CAIXABANK, S.A.

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

Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities

Issue Price: 100 per cent.

The €1,250,000,000 Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities of €200,000 liquidation preference each (the "**Preferred Securities**") are being issued by CaixaBank, S.A. (the "**Bank**", the "**Issuer**" or "**CaixaBank**") on 23 March 2018 (the "**Closing Date**"). The Bank and its consolidated subsidiaries are referred to herein as the "**CaixaBank Group**" or the "**Group**".

The Preferred Securities will accrue non-cumulative cash distributions ("**Distributions**") as follows: (i) in respect of the period from (and including) the Closing Date to (but excluding 23 March 2026 (the "**First Reset Date**"), at the rate of 5.25 per cent. per annum, and (ii) in respect of each period from (and including) the First Reset Date and every fifth anniversary thereof (each a "**Reset Date**") to (but excluding) the next succeeding Reset Date (each such period, a "**Reset Period**"), at the rate per annum, calculated on an annual basis and then converted to a quarterly rate in accordance with market convention, equal to the aggregate of 4.504 per cent. per annum (the "**Initial Margin**") and the 5-year Mid-Swap Rate (as defined in the terms and conditions of the Preferred Securities (the "**Conditions**")) for the relevant Reset Period. Subject as provided in the Conditions, such Distributions will be payable quarterly in arrears on 23 March, 23 June, 23 September and 23 December, in each year (each a "**Distribution Payment Date**").

The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time as further provided in Condition 4.3. Without prejudice to the right of the Bank to cancel the payments of any Distribution: (a) payments of Distributions in any financial year of the Bank shall be made only to the extent the Bank has sufficient Distributable Items (as defined in the Conditions). To the extent that the Bank has insufficient Distributable Items to make Distributions on the Preferred Securities, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities; (b) if the Competent Authority (as defined in the Conditions) requires the Bank to cancel the relevant Distribution in whole or in part, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities; (c) the Bank may make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities if and to the extent that such payment would cause the Maximum Distributable Amount to be exceeded or otherwise would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital (as defined in the Conditions) pursuant to Applicable Banking Regulations (as defined in the Conditions); and (d) if the Trigger Event (as defined in the Conditions) occurs at any time on or after the Closing Date (as defined in the Conditions), the Bank will not make any further Distribution on the Preferred Securities and any accrued and unpaid Distributions up to a Trigger Event shall be automatically cancelled.

The Preferred Securities are perpetual. All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank on any Distribution Payment Date falling on or after the First Reset Date, at the liquidation preference of €200,000 per Preferred Security plus any accrued and unpaid Distributions for the then current Distribution Period (as defined in the Conditions) to (but excluding) the date fixed for redemption (the "**Redemption Price**"). The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event (each as defined in the Conditions). Subject, in each case, to the prior consent of the Competent Authority and otherwise in accordance with the Applicable Banking Regulations (as defined in the Conditions) then in force.

In the event of the occurrence of the Trigger Event (as defined in the Conditions) (i.e. if at any time the CET1 ratio (as defined in the Conditions) falls below 5.125 per cent.), the Preferred Securities are mandatorily and irrevocably convertible into newly issued ordinary shares in the capital of the Bank ("**Ordinary Shares**") at the Conversion Price (as defined in the Conditions).

In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Bank, Holders will be entitled to receive (subject to the limitations described in the Conditions), in respect of each Preferred Security, their respective liquidation preference of €200,000 plus any accrued and unpaid Distributions for the then current Distribution Period to the date of payment of the Liquidation Distribution (as defined in the Conditions).

The Preferred Securities are rated BB- by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is established in the European Union ("**EU**") and is registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

This document constitutes a listing prospectus (the "**Prospectus**") for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the EU, as amended and implemented in each Member State (the "**Prospectus Directive**") and has been prepared in accordance with, and including the information required by annexes I, III (sections 3.1 and 3.2), XIII and XIV of Regulation (EC) No. 809/2004 (the "**Prospectus Regulation**"). This Prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") in its capacity as competent authority under the Prospectus Directive and its implementing measures in Spain, including the Spanish Securities Market Act (Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Spanish Securities Market Act; the "**LMV**").

Application has been made for the Preferred Securities to be admitted to trading on the Spanish AIAF Fixed Income Securities Market ("**AIAF**"). The Preferred Securities may also be admitted to trading on any other secondary market as may be agreed by the Issuer.

Amounts payable under the Preferred Securities from and including the First Reset Date are calculated by reference to the 5-year Mid-Swap Rate (as defined in the Conditions) which appears on the ICESWAP/ISDAFIX2 screen, which is provided by ICE Benchmark Administration Limited or by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the EURIBOR01 screen, which is provided by the European Money Markets Institute. As at the date of this Prospectus, ICE Benchmark Administration Limited and the European Money Markets Institute do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmark Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that ICE Benchmark Administration Limited and the European Money Markets Institute are required to apply for authorisation or registration before 1 January 2020.

The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. The Preferred Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on pages 4 and 5 of this Prospectus for further information.

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

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 7.

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

Joint Lead Managers

Barclays	**BofA Merrill Lynch**	**CaixaBank**	**Citigroup**	**Goldman Sachs International**

The date of this Prospectus is 15 March 2018

IMPORTANT NOTICES

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

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Preferred Securities other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or Barclays Bank PLC, CaixaBank, S.A., Citigroup Global Markets Limited, Goldman Sachs International and Merrill Lynch International (together, the "**Joint Lead Managers**").

None of the Joint Lead Managers has separately verified the information contained or incorporated by reference in this Prospectus. None of the Joint Lead Managers nor any of their respective affiliates has authorised the whole or any part of this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Preferred Security shall in any circumstances create any implication that there has been no change in the affairs of the Issuer, or any event reasonably likely to involve any adverse change in the condition (financial or otherwise) of the Issuer, since the date of this Prospectus or that any other information supplied in connection with the Preferred Securities is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Joint Lead Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated by reference in this Prospectus or any other information supplied by the Issuer in connection with the Preferred Securities. Neither this Prospectus nor any such information or financial statements of the Issuer are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Joint Lead Managers that any recipient of this Prospectus or such information or financial statements should purchase the Preferred Securities. Each potential purchaser of Preferred Securities should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus and its purchase of Preferred Securities should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Preferred Securities of any information coming to the attention of the Joint Lead Managers.

The Joint Lead Managers are acting exclusively for the Issuer and no one else in connection with any offering of the Preferred Securities. The Joint Lead Managers will not regard any other person (whether a recipient of this Prospectus or otherwise) as their client in relation to any such offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients or for giving advice in relation to such offering or any transaction or arrangement referred to herein.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Preferred Securities.

