A.	Director
	BME Holding, S.A.	1st Deputy Chairman
Javier Ibarz Alegría	Eigma, S.L.	Sole director
Koro Usarraga Unsain	2005 KP Inversiones, S.L.	Director
	Vehicle Testing Equipment, S.L.	Director
Alain Minc	AM Conseil	Chairman
	SANEF	Chairman and member of the Strategy Committee
María Amparo Moraleda Martínez	Vodafone Group, PLC	Director
	Solvay, S.A.	Director
	Airbus Group, N.V.	Director
María Verónica Fisas Vergés	Natura Bissé Int. S.A. (España)	CEO
	Natura Bissé Inc. Dallas (USA)	Chairwoman and Secretary
	Natura Bissé Int. S.A. de CV (México)	Chairwoman
	Natura Bissé Int. Ltd. (UK)	Director
	Natura Bissé Int. FZE (Dubai) (Dubai Airport Free Zone)	Director
	NB Selective Distribution, S.L.	Joint and several Director
Juan Rosell Lastortras	Congost Plastic, S.A.	Chairman
	Civislar, S.A.	Director
John .S. Reed	American Express Exchange, INC	Chairman
Alejandro García-Bragado Dalmau	Gas Natural, S.A.	Board Member
	Criteria Caixa, S.A.	1st Deputy Chairman and Board Member

According to the information received by CaixaBank, since 1 January 2018 to the Date of this Base Prospectus there have been no conflicts of interest between any duties of CaixaBank's directors and their private interests and/or other duties, save those stated below:

Name	Conflict
Jordi Gual Solé	Abstention from voting the resolution on his bonus 2016 as former member senior executive of the company. Abstention from voting the resolution on the assessment of his suitability as Board member to be submitted to the general shareholders' meeting. Abstention from voting the resolution on his appointment as member of the Executive Committee. Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
Antonio Massanell Lavilla(1)	Abstention from voting the resolution on the 2017 remuneration for executive Board members and chief executive officers. Abstention from voting the resolution on the targets for 2017 corresponding to the Vice-chairman, the CEO, the Management Committee and the Deputy General Director of Control and Compliance. Abstention from voting the resolution on the terms and conditions of a deposit agreement with CecaBank. Abstention from voting the resolution on a credit facility granted to a related person. Abstention from voting the resolution on the appointment of the Lead Independent Director.
Gonzalo Gortázar Rotaeche	Abstention from voting the resolution on the 2017 remuneration for

Name	Conflict
	executive Board members and chief executive officers.
	Abstention from voting the resolutions on the targets for 2017 corresponding to the Vice-chairman, the CEO, the Management Committee and the Deputy General Director of Control and Compliance.
	Abstention from voting the resolutions on the proposal of the remuneration for 2018 corresponding to the Vice-chairman, the CEO and the Management Committee.
	Abstention from voting the resolution on the appointment of the Lead Independent Director.
	Abstention from voting the resolutions on the targets for 2018 corresponding to the Vice-chairman, the CEO, the Management Committee and the Deputy General Director of Control and Compliance.
Fundación Caja Canarias	Abstention from voting the resolution on its appointment as member of the Risk Committee.
	Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
Alain Minc	Abstention from voting the resolution on his appointment as member of the Appointments Committee.
María Amparo Moraleda Martínez	Abstention from voting the resolution on credit facilities granted to related persons.
Natalia Aznárez Gómez	Abstention from voting the resolution on a credit facility granted to a related person.
	Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
María Teresa Bassons Boncompte	Abstention from voting the resolution on credit facilities granted to related persons.
	Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
	Abstention from voting the resolution on her appointment as member of the Remunerations Committee.
María Verónica Fisas Vergés	Abstention from voting the resolution on credit facilities granted to related persons.
	Abstention from voting the resolution on her appointment as member of the Executive Committee.
Alejandro García-Bragado Dalmau	Abstention from voting the resolution on his appointment as member of the Remunerations Committee.
	Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
Ignacio Garralda Ruíz de Velasco	Abstention from voting the resolution on his appointment as member of the Risk Committee.
Javier Ibarz Alegría	Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
John S. Reed	Abstention from voting the resolution on his appointment as member of the Appointments Committee.
Juan Rosell Lastortras	Abstention from voting the resolution on credit facilities granted to related persons.
	Abstention from voting the resolution on his appointment as member of the Remunerations Committee.
Eduardo Javier Sanchiz Irazu	Abstention from voting the resolution on his appointment as member of the Audit and Control Committee.
	Abstention from voting the resolution on his appointment as member of the Risk Committee.
José Serna Masià	Abstention from voting the resolution on credit facilities granted to

Name	Conflict
	related persons. Abstention from voting the resolution on the assessment of his suitability as Board member to be submitted to the general shareholders' meeting. Abstention from voting the resolution on her appointment as member of the Audit and Control Committee. Abstention from voting the resolutions on the assessment of Mr. Sanchiz's suitability as Board member and the report of the Board related to Mr. Sanchiz's ratification and appointment as Board member.
Koro Usarraga Unsain	Abstention from voting the resolution on the assessment of his suitability as Board member to be submitted to the general shareholders' meeting. Abstention from voting the resolution on credit facilities granted to related persons. Abstention from voting the resolution on her appointment as member of the Audit and Control Committee. Abstention from voting the resolution on her appointment as member of the Risk Committee.
Xavier Vives Torrents	Abstention from voting the resolution on his appointment as Lead Independent Director. Abstention from voting the resolution on his remuneration as Lead Independent Director.

Notes:

(1) At the Board of Directors meeting held on 21 December 2017, Antonio Massanell Lavilla tendered his resignation as Deputy Chairman and member of the Board of Directors, effective as of 31 December 2017.

