BASE PROSPECTUS

Bankia, S.A.

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

€10,000,000,000
Euro Medium Term Note Programme

Under this €10,000,000,000 Euro Medium Term Note Programme (the **Programme**) described in this Base Prospectus (which replaces the Base Prospectus dated 14 July 2017, in respect of the Programme), Bankia, S.A. (the **Issuer** or **Bankia**) 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.

The Final Terms (as defined below) for each Tranche (as defined on page 64) 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 (A) Senior Subordinated Notes or (B) Tier 2 Subordinated Notes.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The 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 on-going 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 133-139 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014 (as defined below) on the Issuer. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information relating to the 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 (**EEA**). Application has been made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the **Official List**) and trading on the Main Securities Market.

References in this Base Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to listing on the Official List and admitted to trading on the Main Securities Market or, as the case may be, a regulated market for the purposes of MiFID II. The Main Securities Market is a regulated market for the purposes of MiFID II. This document may be used to list Notes on the Main Securities Market pursuant to the Programme.

The requirement to publish a prospectus under the Prospectus Directive (as defined under "*Important Information*" below) and any relevant implementing measure in a relevant Member State of the EEA only applies to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA 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 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. No unlisted Notes may be issued under the Programme.

The Issuer has been rated BBB (stable outlook), BBB- (positive outlook), BBB (high) (stable outlook) and BBB+ (stable outlook) by Standard & Poor's Credit Market Services Europe Limited (**S&P**), Fitch Ratings España, S.A.U. (**Fitch**), DBRS Ratings Limited (**DBRS**) and Scope Ratings GmbH (**Scope**) respectively. Each of S&P, Fitch, DBRS and Scope is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of S&P, Fitch, DBRS and Scope 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 (as defined below) 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 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, ICE is included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/11 (the **Benchmarks Regulation**). EMMI is not included in ESMA's register of administrators. As far as the Issuer is aware, the transitional provisions of Article 51 of the Benchmarks Regulation apply to EMMI, such that it is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

BARCLAYS

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
Bankia, S.A.
Barclays
BNP PARIBAS
BofA Merrill Lynch
Commerzbank
Citigroup
Credit Suisse
Crédit Agricole CIB
Deutsche Bank
Goldman Sachs International
J.P. Morgan
HSBC
Morgan Stanley
NATIXIS
NatWest Markets
Nomura
Santander Global Corporate Banking
Société Générale Corporate & Investment Banking
UBS Investment Bank
UniCredit Bank

The date of this Base Prospectus is 5 July 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 EEA.

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.

The Dealers shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in this Base Prospectus, or any other agreement or document relating to it or to the Notes that may be issued under this Programme from time to time, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

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, Japan and Spain, 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 of 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, a U.S. Person (as defined in Regulation S under the Securities Act (**Regulation S**)) unless registered under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any state or other jurisdiction of the United States (see "*Subscription and Sale*").

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- **U.S. dollars** and **U.S.$** refer to United States dollars;
- **Sterling** and **£** refer to pounds sterling; 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 European Union, 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:	Bankia, S.A. The Issuer is a Spanish bank and the parent company of a group of 88 companies as at 31 March 2018, comprising 42 subsidiaries, 14 multigroups and 32 associates (the **Bankia Group** or the **Group**). The Issuer is itself a controlled company in a consolidated group of credit institutions, the controlling company of which is BFA Tenedora de Acciones S.A.U. (**BFA** and, together with the Bankia Group, the **BFA-Bankia Group**).
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. Bankia, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Crédit Agricole CIB Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc NATIXIS NatWest Markets Plc Nomura International plc Société Générale UBS Limited UniCredit Bank

	and any other Dealers appointed in accordance with the Dealer 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.
Fiscal Agent:	The Bank of New York Mellon.
Programme Size:	Up to €10,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) in aggregate 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 Dealer 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 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 Subordinated Notes or Senior Notes, if Eligible Liabilities Event is specified in the final terms as applicable, 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.

Tier 2 Subordinated Notes, and, if indicated as applicable in the applicable Final Terms, Senior Notes or Senior Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity other than in compliance with Applicable Banking Regulations (as defined under "*Terms and Conditions of the Notes*") then in force and with consent of the Competent Authority (as defined under "*Terms and Conditions of the Notes*"), if required. See Conditions 6.1 (*Redemption at maturity*), 6.2 (*Redemption for tax reasons*), 6.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and 6.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*) of the Notes.

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).

Taxation: All amounts payable in respect of Notes and Coupons by the Issuer will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision

	thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will, save in certain limited circumstances (please refer to Condition 7 (*Taxation*) of the Terms and Conditions of the Notes) be required to pay such additional amounts as will result in receipt by the Noteholders or Couponholders of such amounts as would have been received 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 2007 as amended by Royal Decree 1145/2011 of 29 July 2011 (**Royal Decree 1065/2007**), the Issuer is not obliged to identify Noteholders or Couponholders as described in "*Taxation–Spain–Simplified Information Procedures*", whenever the Notes were listed on an organised market. 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 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 any law implementing an intergovernmental approach thereto (such withholding or deduction, a **FATCA Withholding**). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of a FATCA Withholding.
Negative Pledge:	The terms of the Ordinary Senior Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*) if indicated as applicable in the applicable Final Terms. The terms of Senior Non Preferred Notes and Subordinated 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 9 (*Events of Default*) if indicated as applicable in the applicable Final Terms. The terms of Senior Non Preferred Notes and 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 Senior Notes And Subordinated Notes*) of the Notes.
Rating:	The Issuer has been rated BBB (stable outlook) by S&P, BBB- (positive outlook) by Fitch, BBB (high) (stable outlook) by DBRS, and BBB+ (stable outlook) by Scope. A 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. 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. No unlisted Notes may be issued under the Programme. 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 (and any non-contractual obligations arising out of or in connection with 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, 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

An investment in the Notes may involve a high degree of risk. In purchasing the 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 are 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 they currently deem 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 businesses and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risk associated with the Notes are detailed below. The factors discussed below regarding the risks of acquiring or holding any Notes are not exhaustive, and additional risks and uncertainties that are not presently known to the Issuer or that the Issuer currently believes to be immaterial could also have a material impact on the Notes.

Prospective investors should also read the detailed information set out elsewhere in, or incorporated by reference into, 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

Macroeconomic risks

Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain, or any deterioration in the Spanish or general European financial systems, could have a material adverse effect on the business, financial condition, results of operations and prospects of Bankia and its Group

Global economic conditions deteriorated significantly between 2008 and 2012 and Spain fell into recession from which it is still recovering.

During this financial crisis, financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced significant difficulties. Numerous financial institutions around the world had to seek additional capital, including government bail outs and many lenders and institutional investors had reduced or ceased funding of certain borrowers, including financial institutions. Financial institutions of certain European countries, including Greece and Cyprus, had also experienced significant deposit outflows and financial systems worldwide had challenging credit conditions, including limited liquidity, extreme volatility and general widening of spreads. The crisis in worldwide financial and credit markets resulted in a global economic slowdown.

Since 2014 the Spanish economy has started to show signs of recovery, including positive account balances. According to the National Statistical Institute, Spain's gross domestic product (GDP) grew by 1.4 per cent. in 2014, 3.4 per cent. in 2015, 3.3 per cent. in 2016 and 3.1 per cent. in 2017. There has also been a significant reduction in risk premiums in Europe since the second half of 2012. According to Eurostat, economic growth for the EU has been positive since the second quarter of 2013, growing by 2.5 per cent. in 2017.

Further deterioration of European economy or economies of the European countries remains a risk and any such deterioration could adversely affect the cost and availability of funding of Spanish and European banks, including Bankia and the Group, and the quality of the Group's loan portfolio, and require the Group to create reserves on its exposure to the sovereign debt of one or more countries in the EEA or otherwise have a material adverse effect on its business, financial condition, results of operations and prospects.

Other factors or events, such as the exit of countries from the EEA, a sharp economic slowdown in China, a negative market reaction to interest rate increases by the United States Federal Reserve System, heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside the Group's control, may also affect Spanish, European and global economic conditions, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business is highly dependent on the Spanish economy

Bankia is a Spanish financial institution with offices throughout Spain, predominantly in Madrid and the Valencian Community. As Bankia's commercial activity is primarily carried out in Spain, its business, financial condition and results of operations are, and will continue to be, highly dependent on the general economic conditions in Spain.

After a period of rapid economic growth, Spain's GDP contracted in 2009-2013. The effects of the financial crisis were particularly pronounced in Spain given its need for foreign financing reflecting its high current account deficit, which in turn results from the gap between domestic investment and savings, and its public deficit. While the current account imbalance has now been corrected (with GDP growth of 3.1 per cent. in 2017) and the public deficit is diminishing, real or perceived difficulties in servicing public or private debt could increase Spain's financing costs. In addition, unemployment levels remain high and a change in the current recovery of the labour market would adversely affect household's gross disposable income of the Group's retail customers and may adversely affect recoveries of the Group's retail loans and increase loan losses.

The International Monetary Fund (**IMF**) has projected a GDP growth for the Spanish economy of 2.8 per cent. in 2018. The Bank of Spain's most recent forecast is in line with the IMF, projecting a 2.7 per cent. growth forecast in 2018, and a 2.3 per cent. growth in 2019. The risks surrounding the GDP growth projections for the Spanish economy are mainly on the external front: (i) given the Spanish economy's high level of debt and its substantial foreign financing needs, the possible start of an upward cycle in interest rates could have a negative impact on some agents' income and the strength of their balance sheets; (ii) the tendency to introduce protectionist barriers has also recently gained strength in some developed economies and could have an adverse effect on global trade, which could be particularly detrimental to economies such as Spain's, whose recovery has relied heavily on export growth and which is still in the process of correcting its external imbalance; and (iii) much uncertainty remains about the possible implications of the UK's exit from the EU, in a context in which the duration and outcome of the bilateral negotiations are as yet unknown.

Additionally, on the domestic front, Spain recently experienced an unexpected change in Government as the former Spanish prime minister was forced to resign after failing to secure a confidence vote from the Spanish parliament. In this respect, there is uncertainty in relation to the new central Government’s agenda as well as its capacity to obtain enough support to design appropriate measures to completely recover the Spanish economy.

The former Spanish Government, formed in November 2016 following a lengthy caretaker period, approved and implemented, in collaboration with various economic agents, a series of structural reforms to promote the recovery of the country's economy, prominently including the adoption of budget austerity policies, aimed at reducing the fiscal deficit, the reform of employment laws, measures to reform the financial system and the announced privatisation of public sector companies. The possible consequence of a failure to meet the objectives of such structural reforms and non-fulfilment of the projections announced to the market by the former Government of Spain and other institutions for the coming years could curb private expectations and consumption, and trigger a further loss of confidence in the Spanish economy by international financial operators. This could result in an adverse impact on companies that conduct a large part of their business in Spain and thus on the Group's business, financial position and operating results.

In addition, political tensions in Catalonia have increased recently due to the so-called "independence movement", which has given rise to an atmosphere of uncertainty. There can be no assurances that continued political instability in Catalonia will not have a material adverse effect on both the Catalan and the Spanish economy.

The risk of economic tensions in Spain and the EU generally could have a material adverse effect on the Group's business, financial condition and results of operations

Conditions in the capital markets and the economy generally in the European Union (the **EU**) continue to show signs of fragility and volatility. Although the Group operates primarily in Spain, the evolution of the situation in the EU could have a material adverse effect on the Group's business, financial condition and results of operations, given its impact on liquidity and conditions of financing.

On 23 June 2016, the UK held a non-binding 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, 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's Prime Minister notified the UK's intention to withdraw from the EU under Article 50(2) of the Treaty of the European Union. The notice triggered a two-year period of negotiation 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's exit from the EU are difficult to predict, these are likely to include further financial instability and slower economic growth as well as higher unemployment and inflation, in the UK, continental Europe and the global economy, at least in the short to medium term.

The UK electorate's decision to exit from the EU caused significant volatility in the global stock and foreign exchange markets. It has also encouraged anti-EU and populist political 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. The increase in the political influence of Eurosceptic political parties in these countries, or the perception that any of these political parties could occur, have had and may continue to have a material adverse 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.

In the past, the European Central Bank (**ECB**) and the European Council have taken actions with the aim of reducing the risk of contagion in the EU and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by the EU and other nations, which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions. Gross direct exposure to sovereign debt stood at €27,104 million or 13 per cent. of total balance of the Group at 31 March 2018, of which the main exposures in Europe were to Spain, Italy and France, with €21,358 million, €5,000 million and €745 million, respectively.

The Group has direct and indirect exposure to financial and economic conditions of the EU economies. Concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, have significantly increased in light of the political and economic factors mentioned above. A deterioration of the economic and financial environment could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels, which in turn could materially and adversely affect the Group's operating results, financial position and prospects.

Legal, regulatory and compliance risks

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, financial condition and prospects

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 other institutions have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crisis. The Group's operations are subject to on-going regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations in Spain 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 (that is expected to continue for the foreseeable future) and a changing regulatory framework which is likely to undergo further significant change. This creates significant uncertainty for the Group and the financial industry in general. The wide range of recent actions or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards, restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures.

The Group is subject to the supervision and/or regulation of the Bank of Spain (*Banco de España*), the ECB, the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*) (the **CNMV**) and the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*), which are the main regulators of the operations of the Group. The operations of the Group outside 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.

In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (**SSM**), and for resolution, with the new single resolution mechanism (**SRM**), could lead to changes in the near future. 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.

The regulations which most significantly affect the Group include, among others, regulations relating to capital requirements or provisions, as described below. In addition, the Group is subject to substantial regulation relating to other matters such as liquidity. The Group cannot predict if increased liquidity standards, if implemented, could require the Group to maintain a greater proportion of its assets in highly liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. 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.

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 on-going. 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, results of operations and cash flows. 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 Bankia. Additionally, the Group is also subject to other regulations, such as those related to anti-money laundering, anti-terrorism, privacy protection and transparency and fairness in customer relations.

Any required changes to the Group's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue for the Group, limit the Group's ability to pursue business opportunities in which the Group might otherwise consider engaging, affect the value of assets that Bankia holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional costs on the Group or otherwise adversely affect the Group's businesses. For example, the Group is subject to substantial regulation relating to liquidity. Future liquidity standards could require the Group to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the regulators of the Group, as part of their supervisory function, periodically review the Group's allowance for loan losses. Such regulators may require the Group to: (i) increase such allowances to recognise further losses; (ii) increase the regulatory risk-weighting of assets; (iii) increase its "combined buffer requirement"; or (iv) increase "Pillar 2" requirements (as defined below). Any

such additional provisions for loan losses, 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 ratio and on its ability to pay distributions.

In particular, the Group's equity and results may be adversely affected by the changes to the classification and measurement of financial assets arising from IFRS-EU 9 *Financial Instruments*, which require the development of an impairment methodology for calculating the expected credit losses on the Issuer's financial assets and commitments to extend credit. The IFRS-EU 9 is effective and applicable for the preparation of the financial statements issued after 1 January 2018.

On 27 December 2017, Regulation (EU) 2017/2395 amending Regulation (EU) No. 575/2013, of 26 June, of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (**CRR**) as regards transitional arrangements for mitigating the impact of the introduction of IFRS-EU 9 on own funds was published with the aim of mitigating the impact on capital and leverage ratios of the impairment requirements resulting from IFRS-EU 9. However, Bankia has decided not to adopt this option and is already applying its full effect on the Group's CET1 (as defined below) capital.

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, results of operations, financial condition and prospects. 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. For example, Basel III implementation differs across jurisdictions in terms of timing and the applicable rules, and this lack of uniformity in implemented rules may lead to an uneven playing field and to competition distortions, which in turn could materially and adversely affect the Group's operating results, financial position and prospects.

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

Increasingly onerous capital requirements constitute one of Bankia's main regulatory challenges. Increasing capital requirements may adversely affect Bankia's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels. As a Spanish financial institution, Bankia is subject to Directive 2013/36/EU, of 26 June, of the European Parliament on access to credit institution and investment firms (the **CRD IV Directive**) that replaced Directives 2006/48 and 2006/49 through which the EU began implementing Basel III capital reforms with effect from 1 January 2014, with certain requirements being phased in until 1 January 2019. The core regulation regarding the solvency of credit entities is **CRR** (together with the CRD IV Directive and any implementing measures, the **CRD IV**), which is complemented by binding regulatory technical standards, all of which are directly applicable in all EU member states, without the need for national implementation measures. The CRD IV Directive has been largely implemented in Spain 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 (*Real Decreto-ley 14/2013, de 29 de noviembre, de medidas urgentes para la adaptación del derecho español a la normativa de la Unión Europea en materia de supervisión y solvencia de entidades financieras*) (**RDL 14/2013**), Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervision y solvencia de entidades de crédito*) (**Law 10/2014**), 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*) (**RD 84/2015**), Bank of Spain Circular 2/2014 of 31 January (*Circular 2/2014, de 31 de enero, del Banco de España*) and Bank of Spain Circular 2/2016 of 2 February (*Circular 2/2016, de 2 de febrero, del Banco de España*). Law 10/2014 continued the implementation of the CRD IV Directive (implementing in Spain certain provisions relating to buffer requirements and restrictions on distributions), and also restated in a single body of law the main regulations on ordinance and supervision of credit entities.

Under CRD IV, Bankia is required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8 per cent. of risk-weighted assets (**RWA**) of which at least 4.5 per cent. must be CET1 (as defined below) and at least 6 per cent. must be Tier 1 capital (together, the minimum "Pillar 1" capital requirements). In addition to the minimum "Pillar 1" capital requirements, since 1 January 2016 credit institutions must comply with the "combined buffer requirement". The "combined buffer requirement" has introduced five new capital buffers to be satisfied with additional common equity tier 1 (**CET1**): (1) the capital

conservation buffer, of up to 2.5 per cent. of RWA; (2) the global systemically important institutions (**G-SIB**) buffer, of between 1 per cent. and 3.5 per cent. of RWA; (3) the institution-specific counter-cyclical capital buffer, which may be as much as 2.5 per cent. of RWA (or higher pursuant to the requirements set by the competent authority); (4) the other systemically important institutions (**D-SIB**) buffer, which may be as much as 2 per cent. of RWA; and (5) the systemic risk buffer to prevent systemic or macro prudential risks of at least 1 per cent. of RWA (to be set by the Bank of Spain).

While the capital conservation buffer and the G-SIB buffer are mandatory, the Bank of Spain has greater discretion in relation to the countercyclical capital buffer, the D-SIB buffer and the systemic risks buffer (to prevent systemic or macro prudential risks). With the entry into force of the SSM on 4 November 2014, the ECB also has the ability to provide certain recommendations in this respect.

Bankia has not been classified as G-SIB by the Financial Stability Board (**FSB**) nor by the Bank of Spain so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it will not be required to maintain the G-SIB buffer. According to the press release published by the Bank of Spain on 24 November 2017, Bankia is considered a D-SIB for 2018 and, accordingly, during 2018 it will be required to maintain a phased in D-SIB buffer of 0.1875 per cent. and in 2019 a full D-SIB buffer of 0.25 per cent. 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 per cent. for the second quarter of 2018 (percentages will be revised each quarter).

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

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**), also contemplate that in addition to the minimum "Pillar 1" capital requirements and any applicable capital buffer, supervisory authorities may require further "Pillar 2" capital to cover other risks, including those not considered to be fully captured by the minimum "own funds" "Pillar 1" capital requirements under CRD IV, or to address macro-prudential considerations. This may result in the imposition of additional capital requirements on Bankia and/or the Group pursuant to this "Pillar 2" framework. Any failure by Bankia and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios and any "Pillar 2" additional capital could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

In accordance with the SSM Regulation, the ECB has fully assumed its new supervisory responsibilities of Bankia and the Group within the SSM. 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 that may be imposed for each of the European credit institutions subject to the SSM and accordingly requirements may change from year to year. Any additional capital requirement that may be imposed on Bankia and/or the Group by the ECB pursuant to these assessments may require Bankia and/or the Group to hold capital levels similar to, or higher than, those required under the full application of the CRD IV. There can be no assurance that the Group will be able to continue to maintain such capital ratios.

The EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the **EBA 2014 Guidelines**). Included in these were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional "Pillar 2" capital to be implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the "Pillar 2" capital to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the "combined buffer requirement" and/or additional macro-prudential requirements.

Accordingly, any additional "Pillar 2" capital that may be imposed on Bankia and/or the Group by the ECB pursuant to the SREP will require Bankia and/or the Group to hold capital levels above the minimum "Pillar 1" capital requirements and the "combined buffer requirement".

As communicated by the EBA on 1 July 2016, SREP decisions of 2016 differentiate between a "Pillar 2" requirement (**P2R**) and a "Pillar 2" guidance (**P2G**). Banks are expected to meet the P2G, which is set above the level of binding capital (minimum and additional) requirements and on top of the "combined 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 (as defined below) 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.

Moreover, in July 2016, the ECB also published a set of "Frequently asked questions on the 2016 EU-wide stress test", confirming the distinction between P2R and P2G and clarifying that even though the ECB expects banks to meet P2G at all times, a failure to meet P2G is not expected to trigger the automatic calculation of the Maximum Distributable Amount.

However, on 31 October 2017, the EBA launched a public consultation to review, among others, the EBA 2014 Guidelines with the aim of further enhancing institution's risk management and supervisory convergence in the SREP. The public consultation finished on 31 January 2018 and the revised guidelines are expected to be implemented by 1 January 2019.

In connection with this, Bankia announced on 13 December 2017 the ECB decision regarding its prudential minimum capital phased-in requirements for 2018, following the results of SREP. The ECB decision requires Bankia to maintain a CET1 phased-in capital ratio of 8.563 per cent. and a total capital phased-in ratio of 12.063 per cent., both on a consolidated basis. This CET1 capital ratio of 8.563 per cent. includes: (i) the minimum CET1 capital ratio required under "Pillar 1" (4.5 per cent.); (ii) the additional own funds requirement under "Pillar 2" (2.0 per cent.); and (iii) the capital conservation buffer (1.875 per cent.) and the other systemically important institutions buffer (0.1875 per cent.). The total capital ratio of 12.063 per cent. includes (i) the minimum total capital ratio required under "Pillar 1" (8 per cent.); (ii) the additional own funds requirement under "Pillar 2" (2.0 per cent.); and (iii) the capital conservation buffer (1.875 per cent.) and the other systemically important institutions buffer (0.1875 per cent.).

As of 31 March 2018, the Group's CET1 and total capital phased-in ratio were 13.90 per cent. and 16.89 per cent., respectively, on a consolidated basis. Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements ("Pillar 1" plus "P2R" plus "combined buffer requirement") imposed on Bankia and/or the Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further "Pillar 2" additional capital on Bankia and/or the Group.

Any failure by Bankia and/or the Group to maintain its minimum "Pillar 1" capital requirements, any "P2R" additional capital and/or any "combined buffer requirement" could result in administrative actions or sanctions, which, in turn, may have a material adverse effect on the Group's results of operations. In particular, any failure to maintain any additional capital requirements pursuant to the "P2R" framework or any other capital requirements to which Bankia and/or the Group is or becomes subject (including the "combined buffer requirement") may result in the imposition of restrictions or prohibitions on "discretionary payments" by Bankia as discussed below, including dividend payments.

According to Law 10/2014, those entities failing to meet the "combined buffer requirement" or making a distribution of 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 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 calculation is limited to the amount not used to meet the "Pillar 1" and "P2R" own funds requirements of the institution.

Any failure by Bankia and/or the Group to comply with its regulatory capital requirements could also result in the imposition of further P2R 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 (*Ley 11/2015 de 18 de junio de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*) (**Law 11/2015**), which, together with Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, of 18 June (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio*) (**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 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 on 12 January 2014, the oversight body of the Basel Committee on Banking Supervision (**BCBS**) endorsed the definition of the leverage ratio set forth in the CRD IV. 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 per cent. 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 per cent. Tier 1 capital leverage ratio requirement that could be raised after calibration. The full implementation of the leverage ratio is currently under consultation as part of the Proposals.

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 updated 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 minimum capital requirements under CRD IV, the BRRD regime prescribes that banks meet, at all times, a minimum requirement for own funds and eligible liabilities (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 certain criteria including systemic importance. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions). The MREL requirement came into force on 1 January 2016 but no formal requirements have been communicated yet by the resolution authority and therefore, the quantum, the requirements to qualify as eligible liabilities and the compliance calendar remain an open question. On 20 December 2017, the Single Resolution Board (SRB), which is the central decision-making body of the SRM, published its second policy statement on MREL, which will serve as a basis for setting binding MREL targets.