The distribution of this Prospectus and the offering, sale and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

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

In this Prospectus, unless otherwise specified, references to a "member state" are references to a Member State of the European Economic Area, references to "U.S. dollar" are to United States dollars, references to "€", "EUR" or "euro" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 9741498 of 3 May 1998 on the introduction of the euro, as amended.

Words and expressions defined in the Conditions (see "*Conditions of the Preferred Securities*") shall have the same meanings when used elsewhere in this Prospectus unless otherwise specified.

Potential investors are advised to exercise caution in relation to any offering of the Preferred Securities. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein. A potential investor should not invest in the Preferred Securities unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Preferred Securities will perform under changing conditions, the resulting effects on the value of the Preferred Securities and the impact this investment will have on the potential investor's overall investment portfolio. See further "*Risk Factors – The Preferred Securities may not be a suitable investment for all investors*" for additional information.

Restrictions on marketing and sales to retail investors

The Preferred Securities issued pursuant to the Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors (see also *"Risk Factors – Risks related to the Preferred Securities"*). In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Preferred Securities to retail investors. As agreed by the Issuer and the Joint Lead Managers, offers of the Preferred Securities in Spain shall only be directed specifically at or made to professional investors (*clientes profesionales*) as defined in Article 205 of the LMV.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**"). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") became directly applicable in all EEA member states and (ii) the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (as amended, "**MiFID II**") was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

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

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

1. it is not a retail client (as defined in MiFID II);

2. whether or not it is subject to the Regulations, it will not:

(A) sell or offer the Preferred Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II); or

(B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Preferred Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of the MiFID II). In selling or offering the Preferred Securities or making or approving communications relating to the Preferred Securities, it may not rely on the limited exemptions set out in the PI Instrument; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Preferred Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Preferred Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

(i) the identified target market for the Preferred Securities (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and

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

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

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

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Preferred Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(I) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(I) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document (KID) required by the PRIIPs Regulation for offering or selling the Preferred Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Preferred Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Preferred Securities has led to the conclusion that: (i) the target market for the Preferred Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Preferred Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Preferred Securities (a "**distributor**") should take into

consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Preferred Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Alternative Performance Measures

This Prospectus (and the documents incorporated by reference in this Prospectus) contains certain management measures of performance or alternative performance measures ("**APMs**"), which are used by management to evaluate CaixaBank's overall performance. These APMs are not audited, reviewed or subject to review by CaixaBank's auditors and are not measurements required by, or presented in accordance with, International Financial Reporting Standards ("**IFRS**") as adopted by the EU ("**IFRS-EU**"). Accordingly, these APMs should not be considered as alternatives to any performance measures prepared in accordance with IFRS-EU. Many of these APMs are based on CaixaBank's internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. Accordingly, investors are cautioned not to place undue reliance on these APMs.

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

The descriptions (including definitions, explanations and reconciliations) of all APMs are set out in section "Alternative Performance Measures" of the Appendix entitled "Financial reporting glossary" to CaixaBank Group Management Report for 2016 and CaixaBank Group Management Report for 2017 (as defined below), in the "Alternative Performance Measures" section of the Appendix entitled "Glossary" to CaixaBank's Full Year Report for 2017 (as defined below) and in the "Additional Alternative Performance Measures" section of the Description of the Issuer of this Prospectus.

CaixaBank believes that the description of these management measures of performance in this Prospectus follows and complies with the "European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM)" dated 5 October 2015 (the "**Guidelines**").

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OVERVIEW OF THE PREFERRED SECURITIES

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

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

Issuer	CaixaBank, S.A.
Risk Factors	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Preferred Securities. These are set out under "*Risk Factors*" above and include the Spanish economy and the global macroeconomic environment and risks relating to increasingly onerous capital requirements, the lack of availability of funding, volatility in interest rates and increased competition. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Preferred Securities which are described in detail under "*Risk Factors*".
Issue size	€1,250,000,000
Issue date	23 March 2018
Issue details	€1,250,000,000 Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities of €200,000 Liquidation Preference each. The Issuer has requested that the Preferred Securities qualify as Additional Tier 1 Capital of the Bank and of the Group pursuant to Applicable Banking Regulations.
Liquidation Preference	€200,000 per Preferred Security.
Use of Proceeds	CaixaBank intends to use the net proceeds from the issue of the Preferred Securities for its general corporate purposes.
Distributions	The Preferred Securities accrue Distributions as follows: (i) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 5.25 per cent. per annum; and (ii) in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Period, first calculated on an annual basis and then converted to a quarterly rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Bank on the relevant Reset Determination Date. Subject as provided in Conditions 4.3 and 4.4 (see "*Limitations on Distributions*" below), such Distributions will be payable quarterly in arrears on each Distribution Payment Date. For further information, see Condition 4.
Limitations on Distributions	The Bank may elect, in its sole and absolute discretion, to cancel the

payment of any Distribution (including any additional amounts pursuant to Condition 12) in whole or in part at any time that it deems necessary or desirable and for any reason. Without prejudice to the right of the Bank to cancel the payments of any Distribution:

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

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

(c) The Bank may make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities (whether by way of a repayment of the Liquidation Preference, the payment of any Distribution or otherwise) if and to the extent that payment of any Distribution (including any additional amounts pursuant to Condition 12) would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Spanish law transposing or implementing CRD IV, which will include Article 48 of Law 10/2014 and any of its development provisions), the Maximum Distributable Amount to be exceeded or otherwise would cause any other breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital pursuant to Applicable Banking Regulations.

(d) If the Trigger Event occurs at any time on or after the Closing Date, the Bank will not make any further Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities and any accrued and unpaid Distributions up to a Trigger

	Event (whether or not such distributions have become due for payment) shall be automatically cancelled in accordance with Condition 6.1(b). For further information, see Condition 4.
Status of the Preferred Securities	The Preferred Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Bank in accordance with Article 92.2º of the Insolvency Law and, in accordance with 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). For further information, see Condition 3.
Optional Redemption	All, and not only some, of the Preferred Securities may be redeemed at the option of the Bank, subject to the prior consent of the Competent Authority and otherwise in accordance with Applicable Banking Regulations, on any Distribution Payment Date falling on or after the First Reset Date, at the Redemption Price. The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event. Subject, in each case, to the prior consent of the Competent Authority and otherwise in accordance with the Applicable Banking Regulations (as defined in the Conditions) then in force. For further information, see Condition 7.
Conversion	In the event of the occurrence of the Trigger Event, the Preferred Securities are mandatorily and irrevocably convertible into newly issued Ordinary Shares at the Conversion Price. A Trigger Event occurs if the CET1 ratio of the Bank or the Group is less than 5.125 per cent. For further information, see Condition 6.
Conversion price	If the Ordinary Shares of the Bank are (a) then admitted to trading on a Relevant Stock Exchange, the Conversion Price will be the higher of: (i) the Current Market Price of an Ordinary Share; (ii) the Floor Price; and (iii) the nominal value of an Ordinary Share (being €1.00 on the Closing Date), or (b) not then admitted to trading on a Relevant Stock Exchange, the Conversion Price will be the higher of subparagraph (ii) or (iii) of paragraph (a) above. The Floor Price is subject to adjustment in accordance with Condition 6.3.
Liquidation Distribution	Subject as provided below, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Preferred Securities (unless previously converted into Ordinary Shares pursuant to Condition 6) will confer an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of Ordinary Shares or any other instrument of the Bank ranking junior to the Preferred Securities. If, before such liquidation, dissolution or winding-up of the Bank