Article 26 of the regulations of the Board of Directors regulates the duty of diligence of the Board members, which mainly requires the directors to have adequate dedication to adopt the necessary measures for the good management and control of CaixaBank, to demand adequate and necessary information to prepare the Board meetings and internal Committees and to take an active part in the deliberations and decision-making process. Article 27 regulates the duty of loyalty, mainly stating that directors must abstain from attending and intervening in deliberations and voting which affect matters in which they are personally interested. Article 29 of the regulations of the Board of Directors regulates the duty to not compete of CaixaBank's directors. Article 30 of the Board Regulations regulates the duty to avoid situations of conflict of interest applicable to all directors, referring to (among other duties) not using CaixaBank's assets or availing themselves of their position in CaixaBank to obtain an economic advantage or for private aims, and to avoid developing activities on their own account or for third parties that position them in permanent conflict of interests with the CaixaBank.

It should be noted that the statutory amendments adopted in the general shareholders' meeting of CaixaBank held on 6 April 2017 (see *"Description of the Issuer – Deconsolidation of CaixaBank from CriteriaCaixa Group"*), notwithstanding their connection with the deconsolidation conditions established by the ECB, are within the framework of the recommendations and best practices of good corporate governance, considering that, in essence, they are measures designed to favour the role of independent directors in the Board of Directors and prevent any significant shareholder from exerting a decisive influence on the performance and decisions of the Board of Directors. Regarding the good governance measures introduced in connection with the deconsolidation conditions, the Issuer complemented those measures developing the duties attributed by the Spanish Companies Act and the good governance recommendations to the Chairman of the Board of Directors ("responsible for the effective functioning of the Board"), expressly contemplating the impetus for the Board to develop its powers and coordination with its committees for a better performance of the Board's duties. Additionally, the regime in which the Board appoints the members of the internal committees at the proposal of the Appointments Committee was maintained, but introducing the specialty that, when it comes to appointing the members of the Appointments Committee itself, the proposal shall be made by the Audit and Control Committee in order to give greater autonomy and independence to the process of selection and

preparation of proposals, also in accordance with the powers granted to the Audit and Control Committee by the current Regulations of the Board of Directors in relation to corporate governance rules.

Finally, it must be mentioned that the Issuer has recently amended the internal regulations of the Board of Directors in order to develop the rules regarding the composition, powers and functioning of the Audit and Control Committee as set forth in the Bank's By-laws, including the criteria and basic principles of the CNMV Technical Guide published on June 27, 2017– and, in this regard, to expressly include certain Recommendations of the Code of Good Governance (**CGG**) which the Bank declared to be complying with in its 2017 Annual Corporate Governance Report - and also to implement the regulations in the Bank's By-laws concerning the powers of the Appointments Committee, attributing it with the function of ensuring compliance with the diversity policy applied to the Board of Directors, as recently established in Royal Decree-Law 18/2017. In this regard, the Bank's Board of Directors approved on February 22, 2018 the amendment of Articles 14 (*The Audit and Control Committee and the Risk Committee*), 15 (*The Appointments Committee and the Remuneration Committee*) and 37 (*Auditor relationships*) of the internal regulations of the Board of Directors. Such amendments will be described in the sections related to the relevant committee.

The business address of each member of the Board of Directors is Calle Pintor Sorolla, 2-4, 46002 Valencia, Spain.

Executive Committee

The Board of Directors has delegated all of its powers in favour of the Executive Committee, except for those which cannot be delegated pursuant to the provisions of the Spanish Companies Law, the Board Regulations and CaixaBank's bylaws.

The Chairman and Secretary of the Board of Directors will also be the Chairman and Secretary of the Executive Committee.

The Committee will meet when it deems appropriate and when called by its Chairman, and its meetings are considered to be validly constituted when the majority of its members are present or represented. Its resolutions are adopted by the majority of the directors present or represented at the relevant meeting.

The resolutions adopted by the Committee are valid and binding without any need for subsequent ratification by the Board of Directors, although the Board must be informed of the matters discussed and the resolutions adopted at its meetings.

As of the date of this Base Prospectus, the Executive Committee was composed of the following members:

First Appointment	Name	Position
30 June 2016	Jordi Gual Solé	Chairman
26 June 2012	Javier Ibarz Alegría	Member
1 March 2014	Antonio Sáinz de Vicuña y Barroso	Member
24 April 2014	María Amparo Moraleda Martínez	Member
30 June 2014	Gonzalo Gortázar Rotaeche	Member
27 October 2016	Xavier Vives Torrents	Member
27 July 2017	María Verónica Fisas Vergés	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)

Audit and Control Committee

The Audit and Control Committee must comprise a minimum of three and a maximum of seven members, with the number to be set by the Board of Directors. The Committee must be comprised of non-executive

directors and the majority of which must be independent directors. At least one of the independent directors must be appointed based on his background in accounting and/or audit. The Board of Directors will endeavour to ensure that the Committee members, and particularly its Chairman, have the necessary accounting, auditing or risk management knowledge as well as knowledge in any other fields that may be relevant for the Committee's performance. As a whole, without prejudice to endeavouring to encourage diversity, the Committee members must have the relevant technical knowledge in relation to the Issuer's business.

The Audit and Control Committee typically meets on a quarterly basis, to review the regular financial information to be submitted to the authorities as well as the information which the Board of Directors must approve and include within its annual public documentation, with the presence of the internal auditor and, as the case may be, the financial auditor. At least some of these meetings must be held without the presence of the management team, so that the specific matters can be discussed The Audit and Control Committee will meet whenever convened by its Chairman at his own initiative or at the request of the Chairman of the Board of Directors or two or more members of the Committee.

CaixaBank's senior management and staff are obliged to attend to the meetings of the Audit and Control Committee and to collaborate and provide with any information, if so requested by the Committee.