For its part, on 9 November 2015 the FSB published its final Total Loss-Absorbing Capacity (**TLAC**) Principles and Term Sheet, proposing that G-SIBs 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-SIBs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIBs 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. In this regard, on 6 June 2018 the FSB published a call for public feedback on the technical implementation of the TLAC Principles and Term Sheet.

The TLAC Principles and Term Sheet requires a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (a) 16 per cent. of RWA as of 1 January 2019 and 18 per cent. as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage exposures as of 1 January 2019, and 6.75 per cent. as of 1 January 2022.

Although Bankia has not been classified as a G-SIB by the FSB, it cannot be disregarded that TLAC requirements may apply to Bankia and/or the Group in addition to other capital requirements either because TLAC requirements are adopted and implemented in Spain and extended to non-G-SIBs through the imposition of similar MREL requirements as set out below or otherwise (and as per the BRRD, any legislative proposal from the European Commission will have to take into account the need for consistency between MREL and other international standards such as TLAC).

On 23 November 2016, the European Commission published, among others, 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 which was passed on 15 July 2014 and became effective from 1 January 2015 (the **SRM Regulation**). The aforementioned proposals will be referred to as 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.

In order to progress with the implementation of the Proposals, on 25 May 2018 the European Council agreed its stance on the package of measures regarding banking regulation and confirmed that a compromise was agreed between ministers on a number of issues, including:

(i) the necessary level and quality of the subordination of liabilities in the event of G-SIBs, or other banks that could pose a systemic risk to financial stability, having to be resolved;

(ii) the implementation of new market risk capital requirements;

(iii) an adjusted methodology for calculation of the G-SIB's "score"; and

(iv) a binding leverage ratio and net stable funding ratio

This compromise enables the Council Presidency to start negotiations with the European Parliament on the Proposals in the second half of 2018, following which the rules will be implemented. The Proposals are to be considered by the European Parliament 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 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 Noteholders.

Notwithstanding the above, the Proposal regarding 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 have 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.

In addition, the Proposals establish some exemptions which could allow outstanding senior debt instruments to be used to comply with MREL. However, there is uncertainty regarding the final form of the Proposals insofar as such eligibility is concerned and how those regulations and exemptions are to be interpreted and applied. This uncertainty may impact the ability of Bankia to comply with its MREL (at both individual and consolidated levels) by the relevant deadline. In this regard, the EBA submitted on 14 December 2016 its final report on the implementation and design of the MREL framework, which contains a number of recommendations to amend the current MREL framework.

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-SIBs. In particular, technical amendments to the existing rules on MREL are needed to align them with the TLAC standard regarding inter alia the denominators used for measuring loss-absorbing capacity, the interaction with capital buffer requirements, disclosure of risks to investors, and their application in relation to different resolution strategies. Implementation of the TLAC/MREL Requirements is expected to be the greater of (a) 16 per cent. of RWA as from 1 January 2019 and 18 per cent. of RWA as from 1 January 2022 and (b) 6 per cent. of the Basel III leverage exposures as from 1 January 2019, and 6.75 per cent. of the Basel III leverage exposures as from 1 January 2022.

On 7 December 2017, the GHOS published a 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 reform: (i) introduces a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) introduces modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations of its use for portfolios with low levels of noncompliance; (iii) removes any internally modelled methods and introduces a standardised and basic method of calculating the CVA risk; (iv) revises the standard method of calculating operational risks, which will be replaced with advanced measurement approaches; (v) introduces a leverage ratio buffer for G-SIBs; and (vi) establishes a minimum limit on the aggregate results (output floor), which prevents bank risk-weighted assets (**RWA**) generated by internal models from being lower than the 72.5 per cent. of the RWA calculated in accordance with the Basel III framework.

The GHOS have extended the implementation of the revised minimum capital requirements in respect of market risk until January 2022, to align this change with the implementation of the reviews of credit, operational and CVA risks.

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.

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

Deferred Tax Assets

In addition to introducing new capital requirements, CRD IV Directive provides that the 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 former Law on Corporate Income Tax, approved by Royal Legislative Decree 4/2004, of 5 March 2004 by virtue of RDL 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 credit institution was unable to reverse the relevant differences and provided that the financial institution was on a liquidation or insolvency scenario or incurred in accounting losses. Additionally, the transitional regime provided for a period in which a percentage of the applicable DTAs could be deducted. This transitional regime was included in the new Law 27/2014, of 27 November, on Corporate Income Tax (**CIT 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. This special tax charge was registered for an amount of €76 million in the epigraph "Tax expense or income related to profit or loss from continuing operations" of Bankia's consolidated income statement as at 31 December 2017.

Finally, there could be a risk that the CIT 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, operation results and its estimates.

The Royal Decree-Law 3/2016 of 2 December 2016 has implemented a number of amendments to the CIT Law, in force for tax periods beginning on 1 January 2016. The main amendments introduced therein are the following:

(i) Limitation on the use of the DTAs treated as a direct claim and carried forward tax losses up to 25 per cent. (provided a certain amount of net operating income);

(ii) New limit on the use of the double taxation deduction up to 50 per cent. of the tax liability (*cuota íntegra*), in case the net operating income exceeds €20 million;

(iii) 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

(iv) As from tax periods beginning in the year 2017, losses generated upon the transfer of shares, provided they comply with the relevant requirements to apply the Spanish participation exemption on capital gains, will not be considered as deductible for tax purposes.

Regulatory developments related to the EU banking and fiscal union may have a material adverse effect on Bankia's business, financial condition, results of operations and prospects

In June 2012, a number of agreements were reached to reinforce the monetary union, including the definition of a broad roadmap towards a single banking and fiscal union. While support for a banking union in Europe is strong and significant progress has been made in terms of the development of a single-rule book through the CRD IV Directive, there is on-going debate on the extent and pace of integration. On 15 October 2013, the Council Regulation (EU) 1024/2013 conferred specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions which resulted in the creation of the SSM, so that 128 of the largest EU banks (including the Issuer) came under the ECB direct oversight from November 2014.

In preparation for the creation of the SSM, between November 2013 and October 2014 the ECB conducted, together with national supervisors, a comprehensive assessment of 130 banks, which together held more than 80 per cent. 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.

The SSM (comprised by both the ECB and the national competent authorities) is intended to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular the direct supervision of the largest European banks (including Bankia), on 4 November 2014.

The SSM represents a significant change in the approach to bank supervision at a European and global level. The SSM has resulted in the direct supervision by the ECB of the largest financial institutions, including Bankia, and indirect supervision of around 3,500 financial institutions. The SSM is one of the largest supervisors in the world in terms of assets under supervision. In the coming years, the SSM is expected to work on the establishment of a new supervisory culture importing the best practices from the supervisory authorities that form part of the SSM. Several steps have already been taken in this regard such as the 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 (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in EU legislation 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 fund it through payment of supervisory fees.

The second 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. 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 (the **Single Resolution Fund**). Under the intergovernmental agreement (**IGA**) signed by 26 EU Member States on 21 May 2014, contributions by banks raised at national level were transferred to the Single Resolution Fund. The SRB, which is the central decision-making body of the SRM, started operating on 1 January 2015 and fully assumed its resolution powers on 1 January 2016. The Single Resolution Fund has also been in place since 1 January 2016, funded by contributions from European banks in accordance with the methodology approved by the Council of the EU. 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 per cent. bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

By allowing for the consistent application of EU banking rules through the SSM and the SRM, the 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 Bankia's main supervisory authority, 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) may have a material effect on Bankia's business, financial condition and results of operations. Additionally, on 24 November 2015, the European Commission proposed a draft regulation to amend Regulation (EU) 806/2014, in order to establish a European deposit insurance scheme for bank deposits (the **EDIS**). On 11 October 2017, the European Commission updated its proposal regarding the EDIS. The EDIS is the third pillar of the EU banking union.

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 Bankia's business, financial condition and results of operations, as these regulatory developments may require the Group to invest significant management attention and resources to make any necessary changes.

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

On 16 August 2012, Regulation (EU) No 648/2012 on over-the-counter (**OTC**) derivatives, central counterparties and trade repositories entered into force (**EMIR**). While a number of the compliance requirements introduced by EMIR already apply, the European Securities and Markets Authority (**ESMA**) is still in the process of finalising some of the implementing rules mandated by EMIR. EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin and various reporting and disclosure obligations. Although some of the particular effects brought about by EMIR are not yet fully foreseeable, many of its elements have led and may lead to changes which may negatively impact the 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's regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. Although MiFID II entered into force on 3 January 2018, it has only been partially transposed to Spanish legislation by means of Royal Decree Law 21/2017, of 29 December, on urgent measures to adapt Spanish law to the European Union legislation on capital markets, and there is still uncertainty as to how these new obligations and requirements will be implemented. Should these obligations and requirements be burdensome or impose obligations additional to those applicable to the Group's European competitors, this will have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business could be affected if its capital is not managed effectively

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 affecting the Group have been adopted or are being considered. For example, the CRD IV imposes new capital requirements on the Issuer. See "*—Regulatory developments related to the EU banking and fiscal union may have a material adverse effect on Bankia's business financial condition, results of operations and prospects*" and "*—Recent legislation designed to strengthen the Spanish financial sector and regulate the activities of European banks generally may have a material adverse effect on Bankia's business financial condition, results of operations and prospects*".

As these and other changes are implemented or if 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 Group is exposed to risk of loss from legal and regulatory proceedings

The Group is and in the future may be involved in various claims, disputes, legal proceedings and governmental investigations. 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 licences or authorisations, or loss of reputation, as well as the potential for regulatory restrictions on the Group's businesses, all of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As at the date of this Base Prospectus, certain lawsuits and proceedings are on-going against the Group arising from the ordinary course of its operations (see "*Description of the Issuer—Litigation*"). To cover the risk of these proceedings, along with other legal, regulatory and tax risks, as at 31 March 2018, the Group's balance of provisions amounted to €334 million.

IPO litigation

In particular, the referred section provides information about certain criminal and civil procedures taken against Bankia regarding the sale of shares in the context of its initial public offering (**IPO**) in July 2011. With regard to the civil procedures, on 27 January 2016 Bankia was notified by the Spanish Supreme Court of two judgments in favour of retail investors who had subscribed for Bankia's shares in the context of its IPO. On 17 February 2016, Bankia announced the settlement of claims of retail investors using the referred provision, in exchange for the return of their shares to the Issuer. Additionally, claims against Bankia have also been brought by institutional investors (in this connection, see "*Description of the Issuer—Litigation—IPO Litigation*").

The total amount of the BFA-Bankia Group's provision for contingencies and actual liabilities related to Bankia's IPO was established at €18 million based on information available as at March 2018. The assumptions used to estimate this provision are reviewed, updated and validated regularly. Due to their inherent uncertainty the key assumptions that can have a material impact on this provision include the number of claims to be received and expectations regarding the outcome and profile of the claimants.

Claims related to the Restructuring Plan and the Hybrid Instruments

The BFA-Bankia Group's businesses, financial situation, and operating results may be compromised as a consequence of claims that may arise in relation to the fulfilment of commitments assumed under the former restructuring plan of the BFA-Bankia Group, that was approved by the Bank of Spain and the European Commission on 27 and 28 November 2012 and completed in December 2017 (the **Restructuring Plan**).

In addition, the Restructuring Plan provided for the actions for the management of hybrid instruments (preferred securities and subordinated debt) originally issued by the Saving Banks (*Cajas de Ahorros*) or their financing vehicles, which have been implemented within the context of the principles and objectives related to the sharing of the restructuring costs of the financial institutions established in Law 9/2012 of 14 November on restructuring and resolution of credit institutions (**Law 9/2012**). In May 2013, as part of the Restructuring Plan, the process of exchange of hybrid instruments of the BFA-Bankia Group was completed. The amount of capital actually generated by the hybrid management actions was, as forecasted, €6.7 billion at the BFA-Bankia Group level, of which €4.9 billion was new capital in Bankia.

As at the date of this Base Prospectus, the BFA-Bankia Group is subject to claims in several courts from a number of investors in hybrid instruments seeking declarations of nullity in respect of terms alleged to be abusive, including the terms related to its long-term maturity or perpetual nature, the issuer's right to call for redemption, and the linkage of payments under the instruments to profitability. As at 31 March 2018, the total estimated risk exposure in relation to such claims is €163 million having already paid BFA a court deposit of €26.7 million.

BFA and Bankia have agreed between themselves that Bankia's liability in respect of the claims which are the subject of court proceedings should be limited to a maximum amount of €246 million and that BFA will compensate Bankia if it suffers any liability in respect of the hybrid instruments in excess of this figure (in this connection, see "*Description of the Issuer—Litigation—Claims Related to Hybrid Instruments*"). Based on the claims made and in consideration of the agreement with BFA limiting Bankia's liability in relation to such claims, as well as the agreement of the steering committee of the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria or FROB*) a Spanish governmental entity formed to restructure banks and reinforce the equity of credit entities (the **FROB**), Bankia had established a provision regarding its contingent liability in respect of the claims of investors in hybrid instruments of €246 million (of which €230 million was provisioned in 2013 and the remaining €16 million in 2014), which had been used in full during 2015. The total amount of the BFA-Bankia Group's provision for contingencies and actual liabilities related to hybrid instruments was established at €151 million based on information available as at 31 March 2018.

It is possible that other investors may join in the current proceedings and/or commence further proceedings themselves in respect of the same or similar claims. Such events may adversely affect the BFA-Bankia Group's business, financial condition and results of operations and in turn the business, financial condition and results of operations of the Group.

Claims related to floor clauses and fees-related clauses

Bankia may also be exposed to the risk deriving from elimination of interest rate floor clauses. Interest rate floor clauses are those by virtue of which the borrower accepts a minimum interest rate to be paid to the lender regardless of the applicable reference interest rate. In 2013 the Supreme Court of Spain ruled that interest rate floor clauses of certain Spanish banks were null and void because the clauses were not clearly and transparently explained. The Supreme Court of Spain had reasoned that its 2013 ruling could not be retroactive, but the European Court of Justice (**ECJ**) overruled that decision in December 2016. The ECJ ruled that Spanish consumers who had concluded a mortgage loan contract before the date of the 2013 judgment also had the right to obtain repayment in full of the amounts overpaid to the banks.

Bankia has included interest rate floor clauses in certain loan transactions with customers. On 3 February 2017, Bankia set up a procedure allowing customers with a mortgage that includes an interest rate floor clause to apply for a review of the floor clause and a refund of the amounts charged to them under that clause. To cover this contingency, Bankia set aside provisions up to the amount of the probable loss that could arise from the reimbursement of the amounts unduly charged in application of the clauses ruled invalid. As at 31 March 2018, the total estimated risk exposure in this connection is €33 million, mainly related to mortgages granted by Banco Mare Nostrum. S.A. (**BMN**).

Additionally, on 23 December 2015 the Supreme Court of Spain ruled that mortgage clauses that envisaged that a borrower shall pay all fees related to taking out the mortgage were null and void. Nullity declared by the Supreme Court was based on the lack of detail in the loan agreement, with regards to expenses, commissions and taxes, that should have been detailed in the loan documentation other than imposed in a generic manner. Individuals' claims have been brought against the Group before various courts related to these clauses, some of which have been upheld. However, on 15 March 2018 the Supreme Court of Spain ruled that the payment of taxes on the creation of mortgages (*Impuesto de Transmisiones Patrimoniales y Actos Jurídicos Documentados*) has to borne by the borrower, which is expected to reduce the risks derived from claims made on this basis. As of the date of this Base Prospectus the Group has not recorded any extraordinary provision in connection with these claims.

Impact of financial transaction taxes and Spanish levy on deposits

On 14 February 2013, the European Commission published its proposal for a Council Directive (the **Commission's Proposal**) implementing enhanced cooperation in the area of a financial transaction tax (the **FTT**) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (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 in its current form, impose a tax at generally not less than 0.1 per cent., generally determined by reference to the amount of consideration paid, on 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. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside 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.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw. The Noteholders are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

Additionally, new legislation was passed in Spain in March 2013 imposing extraordinary levies on deposits, on which the current tax rate is 0.03 per cent. Furthermore, different Autonomous Regions have further approved different taxes on bank deposits that are currently under consideration by the Spanish courts.

There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the authorities of the jurisdictions where the Issuer operates. Any such additional levies and taxes could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Group's anti-money laundering and anti-terrorism policies may be circumvented or otherwise not be sufficient to prevent all money laundering or terrorism financing

Group companies are subject to rules and regulations regarding money laundering and the financing of terrorism. Monitoring compliance with anti-money laundering and anti-terrorism financing rules can put a significant financial burden on banks and other financial institutions and pose significant technical problems.

The Group has developed policies and procedures to comply with applicable rules and regulations but it cannot guarantee that such policies and procedures will not be circumvented or otherwise not be sufficient to prevent all 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 financial condition and results of operations.

The Group is subject to data protection laws

The Group is subject to certain regulations, including privacy laws, and contractual obligations regarding the flow of information including price sensitive information. The privacy and data protection laws to which the Group is subject have been amended to impose greater obligations on data controllers. On 27 April 2017, the Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the **General Data Protection Regulation**) was issued. Such Regulation would be applicable from 25 May 2018 and directly enforceable in Spain. The General Data Protection Regulation replaces EU Data Protection Directive 95/46/EC and imposes a substantially higher compliance burden on the Group. The new regulation provides for harsh penalties for non-compliance, imposing fines of up to €10 million or, in the case of an undertaking, of up to 2 per cent. of the total worldwide annual turnover of the preceding financial year, whichever is higher. For certain serious infringements, the regulation contemplates fines of up to €20 million, or, in the case of an undertaking, of up to 4 per cent. of the total worldwide annual turnover of the preceding financial year, whichever is higher. Failure to comply with such or future data protection laws could result in reputational damage and sanctions and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Specific risks affecting the Group's business

The Group's acquisitions and the integration of acquired businesses may expose it to risk

Mergers and acquisitions may divert management's time and focus from operating the Group's business. Acquisitions also may require the Group to spend a substantial portion of its available cash, incur debt or other liabilities, amortise expenses related to intangible assets or incur write-offs of goodwill or other assets.

On 15 March 2017 the FROB announced and communicated to Bankia that its Governing Committee agreed that a merger between Bankia and BMN was the best strategy to optimise the recovery of public funds through a future divestment process, meaning that both institutions should initiate the corresponding actions, as

appropriate. In light of such communication, the merger between Bankia and BMN was approved by the two companies' Shareholders' General Meetings on 14 September 2017 and effectively completed in January 2018.

The analysis and assessment of the risks inherent in the merger with BMN were made under the assumption of the accuracy and truthfulness of the public information and the rest of information provided by BMN. It cannot be ruled out that the information provided by BMN to the market and to the Group contains errors or omissions and Bankia cannot guarantee that such information was accurate and complete. As a result, some of the estimations on the basis on which the decision of the merger with BMN was made may be inaccurate, incorrect or out-dated.

Upon completion of acquisitions such as the merger with BMN, the Group's ability to benefit from any such acquisitions will depend in part on its successful integration of those businesses. However, completed and future acquisitions may result in unforeseen operational difficulties and expenditures associated with:

- incorporating new businesses and technologies into the Group's infrastructure;
- consolidating operational and administrative functions;
- coordinating outreach to the Group's community;
- maintaining morale and culture and retaining and integrating key employees;
- maintaining or developing controls, procedures and policies (including effective internal control over financial reporting and disclosure controls and procedures); and
- assuming liabilities related to the activities of the acquired business before the acquisition, including liabilities for violations of laws and regulations, commercial disputes, taxes and other matters.

Moreover, the Group may not benefit from its acquisitions as it expects, or in the time frame it expects. The Group also may issue additional equity securities in connection with an acquisition, which could cause dilution to its shareholders. Finally, acquisitions could be viewed negatively by analysts, investors or the Group's members.

In particular, as a result of the integration process of BMN, the Group is a party to various agreements for the distribution of insurance products with different insurance providers, some of which contained exclusivity clauses. The Group's management is currently evaluating how best to restructure its agreements with insurance providers and, as a result, the Group may need to terminate or amend some of these agreements. Consequently, the Group may incur and pay significant penalties as a result of the termination or amendment of such agreements, which could materially and adversely affect our business, results of operations and financial condition.

Indirect control by the FROB and possible conflict of interest

On 27 June 2012, the FROB became the sole shareholder of BFA following a request by the Board of Directors of BFA to convert the convertible preferred participating securities subscribed for by the FROB on 28 December 2010 into shares of BFA. Consequently, the FROB is the indirect holder (through BFA) of a 61.25 per cent. interest in Bankia's share capital as of the date of this Base Prospectus. The interests of the FROB, as a government entity, may not coincide with those of Bankia and its minority shareholders.

Change of control upon exit by the FROB

In accordance with Law 9/2012, fulfilment of the Restructuring Plan will ultimately result in a change in control as the FROB will transfer or otherwise sell its ownership interest in BFA upon the satisfaction of certain milestones established in the Restructuring Plan. This change in control could cause a change in the Group's business strategy and in the structure and membership of the Issuer's Board of Directors. Although the impact that these measures could have is currently uncertain, they could negatively affect the Group's business, financial condition and results of operations.

Corrections to the valuation or change in the tax treatment of the asset transferred to SAREB

On 31 December 2012, pursuant to its restructuring plan, the BFA-Bankia Group transferred assets (comprising real estate loans and foreclosed real estate assets) with a gross value of €57.4 billion (of which €36.6 billion were assets of the Bankia Group and €11 billion were assets of BMN) to *Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.* (**SAREB**) in exchange for securities issued by the latter and backed by the Spanish state, thereby reducing the Group's risk exposure to the real estate market. As at 31 March 2018, the Group held €20.4 billion of SAREB bonds, which are being used to fund its business activities through both public and private sources of liquidity. The Group can give no assurance that it will be able to continue using these SAREB bonds as a source of funding at current levels and, in such circumstances, its business, financial position and results of operations could be adversely affected.

On 17 June 2013 and 14 January 2016, BFA and Bankia adjusted the initial estimate of the transfer value of the assets to the exact configuration of the assets at the effective transfer date. The total amount of Bankia's assets subject to correction amounted to €139.5 million, and the total amount of BFA's assets subject to correction amounted to €8.1 million, which resulted in Bankia and BFA returning to SAREB an equivalent amount of bonds issued by SAREB as consideration for the original asset transfer. Although the statutory period for SAREB to adjust the transfer price has expired, there is no guarantee that BFA-Bankia Group will not be required to reimburse a part of the consideration it received for the transfer of the asset as a result of potential challenges in the future. Any corrections to the valuation or change in the tax treatment of the asset transfer applied initially could give rise to additional contingencies or tax implications. The occurrence of any of these events could adversely affect the BFA-Bankia Group's businesses, financial position and results of operations.

Credit and Liquidity Risks

The Group's business is significantly affected by credit and counterparty risk

The Group is exposed to the creditworthiness of its customers and counterparties. 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.

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, results of operations and prospects. Although the Group regularly reviews its exposure to its clients and other counterparties, as well as its exposure to certain economic sectors and regions that the Group believes to be particularly critical, payment defaults may arise from events and circumstances that are unforeseeable or difficult to predict or detect. In addition, collateral and security provided to the Group may be insufficient to cover the exposure or others' obligations to the Group.

Adverse changes in the credit quality of Bankia's borrowers and counterparties could affect the recoverability and value of Bankia's assets and require an increase in provisions for bad and doubtful debts and other provisions.

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. Although the Group caters to a range of different customers, one of the business segments on which it focuses is SMEs in Spain (representing 16 per cent. of the Group's total credit portfolio as of 31 March 2018). SMEs are particularly sensitive to adverse developments in the economy, rendering the Group's lending activities relatively riskier than if it lent primarily to higher-income customers.

In addition, if economic growth weakens, the unemployment rate increases or interest rates increase sharply, the creditworthiness of the Group's customers may deteriorate.

A weakening in customer 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 RWA, in accordance with the CRD IV Directive and the 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. A decline in the creditworthiness of a customer or a counterparty may result in an increase of the Group's RWA,

which potentially could deteriorate the Group's capital adequacy ratios and limit its lending or investments in other operations.

Additionally, 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 and, consequently, the revenues of its portfolio management, private banking and asset custody business.