	described above, the Trigger Event occurs but the relevant conversion of the Preferred Securities into Ordinary Shares pursuant to Condition 6 is still to take place, the entitlement conferred by the Preferred Securities for the above purposes, will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which Holders would have received on any distribution of the assets of the Bank if such conversion had taken place immediately prior to such liquidation, dissolution or winding-up.
Purchases	The Bank, or any member of the Group, may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise in accordance with Applicable Banking Regulations in force at the relevant time and subject to the prior consent of the Competent Authority, if required.
Pre-emptive rights:	The Preferred Securities do not grant Holders preferential subscription rights in respect of any possible future issues of shares, preferred securities or any other securities to be carried out by the Bank or any of its Subsidiaries.
Voting Rights	The Preferred Securities shall not confer any entitlement to receive notice of or attend or vote at any meeting of the shareholders of the Bank. Notwithstanding the above, the Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally. The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Preferred Securities must be notified to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting. For further information, see Condition 11.
Withholding Tax and Additional Amounts	All payments of Distributions and other amounts payable (excluding, for the avoidance of doubt, repayment of principal) in respect of the Preferred Securities by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of Distributions (but not any Liquidation Preference or other amount), the Bank shall (to the extent such payment can be made on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such Distribution had no such withholding or deduction been required. For further information, see Condition 12.
Form	The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €1,250,000,000 and denominations of €200,000.
Registration, clearing and	The Preferred Securities have been registered with Iberclear as managing

settlement	entity of the Spanish Central Registry (both, as defined in the Conditions). Holders of a beneficial interest in the Preferred Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear Bank S.A. /N.V. and Clearstream Banking, S.A. with Iberclear.
Title and transfer	Title to the Preferred Securities is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Preferred Securities recorded therein. For these purposes, the "Holder" means the person in whose name such Preferred Securities is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly. The Preferred Securities are issued without any restrictions on their transferability. Consequently, the Preferred Securities may be transferred and title to the Preferred Securities may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Preferred Securities for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.
Rating	The Preferred Securities are rated BB- by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Governing Law	The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, Spanish law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Preferred Securities in the United States, the United Kingdom and Spain. Regulation S, category 2 restrictions under the Securities Act apply. The Preferred Securities will not be eligible for sale in the United States under Rule 144A of the Securities Act.

RISK FACTORS

The Bank believes that the following factors may affect its ability to fulfil its obligations under the Preferred Securities. Most of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

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

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

Risks affecting the Bank's financial activity

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

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

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

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

Credit Risk

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

sheet in 2012, 2013 and 2015 respectively, and the deleveraging process in connection therewith, and, more recently, by the integration of Banco BPI, S.A. ("**Banco BPI**").

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

A weakening in customers' and counterparties creditworthiness' could impact the Group's capital adequacy. The regulatory capital levels the Group is required to maintain are calculated as a percentage of its risk-weighted assets ("**RWA**"), in accordance with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**"), amending Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council, as amended from time to time (the "**Directive 2002/87/EC**") and repealing Directives 2006/48/EC and 2006/49/EC, and the regulation governing capital requirements according to Regulation (EU) 575/2013, of 26 June, on prudential requirements for credit institutions and investment firms (the "**CRR**"). The RWA consist of the Group's balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria, and are driven, among other things, by the risk profile of its assets, which include its lending portfolio. If the creditworthiness of a customer or a counterparty declines, the Group would lower their rating, which would presumably result in an increase in its RWA, which potentially could deteriorate the Group's capital adequacy ratios and limit its lending or investments in other operations. Furthermore, the creditworthiness of a customer or a counterparty resulting in a default it would have an impact in the expected losses of the Group and cause an increase in its relevant provisions.

Sovereign Risk

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

Likewise following the integration of Banco BPI (see "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*" for additional information), the Group would be adversely affected by a negative development in the credit ratings and value of the Portuguese sovereign bonds, resulting in a material adverse

effect on Banco BPI's business, financial condition and results of operations. Additionally, any downgrade of the rating of the Republic of Portugal may increase the risk of a downgrade of Banco BPI's credit ratings.

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

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

Market Risk

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

Actuarial Risk

Actuarial risk is associated with the insurance business within the Group's existing business lines and types of insurance. Actuarial risk reflects the risk arising from the execution of life and other insurance contracts, considering events covered and the processes used in the conduct of business, and distinguishing mortality, longevity, disability and morbidity risk. Management of this risk depends on actuarial management policies relating to subscription, pricing and accident rates.

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

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

The Solvency II Directive has been implemented in Spain through Law 20/2015, of 14 July, on the regulation, supervision and solvency of insurance and reinsurance undertakings and Royal Decree 1060/2015, of 2 December on the regulation, supervision and solvency of insurance and reinsurance undertakings.

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

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

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

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

As these and other changes are implemented or future changes are considered or adopted which may limit 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.

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

The Group is rated by various credit rating agencies (see "*Additional Information – Credit ratings assigned to an issuer or its debt securities at the request or with the co-operation of the Issuer in the rating process*"). The credit ratings of the Group are an assessment by rating agencies of its ability to pay its obligations when due. Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and 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.

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 limit its access to capital markets and adversely affect Group's commercial business. For example, a ratings downgrade could adversely affect the Group's ability to sell or market certain of its products, engage in business transactions particularly longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. This, in turn, could reduce the Group's liquidity and have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

The Group's main source of liquidity and funding is its customer deposit base, as well as on-going access to wholesale lending markets, including senior unsecured and subordinated bonds, interbank deposits, mortgage and public sector covered bonds and short-term commercial paper. CaixaBank's financial position could be adversely affected if access to liquidity and funding is limited or becomes more expensive for a prolonged period of time. Under extreme and unforeseen circumstances, such as the closure of financial markets and uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend could be affected through reduced access to liquidity (including government and central bank facilities). In such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the Group's regulatory position, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

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

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

Historically, one of the Group's major sources of funds has been savings and demand deposits. Large-denomination time deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. The level of wholesale and retail deposits may also fluctuate due to other factors outside the Group's control, such as a loss of confidence (including as a result of political initiatives, including bail-in and/or confiscation and/or taxation of creditors' funds) or competition from investment funds or other products. Furthermore, there can be no assurance that, in the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which the Group operates, the Group will be able to maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. In addition, if public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, there can be no assurance that the Group will be able to maintain its current levels of funding without incurring higher funding costs or

having to liquidate certain of its assets or taking additional deleverage measures, which could have a material adverse effect on its business, financial condition and results of operations.