The functions of the Audit and Control Committee are:

With regard to overseeing financial reporting:

- to report to the General Shareholders' Meeting about matters posed by shareholders that are competence of the Committee and, in particular, about the audit results, explaining the audit's contribution to the integrity of the financial reporting and the role undertaken by the Committee in this process;

- to oversee the process of drawing up and submitting the obligatory financial reporting with regard to the Bank and, where the case may be, the Group, reviewing the Bank's accounts, the compliance with the regulatory requirements in this regard, the suitable definition of the scope of consolidation and the correct application of generally accepted accounting principles. And, in particular, to know, understand and oversee the effectiveness of the financial information internal control system (FIICS), drawing conclusions with regard to the system's level of confidence and reliability, and to inform of the proposals for modification of accounting principles and criteria suggested by the management, in order to guarantee the integrity of the accounting and financial information systems, including financial and operational control, and compliance with the applicable legislation in this regard. The Committee may submit recommendations or proposals to the Board of Directors with the aim of safeguarding the integrity of the mandatory financial reporting;

- to ensure that the Board of Directors endeavours to submit the Annual Accounts to the General Shareholders' Meeting with no limitations or reservations in the audit report, and that in the exceptional case of there being any reservations, that both the Committee Chairperson and the auditors clearly explain the content and scope of the said limitations or reservations to the shareholders; and

- to inform the Board of Directors in advance of the financial reporting and the related non-financial reporting that the Bank must periodically publicly disclose to the markets and their supervisory bodies.

With regard to overseeing internal control and internal auditing:

- to oversee the effectiveness of the internal control systems, and to discuss with auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit, all without jeopardising their independence. For such purposes, where the case may be, they may submit recommendations or proposals to the Board of Directors, together with the corresponding follow-up periods;

- to oversee the effectiveness of the internal auditing, and in particular that the internal audit unit endeavours to ensure the correct functioning of the reporting and internal control systems, verifying their suitability and integrity; to ensure the independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and cessation of the person responsible for it; to propose the budget for this service; to approve its approach and its work plans, ensuring its work is mainly geared to the Bank's significant risks; to receive periodical reporting on its activity and to verify that the senior management is taking into account the conclusions and recommendations in its reports; and to conduct an annual assessment of the functioning of the internal audit unit and the performance of its duties by the person responsible, for which purpose it will gather any opinions the executive management may have, and this assessment must include an evaluation of the degree of compliance with the objectives and criteria established for setting the variable components of its remuneration, the Committee also being involved in determining such components.

  The person responsible for the unit in charge of the internal audit function will submit its annual work plan to the Committee, inform of any incidents arising on carrying it out and submit a report on its activity at the end of each financial year.

  The Internal Audit Department will be functionally dependent on the Chairperson of the Audit and Control Committee, without prejudice to the fact that it must report to the Chairperson of the Board of Directors so that the latter may suitably perform its functions; and

- to establish and oversee a mechanism enabling the Bank's employees, or those of the group to which it belongs, to confidentially (and anonymously, if deemed appropriate) notify of any potentially significant irregularities they may observe within the Bank, particularly those of a financial and accounting nature, receiving periodical reporting on its functioning and being able to propose the relevant measures for improvement and reduction of the risk of irregularities in future.

With regard to overseeing risk management and control:

The Audit and Control Committee will carry out the functions established in this section in coordination with the Risk Committee to the necessary extent.

- to oversee the effectiveness of the financial and non-financial risk management systems; and

- to hold a meeting at least once a year with the leading persons responsible for the business units at which the latter will explain the trends of the business and the associated risks.

With regard to the accounts' auditor:

- to submit to the Board of Directors, for submission to the General Shareholders' Meeting, the proposals for selection, appointment, re-election and replacement of the accounts' auditor, being responsible for the selection process, in accordance with regulations applicable to the Bank, as well as the contracting conditions thereof and the scope of his/her professional mandate, and for this purpose, it must define the auditor selection procedure and issue a reasoned proposal

containing at least two alternatives for the selection of an auditor, except in cases of the auditor's re-election;

- regularly recompile from the external auditor information on the auditing plan and its execution as well as preserving its independence in the exercise of its duties;

- to serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations and to mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable to the preparation of the financial statements, as well as to examine the circumstances which, as the case may be, motivated the resignation of the auditor and to ensure that the Bank sends a significant event notice to the CNMV informing of the change of auditor, accompanied by a statement regarding any possible disagreements with the outgoing auditor and, if there have been any such disagreements, of their content;

- to establish appropriate relationships with the external auditor in order to receive information, for examination by the Audit and Control Committee, on matters which may threaten the independence of said auditor and any other matters relating to the audit process, particularly any discrepancies that may arise between the auditor and the Bank's management, and, where the case may be, the authorisation of any services other than those that are prohibited, under the terms set forth in the applicable legislation in relation to their independence and any other communications provided for in audit legislation and audit regulations.

  In all events, on an annual basis, the Audit and Control Committee must receive from the external auditors a declaration of their independence with regard to the Bank or entities related to it directly or indirectly, in addition to detailed, personalised information on additional services of any kind rendered to these entities and the corresponding fees received by the aforementioned auditors or persons or entities related to them as stipulated by the regulations governing auditing activity, ensuring that the external audit firm's remuneration for its work does not jeopardise its quality or independence and ensuring that the Bank and the auditor observe the applicable legislation with regard to provision of services other than auditing services, the limitations on the auditor's business concentration and, in general, all other regulations regarding auditor independence;

- to issue annually, prior to the issuance of the audit report, a report containing an opinion regarding whether the independence of the auditor has been compromised, which will be posted on the Bank's website sufficiently in advance of the Ordinary General Meeting. This report must address, in all cases, the reasoned evaluation of the provision of each and all of the additional services referred to in the preceding section, individually and collectively considered, different form the legal audit and related to the degree of independence or to the regulations governing auditing activity;

- to supervise the compliance with the auditing contract, striving to ensure that the opinion of the Annual Financial Statements and the principal contents of the auditor's report are drafted clearly and precisely;

- to ensure that the external auditor holds an annual meeting with the Board of Directors as a plenary body, to inform it of the work carried out and the evolution of the Bank's situation as regards auditing and risks; and

- to conduct a final assessment with regard to the auditor's work and how it has contributed to the quality of the audit and the integrity of the financial reporting.

Other functions:

- to supervise the compliance with regulations with respect to Related Party Transactions and, previously, inform the Board of Directors on such transactions. In particular, to ensure that the information on said transactions be reported to the market, in compliance with the provisions of the current legislation, and to report on transactions which imply or may imply conflicts of interest and, in general, on the subject matters contemplated in Chapter IX of the Regulation of the Board of Directors.