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

Liquidity risk is inherent in the Group's operations and volatility in global financial markets, particularly in the inter-bank and debt markets and could materially adversely affect the Group's liquidity position and credit volume

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. In recent years, however, the prevalence of historically low interest rates has resulted in customers favouring alternative financial products with greater profitability potential over savings accounts or certificates of deposit. Since the Group relies on short-term securities and current accounts for a material portion of its funding (accounting for 51.7 per cent. of the Group's liabilities as of 31 December 2017), it cannot provide any assurance that, in the event that its depositors (as of 31 December 2017 and 2016, total deposits represented 63.6 per cent. and 60.0 per cent. of the Group's total funding, respectively) withdraw their funds at a rate faster than the rate at which borrowers repay their loans or in the event of a sudden or unexpected shortage of funds in the banking systems or money markets in which the Group operates or a loss of confidence (including as a result of political or social tensions in the regions where it operates or political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds), 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 2008 financial crisis 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 deleveraging measures, which could result in an adverse effect on the Group's liquidity, business, financial condition, results of operations and prospects.

Although the Group places significant emphasis on liquidity risk management and focus on maintaining a buffer in liquid assets, the Group is exposed to the general risk of liquidity shortfalls and cannot ensure that the procedures in place to manage such risks will be adequate to mitigate liquidity risk.

Implementation of internationally accepted liquidity ratios might require changes in business practices that affect the profitability of Bankia's business activities

The liquidity coverage ratio (**LCR**) is a quantitative liquidity standard developed by the BCBS to ensure that those banking organisations to which this standard is to apply 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 Bankia) must comply with 100 per cent. of the applicable LCR requirement. Bankia's LCR was 170 per cent. as of 31 March 2018.

The BCBS's net stable funding ratio (**NSFR**) has a time horizon of one year and 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.

On 23 November 2016, the European Commission published a number of proposals, including a proposal to amend CRR. This proposal envisages implementation of a BCBS standard to NSFR. If European authorities so decide, the NSFR shall apply two years after the date of the entry into force of the proposed texts.

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 and prospects. These changes may also cause the Group to invest significant management attention and resources to make any necessary changes.

Bankia makes use of ECB refinancing facilities and other public facilities

Although Bankia has no structural reliance on ECB funding and, therefore, the ECB does not fund Bankia's ordinary course of business, Bankia has taken advantage of the financing provided by the ECB through its December 2011 and February 2012 Long Term Refinancing Operations (**LTRO**), which offered financial institutions three-year loans at a discount, as well as the Targeted Long Term Refinancing Operations held on 17 December 2014 (**TLTRO I**).

The second series of the Targeted Loan Terms Refinancing Operations was announced on 10 March 2016 and it consists of four targeted longer-term refinancing operations, each with a maturity of four years, starting in June 2016 (**TLTRO II**). Borrowing conditions in the TLTRO II can be as low as the interest rate on the deposit facility.

As of 31 March 2018, ECB funding represented 8 per cent. of Bankia's total liabilities. The ECB has established criteria to determine which assets are eligible collateral and Bankia is thus exposed to the risk that the ECB changes its criteria and the assets Bankia holds become ineligible for use as collateral under the new criteria, that the valuation rules are changed or that the costs of using the refinancing facilities increase. If the value of Bankia's eligible assets decline, then the amount of funding it can obtain from the ECB or other central banks will be correspondingly reduced, which could have a material adverse effect on Bankia's liquidity. If these facilities and similar expansionary economic policies were to be withdrawn or ceased, there could be no assurance that Bankia would be able to continue to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets, potentially at significant discounts to book value, to meet its obligations, with a corresponding negative impact on capital.

In the last TLTRO II windows in June 2016 and March 2017, Bankia was allocated funding amounting to €13,316 million maturing in 2020 and €540 million maturing in 2021, respectively. There can be no assurance that Bankia will be able to refinance this indebtedness on commercially reasonable terms, or at all, and any failure to achieve its refinancing strategy would have a material adverse effect on Bankia's business, financial condition, results of operations and prospects.

Additionally, it is not possible to predict terms, volumes and availability of these liquidity support operations. This would result in the need for Bankia to seek alternative sources of borrowing, without ruling out the difficulties of obtaining such alternative funding as well as the risk that the related costs could be higher, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and their ratings of its 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. The BRRD has become an overriding factor in rating agencies' support-driven ratings and senior creditors are no longer guaranteed to have sovereign support for full repayment.

Any downgrade in the Group'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 also limit its access to capital markets and adversely affect the 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 an adverse effect on its operating results and financial condition.

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 is exposed to sovereign debt risk

As of 31 March 2018, the exposure of the Bankia Group to sovereign debt (excluding SAREB bonds) amounted to €27.10 billion, including €15.6 billion of "financial assets designated at fair value through equity" and €11.5 billion of "financial assets measured at amortised cost", with Spain accounting for 79 per cent. of this exposure. A change in the weighting of sovereign debt might affect the capital of the Issuer.

Any decline in Spain's credit ratings could adversely affect the value of Spain's, Spanish autonomous communities' and other Spanish issuers' respective securities held by the Group in its various portfolios and could also adversely impact the extent to which the Group can use the Spanish Government bonds it holds as collateral for ECB refinancing and, indirectly, for refinancing with other securities. Likewise, any permanent reduction in the value of Spanish Government bonds would be reflected in the Group's capital position and 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, capital position, financial condition, results of operations and prospects. Furthermore, any downgrades of Spain's ratings may increase the risk of a downgrade of the Group's credit ratings by the rating agencies.

Besides Spain, the main countries to which the Group has investment securities exposure are Italy and France, with investments of €5,000 million and €475 million, respectively, as of 31 March 2018.

The Group's economic hedging may not prevent losses

If any of the variety of instruments and strategies that the Group uses to economically hedge its exposure to market risk is not effective, the Group may incur losses. Many of the Group's strategies are based on historical trading patterns and correlations. Unexpected market developments may therefore adversely affect the effectiveness of the Group's hedging strategies. Moreover, the Group does not economically hedge all of its risk exposure in all market environments or against all types of risk. If the Group is to suffer a significant loss for which it is not hedged, such loss could have a material adverse effect on its business, financial condition, results of operations and prospects. This may have a material adverse effect on the Group's business, financial condition, results of operations, capital ratios, and prospects.

Business and industry risks

The cyclical nature of the real estate industry may adversely affect the Group's operations

The Group is exposed to market fluctuations in the price of real estate in various ways. Mortgage lending to the private sector amounted to approximately €73.5 billion, representing 58 per cent. of the Group's total gross loans at 31 March 2018. The Group has also lending exposure to the property development and construction sector amounting to approximately €1.5 billion and representing 1 per cent. of the Group's total gross loans as at 31 March 2018.

Specific coverage for non-performing loans (**NPLs**) and watchlist loans, which are loans that are closely monitored in order to prevent debt repayments irregularities, for mortgage lending to the private sector amounted to approximately €1.8 billion (or 2.5 per cent. of mortgage lending to the private sector) as at 31 March 2018. Also, specific coverage (NPLs and watchlist loans) for the property development and construction sector amounted to approximately €0.6 billion, representing 37.1 per cent. of the Group's lending to the property development and construction sector as at 31 March 2018. Any defaults by borrowers on their loans could have a material adverse effect on the Group's business, financial condition and results of operations.

Trends as high unemployment rates coupled with declines in the real estate prices, could have a material adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect

on its business, financial condition and results of operations. Declines in property prices also 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. Additionally, certain loans with mortgage collateral are considered eligible to guarantee the issue of long-term mortgage-backed securities and the Group's financing capacity would be diminished.

Furthermore, under certain circumstances, the Group takes title to the real estate assets securing a mortgage loan, either in connection with the surrender of the assets in settlement of the debt or the purchase of the assets or pursuant to legal proceedings to repossess the assets. Therefore, failure of the real estate market to recover or declining real estate prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Additionally, on 31 December 2012, pursuant to its restructuring plan, the BFA-Bankia Group transferred assets (real estate loans and foreclosed real estate assets) with a gross value of €46.4 billion to SAREB (as defined below), €36.6 billion of which were assets of the Bankia Group, in exchange for securities issued by SAREB and backed by the Spanish state, thereby reducing the Group's risk exposure to the real estate market. A downturn in the Spanish real estate market may limit the capacity of the SAREB entity to carry out further bond amortisations in the future.

Operational risks are inherent in the Group's business

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, 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. Inadequate management of the Group's operational risk, including the risks arising from the Group's integration and from the Restructuring Plan, could have an adverse effect on the Group's business, operating results and financial position.

In addition, in some of its business areas, the Group rely on the services of third party contractors and suppliers. As of the date of this Base Prospectus, these outsourced services include, for instance, the management of foreclosed assets. If the Group is unable to hire qualified and reliable third party contractors and suppliers, their failure could cause delays and subject the Group to significant additional costs. The selection process to which the Group subject prospective contractors and suppliers could be proven inadequate.

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 may 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.

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 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.

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

The markets in which the Group operates are highly competitive. The Spanish banking sector has experienced a phase of particularly fierce competition, as a result of: (i) the implementation of directives intended to liberalise the EU's banking sector; (ii) the deregulation of the banking sector throughout the EU, especially in Spain, which has encouraged competition in traditional banking services, resulting in a gradual reduction in the spread between interest income and interest expense; (iii) the focus of the Spanish banking sector upon fee revenues, which means greater competition in asset management, corporate banking and investment banking; (iv) changes to certain Spanish tax and banking laws; and (v) the development of services with a large technological component, such as internet, phone and mobile banking. In particular, financial sector reforms in the markets in which the Group operates have increased competition among both local and foreign financial institutions. There has also been significant consolidation in the Spanish banking industry which has created larger and stronger banks with which the Group must now compete. 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 financial institutions and other entities, such as leasing companies, mutual funds, pension funds and insurance companies and, to a lesser extent, department stores (for some consumer finance products) and car dealers. 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.

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.

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 performance of financial markets may cause changes in the value of the Group's investment 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 than others. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group does not anticipate. The volatility of world equity markets due to recent economic uncertainty has had a particularly strong impact on the financial sector. Continued volatility 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 that would be subject to write-offs against the Group's results, which may have a material adverse effect on the Group's business, financial condition and results of operations.

Significant changes or volatility in interest rates may negatively affect the Group's net interest income

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income contributed 73 per cent. of the Group's gross income (excluding gains from a sale of financial assets) in the years ended 31 December 2017 and 2016, respectively.

Interest rates are highly sensitive to many factors beyond its control, including deregulation of the financial sectors in the markets in which it operates, monetary policies pursued by the European Union and national governments, domestic and international economic and political conditions, the resources of the Group's competitors, consumer confidence, and other factors. As approximately 83 per cent. of the Group's loan portfolio as of 31 December 2017 consisted of variable interest rate loans, its business is sensitive to volatility in interest rates.

A mismatch of interest-earning assets and interest-bearing liabilities in any given period resulting from changes in any of the factors outlined above, or otherwise, could reduce the Group's net interest margin. Any reduction in the Group's net interest margin could have a material adverse effect on the Group's net interest income, which could, in turn, have a material adverse effect on the Group's business, financial condition and results of operations.

Rising interest rates may increase the Group's NPL portfolio

Rising interest rates may lead to an increase in the Issuer's bad and doubtful debts portfolio if borrowers cannot refinance in a higher interest rate environment. This would result in an increase in defaults on the Issuer's loans to customers if borrowers are unable to meet their increased interest expense obligations, a reduction in the demand for loans, and the Issuer's ability to generate loans.

Portions of the Group's loan portfolio are subject to risks relating to force majeure and any such event could materially adversely affect its operating results

The Group's financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of its loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of its loan portfolio and could have an adverse impact on the economy of the affected region.

Bankia's success hinges on certain executives and skilled personnel

The success of Bankia's strategic plan will depend partly on the work of certain key persons in the organisation. The capacity to attract, train, motivate and retain qualified professionals is a key factor in Bankia's strategy. Success in implementing Bankia's strategy depends on the availability of qualified senior managers, both in central headquarters and in each business unit. If Bankia does not have the right people to sustain its activity, or if it loses any of its key executives and is unable to replace them as and when required, its business, financial position and operating results could be adversely affected by, among other things, a weakening of internal controls and an increase in operational risk. Similarly, if Bankia is unable to attract, train, motivate and retain qualified professionals, its business could be adversely affected. The legal and regulatory restrictions placed on banks that are undergoing restructuring may aggravate this risk.

Failure to maintain the strength of the Group's reputation and its brand may adversely affect its business

The Group believes its success depends in part on its well-established and widely recognised brand along with its favourable reputation. Harm to the Group's reputation can arise from numerous sources, including, among others, employee misconduct, litigation or regulatory outcomes, failure to deliver minimum standards of service and quality, compliance failures, unethical behaviour, the failure to adequately address or the perceived failure to adequately address, conflicts of interest, actions by the financial services industry generally or by certain members, actions of strategic alliance partners, including the misconduct or fraudulent actions of such partners and the activities of customers and counterparties.

If the Group is not able to maintain and enhance its brand, its ability to grow may be impaired and the Group's business and operating results may be harmed.

The Group is highly dependent on information technology systems, which may fail, may not be adequate to the tasks at hand or may no longer be available and the Group is increasingly exposed to cyber security threats

Banks and their activities are highly dependent on sophisticated information technology (**IT**) systems. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer viruses. IT systems need regular upgrading and the Group may not be able to implement necessary upgrades on a timely basis or upgrades may fail to function as planned. Furthermore, failure to protect the Group's operations from cyber-attacks could result in the loss of customer data or other sensitive information. A major disruption of the Group's IT systems, whether under the scenarios outlined above or under other scenarios, could have a material adverse effect on the normal operation of its business and thus on its financial condition, results of operations and prospects.

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

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 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 applied 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 Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) 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 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 the priority of claims set out in Law 22/2003 of 9 July 2003, Insolvency (*Ley 22/2003, de 9 de julio, Concursal*) (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 or the SRM Regulation 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 or the SRM Regulation 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 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:

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

The Notes may be redeemed prior to maturity at the Issuer's option, as further described in Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*), Condition 6.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and Condition 6.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*) and, to the extent required, if so specified in the Final Terms.

In the event that, if 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, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority therein having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In respect of Subordinated Notes, the Notes may be also redeemed for taxation reasons, if the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, 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 of issue of the most recently issued Tranche of the Notes of the relevant Series and in any event only if so permitted by Applicable Banking Regulations then in force and subject to the permission of the Competent Authority, as further described in Condition 6.2 (*Redemption for tax reasons*).

Furthermore, (i) if a Capital Event occurs as a result of a change (or any pending change which the Competent Authority 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 of the most recently issued Tranche of Notes of the relevant Series, 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 Competent Authority, as further described in Condition 6.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and (ii) if Eligible Liabilities Event is specified as applicable in the applicable final terms and 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 or any change in the official application or interpretation thereof becoming effective on or after the Issue Date, Senior Subordinated Notes and Senior 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 subject to the prior consent of the Competent Authority (if required pursuant to such regulations), as further described in Condition 6.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*).

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations (as defined under the "*Conditions*") or, in the case of a redemption of the Notes for taxation reasons, the application and official 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 that any prior consent of the Competent Authority (as defined in the "*Conditions*") 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 (in this connection, 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"*)

Prior consent of the Competent Authority and/or Relevant Resolution Authority (as these terms are defined in the "*Conditions*") may be required for any optional redemption of the Notes and there can be no assurance that such consent will be given.

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

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

(b) the Issuer has demonstrated to the satisfaction of the Competent Authority that its Tier 1 capital and Tier 2 capital would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Competent Authority may consider necessary on the basis set out in CRD IV.

The early redemption of the Notes that qualify as eligible liabilities for the purposes of MREL, such as Senior Subordinated Notes and Senior Non Preferred Notes, may be subject in the future to the prior permission of the Competent Authority 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 consent will be given only if either of the following conditions is 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 Competent Authority and/or the Relevant Resolution Authority for such redemption is required, whether such permission will be given. In this regard, as described above, on 25 May 2018 the European Council proposed further amendments to the Proposals in order to progress with its implementation. The timing for the final implementation of the Proposals is unclear as at the date of this Base Prospectus.

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 at the option of the Issuer pursuant to Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*), for taxation reasons pursuant to Condition 6.2 (*Redemption for tax reasons*), upon the occurrence of a Capital Event or an Eligible Liabilities Event (each as defined in Conditions 6.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes* and 6.5 (*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 its 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.

There can be no assurance that, in the event of any such early redemption, Noteholder will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

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 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 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 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.

As mentioned above, among other areas, the Proposals intend to modify the requirements for MREL eligibility. In such regards, 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 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 and Senior Notes intended to be eligible liabilities 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* ".

Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes which are intended to be eligible liabilities provide for limited events of default. Subordinated Notes, Senior Non Preferred Notes and the relevant Ordinary Senior Notes may not be redeemed prior to maturity at the option of Noteholders in the event of non-payment of principal or interest. Additionally, the events of default applicable to certain Senior Notes may change after their Issue Date.

Noteholders have no ability to accelerate the maturity of their Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior Notes. The conditions of Subordinated Notes, Senior Non Preferred Notes and certain Ordinary Senior 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 "*Conditions*"). Accordingly, in the event that any payment on such Subordinated Notes, Senior Non Preferred Notes or the relevant Ordinary Senior Notes is not made when due, each Noteholder will have a claim only for amounts then due and payable on their Subordinated Notes, Senior Non Preferred Notes and relevant Ordinary Senior Notes, and, as provided for in the Conditions, a right to institute proceedings for the winding-up or dissolution of the Issuer.

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 a resolution is passed for the winding up or dissolution of the Issuer.

Pursuant to the Proposed CRR Amendment, the Issuer would be prohibited from including in the terms of any 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 Senior Subordinated Notes and Senior Non Preferred Notes do not include provisions allowing for early redemption of Senior Subordinated Notes and Senior Non Preferred Notes at the option of Noteholders, except in the case that a resolution is passed for the winding up or dissolution of the Issuer.

Additionally, the terms of the Ordinary Senior Notes to which Condition 9.1(b) (*Events of Default relating to Ordinary Senior Notes*) applies provides that each Noteholder has an individual acceleration right, this may result in Noteholders only being able to accelerate their Notes subject to grace periods or if Condition 9.2 (*Events of Default relating to Subordinated Notes, Senior Non Preferred Notes and other Ordinary Senior Notes*) applies, not being able to accelerate.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes will 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 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 reference 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 being lower than the relevant margin.

The value of the return on any Notes linked to a benchmark may be adversely affected by on-going 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 Benchmarks Regulation.

The Benchmarks Regulation applies to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark, within the EU. It will, among other things, (i) require Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of Benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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 relates 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 and Fixed Reset 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 Terms and Conditions of the Notes, 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 so that the Notes will, in effect, become fixed rate Notes utilising the relevant benchmark rate last available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes and Fixed Reset 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 principal 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 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 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"*). 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.

Risk 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 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) Senior Non Preferred Liabilities (as defined in the "*Terms and Conditions of the Notes*") and (B) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law; and (ii) *pari passu* among themselves and with any Senior Higher Priority Liabilities (as defined in the "*Terms and Conditions of the Notes*"); and (b) in the case of Senior Non Preferred Notes: (i) senior to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law; (ii) *pari passu* among

themselves and with any Senior Non Preferred Liabilities and (iii) junior to the Senior Higher Priority Liabilities.

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 Higher Priority Liabilities.

Therefore, 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 Spanish law.

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 and Law 11/2015 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 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*".

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

Senior Notes issued under the Programme may differ in the level of protection afforded to the Noteholders. By way of example, certain Senior Notes may benefit from a negative pledge and/or events of default, whereas other Senior Notes may not, including senior ranking debt instruments issued by the Issuer previously and/or under other debt programmes. The Issuer may elect to dis-apply these protections in the applicable Final Terms for any issue of Senior Notes so that they are considered "eligible liabilities" under Applicable Banking Regulations.

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, 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.

Risk 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 Liabilities (as defined in the "*Conditions*")). Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a greater risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and Royal Decree 1012/2015) and 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 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 Senior Notes and 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 or the SRM Regulation could materially affect the rights of the Noteholders under, and the value of, any Notes*".

In an insolvency, 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 payment 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 Subordinated Notes);

(iv) fines;

(v) claims of creditors which are specially related to the Issuer (if applicable) 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.

Limitation on gross-up obligation under the Tier 2 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 the Tier 2 Subordinated Notes applies only to payments of interest due and paid under the Tier 2 Subordinated Notes and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Tier 2 Subordinated Notes to the extent any withholding or

deduction were to apply to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Tier 2 Subordinated Notes, holders of Tier 2 Subordinated Notes may receive less than the full amount due under the Tier 2 Subordinated Notes, and the market value of the Tier 2 Subordinated Notes may be adversely affected. Holders of Tier 2 Subordinated Notes should note that principal for these purposes will include any payments of premium.

Risks related 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 15 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

Set out below is a description of material risks relating to the Notes generally:

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to

purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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 investments consideration may restrict certain investment

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: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) 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 terms of the Notes may contain a waiver of set-off rights

The proposal for a regulation amending CRR published by the European Commission on 23 November 2016 provides that Notes qualifying as eligible liabilities for the purposes of MREL and Notes qualifying as Tier 2 instruments may not be subject to set off or netting rights that would undermine their loss-absorbing capacity in resolution. The exercise of set-off rights in respect of the 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).

If so specified in the Final Terms, the Conditions may provide that Noteholders waive any set-off, netting or compensation rights against any right, claim or liability the Issuer has, may have or acquire against any Noteholders, directly or indirectly, howsoever arising. As a result, Noteholders may not be entitled to set off the Issuer's obligations under the Notes against obligations owed by them to the Issuer if so specified in the Final Terms.

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 Conditions place no restrictions on the amount or type of securities that the Issuer may issue that ranks senior to the 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 Noteholder 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 and Senior Non Preferred Notes.

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 income payments 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 12 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 or Clearstream, Luxembourg), will be paid free of Spanish withholding tax provided that the Fiscal 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:

(a) identification of the Notes or Coupons;

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

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

(d) 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 or Coupons and the issue price of the Notes or Coupons.

In accordance with Article 44 of Royal Decree 1065/2007, the Fiscal 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 Fiscal Agent on its behalf will make a withholding at the general rate (currently 19 per cent.) on the total amount of the return on the relevant Notes or Coupons otherwise payable to such entity.

The Issuer considers that, according to Royal Decree 1065/2007, any payments under the Notes or Coupons 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 or Couponholders) are complied with by the Issuer and the Fiscal Agent.

In the event a payment in respect of the Notes or Coupons is subject to Spanish withholding tax, the Issuer will pay the relevant Noteholder or Couponholder such additional amounts as may be necessary in order that the net amount received by such Noteholder or Couponholder after such withholding equals the sum of the respective

amounts of principal and interest, if any, which would otherwise have been receivable in respect of the Notes or Coupons in the absence of such withholding, subject to the limitations provided in Condition 7 (*Taxation*).

If the Spanish Tax Authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish tax residents (individuals and entities subject to Corporate Income Tax (*Impuesto sobre Sociedades*)), the Issuer will be bound by the opinion and, with immediate effect, will make the appropriate withholding. If this is the case, identification of Noteholders or Couponholders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer (to the extent required) so that it can comply with its obligations under the applicable legislation as interpreted by the Spanish Tax Authorities. If procedures for the collection of the Noteholders or Couponholders information are to apply, the Noteholders or Couponholders will be informed of such new procedures and their implications.

Notwithstanding the above, in the case of Notes or Coupons held by Spanish tax-resident individuals and, under certain circumstances, by Spanish entities subject to Corporate Income Tax and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes or Coupons may be subject to withholding by such depositary or custodian at the current rate of 19 per cent. In such cases, no additional amounts will be payable by the Issuer.

In particular, with regard to Spanish entities subject to Corporate Income Tax, withholding could be made if it is concluded that the Notes or Coupons do not comply with the relevant exemption requirements and those specified in the ruling issued by the Spanish Tax Authorities (*Dirección General de Tributos*) dated 27 July 2004 are deemed included among such requirements. According to this ruling, application of the exemption requires that, in addition to being traded on an organised market in an OECD country, the Notes or Coupons are placed outside Spain in another OECD country. In the event that it was determined that the exemption from withholding tax on payments to Spanish corporate Noteholders or Couponholders does not apply to any of the Notes on the basis that they were placed, totally or partially, in Spain, the Issuer would be required to make a withholding at the applicable rate (currently 19 per cent.), and no additional amounts will be payable by the Issuer.