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

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

The BCBS's net stable funding ratio ("**NSFR**") is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III *phase-in* arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. Both the LCR and NSFR are used by CaixaBank to assess the liquidity profile of the Group. On 23 November 2016, the European Commission published, among the Proposals (as defined below), a proposal for a European Directive amending CRR, where it proposed to implement the BCBS standard on NSFR introducing some adjustments. CaixaBank's NSFR ratio remained above 100% in 2017.

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

The Group's access to liquidity could be damaged by the inability of CaixaBank and/or the Group companies to access the debt market

The Group's access to liquidity could be damaged by the inability of CaixaBank and/or the Group companies to access the debt market, including also the forms of borrowing from retail customers, thus compromising the compliance with prospective regulatory requirements, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group uses financing from the ECB for its activities. Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted as collateral and/or their relative valuations, could have a material adverse effect on the Group's business, financial condition and results of operations.

As regards market liquidity, the effects of the highly liquid nature of the assets held are considered as a cash reserve. Sudden changes in market conditions (interest rates and creditworthiness in particular) can have

significant effects on the time to sell, including for high-quality assets, typically represented by government securities. The "dimensional scale" factor plays an important role for the Group, insofar as it is plausible that significant liquidity deficits, and the consequent need to liquidate high-quality assets in large volumes, may change market conditions. In addition to this, the consequences of a possible downgrade of the price of the securities held and on the criteria applied by the counterparties in repos operations could make it difficult to ensure that the securities can be easily liquidated under favourable economic terms. In addition to risks closely connected to funding risk and market liquidity risk, an additional risk that could impact day-to-day liquidity management is represented by differences in the amounts or maturities of incoming and outgoing cash flows (mismatch risk). In addition to its day-to-day management, the Issuer must also manage the risk that (potentially unexpected) future requirements (*i.e.* use of credit lines, withdrawal of deposits, increase in guarantees offered as collateral) may use a greater amount of liquidity than that considered necessary for day-to-day activities (contingency risk).

The Group's access to liquidity could be damaged by the inability of CaixaBank and/or the Group companies to benefit from the system liquidity support

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

As of 31 December 2017, CaixaBank Group's debt with the ECB through the TLTRO Financing amounted to a total of €28,820 million with a timetable of maturities between the end of September 2018 and the end of March 2021. In addition, as of 31 December 2017, the Group had liquid assets amounting to €72,775 million, of which the amount of eligible assets, net of the haircuts required for access to refinancing operations with the ECB other than HQLAs (High Quality Liquid Assets within the meaning of Commission Delegated Regulation (EU) 2015/62 of 10 October 2014) amounted to €19,165 million. Taking into account refinancing operations other than the TLTRO Financing (e.g. one-week refinancing operations), as of 31 December 2017, the Group did not have any other operations in place. It is not possible to predict the duration and the amounts with which these liquidity support operations can be repeated in the future, with the result that it is not possible to rule out a reduction or even the cancellation of this support. This would result in the need for banks 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. Such a situation could therefore have a material adverse effect on the Group's business, financial condition and results of operations. For the sake of completeness, it should also be noted that in spite of the positive impacts of these operations to support the liquidity in the macroeconomic context, there is the risk that an expansionary monetary policy (including

specifically, quantitative easing) may have an effect on keeping interest rates, currently already negative for short- and medium-term due dates, at minimum levels for all major due dates, which could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

The Group is exposed to risks faced by other financial institutions

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

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

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

Interest rates are highly sensitive to many factors beyond the Issuer's control, including fiscal and monetary policies of governments and central banks and regulation of the financial sectors in the markets in which it operates, as well as domestic and international economic and political conditions and other factors.

Changes in market interest rates may affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect the Group's results of operations. An increase in interest rates, for instance, could cause the Group's interest expense on deposits to increase more significantly and quickly than its interest income from loans, resulting in a reduction in its net interest income as often its liabilities will re-price more quickly than its assets. Further, an increase in interest rates could result in a reduction in the demand for loans and the Group's ability to originate loans, and also contribute to an increase in credit default rates among the Group's customers. Conversely, a decrease in the general level of interest rates could adversely affect the Group through, among other things, increased pre-

payments on its loan and mortgage portfolio, lower net interest income from deposits, reduced demand for deposits and increased competition for deposits and loans to clients. Fluctuations in interest rates may therefore have a material adverse effect on the Group's business, financial condition and results of operations.

The Group faces risks related to its acquisitions and divestitures

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

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

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

Operational risk is inherent in the Group's business

Operational risk includes the risk of loss arising from inadequate or failed internal processes, personnel and internal systems or from unforeseen external events, including legal risk. The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately and require it to record and process a large number of transactions and handle large amounts of money accurately on a daily basis. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, the failure of due application of necessary compliance measures or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented.

Despite the risk management measures put in place by the Group, there can be no assurance that the Group will not suffer material losses from operational risk in the future.

Risks relating to Macroeconomic Conditions

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

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

From 2014 the Spanish economy has had a good performance and in the last four years the current account imbalances have been positive: Spain has experienced GDP growths of 1.4% in 2014, 3.4% in 2015, 3.3% in 2016 and 3.1% in 2017 (Source: *National Statistics Institute of Spain, Press Note, 30 January 2018*). Recently, the International Monetary Fund has reviewed the expected growth of the Spanish economy and has projected an increase of its GDP by 2.4% in 2018 and 2.1% in 2019 (Source: *International Monetary Fund, World Economic Outlook, January 2018*), while the Bank of Spain expects a GDP growth rate of 2.4% in 2018 (Source: *Bank of Spain, Macroeconomic Projections, December 2017*). Higher employment and easier financing conditions should support domestic demand; growth and the recovery of the euro area is also expected to continue to support export demand. The Spanish economy has made progress in reducing its economic and financial imbalances and implementing important structural reforms. Current account surpluses, the adjustment in the real estate sector and advanced deleveraging of the private sector have contributed to improving the Spanish economy. Nevertheless, public fiscal accounts are adjusting slowly: the deficit stood at 4.54% (Source: *Ministry of Finance and the Civil Service*) in 2016, above the target of 3.6% (Source: *Ministry of the Presidency*) and it was expected to decrease to 3.1% in 2017 (complying with the target of 3.1%) (Source: *European Commission, Commission Opinion of 22 November 2017*). High public deficits have pushed public debt to 98.7% (Source: *Bank of Spain, Quarterly Report on the Spanish Economy, Fourth Quarter 2017*) of GDP in the third quarter of 2017, but despite the adverse dynamics, the level of public debt in Spain is not far from the euro area average (89.2% of GDP in 2016 (Source: *Eurostat, Statistics Explained, Government finance statistics*)). The Spanish banking system is accelerating the pace of new lending as a result of increased demand and improved financial conditions. After the clean-up and restructuring efforts of the past years, the main challenge now is to achieve sustainable profitability levels through a combination of higher revenues from increased business volumes, lower funding costs, additional capacity adjustments and a lower cost-of-risk.