- to supervise the compliance with the internal codes of conduct, particularly the Internal Rules of Conduct on Matters Related to the Securities Market and, in general, the rules of corporate governance;

- to provide the Board of Directors with advance notice of any transactions regarding structural and corporate modifications that the Bank may plan to carry out, their financial terms and their accounting impact and, in particular, where the case may be, of the proposed equation of exchange;

- to, previously, report to the Board of Directors on the creation or acquisition of stakes in special purpose entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, may deteriorate the transparency of the Bank or of the Group;

- to consider the suggestions submitted to it by the Chairman of the Board of Directors, Board members, executives and shareholders of the Bank;

- to receive information and, as the case may be, issue a report on the disciplinary measures intended to be imposed upon members of the Bank's senior management team;

- to supervise compliance with any relations protocols which the Bank may sign with shareholders or which the Bank may sign with companies from its Group and the carrying out of any other action established in the actual protocols for the best compliance with the aforementioned supervisory duty; and

- any others attributed thereto in the law, the By-laws, the Regulation of the Board of Directors and other regulations applicable to the Bank.

As of the date of this Base Prospectus, the Audit and Control Committee was composed of the following members:

First Appointment	Name	Position
20 September 2007	Alain Minc	Chairman
27 October 2016	Koro Usarraga Unsain	Member
23 March 2017	José Serna Masiá	Member
1 February 2018	Eduardo Javier Sanchiz Irazu	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)
23 October 2017	Óscar Figueres Fortuna	Deputy Secretary (non-director)

Appointments Committee

The Appointments Committee must comprise a minimum of three and a maximum of five members, with the number to be set by the Board of Directors. Only non-executive directors of the Board of Directors can be appointed as members of the Appointments Committee and the majority of which must be independent directors.

This Committee meets as often as necessary to fulfil its duties and can be convened by the Chairman, upon his own initiative or at the request of at least two members of the Appointments Committee. The Committee must also meet whenever the Board of Directors or its Chairman requires reports to be issued or resolutions to be adopted and always when deemed appropriate or necessary in order to carry out its functions correctly.

The main functions of the Appointments Committee are:

- to evaluate and propose to the Board of Directors the evaluation of skills, knowledge and experience necessary for the members of the Board of Directors and for the key personnel of the Bank;

- to submit to the Board of Directors the proposals for the nomination of the independent directors to be appointed by co-option or for submission to the decision of the general shareholders' meeting, as well as the proposals for the reappointment or removal of such directors by the general shareholders' meeting;

- to report on the proposed appointment of the remaining directors to be appointed by co-option or for submission to the decision of the general shareholders' meeting, as well as the proposals for their reappointment or removal by the general shareholders' meeting;

- to report the appointment and, if necessary, removal of the coordinating director, and of the Secretary and the Vice-Secretaries of the Board of Directors for submission for approval of the Board;

- to evaluate the profile of the most suitable persons to sit on the Committees other than the Appointments Committee itself, based on their knowledge, aptitudes and experience, and forward to the Board of Directors the corresponding proposals for the appointment of the members of the Committees other than the Appointments Committee itself;

- to report on proposals for appointment or removal of senior managers, being able to effect such proposals directly in the case of senior managers which, due to their roles of either control or support of the Board or its Committees, the Appointments Committee considers it necessary to take action and to propose, if deemed appropriate, basic conditions in senior managers' contracts, other than in relation to remuneration, and subsequently reporting on them when they have been established;

- to examine and organise, where appropriate, under the coordination of the coordinating director, and in collaboration with the Chairman of the Board of Directors, the succession of the Chairman, as well as examine and organise, in collaboration with the Chairman of the Board, that of the chief executive officer of the Issuer and, if appropriate, make proposals to the Board of Directors so that this succession takes place in an orderly and planned manner;

- to report to the Board of Directors in relation to gender diversity issues, ensuring that the procedures for selection of its members favour the diversity of experience and knowledge, and facilitate the selection of female directors, and establish a representation target for the minority gender on the Board of Directors, as well as preparing guidelines on how this should be achieved, to evaluate periodically, and at least once a year, the structure, size, composition and actions of the Board of Directors and its committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these and to evaluate the composition of the steering committee as well as its replacement tables for adequate provision for transitions;

- to evaluate, with the frequency required by the regulations, the suitability of the members of the Board of Directors and of the Board as a whole, and consequently inform the Board of Directors;

- to periodically review the Board of Directors selection and appointment policy in relation to senior executives and make recommendations;

- to consider the suggestions posed thereto by the Chairman, the Board members, officers or shareholders of CaixaBank, as well as, monitor the independence of the independent Directors.

- to supervise and control the smooth operation of the corporate governance system of CaixaBank, making, if applicable, the proposals it deems necessary for its improvement;

- to propose to the Board the Annual Corporate Governance Report;

- to supervise the activities of the organisation in relation to corporate social responsibility issues and to submit any proposals in relation to this which it considers appropriate to the Board of Directors.

- to evaluate the balance of knowledge, skills, diversity and experience of the Board of Directors and prepare a description of the duties and aptitudes which may be necessary for any specific appointment, evaluating the expected dedication of time for fulfilling the position.

As of the date of this Base Prospectus, the Appointments Committee is composed of the following members:

First Appointment	Name	Position
1 February 2018	John S. Reed	Chairman
12 December 2013	Maria Teresa Bassons Boncompte	Member
1 February 2018	Alain Minc	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)

Remuneration Committee

The Remuneration Committee must comprise a minimum of three and a maximum of five members, with the number to be set by the Board of Directors. Only non-executive directors of the Board of Directors can be appointed as members of the Committee and the majority of which must be independent directors.

The Remuneration Committee meets as often as necessary to fulfil its duties and can be convened by the Chairman, upon his own initiative or at the request of at least two members of the Remuneration Committee. The Committee must also meet whenever the Board of Directors or its Chairman requires reports to be issued or resolutions to be adopted and always when deemed appropriate or necessary in order to carry out its functions correctly.