Noteholders or Couponholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes or Coupons. None of the Issuer, the Dealers, the Fiscal Agent or any clearing system (including Euroclear and Clearstream, Luxembourg) assumes 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 the Issuer nor 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 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 if Condition 19 (Substitution and Variation) is specified as applicable in the Final Terms, if a Capital Event, an Eligible Liabilities Event or a circumstance giving rise to the right to early redeem the Notes for taxation reasons, occurs and is continuing, or in order to ensure the effectiveness and enforceability of Condition 12 (Bail-in 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 (as the case may be) or (ii) to modify the terms of all (but not some only) of the Notes (as the case may be) (including changing the governing law of Condition 12 (Bail-in 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 generally must contain terms that, other than to ensure the effectiveness and enforceability of Condition 12 (*Bail-in power*), are materially no less favourable to Noteholders as the original terms of the applicable Notes, 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.

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 Issue and 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 of Notes.

The Issuer may be substituted without the consent of the Noteholders

The Conditions of the Notes provide that the Issuer may, subject to certain conditions and without the further consent of the Noteholders, 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 value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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 Conditions 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. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. 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, that investor will be exposed to movements in exchange rates adversely affecting the value of its 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 while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the

case may be, has not been withdrawn or suspended, 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 Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus:

(a) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016 available on:

http://www.bankia.com/recursos/doc/corporativo/20121001/ingles74659/2016-cons-financial-statements-management-report-and-auditors-report.pdf

(b) the auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2017 available on:

http://www.bankia.com/recursos/doc/corporativo/20120927/anual/annual-report-consolidated-financial-statements-2017.pdf

(c) the unaudited earnings report of the Issuer for the three months ending 31 March 2018 available on:

http://www.bankia.com/recursos/doc/corporativo/20121001/ingles/1q-2018-earnings-report.pdf

(d) the terms and conditions of the Notes contained in the previous Base Prospectuses dated 23 September 2014 at pages 53 - 90 (inclusive), 11 May 2016 at pages 54 to 92 (inclusive) and 14 July 2017 at pages 72 to 121 prepared by the Issuer in connection with the Programme available on:

http://www.bankia.com/recursos/doc/corporativo/20121002/folletos-emision/folleto-emtn-bankia-2014.pdf;

http://www.bankia.com/recursos/doc/corporativo/20121002/folletos-emision/folleto-emtn-bankia-2016.pdf; and

http://www.bankia.com/recursos/doc/corporativo/20121002/folletos-emision/emtn-2017.pdf

respectively.

The Issuer's audited consolidated annual financial statements for the financial year ended 31 December 2016 contained an emphasis of matter in relation to the uncertainties related to the final outcome of litigation regarding the IPO carried out in 2011 and to the provisions recognised by the Group to cover the estimated costs of this litigation (see "*Description of the Issuer—Litigation—IPO Litigation*").

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 Fiscal Agent.

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, *société anonyme* (**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.

While 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 9 (*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 Issuer has or will become subject to advserse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*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 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 9 (*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 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 5 July 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 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

[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 Directive 2014/65/EU (as amended, 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 Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently, no key information document (**KID**) 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]

[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 Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][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.]

[*Date*]

Bankia, S.A.

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the €10,000,000,000

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 5 July 2018 [and the supplement to it dated [*date*]] which constitute[s] a base prospectus for the purposes of the Prospectus Directive and any 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 Issuer's website] [and] [the Central Bank of Ireland's website at http://www.centralbank.ie and on the website of Euronext Dublin at www.ise.ie] [and the Final Terms have been published on the Issuer's website].

[*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 [[23 September 2014], [11 May 2016] and [14 July 2017]] which are incorporated by reference in the Base Prospectus dated 5 July 2018. This document constitutes the Final Terms

[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"

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 5 July 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 (the **Base Prospectus**), including the Conditions incorporated by reference in 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 Issuer's website] [and] [the Central Bank of Ireland's website at http://www.centralbank.ie and on the website of the Irish Stock Exchange at www.ise.ie] [and the Final Terms have been published on the Issuer's website].

[*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 subparagraphs of the paragraph which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

1.	Issuer:		Bankia, S.A.
2.	LEI Code		549300685QG7DJS55M76
3.	(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 28 below, which is expected to occur on or about [*date*]]][Not Applicable]
4.	Specified Currency or Currencies:		[ ]
5.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
6.	Issue Price		[ ] per cent. of the Aggregate Nominal Amount [plus accrued from [*insert date*] (*if applicable*)]
7.	(a)	Specified Denominations:	[ ] [(*N.B. Notes must have a minimum denomination of €100,000 (or equivalent))* (*Note —where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed*: *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€100,000]."*)] The exchange of Global Notes for Definitive Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified denomination such as €100,000 or

			equivalent plus one or more higher integral multiples of another smaller amount such as €1,000 or equivalent. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of the Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.
	(b)	Calculation Amount:	[ ] *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
8.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
9.	Maturity Date:		[S*pecify date or for Floating rate notes* – Interest Payment Date falling in or nearest to *[specify month and year]*]
10.	Interest Basis:		[[ ] per cent. Fixed Rate] [Fixed Reset Notes] [[[ ] month [LIBOR/EURIBOR/CMS Rate]] +/- [ ] per cent. Floating Rate] (see paragraph 15/16/17 below)
11.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
12.	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]
13.	Put/Call Options:		[Investor Put] [Issuer Call] [Issuer Call Option — Capital Event (Tier 2 Subordinated Notes)] [Issuer Call Option — Eligible Liabilities Event (Senior Subordinated Notes or Senior Notes)] [Not Applicable] [(see paragraph 18/19/20 below)]
14.	(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*)

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] [*date*]][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] [*date*]][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)	Reset Margin:	[+/-][ ] per cent. per annum

	(k)	Mid Swap Rate:	[ ]
	(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:	
		• Reference Rate:	[ ] month [[*currency*] LIBOR/EURIBOR/CMS Reference Rate]
		• Relevant Financial Centre:	[London/Brussels/*specify other Relevant Financial Centre*] *(only relevant for CMS Rate)*
		• Reference Currency:	[ ] *(only relevant for CMS Rate)*
		• Designated Maturity:	[ ] *(only relevant for CMS Rate)*
		• Relevant Time:	[11:00 a.m.] in the Relevant Financial Centre (*only relevant for CMS Rate)*
		• 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 or CMS Rate where the reference currency is euro*) *(In the case of a CMS Rate where the Reference Currency is other than euro): [Second (*specify type of

		day*) prior to the start of each Interest Period]*
	• Relevant Screen page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 then ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) *(In the case of a CMS Linked Interest Note, specify relevant screen page and any applicable headings or captions)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR—based option, the first day of the Interest Period. In the case of a CMS Linked Interest Note, if based on euro then the first day of each Interest Period and if otherwise to be checked*)
(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 6.2 [*Redemption for tax reasons*]:	Minimum period: [ ] days Maximum period: [ ] days
19.	Call Option:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Issuer Call Option (pursuant to Condition 6.3)	[Applicable/Not Applicable]
	Capital Event (Tier 2 Subordinated Notes pursuant to Condition 6.4)	[Applicable/Not Applicable]
	Eligible Liabilities Event (Senior Subordinated Notes or Senior Notes pursuant	[Applicable/Not Applicable]

to Condition 6.5)

	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation
	(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 five 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.	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*)
21.	Final Redemption Amount:		[ ] per Calculation Amount
22.	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:		[Condition 6.7(a) applies/[ ] per Calculation Amount [*only if Condition 6.7(b) applies*]].
23.	Waiver of Set off (Condition 18):		[Applicable/Not Applicable]
24.	Tier 2 Subordinated Notes optionality:		
	(a)	Substitution and Variation	[Applicable/Not Applicable]

(Condition 19):

25. Senior Subordinated Notes optionality:

(a)	Redemption for tax reasons (Condition 6.2):	[Regulatory Approval Applicable/Not Applicable]
(b)	Redemption at the option of the Issuer (Condition 6.3):	[Regulatory Approval Applicable/Not Applicable]
(c)	Purchases (Condition 6.8):	[Regulatory Approval Applicable/Not Applicable]
(d)	Substitution and Variation (Condition 19):	[Applicable/Not Applicable]

26. Senior Non Preferred Notes optionality:

(a)	Redemption for tax reasons (Condition 6.2):	[Regulatory Approval Applicable/Not Applicable]
(b)	Redemption at the option of the Issuer (Condition 6.3):	[Regulatory Approval Applicable/Not Applicable]
(c)	Purchases (Condition 6.8):	[Regulatory Approval Applicable/Not Applicable]
(d)	Substitution and Variation (Condition 19):	[Applicable/Not Applicable]

27. 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)	Negative Pledge (Condition 3):	[Applicable/Not Applicable]
(b)	Redemption for tax reasons (Condition 6.2):	[Regulatory Approval Applicable/Not Applicable]
(c)	Redemption at the option of the Issuer (Condition 6.3):	[Regulatory Approval Applicable/Not Applicable]
(d)	Purchases (Condition 6.8):	[Regulatory Approval Applicable/Not Applicable]
(e)	Events of Default (Condition 9):	[Condition 9.1(a) Applicable/Condition 9.1(b) Applicable/Conditions 9.1(a) and 9.1(b) Not Applicable] [Grace period for Condition 9.1(b)(ii): [ ] days [*only if Condition 9.1(b) applies*]]
(f)	Substitution and Variation (Condition 19):	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28. 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]
29.	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 subparagraphs 17(d) relates)*
30.	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 Bankia, S.A.:

By: _____

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

(a)	Listing and Admission to trading:	[Application [has been]/[will be] made by the Issuer (or on its behalf) to Euronext Dublin for the Notes to be listed on the [the Official List of Euronext Dublin] and admitted to trading on the [Main Securities Market] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market and, if relevant, listing on an official list*] with effect from [ ].]
(b)	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) (the **CRA Regulation**)] *(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 any fees 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. 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.

5. HISTORIC INTEREST RATES (Floating Rate Notes only)

Details of historic [LIBOR/EURIBOR/CMS Reference Rate] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[ ]/Not Applicable]
(iv)	FISN:	[[ ]/Not Applicable] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be Not Applicable*)
(v)	Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(*s)]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(viii)	Deemed delivery of clearing system notices for the purposes of Condition 14 (*Notices*):	Any notice delivered to Noteholders through the clearing systems will be deemed to be given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
(ix)	[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 registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [include this text for Registered Notes which are to be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday 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[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][include this text for Registered Notes]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.*]

7. DISTRIBUTION

(i)	Method of distribution	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give name*]
(iii)	Date of [Subscription] Agreement:	[ ]
(iv)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(v)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(vi)	U.S. Selling Restrictions:	[Reg S Compliance Category 2] [TEFRA D/TEFRA C/TEFRA not applicable]
(vii)	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 Bankia, 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 5 July 2018 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the **Fiscal Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Fiscal 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 5 July 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 the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) (the **Main Securities Market**) 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; and

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

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 (which term includes a CMS Interest Linked Note if this Note is specified as such in the Final Terms), 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, Senior Subordinated Note or 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 S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**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 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 Senior Notes

The payment obligations of the Issuer on the account of principal under Senior Notes constitute direct, unconditional, unsubordinated and (subject, in the case of Ordinary Senior Notes, to the provisions of Condition 3 (*Negative Pledge*) if specified as applicable in the applicable Final Terms) unsecured obligations of the Issuer (*créditos ordinarios*). In accordance with 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 (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92 of the Insolvency Law), the payment obligations of Senior Notes in respect of principal will rank:

(a) in the case of Ordinary Senior Notes:

(i) **senior** to (A) Senior Non Preferred Liabilities and (B) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law; and

(ii) ***pari passu*** among themselves and with any Senior Higher Priority Liabilities.

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

(i) **senior** to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law;

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

(iii) **junior** to Senior Higher Priority Liabilities (and, accordingly, upon the insolvency of the Issuer the claims in respect of Senior Non Preferred Notes will be met after payment in full of Senior Higher Priority Liabilities).

Claims of Holders of Senior Notes in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Issuer shall constitute subordinated claims (créditos subordinados) against the Issuer ranking in accordance with the provisions of Article 92.3º of the Insolvency Law and no further interest shall accrue from the date of the declaration of insolvency of the Issuer.

In the Conditions:

Law 11/2015 means Law 11/2015 of 18 June on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2018, 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 Higher Priority Liabilities means any obligations of the Issuer on account of principal under any Ordinary Senior Notes and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than Senior Non Preferred Liabilities.

Senior Non Preferred Liabilities means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer on account of principal under Additional Provision 14.2º of Law 11/2015, as amended by Royal Decree-Law 11/2017, of 23 June, on urgent measures in financial matters, and as further amended from time to time, (including any Senior Non Preferred Notes) and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with Senior Non Preferred Liabilities.

2.2 Status of Subordinated Notes

The payment obligations of the Issuer on the account of principal under Subordinated Notes constitute direct, unconditional, subordinated and unsecured 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 Subordinated Notes in respect of principal (unless they qualify as subordinated claims pursuant to Articles 92.3º 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 (A) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; (B) any subordinated obligations (*créditos subordinados*) of the Issuer under Articles 92.3º to 92.7º of the Insolvency Law; and (C) any other subordinated obligations (*créditos subordinados*) 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 (A) 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 92.3º to 92.7º of the Insolvency Law; and (B) any other subordinated obligations (*créditos subordinados*) 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 relevant Subordinated Notes; and

(iii) **junior** to (A) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities); (B) any subordinated obligations (*créditos subordinados*) of the Issuer under Article 92.1º of the Insolvency Law; and (C) any other subordinated obligations (*créditos subordinados*) 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;

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

(i) **senior to** (A) any claims for principal in respect of contractually subordinated obligations of the Issuer qualifying as Additional Tier 1 Instruments; (B) any subordinated obligations (*créditos subordinados*) of the Issuer under Articles 92.3º to 92.7º of the Insolvency Law; and (C) any other subordinated obligations (*créditos subordinados*) 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 (A) 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 92.3º to 92.7º of the Insolvency Law; and (B) any other subordinated obligations (*créditos subordinados*) 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 (A) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities); (B) any subordinated obligations of the Issuer under Article 92.1 of the Insolvency Law; (C) 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 Senior Subordinated Notes, if and as applicable) and which are not subordinated obligations under

Articles 92.3º to 92.7º of the Insolvency Law; and (D) 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. 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.

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 Competent 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 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 and including any other relevant implementing regulatory provisions (in all cases, as amended or replaced from time to time).

Competent Authority 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, and/or, where applicable, the Relevant Resolution Authority.

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 26 June 2013 on access to the activities 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 or replaced from time to time).

CRD IV Implementing Measures means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand-alone basis) or the Group (on a consolidated basis), including, without limitation, Law 10/2014, RD 84/2015 and any other regulations, circulars or guidelines implementing CRD IV (in all cases, as amended or replaced from time to time).

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

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

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 Bail-in Power (as defined in Condition 12 (*Bail-in power*)) from time to time.

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 from time to time.

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 Subordinated Notes shall be suspended from the date of the declaration of insolvency of the Issuer.

3. NEGATIVE PLEDGE

(a) If this Condition 3 is specified as applicable in the Final Terms, so long as any Ordinary Senior Note remains outstanding (as defined in the Agency Agreement), the Issuer will:

(i) not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertakings, assets, property or revenues (including uncalled capital), present or future, to secure (A) payment of any Relevant Indebtedness or (B) payment under any Guarantee granted by the Issuer in respect of any Relevant Indebtedness; and

(ii) procure that no Relevant Subsidiary of the Issuer will create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertakings, assets, property or revenues (including uncalled capital), present or future, to secure (A) payment of any Relevant Indebtedness or (B) payment under any Guarantee granted by the Relevant Subsidiary in respect of any Relevant Indebtedness,

without (in the case of paragraphs (i) and (ii)) at the same time or prior thereto securing such Ordinary Senior Notes equally and rateably therewith or providing such other security for such Ordinary Senior Notes as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) at a meeting of Noteholders of the relevant Series of Notes.

(b) In these Conditions:

Banking Business means, in relation to any entity:

(i) banking business as ordinarily carried on or permitted to be carried on at the relevant time by banking institutions in the country in which such entity is incorporated or carries on business; or

(ii) the seeking or obtaining from members of the public of moneys by way of deposit; or

(iii) any other part of the business of such entity which an expert (which expression shall for this purpose include any officer of the Issuer) nominated in good faith for such purpose by the Issuer or by such entity shall certify to the Fiscal Agent to be part of, or permitted to be part of, such entity's banking business;

Group or **Bank** means the Issuer and its Subsidiaries;

Guarantee means any obligation of any Person to pay any Relevant Indebtedness of another Person, including (without limitation):

(i) any obligation to purchase such Relevant Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Relevant Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and

(iv) any other agreement to be responsible for such Relevant Indebtedness;

Permitted Security Interest means:

(i) a Security Interest arising by operation of law or in the ordinary course of Banking Business; or

(ii) a Security Interest created or arising in respect of the Issuer's obligations to Banco de España, any other Central Bank of a member state of the European Union, the European Central Bank or any successor to such entities for the time being carrying on the function of a central bank in Spain or within the European Union;

For the avoidance of doubt, any issue of *cédulas hipotecarias, bonos hipotecarios, participaciones hipotecarias, certificados de transmisión de hipoteca, cédulas territoriales, cédulas de internacionalización or bonos de internacionalización* and any other asset backed financial instrument shall be deemed issued in the ordinary course of Banking Business;

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Relevant Indebtedness means any indebtedness for borrowed money in the form of or represented by any bonds, notes, debentures, loan stock or other securities which are (with the consent of the Issuer) or are capable of being admitted to listing by any listing authority, quoted, listed or ordinarily dealt in or on any stock exchange, over-the-counter market or other securities market and having an original maturity in excess of one year;

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

(i) whose net assets represent not less than 10 per cent. of the net 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

(ii) whose gross revenues represent not less than 10 per cent. of the gross 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.

Security Interest means any mortgage, charge, pledge, lien or other form of encumbrance or security interest; and

Subsidiary means, in relation to an entity, any entity controlled by that first person entity where control is determined in accordance with Forty Third Regulation of Circular 4/2017 of the Bank of Spain (*Norma Cuadragésimo Tercera de la Circular 4/2017 del Banco de España*), whether any such entity is a financial institution or not.

For the purposes of these Conditions, any reference to an obligation being guaranteed shall include a reference to an indemnity being given in respect of the obligation.

4. INTEREST

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

4.1 Interest on Fixed Rate Notes

This Condition 4.1 applies to Fixed Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 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

(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 4.1:

(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 (A) the number of days in such Determination Period and (B) 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.

4.2 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 Condition 4.3 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 4.2 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 4.2. Once the

Rate of Interest is determined for a Reset Period, the provisions of Condition 4.1 (*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 a.m. 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.

Subsequent Reset Rate means, in respect of a Subsequent Reset Period, the sum of the Reset Margin and the Mid-Swap Rate for that Subsequent Reset Period.

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

The Fiscal 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 14 (*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 4.2 by the Fiscal Agent shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Paying Agents and all Noteholders and Couponholders and (in the of absence wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 4.3 applies to Floating Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.3 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 Fiscal 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 and the 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 (in each case, if applicable).

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 in such 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 4.3(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:

(i) 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

(ii) 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 Fiscal Agent under an interest rate swap transaction if the Fiscal 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;

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

(D) if 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 Fiscal Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:

(i) one rate 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

(ii) the other rate 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 than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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 other than CMS Linked Interest 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 (the **Specified Time**)) 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 Fiscal 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 Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available, or if no offered quotation appears or fewer than three offered quotations appear, in each case as at the Specified Time, the Fiscal Agent or, as applicable, the relevant Calculation Agent, shall request each of the Reference Rate Banks to provide the Fiscal Agent or, as applicable, the relevant Calculation Agent, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Rate Banks provide the Fiscal Agent or, as applicable, the relevant Calculation Agent, with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent or, as applicable, the relevant Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Rate Banks provides the Fiscal Agent or, as applicable the relevant Calculation Agent, with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent or, as applicable, the relevant Calculation Agent, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent or, as applicable, the relevant Calculation Agent, by the Reference Rate Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Rate Banks provide the Fiscal Agent or, as applicable, the relevant Calculation Agent, with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the relevant Issuer suitable for the purpose) informs the Fiscal Agent or, as applicable, the relevant Calculation Agent, it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In these Conditions:

Reference Rate Banks means, in the case of a determination of LIBOR, the principal London offices of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone offices of four major banks in the Euro-zone inter-bank market, in each case selected by the Fiscal Agent, or the relevant Calculation Agent, as the case may be.

(iii) Floating Rate Notes which are CMS Linked Interest Notes

Where the Reference Rate is specified as being the CMS Reference Rate, the Rate of Interest for each Interest Period will be calculated by the relevant Calculation Agent in accordance with the provisions set out below and the following formula:

CMS Rate + Margin

As used above:

CMS Linked Interest Notes means Floating Rate Notes where the Reference Rate is specified to be the CMS Rate.

CMS Rate shall mean the Relevant Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the relevant Calculation Agent.

If the Relevant Screen Page is not available, the relevant Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its quotation for the Relevant Swap Rate (expressed as a percentage rate per annum) at approximately the Relevant Time on the Interest Determination Date in question. If three or more of the Reference Banks provide the relevant Calculation Agent with such quotations, the CMS Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) 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).

For this purpose:

Margin has the meaning specified in the Final Terms.

Reference Banks means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case as selected by the Calculation Agent.

Relevant Screen Page has the meaning specified in the Final Terms.

Relevant Swap Rate means:

(A) where the Reference Currency is euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period 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 an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the relevant Calculation Agent by reference to standard market practice and/or the ISDA Definitions;

(B) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period 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 an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

(C) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

(D) where the Reference Currency is any other currency, the mid-market swap rate as determined by the relevant Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice.

Relevant Time has the meaning specified in the Final Terms.

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

If on any Interest Determination Date fewer than three or none of the Reference Banks provides the relevant Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the relevant Calculation Agent in its sole and absolute discretion on a commercial basis as it shall consider appropriate and in accordance with standard market practice

(iv) 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 Fiscal Agent by straight-line linear interpolation by reference to two rates (each determined in the same manner as set out above for the Reference Rate) which appear on the Relevant Screen Page specified in the Final Terms as at the Specified Time on the relevant Interest Determination Date specified in the Final Terms, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

If the applicable Final Terms specify 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 specify 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 Fiscal 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 Fiscal 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

(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 4.3:

(e) 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365):

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

(ii) 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;

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

(iv) 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;

(v) 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;

(vi) 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.

(vii) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent or, if applicable, the Calculation 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 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. In the case of Floating Rate Notes in respect of which the Rate of Interest is to be calculated by a Calculation Agent, the relevant Calculation Agent will notify the Fiscal Agent of the Rate of Interest as soon as practicable after calculating the same. 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 14 (*Notices*).

(viii) 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 4.3 by the Fiscal Agent or, if applicable, the relevant Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the relevant Calculation Agent (if applicable), 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 Fiscal Agent or, if applicable, the relevant Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.4 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 Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

As provided by Article 63(m) of the CRR, the rate of interest applicable to Subordinated Notes shall not vary by reference to the credit standing of the Issuer.

The determination by the Calculation Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties.

5. PAYMENTS

5.1 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 7 (*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 any law implementing an intergovernmental approach thereto (such withholding or deduction, a **FATCA Withholding**).

5.2 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 5.1 (*Method of payment*) 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 5.4 (*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 ten years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8

(*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 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 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.

5.3 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.

5.4 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.

5.5 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 8 (*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):

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

(ii) in 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.

5.6 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 7 (*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 7 (*Taxation*).

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Senior Notes and Senior Subordinated Notes will have an initial minimum 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 the Applicable Banking Regulations.

Tier 2 Subordinated Notes will have an initial minimum 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 the Applicable Banking Regulations, save that the minimum maturity of each Tier 2 Subordinated Note will be at least one year.

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.

6.2 Redemption for tax reasons

Subject to Condition 6.7 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor

more than the maximum period of notice specified in the applicable Final Terms to the Fiscal Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has paid or will become obliged to pay additional amounts on interest payments only as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*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 most recently issued Tranche of the Notes of the relevant Series; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent to make available at its specified office to the Noteholders (i) 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) 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.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the case of Subordinated Notes, the Notes may be also redeemed at the option of the Issuer, in whole but not in part, for taxation reasons if the Issuer would not be entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be materially reduced, in each case as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, 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 of issue of the most recently issued Tranche of the Notes of the relevant Series and such non entitlement to a deduction or material reduction in the value of such deduction cannot be avoided by the Issuer taking reasonable measures available to it.