The Portuguese economy has been gaining strength since 2014: real GDP increased by 0.9% in 2014, 1.8% in 2015, 1.5% in 2016 and 2.7% in 2017 (Source: *National Statistics Institute of Portugal, Press Notes, 14 February 2018*), and the current account balance has been in surplus since mid-2013. For 2018, the Bank of Portugal recently revised its forecast up to 2.6% of GDP (Source: *Bank of Portugal, Economic Projections, 15 December 2017*). Domestic demand is expected to be the main driver of growth, supported by improved labour market conditions, reduced uncertainty and easier financing conditions. The external sector is expected to continue to show strong dynamism, on the back of improved competitiveness and the recovery in European

and global demand. Over the past few years, the Portuguese economy has reduced its economic imbalances and has implemented several structural reforms. In addition, public finances have improved considerably: the fiscal deficit has decreased from 11.2% of GDP in 2010 to 2.0% in 2016 (Source: *National Statistics Institute of Portugal, Press Release, 12 April 2017*), below the European Commission target (2.5%). Nevertheless, some vulnerabilities remain. Public debt stood at around 130% of GDP in 2016 (Source: *National Statistics Institute of Portugal, Press Release, 24 March 2017*), and further fiscal consolidation efforts will be needed in the coming years to reduce it. The private sector deleveraging process is well advanced but unfinished. Finally, the Portuguese banking sector has improved its solvency and its restructuring process is ongoing. Nevertheless, important challenges remain, as credit volumes remain subdued in a context of the ongoing deleveraging of the private sector, the stock of NPLs remains high, and the average profitability of the sector is low.

Regarding the economic growth for the Eurozone, although as a whole it has been positive since the second quarter of 2013, growing 1.8% in 2016 and 2.5% in 2017 (Source: *Eurostat, News Release 27/2018, 14 February 2018*), the recovery remains fragile and the possibility of future deterioration of the European economy as a whole or for the individual countries remains a risk.

The scenario for the European, the Spanish and the Portuguese economies could be affected by several risks, both external and internal. External risks include a greater slowdown in the emerging economies, another episode of financial volatility and several political and geopolitical risks. In addition, the growing level of global debt makes global growth more sensitive to unforeseen events. Internal risks in the euro area include the imminent negotiation process regarding the exit by the United Kingdom ("**UK**") from the EU (Brexit), which could have adverse effects on the UK and the rest of EU economies through real and financial channels. While the direct exposure of the European economy to the UK through these channels appears to be relatively small, the impact could be larger due to its impact on consumer and business confidence (see "*The outcome of the UK referendum on membership of the EU and the uncertain future relationship of the UK with the EU, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Bank and its Group*" below).

In addition, while the probability of country defaults has decreased since 2012, the possibility of a European sovereign default still exists. Moreover, if one or more EU member states were to exit from the European Monetary Union (EMU), this could cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency. These risks could materially affect the European and global economy, and substantially disrupt capital, interbank, banking and other markets, among other effects. Moreover, tensions among EU member states, and growing Euro-scepticism in certain EU countries, intensified by the refugee crisis, could pose additional difficulties in the EU's ability to react to any of those economic risks.

An internal risk to the Spanish economy arises from political fragmentation and uncertainties arising from the political situation within Spain, which may slow the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies or impact economic growth in Spain which could have a material adverse effect on the Group's business, financial condition and results of operations. This applies not only to specific Spanish regions such as Catalonia (where considerable uncertainty exists regarding the outcome of political tensions between Spain's central government and the regional government of Catalonia that, if unchecked, could start to weigh on business confidence and investment, and could weaken Spain's current good growth prospects) but also to the central Spanish government where, after the June 2016 Spanish general election result, further instability cannot be ruled out during the legislature due to the forming of a minority government. As a result of such uncertainties arising from the political situation, the Bank of Spain estimates that if the tensions increase more and last during 2018, the cumulative impact on GDP growth could be of about 2.5 percentage points by 2019 (Source: *Bank of Spain, Financial Stability Report, November 2017*).

Furthermore, there is consensus that, despite the expected improvement in the labour market, the unemployment rate will remain high in the months to come in Spain. The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports, so that an interruption in the recovery of the Eurozone might have an adverse effect on Spanish economic growth.

An internal risk to the Portuguese economy arises as well from the political fragmentation, as the minority government needs the support of two other parties, which may slow or difficult the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies.

While the economic recovery is ongoing in Spain, in Portugal and the EU, several risks, both external and internal, could materialise and have an adverse impact to their economic prospects. In that case, the economic situation could deteriorate and adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

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

Additionally, as of 31 December 2017, the Group portfolio of foreclosed real estate assets available for sale stood at €5,878 million net (€473 million real estate assets in the process of foreclosure are not considered) and €6,256 million net as of 31 December 2016 (€556 million real estate assets not considered). The Group's real estate assets held for rent stood at €3,030 million net as of 31 December 2017 (€3,078 million net as of 31 December 2016).

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

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

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

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

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

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

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

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

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

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

The Group faces market risk associated with fluctuations in bond and equity prices and other market factors inherent in the Group's business, which could lead to asset write-downs and the realization of impairment charges

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

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

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

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

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

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

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

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

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

Legal and regulatory risk

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

The financial services industry is among the most highly regulated industries in the world. In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crisis. The Group's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain, the EU and the other markets in which it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which is expected to continue for the foreseeable future. This creates significant uncertainty for the Bank and the financial industry in general. The wide range of recent actions or current proposals includes, among other things, provisions for more stringent regulatory capital and liquidity standards, restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures. As a result, the Group may be subject to an increasing incidence or amount of liability or regulatory sanctions and may be required to make greater expenditures and devote additional resources to address potential liability. In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the "**SSM**"), and for resolution, with the new single resolution mechanism ("**SRM**"), could lead to additional changes in the near future. The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. No assurance can be given that laws or regulations will be enforced or interpreted in a manner that will not have a material adverse effect on the Group's business, financial condition and results of operations. In addition, regulatory scrutiny under existing laws and regulations has become more intense.