The main functions of the Remuneration Committee are:

- to draft the resolutions related to remunerations and, particularly, report and propose to the Board of Directors the remuneration policy for the directors and senior management, the system and amount of annual remuneration for directors and senior managers, as well as the individual remuneration of the executive directors and senior managers, and the other conditions of their contracts, particularly financial, and without prejudice to the competences of the Appointments Committee in relation to any conditions that it has proposed and unconnected with the retributive aspect;

- to ensure compliance with the remuneration policy for directors and senior managers as well as report on the basic conditions established in their contracts, and compliance with the conditions of such contracts;

- to report on and prepare the general remuneration policy of the Issuer and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of CaixaBank, and those policies that are intended to prevent or manage conflicts of interest with the Bank's customers;

- to analyse, formulate and periodically review the remuneration programmes, evaluating their adequacy and performance and ensuring compliance;

- to propose to the Board of Directors the approval of the remuneration reports or policies that it has to submit to the general shareholders' meeting as well as informing the Board of Directors concerning the proposals relating to remuneration that, where applicable, it will propose to the general shareholders' meeting; and

- to consider the suggestions posed to it by the Chairman, members of the Board of Directors, officers or shareholders of CaixaBank.

As of the date of this Base Prospectus, the Remuneration Committee is composed of the following members:

First Appointment	Name	Position
25 September 2014	María Amparo Moraleda Martínez	Chairwoman
1 February 2018	Alejandro García-Bragado Dalmau	Member
1 February 2018	Juan Rosell Lastortras	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)

Risks Committee

The Risks Committee must comprise a minimum of three and a maximum of six members, with the number to be set by the Board of Directors. Only non-executive directors of the Board of Directors can be appointed as members of the Committee and the majority of which must be independent directors.

This Committee meets as often as necessary to fulfil its duties and can be convened by the Chairman, upon his own initiative or at the request of the Chairman of the Board of Directors or at least two members of the Risks Committee. The Risks Committee will prepare an annual report on its activity, highlighting any significant incidents that may have occurred in relation to its own functions and including, if the Committee considers it appropriate, suggestions for improvement.

The main functions of the Risks Committee are:

- to advise the Board of Directors on the overall susceptibility to risk, current and future, of CaixaBank and its strategy in this area, reporting on the risk appetite framework, assisting in the monitoring of the implementation of the risk strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and implementing the monitoring of the appropriateness of the risks assumed and the profile established;

- to propose to the Board of Directors the risk policy for the Group;

- to ensure that the pricing policy of the assets and liabilities offered to clients fully considers the business model and risk strategy of CaixaBank. Otherwise, the Risks Committee will submit to the Board of Directors a plan to amend it;

- to determine with the Board of Directors the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish the information the Committee should receive;

- to regularly review exposures with the Group's main customers, economic business sectors, geographic areas and types of risk;

- to examine the information and control processes of the Group's risk as well as the information systems and indicators;

- to evaluate the regulatory compliance risk in its scope of action and determination, understood as the risk management of legal or regulatory sanctions, financial loss, material or reputational that the Issuer could suffer as a result of non-compliance with laws, rules, regulation standards and codes of conduct, detecting any risk of non-compliance, and carrying out monitoring and examining possible deficiencies in the principles of professional conduct;

- to report on new products and services or significant changes to existing ones;

- to cooperate with the Remuneration Committee in the establishment of policies and practices of remunerations. For these purposes, the Risks Committee will examine notwithstanding the functions of the Remuneration Committee, if the incentives policy anticipated in the remuneration systems take into account the risk, capital, liquidity and the probability and timing of the benefits;

- to assist the Board of Directors, particularly, regarding (i) the establishment of efficient channels of information to the Board of Directors about the risk management policies of CaixaBank and all the important risks it faces, (ii) ensuring that adequate resources will be assigned for managing risks, and particularly, intervening in the evaluation of the assets, in the use of external credit classifications and the internal models related to these risks and (iii) the approval and periodical review of the strategies and policies for assuming, managing, supervising and reducing the risks to which CaixaBank is or can be exposed, including those presented by the macro-economic situation in which it operates in relation to the economic cycle and;

- Any others attributed thereto by the applicable laws, the bylaws, and other applicable regulations to CaixaBank.

As of the date of this Base Prospectus, the Risks Committee is composed of the following members:

First Appointment	Name	Position
25 September 2014	Antonio Sáinz de Vicuña y Barroso	Chairman
1 February 2018	Ignacio Garralda Ruiz de Velasco	Member
1 February 2018	Eduardo Javier Sanchiz Irazu	Member
1 February 2018	Koro Usarraga Unsain	Member
1 February 2018	Fundación CajaCanarias (represented by Natalia Aznárez Gómez)	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)
23 October 2017	Óscar Figueres Fortuna	Deputy Secretary (non-director)

Senior Management

The following table identifies the members of the senior management (*Comité de Dirección*) of CaixaBank, which is composed by CaixaBank's CEO and the persons responsible of the different areas as of the date of this Base Prospectus:

First Appointment	Name	Position
30 June 2011	Gonzalo Gortázar Rotaeche	CEO
30 June 2011	Juan Antonio Alcaraz García	Chief Business Officer
17 November 2016	Matthias Bulach	Head of Financial Accounting, Control and Capital
30 June 2011	Francesc Xavier Coll Escursell	Chief Human Resources and Organisation Officer
30 June 2011	Tomás Muniesa Arantegui	Chief Insurance and Asset Management Officer
30 June 2011	Joaquín Vilar Barrabeig	Head of Internal Audit
10 July 2014	Jorge Fontanals Curiel	Head of Resources
27 May 2016	María Luisa Martínez Gistau	Head of Communication, Institutional Relations, Brand and CSR
29 January 2015	María Victoria Matía Agell	Head of International Banking
10 July 2014(1)	Jorge Mondéjar López	Chief Risks Officer
24 October 2013	Javier Pano Riera	Head of Finance
29 May 2014	Oscar Calderón de Oya	General Secretary and Secretary to the Board

Notes:

(1) Date of first appointment as a member of the senior management. He has been the Chief Risk Officer since November 2016.