Redemption for taxation reasons in the case of Tier 2 Subordinated Notes, and, if "Regulatory Approval" is specified as being applicable in the Final Terms, of Senior Notes or Senior Subordinated Notes, is subject to the prior consent of the Competent Authority and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

Article 78(4) of the CRR provides that the Competent Authority may only permit the redemption of Tier 2 Instruments before the fifth anniversary of the Issue Date for taxation reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) of the CRR, there is a change in the applicable tax treatment of the instruments and the institution demonstrates to the satisfaction of the Competent Authority that such change is material and was not reasonably foreseeable at the Issue Date.

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

This Condition 6.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than pursuant to Condition 6.2 (*Redemption for tax reasons*), 6.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) or 6.5 (*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 contain provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 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 in the applicable Final Terms, the Issuer may, subject, in the case of Tier 2 Subordinated Notes, and, if "Regulatory Approval" is specified as being applicable in the Final Terms of Senior Notes or Senior Subordinated Notes, to compliance with the Applicable Banking Regulations then in force and subject to the prior consent of the Competent Authority, if required, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (*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 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 14 (*Notices*) not less than 15 days prior to the date fixed for redemption.

6.4 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 Competent Authority 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 of the most recently issued Tranche of Notes of the relevant Series, the 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 subject to the prior consent of the Competent Authority, if 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 14 (*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 6.4 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, a **Capital Event** means the determination by the Issuer after consultation with the Competent Authority 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).

6.5 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 or of any change in the official application or interpretation thereof becoming effective on or after the Issue Date of the most recently issued Tranche of Notes of the relevant Series, 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 then in force, and may only take place in accordance with Applicable Banking Regulations in force at the relevant time and subject to the permission of the Competent Authority 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 (*Exchange of Talons*), 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 6.5 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, an **Eligible Liabilities Event** means the determination by the Issuer after consultation with the Relevant Resolution Authority that all or part of the outstanding nominal amount of Senior Notes or Senior Subordinated Notes, as applicable are not eligible for inclusion in the amount of eligible liabilities of the Issuer and/or the Group (the **Eligible Liabilities Amount**) 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 Applicable Banking Regulations or any other regulations applicable in Spain from time to time (**eligible liabilities**), provided that an Eligible Liabilities Event shall not occur where such ineligibility for inclusion of such Senior Notes or Senior Subordinated Notes in the Eligible Liabilities Amount (i) is due to the remaining maturity (or effective remaining maturity where Senior Notes or Senior Subordinated Notes are subject to an Investor Put) of Senior Notes or Senior Subordinated Notes being less than any period prescribed by any applicable eligibility criteria under Applicable Banking Regulations (or any other regulations applicable in Spain from time to time) effective on the Issue Date of the most recently issued Tranche of Notes of the relevant Series; or (ii) is due to the relevant Senior Subordinated Notes or Senior Notes being bought back by or on behalf of the Issuer, or (iii) in the case of the Ordinary Senior Notes only, is due to a subordination requirement being applied by the Relevant Resolution Authority for such Ordinary Senior Notes to be eligible for inclusion as eligible liabilities; or (iv) in the case of Ordinary Senior Notes only, is due to there being insufficient headroom for such Ordinary Senior Notes to qualify as eligible liabilities within prescribed limits established by Applicable Banking Regulations.

An Eligible Liabilities Event shall, without limitation, be deemed to include where such ineligibility for inclusion of the Notes in the Eligible Liabilities Amount arises as a result of (a) any legislation which gives effect to the EU Banking Reforms in the Kingdom of Spain differing in any respect from the form of the EU Banking Reforms as published by the European Commission on 23rd November, 2016 and the European Council on 25th May, 2018 (the **Draft EU Banking Reforms**) (including if the EU Banking Reforms are not implemented in full in the Kingdom of Spain), or (b) the official interpretation or application of the Draft EU Banking Reforms or the EU Banking Reforms as implemented in the Kingdom of 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 Conditions.

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

This Condition 6.6 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, 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 contain provisions applicable to any Investor Put and must be read in conjunction with this Condition 6.6 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 14 (*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,

and, if indicated in the Final Terms, Senior Subordinated Notes and Senior 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 by 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 Fiscal 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 Fiscal 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 6.6 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 6.6 and instead declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

6.7 Early Redemption Amounts

For the purpose of Conditions 6.2 (*Redemption for tax reasons*), 6.4 (*Redemption at the option of the Issuer (Capital Event): Tier 2 Subordinated Notes*) and 6.5 (*Redemption at the option of the Issuer (Eligible Liabilities Event): Senior Subordinated Notes or Senior Notes*) and Condition 9 (*Events of Default*) each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(b) in the case of a Note with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount.

Article 63(h) of the CRR requires that the Tier 2 Subordinated Notes shall not provide for any additional incentive to be paid as a result of such Notes being redeemed prior to their maturity date. If Senior Notes are intended to comply with the proposed CRR amendments dated 23 November 2016 as set out in the draft Article 72(b)(2)(excluding Article 72(b)(2)(d)) then such provisions require that Senior Notes shall not provide for any additional incentive to be paid as a result of such Notes being redeemed prior to their maturity date.

6.8 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 Tier 2 Subordinated Notes, and, if "Regulatory Approval" is specified as applicable in the applicable Final Terms, Senior Notes or Senior Subordinated Notes, the purchase of the relevant Notes by the Issuer or any of its Subsidiaries shall take place in accordance with Applicable Banking Regulations in force at the relevant time and will be subject to the prior consent of the Competent Authority and/or the Relevant Resolution Authority, if and as required.

Under the current Applicable Banking Regulations an institution requires the prior permission of the Competent Authority (Article 77(b) of the CRR) to effect the repurchase of tier 2 instruments, and these may not be repurchased before five years after the date of issuance (Article 63(j) of the CRR).

6.9 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 6.8 (*Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

7. TAXATION

7.1 Taxation in respect of Senior Notes and Senior Subordinated Notes

All payments of principal and interest in respect of Senior Notes and Coupons and Senior 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 as shall be necessary in order that the net amounts received by, Senior Noteholders or Couponholders and Senior Subordinated Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of Senior Notes and Coupons or Senior 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 Senior Note, Senior Subordinated Note or Coupon:

(a) presented for payment in any Tax Jurisdiction; 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, 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, 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 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*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 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.

7.2 Taxation in respect of 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 any payments of principal) 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 any Tax Jurisdiction; 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 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*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;

(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 Fiscal 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 14 (*Notices*).

Notwithstanding any other provision of these Conditions, neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*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 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT

9.1 Events of Default relating to Ordinary Senior Notes

(a) This Condition 9.1(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 any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(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 subparagraph (A) and/or sub-paragraph (B) above individually or in the aggregate exceeds EUR 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 EUR 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 by 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 EUR 50,000,000 (or its equivalent in any other currency or currencies); or

(vi) **Winding-up**: any order is made by any competent court or any resolution passed for the winding-up or dissolution of the Issuer (or any of its Relevant Subsidiaries) (except in any such case for the purpose of a Permitted Reorganisation); or

(vii) **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

(viii) **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

(ix) **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

(x) **Failure to take action etc**.: any action, condition or thing at any time required to be taken, fulfilled or done in order (A) 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, (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes and the Coupons admissible in evidence in the courts of Spain or England, is not taken, fulfiled or done; or

(xi) **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,

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 outstanding nominal 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.

(b) This Condition 9.1(b) 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.

Subject as provided below, if any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(i) if 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 (c) below)); or

(ii) 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,

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 outstanding nominal 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.

(c) For the purpose of this Condition 9.1:

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:

(i) with respect to the Issuer, a reconstruction, merger or amalgamation (A) which has been approved by an Extraordinary Resolution at a meeting of Noteholders; or (B) where the entity resulting from any such reconstruction, merger or amalgamation is (I) a financial institution (*entidad de crédito*) under Article 1 of Law 10/2014 and (II) has a rating for long-term senior debt assigned by Standard & Poor's Rating Services, Moody's Investor Services or Fitch Ratings Ltd equivalent to or higher than the rating for long-term senior debt of the Issuer immediately prior to such reconstruction, merger or amalgamation; and

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

9.2 Events of Default relating to Subordinated Notes, Senior Non Preferred Notes and other Ordinary Senior Notes

This Condition 9.2 applies to Subordinated Notes and Senior Non Preferred Notes, and, if neither Condition 9.1(a) nor Condition 9.1(b) is specified in the applicable Final Terms as being applicable to the Ordinary Senior Notes, to Ordinary Senior Notes, and references to "Notes" shall be construed accordingly.

If 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 (c))) (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 outstanding nominal 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.

If 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 seven days of the due date for payment thereof then, unless there has been an Extraordinary Resolution at a meeting of Noteholders to the contrary, any Noteholder in respect of the Notes held by it, may institute proceedings for the winding up or dissolution of the Issuer but may take no further or other action in respect of such default.

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 Fiscal 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 to 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 a Fiscal 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 5.4 (*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 14 (*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. BAIL-IN POWER

(a) *Acknowledgement*: 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 12 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 Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:

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

– 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;

– the cancellation of the Notes or Amounts Due;

– 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 Bail-in Power by the Relevant Resolution Authority.

(b) *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 Bail-in Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in the Kingdom of Spain and the EU applicable to the Issuer or other members of the Group

(c) *Notice to Noteholders*: Upon the exercise of any Bail-in 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 Bail-in Power. The Issuer will also deliver a copy of such notice to the Paying Agents for information purposes.

(d) *Duties of the Agents*: Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Fiscal Agent shall not be required to take any directions from Noteholders, and (b) the Fiscal Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Bail-in Power by the Relevant Resolution Authority.

(e) *Proration*: If the Relevant Resolution Authority exercises the Bail-in 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 Bail-in Power will be made on a pro rata basis.

(f) *Conditions Exhaustive*: The matters set forth in this Condition 12 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of a Note.

(g) *No Event of Default*: Neither a cancellation of the Notes nor a reduction in the Amounts Due, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Notes will be an Event of Default or otherwise constitute non-performance of a contractual obligation, or entitle the holders of such Notes to any remedies (including equitable remedies) which are hereby expressly waived.

(h) *Definitions*: In this Condition 12:

Amounts Due means the principal amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes under Condition 7 (*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 Bail-in Power by the Relevant Resolution Authority;

Bail-in Power means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or 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), including any written down or conversion capital power at the point of non-viability under Article 59 of BRRD;

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

Please see the risk factor "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" for further information.

13. 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 Fiscal 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 8 (*Prescription*).

14. NOTICES

14.1 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 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 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.

14.2 Notice from the Noteholders

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 Fiscal 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 Fiscal Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

15.1 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. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by the Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. 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, (being, *inter alia*, the modification of the Maturity Date of the Notes or the reduction or cancellation of the nominal amount payable at maturity or the reduction or cancellation of the amount payable or the modification of the payment date in respect of any interest in respect 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.

15.2 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, in the sole opinion of the Issuer, 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) of the Notes, the Coupons or the Agency Agreement which is not, in the sole opinion of the Issuer, materially 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 14 (*Notices*).

16. 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.

17. SUBSTITUTION OF THE ISSUER

(a) The Issuer (or any previous substitute under this Condition) 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 and subject to the prior permission of the Competent 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 17) 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 7 (*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 subdivision 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) legal opinions shall have been delivered to the Fiscal Agent (from whom copies will be available) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor and the country whose laws govern 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 Fiscal 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) a legal opinion shall have been delivered to the Fiscal 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 17(a), the Substituted Debtor may, without the further consent of any Noteholder, effect a further substitution. All the provisions specified in Conditions 17(a) and 17(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 17(a) or 17(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 Fiscal 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 relation 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 14 (*Notices*).

18. WAIVER OF SET-OFF

This Condition 18 applies to the Notes if so specified in the applicable Final Terms.

No Noteholder may at any time exercise or claim any or all rights of or claims of any Noteholder for the 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 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.

19. SUBSTITUTION AND VARIATION

This Condition 19 applies to the Notes if specified in the applicable Final Terms.

If a Capital Event or an Eligible Liabilities Event or circumstance giving rise to the right of the Issuer to redeem the Notes under Condition 6.2 (*Redemption for tax reasons*) occurs and is continuing, or in order to ensure the effectiveness and enforceability of Condition 12 (*Bail-in power*) the Issuer may substitute all (but not some only) of the Notes (as the case may be) or modify the terms of all (but not some only) of the Notes (as the case may be) (including changing the governing law of Condition 12 (*Bail-in 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 14 (*Notices*) and the Fiscal Agent (which notice shall be irrevocable and specify the date for substitution or, as applicable, variation), and subject to obtaining the prior consent of the Competent Authority and/or Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and in accordance with Applicable Banking 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 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 and holding any Notes, be deemed to accept the substitution or variation of the terms of the Notes (as applicable) 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 (as applicable).

In the Conditions:

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 12 (*Bail-in power*) have terms not otherwise materially less favourable to the Noteholders than the terms of the 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 14 (*Notices*) and the Fiscal Agent not less than five Business Days prior to (x) in the case of a substitution of the Notes pursuant to this Condition 19, the issue date of the relevant securities or (y) in the case of a variation the Notes pursuant to this Condition 19, the date such variation becomes effective, provided that such securities shall:

(a) (i) in the case of Senior Subordinated Notes and Senior Notes (as applicable) contain terms which comply with the then current requirements for eligible liabilities of the Issuer 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), and (ii) 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;

(b) carry the same rate of interest as the Notes (as applicable) prior to the relevant substitution or variation pursuant to this Condition 19;

(c) have the same rating as any solicited rating given to the relevant Notes (as applicable) immediately prior to the relevant substitution or variation pursuant to this Condition 19;

(d) have the same denomination and aggregate outstanding principal amount as the Notes (as applicable) prior to the relevant substitution or variation pursuant to this Condition 19;

(e) have the same date of maturity and the same dates for payment of interest as the Notes (as applicable) prior to the relevant substitution or variation pursuant to this Condition 19;

(f) have at least the same ranking as set out in Condition 2 (*Status of Senior Notes and Subordinated Notes*);

(g) not, immediately following such substitution or variation, be subject to a Capital Event, an Eligible Liabilities Event and/or an early redemption right for taxation reasons according to Condition 6.2 (*Redemption for tax reasons*); and

(h) be listed or admitted to trading on any stock exchange as selected by the Issuer, if the Notes (as applicable) were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation pursuant to this Condition 19.

20. 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.

21. GOVERNING LAW AND SUBMISSION TO JURISDICTION

21.1 Governing law

The status of the Notes (and any non-contractual obligations arising out of or in connection with 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 (save as provided above) 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.

21.2 Submission to jurisdiction

(a) Subject to Condition 21.2(c), 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 21.2, 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.

21.3 Appointment of Process Agent

The Issuer appoints Cecabank, S.A., London Branch at 16 Waterloo Place, London SW1Y 4AR 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 Cecabank, S.A., London 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 Bankia Group.

DESCRIPTION OF THE ISSUER

History and Development of the Issuer

The Issuer is a Spanish company with legal status as a public limited company (*sociedad anónima*), with the status of a bank 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 2 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*). The Issuer is subject to special legislation for credit institutions in general, the supervision, control and regulation of the ECB and, as a listed company, the regulatory supervision of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the **CNMV**) and, as a credit institution, to Law 10/2014. Also, as a credit institution in the process of restructuring, the Issuer is subject to Law 11/2015. The Issuer has its registered office in the city of Valencia, at Calle Pintor Sorolla 8 (contact telephone number +34 91 787 75 75). The Issuer is registered in the Commercial Registry of Valencia in volume 9341, book 6,623, folio 104, page V-17274, 183rd entry, and in the Special Registry of Banks and Bankers of the Bank of Spain (*Banco de España*) under number 2038 with Legal Entity Identifier (L.E.I.) code 549300685QG7DJS55M76.

The Issuer was incorporated for an indefinite period under the corporate name Banco de Córdoba, S.A. in a public deed executed on 5 December 1963, amended by subsequent deeds (which changed the name and amended the bylaws) and changed its registered company name to Altae Banco, S.A. in a deed executed on 10 July 1995. On 29 April 2011, the Issuer's name was changed to Bankia, S.A.

Bankia's corporate purpose includes all activities, operations, acts, contracts and services related to the banking sector in general or directly or indirectly related thereto, permitted by current legislation, including the provision of investment services and ancillary services and performance of the activities of an insurance agency.

The Bankia Group was formed as a result of a Spanish law which governed the process of integration that ended on 23 May 2011, involving Caja de Ahorros y Monte de Piedad de Madrid, Caja de Ahorros de Valencia, Castellón y Alicante, Caja Insular de Ahorros de Canarias, Caja de Ahorros y Monte de Piedad de Ávila, Caixa d'Estalvis Laietana, Caja de Ahorros y Monte de Piedad de Segovia and Caja de Ahorros de La Rioja (collectively, the **Cajas**).

This process of integration was implemented in two phases: (i) initially, the Cajas spun off all of their banking and quasi-banking assets and liabilities (the **First Spinoff**) to Bankia's parent company, BFA, which, in turn, (ii) spun off to Bankia all of its banking business, the investments associated with the financial business and the other assets and liabilities it received from the Cajas by virtue of the First Spinoff or otherwise under an integration agreement of 30 July 2010 signed by the Cajas (the **Integration Agreement**), excluding certain assets and liabilities that continued to be owned by BFA.

On 29 June 2011, Bankia registered a prospectus with the CNMV for a public offering and admission to trading of its shares. Bankia's shares began trading on the Spanish stock exchanges through the Stock Exchange Interconnection System (*Sistema de Interconexión Bursátil*) on 20 July 2011.

Acquisition by the FROB of a stake in BFA and request for state aid

On 28 December 2010, the FROB subscribed for €4.5 billion of convertible preferred participating securities (*participaciones preferentes convertibles*) (**PPCs**) issued by BFA. On 27 June 2012, following the submission by the Board of Directors of BFA of a request to the FROB for conversion of the PPCs into shares of BFA, the authorisation of the conversion by the European Commission and the necessary valuation process, the PPCs were converted into shares and the FROB became the sole shareholder of BFA.

On 23 May 2012, BFA notified the Bank of Spain and the Ministry of Economy and Competitiveness of its intention to request a capital contribution of €19 billion from the FROB. On 12 September 2012, BFA received a capital injection of €4.5 billion as an advance for the purpose of re-establishing the BFA-Bankia Group's solvency levels. On the same day, in order to continue the process of strengthening Bankia's regulatory capital,

BFA and Bankia entered into an agreement for a subordinated loan of €4.5 billion as a contribution of capital to Bankia.

Restructuring Plan

On 20 July 2012, Spain and the European Union signed a Memorandum of Understanding on Financial-Sector Policy Conditionality (the **MoU**), which set out the conditions imposed on Spain regarding specific measures to reinforce financial stability in the context of the European Union's approval of a line of credit of up to €100 billion for the FROB to recapitalise the Spanish financial system. In November 2012, Law 9/2012 which replaced Royal Decree Law 24/2012 of 31 August on restructuring and resolution of credit institutions, was published and partially implemented the requirements established in the MoU. It regulated the early action, restructuring and resolution processes for credit institutions and established the legal regime and action framework governing the FROB's operations.

Pursuant to Law 9/2012, the BFA-Bankia Group submitted to the FROB and to the Bank of Spain a restructuring plan (the **Restructuring Plan**), which was approved by the Bank of Spain, the FROB and the European Commission on 28 November 2012. The Restructuring Plan resulted in a capital injection of €13.5 billion by the FROB for the BFA-Bankia Group, in addition to the €4.5 billion subordinated loan already advanced by BFA in September 2012.

These aid measures were authorised on the basis of the commitments made in the Restructuring Plan, which were fulfiled during the 2012-2017 period (the **Restructuring Period**) the most important of which were: (i) a reduction of Bankia's total assets through the transfer of certain assets to the Asset Management Company for Assets Arising from Bank Restructuring (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria*) (**SAREB**) to reduce its real estate risk; (ii) a concentration of its business on commercial banking; (iii) a reduction of capacity (branches and staff) and the sale or liquidation of certain subsidiaries and holdings; (iv) the execution of hybrid instruments' management measures; and (v) an abstaining from real estate finance, funding of companies located outside Spain, or provision of banking services to companies that have an access to capital markets.

Merger with BMN

On 15 March 2017 the FROB announced and communicated to Bankia that its Governing Committee agreed that a merger between Bankia and Banco Mare Nostrum. S.A. (**BMN**) was the best strategy to optimise the recovery of public funds through a future divestment process, meaning that both institutions should initiate the corresponding actions, as appropriate. In light of such communication, the merger between Bankia and BMN was approved by the two companies' Shareholders' General Meetings on 14 September 2017 and effectively completed in January 2018 with accounting effect as from 1 December 2017.

In accordance with the merger project approved by the boards of directors of Bankia and BMN, the merger exchange ratio was one Bankia share of one euro par value, for every 7.82987 BMN shares, without any additional cash compensation. As a result of the merger, Bankia issued 205,630,814 new ordinary shares which were allocated to BMN shareholders.

Completion of Restructuring Plan and new Strategic Plan

By the end of 2017, the BFA-Bankia Group had achieved all targets contemplated in its Restructuring Plan. The Restructuring Plan limited, among other things, inorganic growth and non-retail banking. These restrictions were lifted after the Restructuring Plan was completed in January 2018.

On 22 February 2018, the board of directors of Bankia approved new strategic plan (the **Strategic Plan**) for the period 2018-2020. The main drivers of the Strategic Plan are:

- full commercial integration of BMN by unifiying commercial management, consolidating into a single network and consistent customer service;
- efficiency and cost control leveraging BMN integration synergies;

- revenue growth through increased sale of high value products including new lending (quality mortgages, SME lending and consumer loans) and fee driven products (mutual funds, payment services and insurance); and
- accelerated reduction of non-performing assets, whilst maintaining high coverage levels.

The Bank has set the following financial targets by 2020:

- return on tangible equity of 11 per cent. (based on a CET1 target ratio of 12 per cent.);
- cost to income ratio below 47 per cent.;
- non-performing assets as a percentage of total assets below 6 per cent.;
- CET1 fully loaded ratio of at least 12 per cent.;
- ordinary cash pay-out ratio of 45-50 per cent.; and
- additional capital actions will be also considered when CET1 fully loaded ratio is above 12 per cent. target.

Organisational Structure

Bankia is the parent company of the Bankia Group and in addition is a controlled company in the BFA-Bankia Group, a consolidated group of credit institutions, the controlling company of which is BFA.

At 31 March 2018, the Bankia Group was a consolidated group comprised of 88 companies, of which 42 were subsidiaries, 14 multigroups and 32 associates. They are engaged in diverse activities, including insurance, asset management, financing, services and real estate asset promotion and management. The group of companies classified as non-current assets held for sale as at 31 March 2018 amounted to a total of 48 companies.

The following diagram shows Bankia's principal subsidiaries, their principal activities and Bankia's ownership interest in those subsidiaries as at 31 March 2018:

FINANCIAL INSTITUTIONS	INTERNATIONAL FINANCIAL INSTITUTIONS	INDUSTRIAL PORTFOLIO	INSURANCE	REAL ESTATE
Bankia Pensiones, S.A. E.G.F.P. (100%)	Corp. Financiera Habana, S.A. (60%)	Arrendadora Aeronáutica, A.I.E. (68.17%)	Bankia Mediación Operador de Banca Seguros Vinculado, S.A.U. (100%)	Bankia Habitat, S.L.U. (100%)
Bankia Fondos, S.G.I.I.C., S.A. (100%)			Bankia Mapfre Vida, S.A., de Seguros y Reaseguros (49%)	Puertas de Lorca Desarrollos Empresariales, S.L.U. (100%)
Avalmadrid, S.G.R. (25.59%)			Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. (50%)	Innostrum División Inmobiliaria, S.L.U. (100%)
			Caja Murcia Vida y Pensiones de Seguros y Reaseguros, S.A. (50%)	

FINANCIAL INSTITUTIONS	INTERNATIONAL FINANCIAL INSTITUTIONS	INDUSTRIAL PORTFOLIO	INSURANCE	REAL ESTATE
			BMN Mediación Operador de Banca-Seguros Vinculado, S.L.U. (100%) BMN Brokers Correduría de Seguros, S.AU. (100%)	

Business Description

Bankia is one of the most important domestic financial institutions which provide banking and financial products and services in Spain. As described below, the Group's business segments are: (i) Retail Banking; (ii) Business Banking; and (iii) Corporate Centre.