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

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

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

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

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

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

Among others, the Group's results may be adversely affected by the proposed changes to the classification and measurement of financial assets arising from IFRS 9 Financial Instruments, which require, among others, the development of an impairment methodology for calculating the expected credit losses on the Bank's financial assets and commitments to extend credit, instead of incurred losses. This methodology could imply more volatility in profit and loss when estimating the value of existing exposures arising from macroeconomic variations. The adoption of IFRS 9 is effective and applicable to any financial statements issued after 1 January 2018. The estimated initial impact on the financial statements of the CaixaBank Group of the entry into force of IFRS 9 is an increase of €758 million in provisions for credit risk and a net impact on reserves of negative €564 million and an estimated impact on capital adequacy of -15 basis points on the fully loaded CET1 ratio.

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

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

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

The Group is and in the future may be involved in various claims, disputes, legal proceedings and governmental investigations in jurisdictions where the Group is active. These types of claims and proceedings

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

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

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

As of the date of this Prospectus, this judgment is not final, as it was appealed by various parties. In its appeal, the consumer association ADICAE (*Asociación de Usuarios de Bancos, Cajas y Seguros*) is requesting that the reimbursement of amounts is not limited to those charged from 9 May 2013 but that it extends in each case to the date when the mortgage was granted. The Public Prosecutor (*Ministerio Fiscal*) opposed this request (unless the European Court of Justice rules otherwise). For the Group, the full retroactive reimbursement in relation to floor clauses means a total exposure of approximately €1,250 million, including all concepts (cancelled transactions, non-performing transactions and legal interest).

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

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

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

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

The implementation of the CRD IV Directive in Spain has largely taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities (the "**RD-L 14/2013**"), Law 10/2014, of 26 June, on organisation, supervision and solvency of credit entities (the "**Law 10/2014**"), Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (the "**RD 84/2015**"), and Bank of Spain Circulars 2/2014, of 31 January and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive (the "**Bank of Spain Circular 2/2016**").

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

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014 also contemplates that in addition to the "Pillar 1" capital requirements, the supervisory authorities may require further capital to cover other risks, including those not considered to be fully captured by the "Pillar 1" minimum "own funds" requirements under CRD IV or to address macro-prudential considerations. This may result in the imposition of further CET1, Tier 1 and Total Capital requirements on the Issuer and/or the Group pursuant to this "Pillar 2" framework. Any failure by the Bank and/or the Group to maintain its "Pillar 1" minimum regulatory capital ratios and any additional "Pillar 2" capital requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Group's results of operations.

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

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

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

While the capital conservation buffer and the *G-SIB* buffer are mandatory, the Bank of Spain have greater discretion in relation to the countercyclical capital buffer, the *O-SII* 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.

The Bank has not been classified as *G-SIB* by the Financial Stability Board ("***FSB***") nor by any competent authority so, unless otherwise indicated by the *FSB* or by the Bank of Spain in the future, it is not required to maintain the *G-SIB* buffer. According to the note published by the Bank of Spain on 24 November 2017, the Bank is considered an *O-SII* and accordingly, during 2018 it will be required to maintain a phase in *O-SII* buffer of 0.1875% and a full *O-SII* buffer of 0.25% in 2019. This buffer is applicable to the Bank on both an individual and a consolidated basis. In addition, the Bank of Spain agreed on 20 December 2017 to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the first quarter of 2018 (percentages will be revised each quarter). On 29 December 2017, the Bank of Portugal also published that the countercyclical buffer for credit exposures in Portugal was to be maintained at 0% for the first quarter of 2018.

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

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

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

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

As communicated by the EBA on 1 July 2016, in addition to Pillar 1 capital requirements and P2R and combined buffer requirements, the supervisor can also set a Pillar 2 Guidance. Thus, SREP decisions of 2016

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

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

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

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

Note:

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

As a result of ECB's decision, the phase-in CET1 threshold below which CaixaBank Group would be forced to limit distributions in the form of dividend payments, variable remuneration and interest to holders of Additional Tier 1 instruments, commonly referred to as the activation level of the maximum distributable amount (or Maximum Distributable Amount trigger), is set at 8.063% as for 2018 without taking into account any potential shortfalls in the 1.5% Additional Tier 1 and 2% Tier 2 "Pillar 1" buckets. As of 31 December 2017, the CaixaBank Group had a Tier 2 capital level above 2%. As for Additional Tier 1 instruments, the current level does not achieve the 1.5% minimum requirement.

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

In addition to CRD IV arrangement which requires maintenance of certain capital buffers before any dividend is paid, the ECB communicated updated recommendations on dividend distribution and remuneration policies to be adopted in 2018 for the financial year 2017. The ECB expects banks to adopt a prudent, forward-looking

stance when deciding on their remuneration and dividend distribution policies so that they can fulfil all their capital requirements, including the outcome of the SREP.

See further "*Payments of distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions*" and "*CRD IV introduces capital requirements that are in addition to the minimum capital ratio. Additional capital requirements will restrict the Bank from making payments of Distributions on the Preferred Securities in certain circumstances, in which case the Bank will cancel such Distributions. Payments on the Preferred Securities cannot exceed the Maximum Distributable Amount*" below.

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

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

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

On 9 November 2015 the *FSB* published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that *G-SIB*s maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits, and which forms a new standard for *G-SIB*s. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of *G-SIB*s in resolution and a term sheet for the implementation of

these principles in the form of an internationally agreed standard. The *FSB* will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet requires a minimum TLAC requirement to be determined individually for each *G-SIB* at the greater of (a) 16% of RWA as of 1 January 2019 and 18% as of 1 January 2022, and (b) 6% of the Basel III Tier 1 leverage ratio exposures as of 1 January 2019, and 6.75% as of 1 January 2022.

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

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

Additionally, the European Commission proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the aforementioned proposals, together, the "**Proposals**"). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above. The Proposals also cover a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of such "non-preferred" senior debt. The Proposals are to be considered by the European Parliament and the Council of the EU and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until all the Proposals are in final form and are finally implemented into the relevant legislation, it is uncertain how the Proposals will affect the Issuer or the holders of the Preferred Securities.

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

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

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

Any failure by an institution to meet the applicable minimum TLAC/MREL Requirements is intended to be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities

must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery and, in particular, could result in the imposition of restrictions on discretionary payments, and the possible cancellation of Distributions on the Preferred Securities (in whole or in part).

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

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

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

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

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

Finally, there can be no assurance that the implementation of these new capital requirements, standards or recommendations will not adversely affect the will not adversely affect the Bank's ability to pay Distributions on the Preferred Securities or result in the cancellation of such Distributions (in whole or in part), Bank's ability to make Discretionary Payments as set out above, or require it to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Bank's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect the Bank's return on equity and other financial performance indicators.