The table below sets out all entities in which the members of the senior management are members of administrative, management or supervisory bodies or in which they hold partnership positions as of the date of this Base Prospectus, notified to the Register of Senior Officers at Bank of Spain, except (i) purely familiar or patrimonial companies, (ii) stakes in listed companies that are not significant, (iii) la Caixa Group companies and (iv) any other companies that are nor relevant for the purposes of CaixaBank's activity.

Director	Company	Title
Juan Antonio Alcaraz García	SegurCaixa Adeslas, S.A. de Seguros y Reaseguras (multigrupo)	Member of the Board
María Luisa Martínez Gistau	Aceites de Semillas, S.A.	Member of the Board
María Victoria Matía Agell	Comercia Global Payments, Entidad de Pago, S.L.	Director
	Servired, Sociedad Española de Medios de Pago, S.A.	Director
	Comercia Global Payments, Entidad de Pago (Brasil)	Director
Jorge Mondéjar López	SAREB	Director
Tomás Muniesa Arantegui	SegurCaixa Adeslas, S.A. de Seguros y Reaseguras (multigrupo)	Deputy- Chairman
	Seguros Allianz Portugal, S.A	Director

Litigation

As of 31 December 2017, certain lawsuits and proceedings arising from the ordinary course of the Group's operations were ongoing. Its legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on equity in the years in which they are settled.

CaixaBank Group maintains provisions covering the obligations that may arise from such ongoing lawsuits totalling €344 million as of 31 December 2016 and €504 million as of 31 December 2017. These provisions mainly relate to different litigations which unit value is not material. However, given the nature of these obligations, the expected timing of these economic outflows, if any, is uncertain.

Additionally, there is an ongoing legal procedure to exercise a class action, subject to appeal, regarding the application of interest rate floor clauses on certain mortgages provided by CaixaBank. On 7 April 2016, a

ruling was passed in the aforementioned proceedings declaring such interest rate floor clauses, contained in the general conditions of signed mortgage contracts with customers, null and void due to a lack of transparency, and by which banks must (i) eliminate the abovementioned clauses of the contracts, (ii) cease using them in a non-transparent way, and (iii) reimburse affected consumers for amounts that they overpaid under clauses declared void from the date of publication of the judgment of the Supreme Court on 9 May 2013, together with any interests in accordance with applicable law.

As of the date of this Base Prospectus, this judgment is not final, as it was appealed by various parties. In its appeal, the consumer association ADICAE (*Asociación de Usuarios de Bancos, Cajas y Seguros*) is requesting that the reimbursement of amounts is not limited to those charged from 9 May 2013 but that it extends in each case to the date when the mortgage was granted. The Public Prosecutor (*Ministerio Fiscal*) opposed this request (unless the European Court of Justice rules otherwise). For the Group, the full retroactive reimbursement in relation to floor clauses means a total exposure of approximately €1,250 million, including all concepts (cancelled transactions, non-performing transactions and legal interest).

On 13 July 2016, the Advocate General of the EU issued its opinion prior to the judgement handed down by the CJEU, which was favourable to the Spanish Supreme Court's decision to limit repayments to 9 May 2013 (the doctrine applied by Mercantile Court 11). Nevertheless, on 21 December 2016 the judgement handed down by the CJEU did not endorse the opinion issued by the Advocate General, in contrast to the usual procedure, and it upheld full retroactive reimbursement in relation to floor clauses.

In 2015 the Group removed these interest rate floor clauses and proceeded to record a provision of €515 million for the expected cost of returning the amounts received from May 2013 until such removal. However, after the judgement of the CJEU above mentioned, given the uncertainty surrounding the outcome and drawing on the views of an independent expert taking into account the applicable regulation, CaixaBank recognised an additional provision of €110 million at year-end 2016 to cover any reasonably expected payouts. The provisions therefore amount to €625 million as of 31 December 2016.

Furthermore, in accordance with the provisions of Royal Decree-Law 1/2017, of 20 January, on urgent consumer protection measures in connection with floor clauses (the **Royal Decree-Law 1/2017**), CaixaBank has implemented a code of best practices, creating a specialised department or service to swiftly handle claims filed in relation to this Royal Decree-Law, and thereby attend and provide responses to its customers within three months. The procedure established is operating, the relevant customers are being informed of the decisions made and the disbursements have begun. However, certain claims are still being reviewed. As of 31 December 2017, €241 million of disbursements related to claims of Royal Decree-Law 1/2017 have been made.

Credit ratings

As at the date of this Base Prospectus, the Issuer has been assigned the following debt ratings by the following credit rating agencies:

Agency[(1)]	Review date	Short-term rating	Long-term rating	Outlook
Fitch	6 February 2018	F2	BBB	Positive
S&P	6 April 2018	A-2	BBB+	Stable
DBRS	12 April 2018	R-1 (low)	A	Stable
Moody's	17 April 2018	P-2	Baa2	Positive

Notes:

(1) Moody's assigns senior debt ratings, whereas S&P, Fitch and DBRS assign issuer ratings.

Tranches of Notes may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued

by a credit rating agency established in the EU and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the **CRA Regulation**) will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Additional Alternative Performance Measures

This Base Prospectus (and the documents incorporated by reference in this Base Prospectus) contains certain management measures of performance or alternative performance measures (**APMs**), which are used by management to evaluate the Group's overall performance or liquidity. These APMs are not audited, reviewed or subject to review by CaixaBank's auditors and are not measures required by, or presented in accordance with, International Financial Reporting Standards as adopted by the EU (**IFRS-EU**). Accordingly, these APMs should not be considered as alternatives to any performance or liquidity measures prepared in accordance with IFRS-EU. Many of these APMs are based on CaixaBank's internal estimates, assumptions, calculations and expectations of future results and there can be no guarantee that these results will actually be achieved. Accordingly, investors are cautioned not to place undue reliance on these APMs.

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

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

These measures are used in the Issuer's planning, operational and financial decision-making. These measures are commonly used in the finance sector as indicators to monitor institutions' assets, liabilities and economic/financial positions.

In addition to the APMs contained in CaixaBank's management report in respect of the 2017 Audited Consolidated Financial Statements, which is included by reference to this Base Prospectus, the following APMs are used in this Base Prospectus.