As at 31 March 2018, at a consolidated level, the Group's branch network in Spain consisted of 2,282 retail and corporate branches (2,402 at the end of December 2017).

1. Retail Banking

This segment is the Group's core business and includes retail banking services provided to individuals, small businesses (with annual sales of up to €6 million) and the self-employed, applying a universal banking model. Its main objective is to build customer loyalty and increase customer retention offering value-adding products and services, reliable advice and quality service through a broad multi-channel network in Spain.

To support this strategy, Bankia has various types of branches, including (i) universal banking branches; (ii) Agile Branches (with extended opening hours and intended mainly for quick transactions and inquiries); (iii) Plus+ Branches (specialising in advice); and (iv) the "*Conecta con tu Experto*" service (providing advice to digital customers).

a. Individuals and SMEs

In the Retail Banking segment the strategy involves specialising in five different customer profiles or units:

- *Private individuals:* Bankia offers to its individual customers a wide range of services, which include traditional banking services such as credit and debit card services, current and savings accounts, demand and term deposits, lending and mortgage services, broker services, portfolio management, mutual funds and pension funds, and risk and saving insurance.
- *High potential:* each account manager in this segment has responsibility for a portfolio of high potential customers, whose business with Bankia is likely to grow and who may become Personal Banking customers in the future. Work with the High Potential customer profile began in 2015 throughout the commercial network.
- *Personal Banking:* under this unit Bankia provides a personalised service through specialised personal account managers, who are assigned exclusively to serving and advising customers in this segment. This service is intended for customers with a net worth of more than €75,000 or an annual net income of more than €45,000, and includes specialised financial advice available throughout Retail Banking's branch network.
- *Private Banking*: this unit provides services for high net worth customers who demand top-quality financial and tax advice. Bankia offers these customers a comprehensive range of products and services with highly personalised, professional and reliable treatment, providing them with solutions that are tailored to their financial or tax needs.

- *SMEs and Micro-enterprises:* Retail Banking serves small and medium enterprises (companies with annual turnover of under €6 million (**SMEs**)). Branches that have a large number of such customers have specialised sales staff to offer advice and specific products to customers in this segment, as well as services for independent contractors in their capacity as business owners. The main products for these customers are financing for investment projects, treasury management, tax advising, business insurance and ICO (*Instituto de Crédito Oficial*) loans.

Bankia is currently enhancing its digital transformation with the aim of attending the increasing banking services demand coming from non-traditional channels. Within this idea, Bankia has developed a personalised advisory service called *"Conecta con tu Experto"*, providing banking and advisory services to approximately 584,000 users by the end of 2017.

In line with Bankia's aim of strengthening the consumer finance segment, further developments have been made pursuant the agreement dated 28 May 2018 between Bankia and Crédit Agricole, the latter through its subsidiary Crédit Agricole Consumer Finance, for the creation of a joint venture through which the two entities will begin to jointly operate in the consumer finance segment in Spain in the near future. The new company, which requires the go-ahead from the regulatory and supervisory authorities, will be 51 per cent. owned by Crédit Agricole Consumer Finance and 49 per cent. by Bankia, and will specialise in the provision of point-of-sale consumer financing through non-banking channels. To this end, Bankia and Crédit Agricole Consumer Finance will work together to strike distribution agreements with both brick-and-mortar and online retailers. The products to be marketed by this new company will notably include personal and consumer loans, leases of consumer goods, revolving credit lines and loyalty cards.

b. Asset Management

Bankia's Asset Management business encompasses the management and administration of investment funds and pension plans. At 31 December 2017, Bankia had more than €22,000 million of assets under management in mutual funds and pension plans.

Bankia Fondos S.G.I.I.C., S.A. (Bankia Fondos), an entity wholly owned by Bankia, manages, administers and designs a single catalogue of funds for the entire Bankia branch network. At the end of 2017, Bankia Fondos had €15,479 million of mutual funds and SICAVs, up 13.7 per cent. compared to the end of December 2016, despite high market volatility throughout the year. According to the Spanish Investment and Pension Fund Association Inverco, Bankia Fondos ranked fifth among Spanish fund managers, with a 5.8 per cent. market share in 2017, compared to 5.53 per cent. the previous year.

Bankia Pensiones, S.A., E.G.F.P., a wholly owned subsidiary of Bankia, is the Group's pension fund management company. It is responsible for managing the different types of pension plans: individual plans, employer pension plans and associated plans. Management is conducted with a view to satisfying the customers' needs and offering products adapted to their investment profile and a time horizon based on their retirement age. At 31 December 2017 Bankia had €6,738 million in personal, employer and associated pension plans (€6,478 million at 31 December 2016).

c. Bancassurance

On 31 January 2014, Bankia reached an agreement with Mapfre for the restructuring of its Bancassurance business unit whereby Mapfre agreed to become the exclusive supplier of life and non-life insurance for Bankia, unifying the distribution of insurance products throughout Bankia's commercial network. The Bancassurance division is responsible for brokering insurance for individuals (life, home, health, auto, etc.) and businesses (retailers, third party liability, credit, etc.), as well as savings insurance. The insurance distribution network therefore currently relies primarily on the traditional branches, although the penetration of the insurance activity in Bankia's other channels (public website, multi-channel account managers, etc.) is becoming more extended.

Net written premiums amounted to €343 million in 2017, with an annual increase of 3 per cent. in new production compared to 2016. At 31 December 2017, a total of 1.9 million policies were in force. The mathematical provisions for life savings insurance totalled €4,986 million at that date. 73 per cent. of new

production in 2017 was concentrated in the life and home businesses, with significant growth also in the SMEs business, which was up 36 per cent. compared to 2016.

2. Business Banking

The Business Banking segment offers a specialised service aimed at legal entities with annual turnover above €6 million, as well as the Capital Markets activity. Personal customers, companies and independent contractors with revenues below this threshold are served by the Retail Banking segment. The Business Banking segment is divided into three main areas: SME Banking, focusing on small and medium enterprises with revenues from €6 million to €300 million; Corporate Banking, providing specialised banking services to enterprises with more than €300 million in revenues from two main hubs (in Madrid and Barcelona); and Capital Markets, which provides trading in derivatives, financial advisory, loan and special finance origination, fixed-income origination and trading, and distribution of fixed-income products to the network.

Bankia is one of the top competitors in business banking, with a customer base of more than 20,000 active business customers. The customer base of Bankia's Business Banking segment is diversified across various sectors of the economy, with services, commerce and industry accounting for the bulk of the portfolio (49.3 per cent. as at 31 December 2017), followed by utilities, construction and food.

Branches classified as "Company Branches (*sucursal*)" are established in towns and cities with a sufficient critical mass of customers. Markets that lack the necessary critical mass are served by specialised account managers assigned to Retail Banking branches and overseen by the nearest Company Branch. As at 31 December 2017, Bankia had 43 Business Centres and two Corporate Banking Centres throughout Spain.

The Corporate Banking segment is made up of Bankia's largest accounts. The similarities of these large accounts are the size of the companies, the international nature of their businesses and the greater complexity and sophistication of their financial needs. These customers are served from two branches (one in Madrid and the other in Barcelona), staffed by teams of account managers, each specialising in a particular industry or sector.

3. Corporate Centre

The Corporate Centre includes all of the businesses and activities other than Retail Banking and Business Banking segments, including, among others, investees and assets or portfolios affected by the Restructuring Plan completed in December 2017. Most of these assets were classified as non-current assets held for sale.

Investees

Bankia has a diverse portfolio of investees, including subsidiaries, as well as associates and jointly-controlled entities. Disposals of non-core investees are carried out at all times in an orderly manner, after carefully weighing all available options and choosing those that offer the highest return.

Foreclosed assets

The BFA-Bankia Group manages, administer and sells its real estate assets through Haya Real Estate (**HRE**), whose mission is to dispose of the assets with the least possible impact on accounts. HRE handles technical maintenance, aimed at preserving the assets in optimal conditions, and sales-related activities (advertising, presence at events, relations with property agents, customer service, etc.). In 2016 the bank created the Property Management Directorate, which brings together the many functions that previously had been carried out by other areas. The creation of this unit brought greater efficiency and increased visibility of the portfolio as a whole, not only in terms of the physical properties but also in terms of their availability, limitations and encumbrances. The directorate coordinates sales through all channels, therefore also through the Group's commercial network, and prepares packages of assets for placement outside the retail circuit.

Financial Overview

Note about comparative information

The merger between Bankia and BMN was carried out with effect for accounting purposes from 1 December 2017. Therefore, the Bankia Group's balance sheet at the end of 2017 includes the assets and liabilities contributed by BMN in the merger process. The income statement for 2017 only included BMN's earnings for December. As a result, the merger with BMN impacted the changes in balance sheet totals at the end of 2017, whereas its impact on the consolidated income statement mainly entailed non-recurring restructuring costs incurred in December (€445 million included in staff expenses). BMN's contribution to the 2017 income statement from 1 December 2017 was therefore not material. Additionally, the merger between Bankia and BMN also impacts the comparison between the income statement totals for the first quarter of 2018, that includes BMN's contribution, and the first quarter of 2017.

Comments below on the most significant trends in the Group's main balance sheet and income statement items include explanations where the impact of the merger on the balance sheet and income statement is material for certain items, noting in these cases the performance relative to 2016 or the first quarter of 2017 on a same-scope basis.

Income and Expenses

The following table sets out information on income, expenses and profits of the Group for the first quarter of 2018 and 2017 and the financial years ended 31 December 2017 and 2016:

	(€ million)		(€ million)	
INCOME STATEMENT - BANKIA GROUP	**1Q 2018**	**1Q 2017**	**2017**	**2016**
NET INTEREST INCOME	**526**	**504**	**1,968**	**2,148**
Dividend income	1	6	9	4
Share of profit/(loss) of companies using the equity method	12	9	40	38
Total net fees and commissions	264	207	864	824
Gain and losses on financial assets and liabilities	139	161	367	241
Gains or losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss (net)	130	146	310	253
Gains or losses on financial assets and liabilities held for trading (net)	16	24	87	42
Gains or losses from hedge accounting (net)	(7)	(9)	(30)	(54)
Exchange differences	1	2	10	13
Other operating income and other operating expenses (net)	(3)	(3)	(194)	(102)
GROSS INCOME	**939**	**886**	**3,064**	**3,166**
Administrative expenses	(437)	(345)	(1,852)	(1,387)
Staff expenses	(305)	(235)	(1,390)	(907)
Other administrative expenses	(132)	(110)	(462)	(480)
Depreciation	(48)	(41)	(174)	(161)
Provisions or reversal of provisions	13	8	34	(96)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(116)	(107)	(329)	(221)
TOTAL OPERATING INCOME (NET)	**350**	**401**	**744**	**1,301**
Impairment or reversal of impairment on non-financial assets, investments in subsidiaries, joint ventures and associates	(4)	(9)	(14)	(8)
Other gains and losses (net)	(49)	12	(106)	(302)

PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**297**	**404**	**625**	**991**
Tax expense or income related to profit or loss from continuing operations	(67)	(100)	(131)	(189)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**230**	**304**	**494**	**802**
Profit or loss after tax from discontinued operations	-	-	-	-
PROFIT OR LOSS	**230**	**304**	**494**	**802**
Profit or loss attributable to minority interest	1	-	(11)	(2)
PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT	**229**	**304**	**505**	**804**

- ***First quarter results***

In the first quarter of 2018 the Group obtained an attributable profit of €229 million compared to €304 million in the same period of 2017, representing a decrease of 24.5 per cent. This decrease was due to a lower yield of fixed income portfolios, lower gains from other financial assets and the impact of the extraordinary gain obtained from the sale of Globalvia in the first quarter of 2017.

However, in terms of commercial activity, the first quarter of 2018 was positive as the Group increased credit originations in targeted sectors, obtained higher loyalty indexes and increased multi-channel customers. These advances were combined with further reductions in the NPL ratio and non-performing assets.

Net interest income in the first quarter of 2018 amounted to €526 million, representing an increase of 4.4 per cent. compared to the first quarter of 2017. This increase was due to the merger with BMN. On a same scope basis (i.e., including BMN results in the first quarter of 2017), the Group's net interest income would have decreased by 9.8 per cent. compared to the first quarter of 2017 due to a lower yield of the fixed income portfolios and repricing of loan portfolios (mainly mortgages) caused by the fall in the EURIBOR rate.

Net fee and commission income performed well in the first quarter of the year, reaching a total of €264 million, compared to €207 million in the first quarter of 2017 representing an increase of 27.2 per cent. This increase resulted from the sound performance of the retail banking on the back of increased collection activity and commercialisation of investment funds and insurance products. On a same-scope basis (i.e., incorporating BMN results in the first quarter of 2017), net fee and commission income in the first quarter of 2018 would have increased by 2.4 per cent. compared to the first quarter of 2017.

Net trading income decreased by €22 million and totalled €139 million in the first quarter of 2018, due to lower volumes of fixed-income sales.

Due to the reasons described above, the Group's gross income in the first quarter of 2018 increased by 6 per cent to €939 million compared to the first quarter of 2017. On a same-scope basis (i.e., incorporating BMN results in the first quarter of 2017), gross income would have decreased by €109 million or 10.4 per cent. compared to the first quarter of 2017.

Administrative expenses increased by 26.7 per cent. in the first quarter of 2018 to €437 million compared to the first quarter of 2017 due to the full integration of BMN results. On a same-scope basis (i.e., incorporating BMN results in the first quarter of 2017), the Group's administrative expenses would have increased by 1.6 per cent. in the first quarter of 2018 compared with the first quarter of 2017.

As at the end of the first quarter 2018 provisions and impairments of the Group remained unchanged compared to the first quarter of 2017 and equalled to €107 million. This reflected the integration of BMN's loan portfolio of over €20,000 million set off by the Group's on-going improvements in risk management and asset quality.

Other gains and other losses decreased from a €12 million gain in the first quarter of 2017 compared to a loss of €49 million in the first quarter of 2018. These gains and losses represented gains from deferred payment on the sale of Globalvia and allowances for foreclosed assets, respectively.

The Bankia Group's attributable profit decreased from €304 million in the first quarter of 2017 to €229 million in the first quarter of 2018 due to lower net trading income, the impact of maturities and sale of fixed-income portfolios on net interest income and the non-recurring profit recorded on the sale of Globalvia in the first quarter of 2017.

- ***Annual results***

In 2017 Bankia Group's profit attributable to owners decreased by 37.3 per cent. to €505 million compared to 2016 due to non-recurring staff costs arising from the integration of BMN of €445 million recognised in December 2017. On a same-scope basis (i.e., incorporating BMN results in 2017), Bankia would have obtained a net attributable profit of €816 million representing an increase of 1.4 per cent. in 2017 compared to 2016.

In 2017, Bankia Group's net interest income amounted to €1,968 million, representing a decrease of €180 million or 8.4 per cent. compared to 2016 due to the low interest rate environment and the drop in fixed-income portfolios yields caused by lower pricing of SAREB and Spanish sovereign bonds.

Net fees and commissions totalled €864 million in 2017, representing an increase of €40 million or 4.9 per cent. compared to 2016. This increase was primarily due to the growth of fees and commissions from investment funds and insurance products, collection services, contingent liabilities, structuring and design of financing operations on the back of increased activity and stronger customer loyalty.

In 2017 gains on financial assets and liabilities increased by 52.3 per cent. to €367 million compared to 2016 due to gains obtained on fixed-income sales.

Other operating expenses increased by 90.2 per cent. to €194 million in 2017 compared to 2016 due to a gain on the sale of Visa Europe of €58 million, lower income generated from leased property in 2017 and the increased contribution to the deposit guarantee fund in 2017.

As a result of the above, the Group's gross income decreased by 3.2 per cent. from €3,166 million in 2016 to €3,064 million in 2017.

Administrative expenses increased by 33.6 per cent. to €1,852 million compared to 2016 as a result of the non-recurring staff costs arising from the integration with BMN (€445 million). On a same-scope basis (i.e., excluding BMN results from 2017), administrative expenses would have remained in line with 2016.

Impairments and provisions decreased by 5.6 per cent. in 2017 compared to 2016 due to the focus on the credit quality of assets.

Other losses decreased by 64.9 per cent. to €106 million in 2017 compared to 2016 due to the €47 million gain in 2017 from the deferred payment on the sale of Globalvia and additional allowances for foreclosed assets.

As a result of the above, the Group had attributed profit of €505 million in 2017 compared to €804 million in 2016.

Assets and liabilities

As at 31 March 2018, the Group had total assets of €209,043 million compared to €213,932 million as at 31 December 2017 and €190,167 million as at 31 December 2016, and liabilities of €195,526 million compared to €200,319 million as at 31 December 2017 and €177,330 million as at 31 December 2016.

The following table sets forth selected information on assets and liabilities of the Group as at 31 March 2018, 31 December 2017 and 31 December 2016:

	(€ million)		
BALANCE SHEET - BANKIA GROUP	**31 March 2018**	**31 December 2017** (1)	**31 December 2016** (1)
Cash, cash balances at central banks and other demand deposits	4,151	4,504	2,854
Financial assets held for trading	6,451	6,773	8,331
Derivatives	6,328	6,698	8,256
Equity instruments	4	74	71
Debt securities	120	2	5
Financial assets not held for trading designated at fair value through profit or loss	9	-	-
Loans and advances to customers	9	-	-
Financial assets designated at fair value through equity	19,009	22,745	25,249
Equity instruments	70	71	26
Debt securities	18,939	22,674	25,223
Financial assets measured at amortised cost	158,385	158,711	136,509
Debt securities	34,485	32,658	28,254
Loans and receivables	123,900	126,053	108,254
Loans and advances to credit institutions	3,498	3,028	3,578
Loans and advances to customers	120,402	123,025	104,677
Derivatives - Hedge accounting	2,913	3,067	3,631
Investments in joint ventures and associates	329	321	282
Tangible and intangible assets	2,638	2,661	1,878
Non-current assets and disposal groups classified as held for sale	3,169	3,271	2,260
Tax assets	11,010	11,005	8,320
Deferred tax assets	10,734	10,530	7,963
Current tax assets	276	475	357
Other assets	979	874	854
TOTAL ASSETS	**209,043**	**213,932**	**190,167**
Financial liabilities held for trading	7,120	7,421	8,983
Derivatives	6,815	7,078	8,524
Short positions	306	343	459
Financial liabilities measured at amortised cost	184,378	188,898	164,636
Deposits from central banks	15,356	15,356	14,969
Deposits from credit institutions	21,201	22,294	23,993
Customer deposits	127,010	130,396	105,155
Debt securities issued	19,557	19,785	19,846
Other financial liabilities	1,254	1,067	673
Derivatives - Hedge accounting	389	378	724
Provisions	2,019	2,035	1,405
Tax liabilities	798	707	665
Liabilities included in disposal groups classified as held for sale	6	9	1
Other liabilities	816	871	916
TOTAL LIABILITIES	**195,526**	**200,319**	**177,330**

BALANCE SHEET - BANKIA GROUP	(€ million) 31 March 2018	31 December 2017 (1)	31 December 2016 (1)
Minority interests (Non-controlling interests)	25	25	45
Accumulated other comprehensive income	531	366	489
Own funds	12,960	13,222	12,303
TOTAL EQUITY	**13,516**	**13,613**	**12,837**
TOTAL EQUITY AND TOTAL LIABILITIES	**209,043**	**213,932**	**190,167**

(1) For comparison purposes, the information on assets and liabilities of the Group shown at 31 December 2017 and 31 December 2016 is adapted to IFRS-EU 9 criteria, which according to European Union rules, is mandatory since 1 January 2018. The adaptation merely implies debt securities portfolios reclassification and nomenclature changes, as the Bankia Group took the decision to not restate the accounts, as permitted in the regulation.

Loans and advances to customers have totalled €120,411 million as at 31 March 2018 representing a decrease of 2.1 per cent. compared to 31 December 2017. This was due to a decrease in mortgage lending and non-performing loans reflecting deleveraging in the sector and focus of the Group's management on reducing NPLs, both organically and through the sale of credit portfolios. However, mortgage lending increased by 18 per cent. and SME financing increased by 13 per cent. in the first quarter of 2018, in line with the Group's goal to grow these businesses. As at 31 December 2017, loans and advances to customers amounted to €123,025 million representing an increase of 17.5 per cent. compared to 31 December 2016, mostly due to the integration of BMN's credit portfolios. On a same-scope basis (i.e., excluding BMN results from 2017), loans and advances to customers remained largely stable from 31 December 2016.

Customer deposits decreased by €3,386 million or 2.6 per cent. to €127,010 million as at 31 March 2018 compared to 31 December 2017. This decrease reflects a decrease in the volume of repurchase agreements, mainly repurchase agreements carried out through clearing and settlement houses, which decreased by €2,119 million or 79.6 per cent. since 31 December 2017 and €934 million decrease in the amount of strict customer deposits (i.e., customer deposits excluding repurchase agreements and one-off non-marketable mortgage-backed securities). As at 31 December 2017 customer deposits totalled €130,396 million, representing an increase of 24 per cent. compared to 31 December 2016. This increase was due to the merger with BMN, which contributed €28,904 million of customer deposits to the Group as at 1 December 2017.

The Group has a selective policy of issuance on the international bond markets, and endeavours to adapt the frequency and volume of market operations to the Group's structural liquidity requirements, maintaining an appropriate funding structure. No new debt issues have been raised in the first quarter of 2018. However, during 2017 €1,250 million were raised in the market through new debt issues. These include (i) the €500 million issue of 10-year Tier 2 subordinated bonds which was completed on 2 March 2017; and (ii) the €750 million issue of Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities which was completed on July 2017.

As at 31 March 2018 financial assets designated at fair value through equity totalled €19,009, representing a decrease of 16.4 per cent. compared to 31 December 2017 due to sales and maturities of the public and private debt held in the portfolio. Part of the funds obtained from sales and maturities were reinvested in debt securities measured at amortised cost, which totalled €34,485 as at 31 March 2018, representing an increase of 5.6 per cent. from 31 December 2017. As of 31 December 2017 financial assets designated at fair value through equity decreased by €2,504 million or 9.9 per cent. to €22,745 million, whilst debt securities measured at amortised cost increased by €4,403 million, representing an increase of 15.6 per cent. compared to 31 December 2016, due to the reinvestment of funds and the integration of BMN's bond portfolio.

As at 31 March 2018, provisions equalled to €2,019 million, which was in line with provisions as at 31 December 2017. As at 31 December 2017 provisions amounted to €2,035 million, representing an increase of €630 million or 44.8 per cent from 31 December 2016 due to €448 million of provisions contributed by BMN as at 1 December 2017 and €445 million of non-recurring provisions set aside to cover staff restructuring costs related to the Bankia-BMN merger.

Credit quality

The table below shows the Group's NPL ratios and coverage as at 31 March 2018, 31 December 2017 and 31 December 2016:

	(€ million and %)		
CREDIT QUALITY - BANKIA GROUP	**31 March 2018**	**31 December 2017**	**31 December 2016**
Doubtful debts[(1)]	11,631	12,117	11,476
Total risk	134,258	136,353	117,330
Total provisions	6,412	6,151	6,323
NPL ratio[(2)] (%)	8.7	8.9	9.8
NPL coverage ratio (%)	55.1	50.8	55.1

(1) Doubtful debts include non performing customer loans and contingent liabilities.
(2) Gross book balance (before provisions) of doubtful risks on loans, advances to customers and contingent risks over total gross loans, advances to customers and contingent risks.

Doubtful debts fell by 4 per cent. from €12,117 million as at 31 December 2017 to €11,631 million at the end of March 2018. This improvement is due to the decrease in doubtful debts inflows, stronger efforts in monitoring and recovery management and sales of doubtful and extremely doubtful assets in the first quarter of 2018. As a result, the NPL ratio fell to 8.7 per cent. at 31 March 2018, representing a decrease of 0.2 percentage points compared to 31 December 2017. To cover these doubtful exposures, the Group's total allowance for insolvencies at 31 March 2018 amounted to €6,412 million, leaving an NPL coverage ratio of 55.1 per cent.