Deferred Tax Assets

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

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

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

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

The Royal Decree-Law 3/2016 of 2 December 2016 ("**RD-L 3/2016**") has implemented a number of amendments to the Corporate Income Tax Law, in force for tax periods beginning on 1 January 2016. The main amendments introduced therein are the following: (i) limitation on the use of the DTAs treated as a direct claim and carried forward tax losses up to 25% (provided a certain amount of net operating income); (ii) new limit on the use of the double taxation deduction up to 50% of the tax liability (*cuota íntegra*), in case the net operating income exceeds €20 million; (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 2017, losses generated upon the transfer of shares, provided it complies with the relevant requirements to apply the Spanish participation exemption on capital gains, will not be considered as deductible for tax purposes. It applies to tax periods beginning in the year 2017.

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

Steps taken towards achieving an EU fiscal and banking union

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

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

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

On 24 February 2016, the EBA announced new methodology and macroeconomic scenarios for the 2016 EU-wide stress test which covered over 70% of the EU banking sector (51 banks) and assessed EU banks' ability to meet relevant supervisory capital ratios during an adverse economic shock. Similar to the 2014 stress test, the 2016 EU-wide stress test was primarily focused on the assessment of the impact of risk drivers on the solvency of banks. On 29 July 2016, the EBA published the results of the stress test, in which CaixaBank, as part of Criteria Group, took part. In an internal exercise, the methodology was applied in an adverse macroeconomic scenario to CaixaBank, resulting in a CET1 ratio of above 9.8% in December 2018 (phase-in) and 8.5% (fully loaded), applying the capital regulations applicable from 2023. The European authorities took into account the whole Criteria Group, including, in addition to the CaixaBank Group, the industrial stakes and real estate assets of Criteria, based on the highest prudential consolidation level at 31 December 2015. Under this scope, the Criteria Group would have a phase-in CET1 ratio of 9.0% at the end of the adverse scenario (2018) and a fully loaded ratio of 7.8%. Taking into account the swap agreement between CaixaBank and CriteriaCaixa, completed in the first half of 2016, CaixaBank's CET1 ratio at the end of the adverse scenario (2018) would have strengthened to 10.1% (phase-in) and 9.1% (fully loaded) due to the release of deductions deriving from the financial investments transferred to CriteriaCaixa. This amounts to a capital depletion in the adverse scenario of 2.82% (phase-in) and 2.48% (fully loaded).

On 21 December 2016, the EBA published its decision to carry out its next EU-wide stress test in 2018 and to perform its regular annual transparency exercise in 2017. The information related to the transparency exercise of 2017 was published on 24 November 2017. The Issuer cannot provide assurance that it will not be subject to recommendations from future EU-wide stress test or similar regulatory exercises which could have an impact on its current asset valuation policies, the classification of some of its exposures or cause other relevant effects.

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

application of CRR's national options and discretions. In addition, the SSM represents an extra cost for the financial institutions that will fund it through payment of supervisory fees.

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

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

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

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

In addition, on 29 January 2014, the European Commission released its proposal on the structural reforms of the European banking sector that will impose new constraints on the structure of European banks. The proposal aims at ensuring the harmonisation between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market making) such as in the Financial Services (Banking Reform) Act 2013, complex securitisations and risky derivatives.

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

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

On 16 August 2012, Regulation (EU) No 648/2012 on over-the-counter ("**OTC**") derivatives, central counterparties and trade repositories entered into force ("**EMIR**"). While a number of the compliance requirements introduced by EMIR already apply, the 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), has introduced a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. Additionally, it includes other requirements such as enhancing the investor protection's regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity instruments. MiFID II was initially intended to enter into effect on 3 January 2017. In order to ensure legal certainty and avoid potential market disruption, the European Commission proposed delaying the effective date of MiFID II by 12 months until 3 January 2018. Although MiFID II entered into force on 3 January 2018, it has only been partially transposed to the Spanish legislation by means of Royal Decree Law 21/2017, of 29 December, with regards to the conditions governing the operation of regulated markets, multilateral systems in financial instruments, organized trading facilities and infringements and sanctions. Therefore, there is still uncertainty as to whether the implementation of these new obligations and requirements will have material adverse effects on the Group's business, financial condition and results of operations.

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

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

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

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

Risks relating to the Issuer arising from applicable legislation and regulation

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

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

Risks related to the Preferred Securities

The Preferred Securities may not be a suitable investment for all investors

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

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

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

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Securities, including where the currency for payments in respect of the Preferred Securities is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Preferred Securities, including the provisions relating to the payment and cancellation of Distributions and any Conversion (as defined in the Conditions) of the Preferred Securities into Ordinary Shares, and is familiar with the behaviour of 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.

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

The Preferred Securities 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 holders of the Preferred Securities under, and the value of, any Preferred Securities

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 unsound or failing credit institutions or investment firms (each an "institution") so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

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

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

The four resolution tools are: (i) sale of business (which enables the Relevant Resolution Authority to direct the sale of the institution or the whole or part of its business on commercial terms); (ii) bridge institution (which enables the Relevant Resolution Authority to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control)); (iii) asset separation (which enables the Relevant Resolution Authority to transfer certain category of assets normally impaired or problematic 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 certain elements of 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 to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims and subordinated obligations (including capital instruments such as the Preferred Securities).

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 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 to absorb losses and cover the amount of the recapitalization, the sequence of any resulting write-down or conversion shall be as follows: (i) CET1 instruments; (ii) Additional Tier 1 instruments (which for so long as the obligations of the Bank in respect of the Preferred Securities constitute Additional Tier 1 Instruments (as defined in the Conditions), shall include the Preferred Securities); (iii) Tier 2 instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; (v) "non-preferred" senior liabilities; and (vi) the remaining eligible liabilities. The order of this sequence is consistent with the hierarchy of claims in normal insolvency proceedings prescribed by Law 22/2003, of 9 July, on Insolvency (the "**Insolvency Law**") read in conjunction with Additional Provision 14.3º of Law 11/2015.

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

In accordance with Article 64.1.(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other 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 a holder of the Preferred Securities pursuant to the exercise of the Spanish Bail-in Power or Non-Viability Loss Absorption is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a holder of such affected Preferred Securities 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 Holder 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 affected Preferred Securities.

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, holders of the Preferred Securities may be subject to, among other things, on any application of the Spanish Bail-in-Power a write-down (including to zero), in which case there may be no conversion of the Preferred Securities into Ordinary Shares, or conversion into equity or other securities or obligations of amounts due under the Preferred Securities and additionally may be subject to any Non-Viability Loss Absorption. The exercise of any such powers (or any other resolution powers and tools) may result in such holders of the Preferred Securities losing some or all of their investment or otherwise having their rights under the Preferred Securities adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in holders of the Preferred Securities receiving a different security, which may be worth significantly less than the Preferred Securities.