Definitions

Core revenues: the addition of net interest income; net fee and commission income; income and expense arising from insurance or reinsurance contracts; and equity accounted income from SegurCaixa Adeslas.

Core operating income: the addition of net interest income; net fee and commission income; income and expense arising from insurance or reinsurance contracts; equity accounted income from SegurCaixa Adeslas; and recurring administrative expenses, depreciation and amortisation.

Relevance

CaixaBank considers appropriate to include the above APMs because they provide useful information in relation to its financial position, cash-flows or financial performance. Specific details about the use of each of the APMs describe above are detailed below:

- Core revenues: this metric is used in the banking sector to monitor the evolution of the revenues generated by the main or principal business.

- Core operating income: this metric is used in the banking sector to monitor the evolution of the revenues generated by the main or principal business less all the recurrent expenses.

Reconciliation

Core revenues (CaixaBank Group)

(*€ million*)	FY17	FY16	Var.
Net interest income	4,746	4,157	14.2%
Net fee and commission income	2,499	2,090	19.5%
Income and expense arising from insurance or reinsurance companies	472	311	51.9%
Equity accounted income from SegurCaixa Adeslas and income from BPI insurance investees	170	125	36.0%
Core revenues	**7,887**	**6,683**	**18.0%**

Net interest income	4,746	4,157	14.2%
Net fee and commission income	2,499	2,090	19.5%
Income and expense arising from insurance or reinsurance companies	472	311	51.9%
Equity accounted income from SegurCaixa Adeslas and income from BPI insurance investees	170	125	36.0%
Recurring administrative expenses, depreciation and amortisation	(4,467)	(3,995)	11.8%
Core operating income	**3,420**	**2,688**	**27.2%**

TAXATION

Spain

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors 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 Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes.

Introduction

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

(a) of general application, Additional Provision One of Law 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions, as well as Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011, of 29 July (**Royal Decree 1065/2007**);

(b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax (**IIT**), Law 35/2006 of 28 November, on the IIT, as amended, and Royal Decree 439/2007 of 30 March promulgating the IIT Regulations, as amended, along with Law 19/1991, of 6 June on Wealth Tax, as amended, and Law 29/1987, of 18 December on the Inheritance and Gift Tax, as amended;

(c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax (**CIT**), Law 27/2014, of 27 November, on the CIT, as amended, and Royal Decree 634/2015, of 10 July, approving the CIT Regulations, as amended; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax (**NRIT**), Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, as amended, along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on the Inheritance and Gift Tax as amended.

This analysis is a general description of the tax treatment under the currently in force Spanish legislation, without prejudice of regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre, or provisions passed by Autonomous Communities which may apply to investors for certain taxes.

Indirect taxation

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

Individuals with Tax Residency in Spain

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

Both interest payments periodically received and income derived from the transfer, redemption or repayments of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the IIT Law, and therefore must be included in the investor's IIT savings taxable base pursuant to the provisions of the aforementioned law.

The IIT savings taxable base is taxed at the following rates: (i) 19% for taxable income up to €6,000; (ii) 21% for taxable income from €6,001 to €50,000; and (iii) 23% for any amount in excess of €50,000. Income from the transfer of the Notes is computed as the difference between their transfer value and their acquisition or subscription value. Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income.

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

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

Article 44 of the Royal Decree 1065/2007 has established information procedures for debt instruments issued under the Law 10/2014 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Issuing and Principal Paying Agent for the gross amount, provided that such information procedures are complied with, so that any payment under the Notes will not be subject to withholding tax to the extent that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Principal Paying Agent as it is described in section "*Simplified information procedures*". If these information procedures are not complied within the manner indicated, the Issuer will withhold at the general rate applicable from time to time, and the Issuer will pay the relevant additional amounts as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required.

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the general rate of 19% which will be made by the depositary or custodian.

Amounts withheld may be credited against the final IIT liability.

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

Net Wealth Tax (Impuesto sobre el Patrimonio)

In accordance with article 4 of Royal Decree-law 3/2016, of 2 December, a full exemption on Wealth Tax will apply in year 2018 unless such exemption is revoked.

If it were revoked, individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December of each year, the applicable rates ranging between 0.2% and 2.5%. The Autonomous Communities may have different provisions in this respect.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65% and 81.6% depending on relevant factors, although the final tax rate may vary depending on any applicable regional tax laws.

Legal Entities with Tax Residency in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 25%) in accordance with the rules for this tax. 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%). Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

In accordance with Section 44.5 of Royal Decree 1065/2007 and in the opinion of the Issuer, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers to the extent that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Principal Paying Agent as it is described in section "*Simplified information procedures*". If these information procedures are not complied within the manner indicated, the Issuer will withhold at the general rate applicable from time to time, and the Issuer will pay the relevant additional amounts as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the generally applicable rate of 19%, if the Notes do not comply with applicable exemption requirements including those specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 in which case the required withholding will be made by the depositary or custodian.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

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

Net Wealth Tax (Impuesto sobre el Patrimonio)

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

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

Individuals and Legal Entities with no Tax Residency in Spain

Non-Resident Income Tax (Impuesto sobre la Renta de No Residentes)

With permanent establishment in Spain

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See "*Spain – Legal Entities with Tax Residency in Spain – Corporate Income Tax (Impuesto sobre Sociedades)*". Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to holders of the Notes who are individuals or legal entities not resident in Spain for tax purposes who act with respect to the Notes through a permanent establishment in Spain.

With no permanent establishment in Spain

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner described in section "*Simplified information procedures*" as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate applicable from time to time, and the Issuer will pay the relevant additional amounts as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required.

Wealth Tax (Impuesto sobre el Patrimonio)

In accordance with article 4 of Royal Decree-law 3/2016, of 2 December, a full exemption on Wealth Tax will apply in year 2018 unless such exemption is revoked.

If it were revoked, 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% and 2.5%. However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Notes which income is exempt from NRIT as described above.

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

If the exemptions outlined do not apply, individuals who are not resident in Spain for tax purposes and who are residents in an EU or European Economic Member State may apply the rules approved by the Spanish region where the assets and rights with more value: (i) are located; (ii) can be exercised; or (iii) must be fulfilled.