As at 31 December 2017, doubtful debts were €12,117 million, representing an increase of €641 million as at 31 December 2016. The increase was the result of the integration of BMN's assets in December 2017. The NPL ratio at 31 December 2017 was 8.9 per cent., representing a decrease of 0.9 percentage points compared to 31 December 2016.

As at 31 March 2018, the Group's refinanced loan portfolio was €11,969 million compared to €12,579 million as at 31 December 2017. The coverage ratio of the refinanced loan portfolio was 27.3 per cent. and NPLs accounted for 59.3 per cent. of the portfolio as at 31 March 2018.

Solvency levels

As at 31 March 2018, the Group's CET1 phased-in ratio was 13.90 per cent. and a total capital ratio phased-in was 16.89 per cent. (calculated in accordance with CRR and CRD IV Basel III capital standards) compared to 14.15 per cent. and 16.84 per cent., respectively, as at 31 December 2017 and 15.08 per cent. and 16.42 per cent., respectively, as at 31 December 2016.

From 31 December 2017 to 31 March 2018 the Bankia Group's CET1 levels decreased by 25 basis points mostly due the full implementation of the new IFRS-EU 9, partially offset by the Group's organic generation of CET1 (21 basis points). The total capital ratio as at 31 March 2018 increased by 5 basis points compared to 31 December 2017, as the decrease in the CET1 phased-in ratio was compensated with the positive effect of the higher provisions computable in Tier 2 after IFRS-EU 9 has been implemented.

From 31 December 2016 to 31 December 2017 the Bankia Group's CET1 decreased by 93 basis points and the total capital ratio increased by 42 basis points due to the additional RWAs and the non-recurring restructuring costs associated with the integration of BMN. As at 31 December 2017, the merger with BMN had an estimated negative impact on the CET 1 phased-in ratio and total solvency of 283 basis points and 322 basis points, respectively, which was absorbed by internal capital without tapping the market. On a same-scope basis (i.e., excluding BMN results from 2017), in 2017 the Bankia Group generated CET 1 capital of 190 basis points and total solvency would have increased by 364 basis points. These capital trends were driven mainly by organic CET1 generation, in line with the Group's objective of reinforcing CET1 given its permanence, availability and greater loss absorption capacity in accordance with Basel III capital requirements. In addition to the organic capital generation model, other drivers for these capital trends were gradual deleveraging and quality increase in

portfolio assets, which included a decrease of €1,554 million in RWAs for market risk driven by the review of calculation models.

In 2017 Bankia reinforced its total capital ratio mainly by (i) the €500 million issue of 10-year Tier 2 subordinated bonds in March 2017 and (ii) the €750 million issue of Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities in July 2017.

The merger with BMN increased Tier II capital of the Group by €175 million.

This capital generation model and stable results allow the Group to preserve capital in anticipation of more stringent regulatory developments, satisfy shareholders' expectations, absorb potential macroeconomic turbulences and ensure financial flexibility necessary to continue the development of activities.

The tables below shows both phased-in and fully loaded capital ratios of the Group as at 31 March 2018, 31 December 2017 and 2016, calculated in accordance with the CRR and CRD IV:

BASEL III CAPITAL STANDARDS (PHASED-IN) [1]	**31 March 2018 [2] (€ million and %)**	**31 Dec 2017 [2] (€ million and %)**	**31 Dec 2016 [2] (€ million and %)**
Total capital	14,484	14,487	12,636
Common Equity Tier I (CET1)	11,923	12,173	11,606
Tier I capital	12,673	12,856	11,606
Tier II capital	1,811	1,632	1,030
Risk-weighted assets	85,772	86,041	76,959
Common Equity Tier 1 (CET1) minimum requirement	7,344	6,776	7,936
Common Equity Tier 1 (CET1) excess / (shortfall)	4,579	5,398	3,670
Total capital minimum requirement	10,346	9.787	7,936
Total capital excess / (shortfall)	4,138	4,700	4,700
Common equity Tier I (CET1) (%)	13.90	14.15	15.08
Tier I capital (%)	14.77	14.94	15.08
Tier II capital (%)	2.11	1.90	1.34
Total capital ratio (%)	16.89	16.84	16.42
CET1 ratio minimum requirement (%)	8.56	7.88	10.31
Total capital ratio minimum requirement (%)	12.06	11.38	10.31

(1) Solvency ratios are calculated in accordance with CRR and CRD IV.
(2) Solvency ratios include the amount of the net profit earmarked for reserves obtained in each period.

BASEL III CAPITAL STANDARDS (FULLY LOADED) [1]	31 March 2018 [2] (€ million and %)	31 Dec 2017 [2] (€ million and %)	31 Dec 2016 [2] (€ million and %)
Total capital	13,436	13,289	11,497
Common Equity Tier I (CET1)	10,875	10,897	10,467
Tier I capital	11,625	11,647	10,467
Tier II capital	1,811	1,642	1,030
Risk-weighted assets	85,772	86,041	76,959
Common Equity Tier 1 (CET1) minimum requirement	7,934	7,959	8,081
Common Equity Tier 1 (CET1) excess / (shortfall)	2,941	2,938	2,386
Total capital minimum requirement	10,936	10,970	8,273
Total capital excess / (shortfall)	2,500	2,318	3,224
Common equity Tier I (CET1) (%)	12.68	12.66	13.60
Tier I capital (%)	13.55	13.53	13.60
Tier II capital (%)	2.11	1.91	1.34
Total capital ratio (%)	15.66	15.44	14.94
CET1 ratio minimum requirement (%)	9.25	9.25	10.50
Total capital ratio minimum requirement (%)	12.75	12.75	10.75

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(1) Solvency ratios are calculated in accordance with CRR and CRD IV.
(2) Solvency ratios include the amount of the net profit earmarked for reserves obtained in each period.

In December 2017, the ECB notified the Group that in 2018 the Group is required to maintain a minimum phased-in CET1 ratio of 8.56 per cent. and a minimum phased-in total capital ratio of 12.06 per cent. These capital ratios include: (i) the Pillar 1 requirement (CET1 of 4.5 per cent. and total capital of 8 per cent.), (ii) the Pillar 2 requirement (CET1 of 2.0 per cent.), (iii) the capital conservation buffer (CET1 of 1.875 per cent.), and the requirement arising from the Group's status as the other systemically important institution, which has been set at 0.1875 per cent. for CET1 in 2018.

The Group's CET1 phased-in of 13.90 per cent. as at 31 March 2018 means a surplus of €4,579 million above the current 8.56 per cent. regulatory minimum CET1 requirement. The Group's total capital of 16.89 per cent. implies a surplus of €4,138 million above the current 12.06 per cent. regulatory minimum total capital ratio requirement.

The following tables show the evolution of the Group's leverage ratio since 2016 both in a phased-in and fully loaded perspective, calculated in accordance with Commission Delegated Regulation (EU) 62/2015 of October 2014 (**Delegated Regulation 62/2015**):

Basel III Leverage ratio (Phased-in) [1]	31 March 2018[2] (€ million and %)	31 December 2017 [2] (€ million and %)	31 December 2016 [2] (€ million and %)
Tier I capital Phased-in	12,673	12,856	11,606
Leverage ratio exposure	209,805	213,505	189,492
Leverage ratio Phased-in (%)	6.04	6.02	6.12

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(1) Leverage ratios calculated in accordance with CRR and Delegated Regulation 62/2015.
(2) Ratios include the amount of the net profit earmarked for reserves obtained in each period.

Basel III Leverage ratio (Fully loaded) [1]	31 March 2018 [2] (€ million and %)	31 December 2017 [2] (€ million and %)	31 December 2016 [2] (€ million and %)
Tier I capital fully loaded	11,625	11,647	10,467
Leverage ratio exposure	208,757	212,236	188,190
Leverage ratio fully loaded (%)	5.57	5.49	5.56

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(1) Leverage ratios calculated in accordance with CRR and Delegated Regulation 62/2015.
(2) Ratios include the amount of the net profit earmarked for reserves obtained in each period.

Since 31 December 2016, the leverage ratio exceeded the 3 per cent. minimum defined by the Basel Committee on Banking Supervision.

Material/Significant Change

There has been no material adverse change in the prospects of the Issuer since 31 December 2017, the date of its last published audited financial statements. There has been no significant change in the financial position of the Group since 31 March 2018.

Capital structure

As at the date of this Base Prospectus, the Issuer's share capital is €3,084,962,950.00 divided into 3,084,962,950 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.

The Issuer's shares are admitted to trading on the Spanish stock exchanges through the Stock Exchange Interconnection System (*Sistema de Interconexión Bursátil*). As a listed company, the Issuer is subject to the supervision of the CNMV.

Major Shareholders

The following table sets forth information as of the date of this Base Prospectus concerning the significant ownership interests of Bankia's shares (as defined by Spanish regulations, those who hold a stake in the Issuer's share capital representing 3 per cent or more of the total voting rights, or 1 per cent 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:

	Ownership (voting rights)		
Name of shareholder	**Direct**	**Indirect**	**% Total**
Artisan Partners Asset Management Inc.[(1)]	--	94,710,710	3.070
BFA Tenedora de Acciones, S.A.	1,888,895,546	--	61.25
Invesco Limited[(2)]		30,115,041	1.046

(1) Artisan Partners Asset Management Inc. holds its stake through Artisan Partners Limited Partnership.
(2) Invesco Limited holds its stake through Invesco Asset Management Limited (1.038%) and other entities (0.007%).

As at the date of this Base Prospectus, 61.25 per cent. of the Issuer's share capital was held by BFA. As a result, BFA has decisive influence regarding all matters requiring a decision of a majority of the shareholders, including, among others, the appointment of directors (with the legal limitations of proportional representation established by Spanish law), increase or reduction of capital and amendment of the bylaws.

BFA and Bankia and their respective subsidiaries have various commercial and financial relationships. In accordance with the corporate governance recommendations, Bankia and BFA have entered into a framework agreement which, among others, regulates the scope of activity of both companies and establishes mechanisms to prevent conflicts of interest. This agreement also includes the obligation that operations between BFA and Bankia be undertaken on market terms, and that entering into, amending or renewing them (as well as any material operations that, by reason of those undertaking them, are treated as being related) must be approved by the Board of Directors of Bankia, after a favourable report from the Audit and Compliance Committee. This report must expressly decide on the essential proposed terms and conditions (term, purpose, price, etc.).

Dividends

The following table sets forth the dividends distributed by the Issuer in 2016, 2017 and 2018:

DIVIDENDS	2018	2017	2016
Date	20/04/2018	31/03/2017	31/03/2016
Gross per share	€0.11024	€0.02756	€0.02625
Net per share	€0.0892944	€0.0223236	€0.0212625
Total amount (in millions)	€338,0	€315.9	€300.7
Currency	Euro	Euro	Euro
Class	Ordinary	Ordinary	Ordinary
Concept	Results 2017	Results 2016	Results 2015
Ex-dividend Date	18/04/2018	29/03/2017	31/03/2016

Administrative, Management and Supervisory Bodies

Board of Directors

The table below sets out the names of the members of the Board of Directors of the Issuer as at the date of this Base Prospectus, the respective dates of their last appointment, their positions within the Issuer and the nature of their membership:

Date of last appointment	Name	Title	Nature of membership
24 March 2017	Mr. José Ignacio Goirigolzarri Tellaeche	Chairman	Executive
15 March 2016	Mr. José Sevilla Álvarez	Chief Executive Officer	Executive
24 March 2017	Mr. Antonio Ortega Parra	Member	Executive
14 September 2017	Mr. Carlos Egea Krauel	Member	Executive
15 March 2016	Mr. Joaquín Ayuso García	Lead Director	Independent
15 March 2016	Mr. Francisco Javier Campo García	Member	Independent
15 March 2016	Mrs. Eva Castillo Sanz	Member	Independent
24 March 2017	Mr. Jorge Cosmen Menéndez-Castañedo	Member	Independent
24 March 2017	Mr. José Luis Feito Higueruela	Member	Independent
24 March 2017	Mr. Fernando Fernández Méndez de Andés	Member	Independent
15 March 2016	Mr. Antonio Greño Hidalgo	Member	Independent

The table below sets forth the names of the members of the Board of Directors of the Issuer and their principal activities outside the Issuer at any time in the last five years and as at the date of this Base Prospectus:

Name	Company	Position or Function
Mr. José Ignacio Goirigolzarri Tellaeche	BFA, Tenedora de Acciones, S.A.U.	Individual representative Chairman (currently)
	Confederación Española de Cajas de Ahorros (CECA)	Vice Chairman (currently)
	Mapfre, S.A.	Director (until September 2013)
	On Off Investments, S.A.	Vice Chairman (until October 2013)
Mr. José Sevilla Álvarez	BFA, Tenedora de Acciones, S.A.U.	Director (currently)
Mr. Antonio Ortega Parra	BFA, Tenedora de Acciones, S.A.U.	Director (currently)
	Cecabank, S.A.	Director (currently)
Mr. Carlos Egea Krauel	Confederación Española de Cajas de Ahorros (CECA)	Secretary of the Board of Directors (until January 2018)
	CASER, S.A.	Director (until March 2016)
	Fundación Caja Murcia	Chairman (currently)
	Banco Mare Nostrum, S.A.	Chairman (until January 2018)
	Caja de Ahorros de Murcia	Chairman (until June 2014)
	Ahorro Corporación, S.A.	Vicechairman (until April 2014)
	Cecabank, S.A.	Director (until March 2013)
	Cyum Tecnologías y Comunicaciones, S.L.	Director (until November 2013)
	Infocaja, S.L.	Director (until October 2013)
Mr. Joaquín Ayuso García	Ferrovial, S.A.	Vice Chairman (currently)
	National Express Group Plc.	Director (currently)

Name	Company	Position or Function
	Hispania Activos Inmobiliarios, S.A.	Director (currently)
	Autopista del Sol Concesionaria Española, S.A.	Chairman (currently)
Mr. Francisco Javier Campo García	Cortefiel, S.A.	Individual representative Chairman (until June 2016)
	Asociación Española de Codificación Comercial (Aecoc)	Individual representative Chairman (currently)
	Food Service Project, S.L. (ZENA)	Individual representative Chairman (until October 2014)
	Grupo Empresarial Palacios Alimentación, S.A.	Individual representative Director (until June 2014) and shareholder (currently)
	Meliá Hotels International, S.A.	Director (currently)
	Exit Brand Management, S.L.	Shareholder (currently)
	Tuera 16, S.A., S.C.R. de Régimen Simplificado	Chairman (until March 2015) and Shareholder (currently)
Mrs. Eva Castillo Sanz	Telefónica, S.A.	Director (until April 2018)
	Telefónica Deutschland, GMBH	Chairman Supervisory Board (until May 2018)
	Visa Europe	Director (until December 2016)
	Telefónica Europa Plc	Chairman (until March 2014)
	Telefónica Czech Republic, A.S.	Chairman Supervisory Board (until January 2014)
	Tuenti Technologies, S.L.	Chairman (until June 2014)
	Fundación Comillas-ICAI	Trustee (currently)
	Fundación Telefónica	Trustee (until April 2018)
	Fundación Entreculturas	Trustee (currently)
Mr. Jorge Cosmen Menéndez-Castañedo	Brunolivia, S.L.	Joint and Several Administrator (until January 2015) and shareholder (currently)
	Estudios de Política Exterior, S.A.	Individual representative Director (until March 2015)
	National Express Group Plc.	Vice Chairman (currently)
	Autoreisen Limmat	Director (until January 2015)
	Lusocofinex, S.L.	Director (until January 2015)
	General Técnica Industrial, S.L.U.	Individual representative Director (currently)
	Fundación Integra	Trustee (currently)
	Fundación Consejo España China	Trustee (currently)
Mr. José Luis Feito Higueruela	Mundigestión, S.L. Gestión Administrativa	Shareholder (currently)
	Red Eléctrica Corporación, S.A.	Director (currently)
Mr. Fernando Fernández Méndez de Andés	BFA, Tenedora de Acciones, S.A.U.	Director (until October 2015)
	Red Eléctrica Corporación, S.A.	Director (currently)
	Pividal Consultores, S.L.U.	Chairman (until November 2016)
Mr. Antonio Greño Hidalgo	BFA, Tenedora de Acciones, S.A.U.	Director (until March 2016)
	Catalunya Bank, S.A.	Individual representative Director (until April 2015)
	Liberty Seguros, Compañía de Seguros y Reaseguros, S.A.	Director (currently)
	PricewaterhouseCoopers	Shareholder (until June 2014)

As at the date of this Base Prospectus, there were no conflicts of interest, or potential conflicts of interest, between any duties toward the Issuer of any of the members of the Board of Directors of the Issuer and their respective private interests and/or any other duties.

The business address of each member of the Board of Directors is Paseo de la Castellana 189, Torre Bankia, 28046, Madrid, Spain.

Management Committee

Bankia's senior management consists of three executive directors (José Ignacio Goirigolzarri Tellaeche, José Sevilla Álvarez and Antonio Ortega Parra) and a Management Committee. The table below sets out the names of the members of the Management Committee of the Issuer as at the date of this Base Prospectus, the respective dates of their appointment and their positions within the Issuer:

Date of appointment	**Name**	**Office**
16 May 2012	Mr. Miguel Crespo Rodríguez	General Secretary
25 May 2012	Ms. Amalia Blanco Lucas	Deputy General, Director of Communication and External Relations of the Group
25 June 2014	Mr. Fernando Sobrini Aburto	Deputy General Director of Retail Banking
25 June 2014	Mr Gonzalo Alcubilla Povedano	Deputy General Director of Business Banking
7 May 2018	Mr. Joaquín Canovas Páez	Deputy General Director for Investees and Associated Undertakings

The table below sets forth the names of the members of the Management Committee and the Internal Auditing Director and their principal activities outside the Issuer at any time in the last five years and as at the date of this Base Prospectus:

Name	**Company**	**Position**
Ms. Amalia Blanco Lucas	A contracorrientefilms, S.L.	Chairman (currently)
	Madrid Deportes y Espectáculos, S.A.	Representative of the Director Promoción y Participación Empresarial Caja Madrid, S.A. (until July 2013)
	Multipark Madrid, S.A.	Representative of Mediación y Diagnóstico, S.A. (until July 2013)
	Fundación por Causa	Trustee (currently)
Mr. Fernando Sobrini Aburto	Mapfre Familiar Cía. de Seguros y Reaseg., S.A.	Representative of the Director Valoración Control S.L. (until April 2014)
	Mapfre Vida, S.A. Seguros y Reaseguros	Representative of the Director Participaciones y Cartera de Inversión S.L. (until abril 2014)
	Bankia Banca Privada S.A.U.	Chairman (until July 2013)
	NH Hoteles, S.A.	Representative of the Director Corporación Financiera Caja Madrid, S.A.U. (until April 2013)
	Mapfre Asistencia, Cía Internacional de Seguros y Reaseg.	Representative of the Director Participaciones y Cartera de Inversión S.L. (until November 2013)
	Mapfre Caja Madrid Vida S.A. de Seguros y Reaseg.	Representative of the Director Valoración Control S.L. (until October 2014)
	Bankia Fondos SGIIC S.A.	Chairman (until october 2016)
	Bankia Pensiones, S.A., EGFP	Chairman (currently)
Mr. Gonzalo Alcubilla Povedano	Deoleo, S.A.	Representative of the Director Inmogestión y Patrimonios, S.A. (until June 2014)
	Global Vía Infraestructuras, S.A.	Representative of the Director Inmogestión y Patrimonios, S.A. (until March 2016)
	Mapfre Inmuebles, SGA, S.A.	Representative of the Director Participaciones y Cartera de Inversión, S.L. (until May 2013)
	Mapfre Seguros de Empresas Compañía de Seguros y Reaseguros, S.A.	Representative of the Director Participaciones y Cartera de Inversión, S.L. (until April 2014)
	Indra Sistemas, S.A.	Representative of the Director Participaciones y Cartera de Inversión, S.L. (until August 2013)
Mr. Joaquín Canovas Páez	Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A.	Representative (until June 2013) Representative of Banco Mare Nostrum, S.A. (until September 2014)
	Information Technology Nostrum, S.L.	Representative of the Director Gesmare Sociedad

Name	Company	Position
		Gestora, S.L.U. (until September 2014)
	Caja de Seguros Reunidos Compañía de Seguros y Reaseguros, S.A.	Representative of the Director Gesnostrum Sociedad Gestora, S.L.U. (currently)
	Lico Corporación, S.A.	Representative of the Director Banco Mare Nostrum, S.A. (until May 2014)
	Cecabank, S.A.	Representative (until January 2018)

As at the date of this Base Prospectus, there were no conflicts of interest, or potential conflicts of interest, between any duties toward the Issuer of any of the members of the Board of Directors or the Management Committee of the Issuer and their respective private interests and/or any other duties.

Employees

As at 31 March 2018, the Group had 17,842 employees (compared to 17,757 as of 31 December 2017).

Litigation

As at the date of this Base Prospectus, certain legal proceedings and claims were on-going against the Bankia Group. The Group has recorded provisions of €334 million for taxes and other legal contingencies accounted for as at 31 March 2018. The Bankia Group estimates that it has recorded the necessary provisions for the different types of risks. However, the proceedings against Bankia or its subsidiaries described below could have significant effects on the financial position and profitability of the Group.

IPO litigation

The Group is involved in certain criminal and civil procedures taken against Bankia regarding the sale of shares in the context of its IPO in July 2011.

With regard to the civil procedures, on 27 January 2016 Bankia was notified by the Spanish Supreme Court of two judgments in favour of retail investors who subscribed for Bankia's shares in the context of its IPO. On 17 February 2016, Bankia announced the settlement of claims of retail investors, in exchange for the return of their shares to the Issuer.

In addition, 96 claims have been filed by institutional investors, 89 from the primary market and 7 from investors who acquired shares on the secondary market. As at 31 March 2018, 72 rulings have been issued at first instance, of which 17 are favourable and 55 unfavourable to Bankia. In the second instance, 26 rulings were issued, 22 unfavourable and 4 favourable to Bankia. In the secondary market, 6 rulings have been issued in the first instance, 5 favourable to Bankia and 1 unfavourable to Bankia.

As at 31 March 2018, 1,634 proceedings were on-going against Bankia requesting payments relating to its IPO. The total risk exposure in respect of these claims amounts to €79 million, of which €64 million relate to claims that have been filed by institutional investors.

As of 31 March 2018, the BFA-Bankia Group had used provisions amounting to €1,857 million, of which €753 million related to Bankia and €1,104 million to BFA in application of the agreement entered into between the two institutions where Bankia assumed a first-loss tranche of 40 per cent. of the estimated cost and BFA the remaining 60 per cent. The total cost for the BFA-Bankia Group is currently estimated at €18 million based on information available as of March 2018.

The assumptions used to estimate this provision are reviewed, updated and validated regularly. The key assumptions that can have a material impact on this provision include the number of claims to be received and expectations regarding the outcome and profile of the claimants due to their inherent uncertainty.

Preliminary Proceedings nº 59/2012 before the Central Court of Instruction (Juzgado Central de Instrucción) nº 4 of the National Audience (Audiencia Nacional). As described above, the criminal proceedings investigate Bankia's IPO and the reformulation of 2011 financial statements. On 17 November 2017, the Central Court of

Instruction Nº. 4 of the National Audience issued an order opening the oral trial phase. The order agreed to the opening of oral proceedings for the crimes of falsification in the annual accounts, typified in article 290 of the Penal Code and investors fraud established in article 282 bis of the Penal Code against certain former directors, executives and former directors of Bankia and BFA, the External Auditor (Deloitte) and against BFA and Bankia as legal entities. At this stage of the proceedings, it is not possible to determine when the trial phase will end or its final result. Further, any ruling may be subject to appeal and further review.

Claims Related to Hybrid Instruments

The former Restructuring Plan provided for the actions of the management of hybrid instruments (preferred securities and subordinated debt), which were implemented within the context of the principles and objectives related to the sharing of the restructuring costs of the financial institutions established in Law 9/2012. In May 2013, as part of the Restructuring Plan, the process of exchange of hybrid instruments and subordinated debt of the BFA-Bankia Group was completed. The amount of capital actually generated by the hybrid management actions was, as forecasted, €6.7 billion at the BFA-Bankia Group level, of which €4.9 billion was new capital in Bankia.

According to an agreement dated 31 January 2014, BFA and Bankia agreed between themselves that Bankia's liability in respect of the claims which are the subject of court proceedings should be limited to a maximum amount of €246 million and that BFA will compensate Bankia if it suffers any liability in respect of the hybrid instruments in excess of this figure. Also, in accordance with such agreement, BFA will assume the obligations derived from the enforcement of the arbitral awards which are the subject of consumer arbitration as well as the expenses resulting from the implementation and enforcement of such arbitral proceedings.

Based on the claims made and in consideration of the agreement with BFA limiting Bankia's liability in relation to such claims, as well as the agreement of the FROB's steering committee, Bankia had established a provision regarding its contingent liability in respect of the claims of investors in hybrid instruments of €246 million (of which €230 million was provisioned in 2013 and the remaining €16 million in 2014), which had been used in full during 2015.

As at 31 December 2015, BFA established an additional provision of €415 million regarding its contingent liability in respect of any potential claims of investors in hybrid instruments. As at 31 March 2018 the total provision amounted to €151 million.

As at the date of this Base Prospectus, the BFA-Bankia Group is subject to claims in several courts from a number of investors in hybrid instruments seeking declarations of nullity in respect of terms alleged to be abusive, including the terms related to its long-term maturity or perpetual nature, the issuer's right to call for redemption, and the linkage of payments under the instruments to profitability. As at 31 March 2018, the total estimated risk exposure in relation to such claims is €163 million having already paid BFA as court deposit €26.7 million.

As at the date of this Base Prospectus, the following proceedings involving the Bankia Group were on-going in relation to the hybrid instruments:

- *Preliminary Proceedings nº 59/2012 before the Central Court of Instruction (Juzgado Central de Instrucción) nº 4 of the National Audience (Audiencia Nacional)*. This criminal proceeding investigates Bankia's IPO and the reformulation of 2011 Financial statements. It was brought by, among others, Unión Progreso y Democracia (**UPyD**) against Bankia, BFA, and the previous members of their respective Boards of Directors in respect of charges of fraud, misappropriation, falsification of accounts, fraudulent management and artificial price disruption (*alteración del precio de las cosas*).

- *Class action for an injunction for abusive characteristics contained in prospectuses of the hybrid instruments (participaciones preferentes) and subordinated debentures*. This class action was submitted by the Association for Clients of Banks, Savings Banks and Insurance (*Asociación de Usuarios de Bancos Cajas y Seguros*) ADICAE and holders of hybrid instruments and subordinated debentures. The lawsuit requests the nullification as abusive certain clauses contained in the issuance prospectuses by the Savings Banks of origin, including those related to the perpetuity and long-term

maturity of the instruments, the right of redemption by the issuer before a period of five years, coupon payments and benefits conditional on profitability. In the case that a class action is resolved against Bankia, clients will be able to adhere to that class action.

The following cases are included in the class action proceedings:

- Action brought before the Commercial Court (*Juzgado de lo Mercantil*) nº 5 of Madrid by ADICAE and several hybrid instruments and subordinated debentures holders in relation to the issuance of hybrid instruments with a par value of €3,000 million by Caja Madrid in 2009. On 16 February 2017, the Commercial Court (*Juzgado de lo Mercantil*) nº 5 of Madrid ruled in favour of Bankia as follows: (i) to dismiss the action of injunction for misleading and illicit publicity; (ii) to dismiss the action of cessation by abusive commercial practice, when declaring the legal character of preferred shares; (iii) to dismiss the nullity of the share purchase agreement on grounds that the terms contained in it which were deemed to be unfair were not essential. The risk remains that the adherents to the claim could file individual claims on grounds of mistake (*error del consentimiento*). On 24 March 2017, an appeal was submitted by ADICAE. Bankia has opposed to this appeal and the Court decision in the second instance is pending.

- Action brought before the Commercial Court (*Juzgado de lo Mercantil*) nº 3 of Valencia (Order 303/13) seeking the nullity of general terms and conditions in relation to the issuance of hybrid instruments issued by Caja Insular de Canarias in 2004 and 2008, each with a nominal amount of €30 million. On 19 July 2017, the second instance Court ruled in favour of Bankia and a causation appeal has been submitted to the Supreme Court. Bankia has opposed to the causation appeal and the decision of the Supreme Court is pending.

- Ordinary legal proceeding 110/2013 before the Commercial Court (*Juzgado de lo Mercantil*) nº 1 of Valencia involving the 3º, 8º and 10º issuance of subordinated debentures by Bancaja with an aggregate nominal amount of €1,300 million (preliminary hearing suspended as separation of the proceeding into different individual claims (*desacumulación de acciones*) was agreed. The decision is pending.

- Ordinary legal proceeding 580/2013 before the Commercial Court (*Juzgado de lo Mercantil*) n° 2 of Valencia involving a €30 million issuance of hybrid instruments by Caja Ávila (a judgment in favour of Bankia, a causation appeal has been submitted to the Supreme Court. Bankia has opposed to the causation appeal and the decision of the Supreme Court is pending).

- Ordinary legal proceeding 1197/2012 before the Commercial Court (*Juzgado de lo Mercantil*) n° 6 of Logroño relating to the €25 million issuance of hybrid instruments by Caja Rioja (judgments in first and second instances are in favour of Bankia and a causation appeal has been submitted to the Supreme Court. Bankia has opposed to the causation appeal and the decision of the Supreme Court is pending).

- Action 257/13 brought before the Commercial Court (*Juzgado de lo Mercantil*) nº 7 of Madrid, by ADICAE and 19 other holders of hybrid instruments (*participaciones preferentes*) in respect of preferred/subordinated characteristics alleged to be abusive in relation to subordinated notes issued by Caja Madrid with an aggregate nominal amount of €400 million (a judgment against Bankia, which has appealed and the Court decision in second instance is pending).

- *Contentious-administrative proceedings begun before the 3º Section of the National Audience (Audiencia Nacional) against the FROB*. These proceedings aim to void the FROB's regulation of 16 April 2013 that agreed the recapitalisation and management of hybrid instruments and subordinated debentures under the Restructuring Plan regulating the total early redemption of the hybrid instruments and other securities through an exchange of shares. Bankia is currently a party in the proceedings defending the FROB's agreement. The National Audience has ruled in favour of the FROB and Bankia.

A causation appeal has been submitted to the Supreme Court. Bankia has opposed to the causation appeal and the decision of the Supreme Court is pending

- *Other proceedings*. There are a significant number of proceedings on-going in several courts involving requests for, among others, the nullity of the subscription contracts and the mutual restitution of benefits by the holder of the hybrid instruments and subordinated debentures issued by the Cajas or by vehicle companies.

See also "*Risk Factors—The Group is exposed to risk of loss from legal and regulatory proceedings*".

Other Legal Proceedings

In addition, as at the date of this Base Prospectus, certain legal proceedings and claims were on-going against the Bankia Group arising from the ordinary course of its operations. These include the following:

- As at 31 March 2018, 4,224 proceedings were on-going against Bankia requesting the nullification of Bankia's floor clauses, entailing an estimated risk exposure of €33 million.

- As at 31 March 2018, 396 proceedings were on-going against Bankia requesting the nullification of Bankia derivatives agreements. The total estimated risk exposure in respect of these claims amounts to €102 million.

- Proceedings have been brought by Construcciones FACOMA 2000 S.A. against Bankia for the impossibility of development of a real estate project (claim €20.9 million) plus a claim of nullification of a derivative (claim €3.3 million). The first instance has only ruled the nullity of the derivative and has rejected the claim concerning the real estate project. A Court decision in second instance is currently pending.

- There are a number of legal proceedings filed in accordance with Law 57/1968, of 27 July, regarding the receipt of sums of money prior to the construction and sale of property, with a combined estimated risk exposure of €55 million.

- Two proceedings have been brought by ING Belgium, S.A., BBVA, S.A., Banco Santander, S.A., Catalunya Banc, S.A. and other banking syndicates against Bankia and several other parties before three different first instance courts of Madrid:

  (i) First Instance Court (*Juzgado de 1ª Instancia*) nº 2 of Madrid: the claimants are requesting fulfillment of the contractual obligations agreed to in the "Supporting Contract" granted under financings by the syndicate banks in favour of a concessionary corporation for the construction of certain roads. Bankia has obtained a favourable judgment in first instance and second instances. A causation appeal has been submitted to the Supreme Court in relation to this judgment.

  (ii) First Instance Court (*Juzgado de 1ª Instancia*) nº 48 of Madrid: the claimants are requesting the fulfilment of a comfort letter by Bankia to guarantee the fulfilment of the "Supporting Contract". The court resolved against Bankia in first and second instances. A causation appeal has been submitted to the Supreme Court.

  The total estimated risk exposure with respect to these claims amounts to €165 million.

- Proceedings have been brought by Grupo Rayet, S.L.U. against Bankia, among others, in relation to irregularities in the land valuation conducted in the context of Astroc's IPO in 2006, for which Bankia acted as lead manager. The claim has been replied to and a plea as to jurisdiction has been submitted pending resolution. The co-defendant, CB Richard Ellis, has requested the termination of the proceedings due to the lapsing of the legal action. The total estimated risk exposure in respect of this claim is €78.2 million.

- Proceedings have been brought by Vallearganda, S.L. against Bankia in relation to the nullity of the mortgage foreclosure of a loan assigned to SAREB. The claim has been replied and the preliminary hearing is pending. The total estimated risk exposure in respect of this claim is €29.8 million.

- Proceedings have been brought by Cancun Holding II B.V. against Bankia (Invernostra, S.L.) in relation to a claim against a former employee of Sa Nostra for breach of his duties as director of the Dutch company Cancun Holding II B.V. Should the Dutch Courts rule against the current directors, of Cancun Holding II B.V., then such directors may request payment from Bankia. The first instance Court has ruled in favour of Bankia. The total estimated risk exposure in respect of this claim is USD83.4 million.

- Proceedings have been brought by Dorica Empresa Constructora, S.A. against Bankia in relation to irregularities on the financing of two real estate developments. The claimant has brought a claim (*querella*) in respect of charges of fraud and misappropriation and the civil proceedings have been suspended until the criminal liability (*prejudicialidad penal*) is settled. Bankia has appealed this decision. The total estimated risk exposure in respect of this claim is €33.8 million.

- Proceedings have been brought by Unión de Capitales, S.A.U. against Bankia in relation to irregularities in the acquisition of certain shares of Deoleo, S.A. The civil claim has been replied by Bankia, but the civil proceedings have been suspended until the criminal liability (*prejudicialidad penal*) is settled. The total estimated risk exposure in respect of this claim is €20 million.

- In 2011, a claim (*querella*) was brought in the Court of Instruction (*Juzgado de Instrucción*) nº 1 of Palma de Mallorca against Bankia for the pledge of certain assets without the consent of its owner. The total estimated risk exposure in respect of this claim is €20 million.

- Governmental proceedings have been brought for the resolution of a contract for the build, construction, conservation and use of highways, guaranteed by Bankia. The proceedings are in the initial phase and the total estimated risk exposure in respect of this claim is €95 million.

- In 2012 a claim (*querella*) was brought by Asociación de Pequeños Accionistas del Banco de Valencia "Apabankval" (**Banco de Valencia**) against the members of the Board of Directors of Banco de Valencia and Deloitte, S.L., in respect of accusations of corporate crimes. On 13 December 2017, an indictment was issued for including BFA as subsidiary civil liable. The risk of this proceeding cannot be quantified yet.

- In a ruling dated 6 June 2016, Central Court of Instruction 1 of the National Court admitted the addition to preliminary proceedings 65/2013-10 of a claim was submitted by Jacobo Carlos Rios-Capapé Carpí, Elena Gans García, Sebastián and María Miguela Carpí Cañellas, shareholders of Banco de Valencia against several members of the board of directors of Banco de Valencia, Deloitte, S.L. and Bankia for the corporate crime of falsification of accounting documents set out in Article 290 of the Spanish Penal Code. The plaintiffs were seeking joint compensation of €9.9 million. Bankia was represented in the procedure and ruling on admission is pending. On 7 November 2016, Central Court of Instruction No. 1 issued a ruling rejecting the appeal for amendment filed by Bankia on 26 July 2016. On 17 November 2016, Bankia filed an appeal against this ruling with the National Court (*Audiencia Nacional*). On 13 March 2017, the National Court (*Audiencia Nacional*) issued a decree confirming that (i) Bankia cannot be held responsible for the criminal acts of which it was accused; and (ii) Bankia bears subsidiary civil liability (*responsabilidad civil subsidiaria*) for such criminal acts, which means that Bankia may be responsible for the payment of the fines in the event that the person found responsible for the crime is not able to pay.

- An arbitration proceeding is currently on-going between a group of Spanish credit institutions, including Bankia and BFA, and SAREB with regard to a discrepancy on how the interest of certain tranches of the SAREB bonds shall be calculated. The total estimated risk exposure for Bankia in respect of this proceeding is €28.6 million.

Credit Ratings

As at the date of this Base Prospectus, the Issuer has been assigned long-term debt ratings of BBB (stable outlook) by S&P, BBB- (positive outlook) by Fitch Ratings España, S.A.U., BBB (high) (stable outlook) by DBRS Ratings Limited and BBB+ (stable outlook) by Scope.

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 European Union and registered under 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.

Material contracts between BFA and Bankia

Set out below is a summary of the material contracts in existence between Bankia and BFA.

Framework Agreement: According to a framework agreement dated 28 February 2014, BFA and Bankia agreed to establish a general framework of transparency and diligence standards with respect to their business dealings with each other. This agreement replaces the framework agreement dated 22 June 2011 between BFA and Bankia, the aim of which was to regulate the relationship between the parties and their respective subsidiaries in order to minimise potential conflicts of interest between BFA and Bankia as well as to respect and protect the interests of their shareholders within a framework of transparency.

Services Agreement: In accordance with the principles established by the framework agreement of 28 February 2014 as described in the previous paragraph, BFA and Bankia entered into a services agreement on 31 October 2014 (the **Services Agreement**) which allowed BFA to effectively manage its business activities by using, where necessary, the tools and resources provided by Bankia, thereby avoiding a duplication of costs within the consolidated BFA-Bankia Group and complying with their obligations under Article 16 of the Spanish Corporate Tax Law.

As a general rule, BFA and Bankia consider that any service or operation provided within the BFA-Bankia Group should be subject to an express contractual agreement between the parties and, without prejudice to contractual terms so agreed, should conform to the following guidelines:

- transparency of dealing and market terms;
- preferential treatment to reflect the best terms available in the market by third party suppliers;
- parties to be offered the maximum diligence in delivering services or providing operations within available means;
- confidentiality of information to be respected, notwithstanding that the parties are related;
- protecting the public interest even if this means putting the interest of the parties ahead of third parties; and
- right of termination with reasonable notice and subject to good faith determination and payment of the party's costs that an early termination could cause in the event of a change of control.

Cost Sharing Agreement for claims relating to hybrid instruments: According to an agreement dated 31 January 2014 between BFA and Bankia, BFA and Bankia have agreed between themselves that Bankia's liability in respect of claims relating to hybrid instruments which are the subject of court proceedings should be limited to a maximum amount of €246 million and that BFA will compensate Bankia if it suffers any liability in respect of the hybrid instruments in excess of this figure.

Cost Sharing Agreement relating to claims regarding Bankia's IPO: Based on available information reviewed by an independent expert, Bankia and BFA have made an estimation of €1,840 million for the potential

liabilities that may arise from the claims relating to Bankia's IPO. Consequently, BFA and Bankia have agreed between themselves that Bankia's liability will be limited to 40 per cent. of the referred estimation of liabilities and BFA will therefore bear the remaining 60 per cent.

Contract for provision of Treasury Services: Under the Services Agreement, Bankia agreed to provide BFA a line of credit pursuant to which Bankia will acquire from BFA fixed-income securities that will be used to secure future financing on behalf of BFA from the ECB and other sources. The completion of this transaction aims to reduce risk or maximise exposure between BFA and Bankia as well as provide a mechanism for collateralising currency. All operations within the scope of this agreement are required to be conducted on market terms.

Alternative Performance Measures

The Issuer considers the following metrics to constitute Alternative Performance Measures (**APMs**) as defined in the ESMA Guidelines introduced on 3 July 2016 (ESMA Guidelines) on Alternative Performance Measures, that are not required by, or presented in accordance with, IFRS-EU.

The Issuer uses certain APMs, which have not been audited, for the purposes of contributing a better understanding of the company's financial evolution. The Issuer considers that such APMs provide useful information for investors, securities analysts and other interested parties in order to better understand the Group's business, financial position, profitability, results of operations, the quality of its loan portfolio, the amount of equity per share and their progression over time.

These measures should be considered additional information, and in no event do they substitute the financial information prepared under the IFRS-EU. Furthermore, these measures can, both in their definition and in their calculation, differ from other similar measures calculated by other companies and, therefore, may not be comparable.

In accordance with the ESMA Guidelines, broken down below are the unaudited alternative performance measures in the Bankia Group used in this Base Prospectus together with a data reconciliation. All Bankia Group's APMs are disclosed in the management report included on the consolidated financial statements for the year ended 31 December 2017, which is incorporated by reference to this Base Prospectus.

Profitability and efficiency	
Efficiency ratio	Operating expenses / Gross income

Risk management	
NPL ratio	Gross book balance (before provisions) of doubtful risks on loans and advances to customers and contingent risks over total gross loans and advances to customers (before provisions) and contingent risks.
NPL coverage ratio	Book balance of provisions for impairment of loans and advances to customers and contingent risks over gross book balance of doubtful risk of loans and advances to customers and contingent risks.

Liquidity	
Loan to Deposits Ratio (LTD) %	Book balance of loans and advances to customers over book balance of customer deposits plus funds for mediated loans received from the EIB and the ICO. - Book balance of loans and advances to customers do not include repo purchases of assets and balances with BFA. - Customer deposits do not include repo sales of assets.

Reconciliation of APMs (figures in millions of euros except percentages)

Profitability and efficiency

	31/03/2018	31/12/2017	31/12/2016
Efficiency ratio (%)	51.7%	66.1%	48.9%
Operating expenses (administrative expenses + amortisation and depreciation)	485	2,026	1,548
Gross income	939	3,064	3,166

Risk management

	31/03/2018	31/12/2017	31/12/2016
NPL ratio	8.7%	8.9%	9.8%
Doubtful loans (doubtful risks on loans and advances to customers and contingent risks)	11,631	12,117	11,476
Total risks (including total risks and contingent liabilities)	134,258	136,353	117,330
NPL coverage ratio	55.1%	50.8%	55.1%
Provisions for impairment of loans and advances to customers and contingent risks	6,412	6,151	6.323
Doubtful risks on loans and advances to customers and contingent risks	11,631	12,117	11,476

Liquidity

	31/03/2018	31/12/2017	31/12/2016
LTD ratio (%)	92.7%	93.9%	97.3%
Strict customer loans	120,397	122,769	104,208
Strict customer deposits	126,466	127,728	103,946
Mediation-granted loans	3,389	3,007	3,117

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 advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of 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.

1. INDIVIDUALS WITH TAX RESIDENCY IN SPAIN

1.1 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 per cent. for taxable income up to €6,000; (ii) 21 per cent. for taxable income from €6,001 to €50,000; and (iii) 23 per cent. 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 Fiscal 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 Fiscal 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, in accordance with Condition 7 (*Taxation*).

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 per cent. 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.

Regarding the interpretation of the "*Simplified information procedures*" please refer to "*Risk Factors–Risks relating to the Spanish withholding tax regime*".

1.2 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. However, the draft bill

of the General State Budget Law for 2018 (*Proyecto de Ley de Presupuestos Generales del Estado para el año 2018*), which is currently under parliament discussions, foresees the withdrawal of such exemption in 2018.

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 per cent. and 2.5 per cent. The Autonomous Communities may have different provisions in this respect.

1.3 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 effective tax rates currently range between 7.65 per cent. and 81.6 per cent. depending on relevant factors, although the final tax rate may vary depending on any applicable regional tax laws.

2. LEGAL ENTITIES WITH TAX RESIDENCY IN SPAIN

2.1 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 per cent.) 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 per cent.). 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 Fiscal 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, in accordance with Condition 7 (*Taxation*).

However, in the case of Notes held by a 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 per cent., 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 their 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.

2.2 Wealth Tax *(Impuesto sobre el Patrimonio)*

Legal entities resident in Spain for tax purposes are not subject to Wealth Tax.

2.3 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.

3. INDIVIDUALS AND LEGAL ENTITIES WITH NO TAX RESIDENCY IN SPAIN

3.1 Non-Resident Income Tax *(Impuesto sobre la Renta de No Residentes)*

(a) 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 "*Taxation — 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.

(b) 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 that 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, in accordance with Condition 7 (*Taxation*), 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.

3.2 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. However, the draft bill of the General State Budget Law for 2018 (*Proyecto de Ley de Presupuestos Generales del Estado para el año 2018*), which is currently under parliament discussions, foresees the withdrawal of such exemption in 2018.

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 per cent. and 2.5 per cent. 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 fulfiled.

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

3.3 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.

4. 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 Fiscal Agent. The Fiscal 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:

(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 payable under the Notes to each of the Clearing Systems.

If the procedures set out above are complied with, the Fiscal 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 Fiscal 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 Fiscal 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 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 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 the Notes are advised to seek their own professional advice in relation to the FTT. Royal Decree-law 8/2014, of 4 July, introduced a 0.03 per cent. tax on bank deposits in Spain. This tax is payable annually by Spanish banks.

U.S. Foreign Account Tax Compliance Act (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" (as defined under 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 the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are

not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are 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. However, if additional notes (as described under "*Terms and Conditions of the Notes — 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. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not pay any additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated Dealer Agreement dated 5 July 2018 (such amended and restated Dealer Agreement as modified and/or supplemented and/or restated from time to time, the **Dealer Agreement**), 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 Dealer 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, 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 United States 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 (i) as part of their distribution at any time or (ii) 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.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specify "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 the Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(b) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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 does not apply to the Issuer; 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.

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 offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the securities market law), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

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.

France

Each of the Dealers and the Issuer 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 it 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 such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), all 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 and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 27 August 2014 acting upon a resolution of the general shareholders' meeting of the Issuer dated 21 March 2014. The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 28 June 2018.

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 EEA.

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.

Listing Agent

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List and trading on the Main Securities Market.

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 consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 31 December 2017 (with an accurately reproduced English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;

(c) unaudited earnings report of the Issuer for the three months ending 31 March 2018;

(d) the most recently published audited annual financial statements of the Issuer and the most recently published consolidated condensed interim financial statements 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 audited consolidated condensed interim accounts on a half yearly basis;

(e) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(f) a copy of this Base Prospectus; and

(g) 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 and ISIN 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, 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 since 31 December 2017, the date of its last published audited financial statements. There has been no significant change in the financial or trading position of the Group since 31 March 2018.

Litigation

Other than as described above in "*Description of the Issuer— Litigation*", 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.

Auditors

The auditors of the Issuer are Ernst & Young, S.L. (registered as auditors on the *Registro Oficial de Auditores de cuentas*) who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Spain for each of the two financial years ended on 31 December 2016 and 31 December 2017.

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. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. 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

Bankia, S.A.
Calle del Pintor Sorolla, 8
46002 Valencia
Spain

ARRANGER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.
Ciudad BBVA
Calle Sauceda 28
Edificio Asia
28050 Madrid
Spain

Banco Santander, S.A.
Gran Via de Hortaleza 3
Edificio Pedreña
28033 Madrid
Spain

Bankia, S.A.
Calle del Pintor Sorolla, 8
46002 Valencia
Spain

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Crédit Agricole Corporate and Investment Bank
12, Place des Etats-Unis
CS 70052
92547 MONTROUGE CEDEX
France

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

NATIXIS
30 Avenue Pierre Mendès France
75013 Paris
France

NatWest Markets Plc
250 Bishopsgate
London Ec2M 4AA
United Kingdom

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

Société Générale
29, Boulevard Hausmann
75009 Paris
France

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

UniCredit Bank AG
Arabellastrasse 12
D-81925 Munich
Germany

FISCAL AGENT

The Bank of New York Mellon
One Canada Square
Canary Wharf
London E14 5AL
United Kingdom

LEGAL ADVISERS

To the Issuer as to English law and Spanish law

Baker McKenzie
Edificio Beatriz
José Ortega y Gasset 29
28006 Madrid
Spain

To the Dealers as to English law and Spanish law

Allen & Overy

Serrano 73
28006 Madrid
Spain

AUDITORS

Ernst & Young, S.L.
Raimundo Fernández
Villaverde, 65 - Torre Azca
28003 Madrid
Spain

LISTING AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside II, Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
Ireland