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

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the

applicable Spanish regional and state rules (individuals who are resident for tax purposes in an EU or European Economic Member State (other than Spain) may apply the regional rules), unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant double tax treaty will apply.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Holder.

Tax Rules for Notes not Listed

Withholding on Account of IIT, CIT and NRIT

If the Notes are not listed on any Payment Date, payments to Noteholders will be subject to withholding tax at the general rate of 19%, except in the case of Noteholders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the Notes through a permanent establishment in Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5 July, as amended) or (b) resident for tax purposes of a country which has entered into a double tax treaty with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

Net Wealth Tax (Impuesto sobre el Patrimonio)

See *"Spain – Individuals with Tax Residency in Spain – Net Wealth Tax (Impuesto sobre el Patrimonio))" and "Spain – Individuals and Legal Entities with no Tax Residency in Spain – Net Wealth Tax (Impuesto sobre el Patrimonio)*".

Simplified information procedures

According to Law 10/2014 the information to be reported by issuers to the Spanish Tax Authorities will be developed in relevant regulations. Royal Decree 1065/2007 sets out the procedures to be followed in order to make payments under the Notes without withholdings or deductions for or on account of Spanish taxes.

The procedures set out in the Agency Agreement provide that the Issuer will pay on each Interest Payment Date the full amount of the payment due and payable to the Issuing and Principal Paying Agent. The Issuing and Principal Paying Agent, on behalf of the Issuer, will deliver a statement in the required form to the Issuer the business day immediately before the relevant Interest Payment Date. The statement shall contain the following information:

(e) identification of the Notes;

(a) income payment date (or refund if the Notes are issued at a discount or segregated);

(b) total amount of income (or total amount to be refunded if the Notes are issued at a discount or segregated);

(c) total amount payable under the Notes to each of the Clearing Systems.

If the procedures set out above are complied with, the Issuing and Principal Paying Agent, on behalf of the Issuer, will pay the relevant amount to (or for the account of) the clearing systems without withholdings or

deductions for or on account of Spanish taxes. If the statement is not delivered to the Issuer as described above, the Issuer shall pay such additional amounts as required under terms of the Notes and pay an appropriate amount to the Spanish tax authorities to the extent required to comply with its obligations with respect thereto. The Issuing and Principal Paying Agent will pay the relevant amount to (or for the account of) the clearing systems.

If, following clarifications by the Spanish Tax Authorities, procedures in relation to Royal Decree 1065/2007 are subsequently amended, the Issuer and the Issuing and Principal Paying Agent will implement such procedures as may be required to enable the Issuer to comply with its obligations under applicable legislation as clarified by the Spanish Tax Authorities. The Issuer undertakes to ensure that the Noteholders are informed of such new procedures and their implications.

Regarding the interpretation of Royal Decree 1065/2007 and the new simplified information procedures please refer to *"Risk Factors – Risks related to Notes generally – Risks relating to the Spanish withholding tax regime"*.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

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

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

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

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) 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. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Spain) 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding

would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under *"Terms and Conditions—Further Issues"*) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 23 April 2018, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (**Regulation S**) except in certain transactions exempt from the registration requirements of the Securities Act. The Notes are being offered for sale outside the US in accordance with Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not apply to the Issuer if it was not an authorised person; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) 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 Directive 2014/65/EU; or

(ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Spain

The Notes may not be sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in compliance with the provisions of the consolidated text of the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*). No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not and will not direct or make any offer of the Notes to investors located in Spain.

Neither the Notes nor the Base Prospectus have been or will be registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Base Prospectus is not intended for any public offer of the Notes in Spain.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above 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 Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of the securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

France

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was duly authorised by a resolution of the shareholders of the Issuer dated 25 April 2013, and a resolution of the Board of Directors of the Issuer dated 26 September 2013 and the update of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 22 March 2018.

Issues of Notes under the Programme are required to comply with certain formalities contained in the Spanish Corporations law (*Ley de Sociedades de Capital*), including as at the date of this Base Prospectus execution of a public deed of issue (*Escritura de Emisión*).

Listing of Notes

This Base Prospectus has been approved by the CBI as competent authority under the Prospectus Directive. The CBI only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any member state of the European Economic Area.

Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on the Main Securities Market and to be listed on the Official List. The Main Securities Market is a regulated market for the purposes of MiFID II. It is expected that each Tranche of Notes to be listed on the Official List and admitted to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available in hard copies for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent(s) for the time being in Luxembourg:

(a) the bylaws (with an accurately reproduced English translation thereof) of the Issuer;

(b) the 2016 Consolidated Financial Statements together with the CaixaBank Group Management Report for 2016 and the 2017 Consolidated Financial Statements together with the CaixaBank Group Management Report for 2017, in each case together with the audit reports prepared in connection therewith (in each case, together with an accurately reproduced English translation thereof). The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited quarterly business activity and results report prepared under the management criteria of the Issuer (in each case with an accurately reproduced English translation thereof), in each case together with any audit or limited review report prepared in connection therewith. The Issuer currently prepares unaudited consolidated condensed interim accounts on a half yearly basis;

(d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(e) a copy of this Base Prospectus; and

(f) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code, ISIN and CUSIP number for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2017.

There has been no significant change in the financial position of the Group since 31 December 2017 and there has been no significant change in the financial or trading position of the Issuer since 31 December 2017.

Litigation

Other than as described in the section entitled "Litigation" on page 157, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The auditors of the Issuer for the financial years ended on 31 December 2016 and 31 December 2017 were Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*) who audited the Issuer's accounts for such financial years, without qualification, in accordance with generally accepted auditing standards in Spain.

The current auditors of the Issuer are PricewaterhouseCoopers Auditores, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*) who will audit the Issuer's accounts for the financial year ended on 31 December 2018, 2019 and 2020.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates

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

ISSUER

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ISSUING AND PRINCIPAL PAYING AGENT

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Postal Address: L - 2085 Luxembourg

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To the Issuer as to English law and Spanish law

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To the Dealers as to English law and Spanish law

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To the Issuer for 2016 and 2017

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To the Issuer for 2018

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