Further, the exercise of the Spanish Bail-in Power with respect to the Preferred Securities or the taking by the Relevant Resolution 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 holders of the Preferred Securities, the market price or value or trading behaviour of any Preferred Securities and/or the ability of the Bank to satisfy its obligations under any Preferred Securities. There may be limited protections, if any, that will be available to holders of securities subject to the bail-in power (including the Preferred Securities) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly, holders of the Preferred Securities may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power.

The exercise of the Spanish Bail-in Power and/or any Non-Viability Loss Absorption by the Relevant Resolution Authority with respect to the Preferred Securities is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, holders of the Preferred Securities 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/or 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 Preferred Securities. The price and trading behaviour of the Preferred Securities may be affected by the threat of a possible exercise of any power under Law 11/2015 (including any early intervention measure 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 powers without providing any advance notice to the holders of the Preferred Securities.

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. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a holder of Preferred Securities under, and the value of a holder's investment in, the Preferred Securities.

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 tax payers 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 Preferred Securities absorbing losses in the manner described above. Any actions by the Relevant Resolution Authority pursuant to the ones granted by Law 11/2015, or other measures or proposals relating to the resolution of institutions, may

adversely affect the rights of holders of the Preferred Securities, the price or value of an investment in the Preferred Securities and/or the Group's ability to satisfy its obligations under the Preferred Securities.

Preferred Securities are perpetual

The Bank is under no obligation to redeem the Preferred Securities at any time and the holders of the Preferred Securities have no right to call for their redemption. Only in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Preferred Securities (unless previously converted into Ordinary Shares) will confer an entitlement to receive out of the assets of the Bank available for distribution to holders, the Liquidation Distribution.

The Preferred Securities are irrevocably and mandatorily convertible into newly issued Ordinary Shares in certain prescribed circumstances

Upon the occurrence of the Trigger Event (if at any time the CET1 ratio (as defined in the Conditions) is less than 5.125%), the Bank will not make any further Distribution, including any accrued and unpaid Distributions which shall be cancelled by the Bank and the Preferred Securities will be irrevocably and mandatorily (and without any requirement for the consent or approval of the Holders (as defined in the Conditions)) converted into newly issued Ordinary Shares. Because the Trigger Event will occur when the Bank's or the Group's CET1 ratio will have deteriorated significantly, the resulting Trigger Event will likely be accompanied by a prior deterioration in the market price of the Ordinary Shares, which may be expected to continue after announcement of such Trigger Event.

Therefore, in the event of the occurrence of the Trigger Event, the Current Market Price (as defined in the Conditions) of an Ordinary Share may be below the Floor Price, (as defined in the Conditions), and the Holders could receive Ordinary Shares at a time when the market price of the Ordinary Shares is considerably less than the Conversion Price (as defined in the Conditions). In such circumstances, Holders will receive a smaller number of Ordinary Shares that would have been the case had the Current Market Price been the Conversion Price at that time. In addition, there may be a delay in a holder of Preferred Securities receiving its Ordinary Shares following the Trigger Event, during which time the market price of the Ordinary Shares may fall further. As a result, the value of the Ordinary Shares received on conversion following the Trigger Event could be substantially lower than the price paid for the Preferred Securities at the time of their purchase.

Accordingly, an investor in the Preferred Securities faces almost the same risk of loss as an investor in the Ordinary Shares in the event of a Trigger Event occurring. See also *"Holders of the Preferred Securities will bear the risk of fluctuations in the price of the Ordinary Shares and/or movements in the CET1 ratio that could give rise to the occurrence of the Trigger Event"*.

The circumstances that may give rise to the Trigger Event are unpredictable

The occurrence of the Trigger Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Group's control. For example, the occurrence of one or more of the risks described under *"Risk relating to Macroeconomic Conditions"* and *"Risks affecting the Bank's Financial Activity"*, or the deterioration of the circumstances described therein, will increase the likelihood of the occurrence of the Trigger Event. Furthermore, the occurrence of the Trigger Event depends on the calculation of the CET1 ratio, which can be affected, among other things, by the growth of the Group's business and its future earnings; expected payments by the Bank in respect of dividends and distributions and other equivalent payments in respect of instruments ranking junior to the Preferred Securities as well as other instruments ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities; regulatory changes (including possible changes in regulatory capital definitions and calculations of the CET1 ratio and its components or the interpretation thereof by the relevant authorities, including CET1 Capital and RWAs, in each case on an individual or a consolidated basis, and the unwinding of transitional provisions under CRD

IV); changes in the Group's structure or organisation and the Group's ability to manage actively its RWAs. The CET1 ratio of the Bank or the Group at any time may also depend on decisions taken by the Group in relation to its businesses and operations, as well as the management of its capital position. Holders of the Preferred Securities will not have any claim against the Bank or any other member of the Group in relation to any such decision. In addition, since the Competent Authority may require the Bank and the Group to calculate the CET1 ratio at any time, a Trigger Event could occur at any time.

Due to the inherent uncertainty in advance of any determination of such event regarding whether the Trigger Event may exist, it will be difficult to predict when, if at all, the Preferred Securities will be converted into Ordinary Shares. Accordingly, trading behaviour in respect of the Preferred Securities is not necessarily expected to follow trading behaviour associated with other types of convertible or exchangeable securities. Any indication that the Bank's or the Group's CET1 ratio is decreasing (and hence the risk of a Trigger Event occurring is becoming increasingly proximate) may be expected to have an adverse effect on the market price of the Preferred Securities and on the price of the Ordinary Shares. Under such circumstances, investors may not be able to sell their Preferred Securities easily or at prices comparable to other similar yielding instruments.

Payments of Distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions

The Preferred Securities accrue Distributions as further described in Condition 4, but the Bank may elect, in its sole and absolute discretion, to cancel the payment of any distribution in whole or in part at any time and without any restriction on it thereafter. Payments of Distributions in any financial year of the Bank shall be made only out of Distributable Items of the Bank. No payments will be made on the Preferred Securities (whether by way of a repayment of the Liquidation Preference, the payment of any Distribution or otherwise) if and to the extent that such payment would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 capital pursuant to Applicable Banking Regulations (including, without limitation, any such restriction or prohibition relating to any Maximum Distributable Amount applicable to the Bank or the Group, Article 48 of Law 10/2014 and any provisions implementing such Article, and any other provision of Spanish law transposing or implementing Article 141(2) of the CRD IV Directive). See further "*CRD IV introduces capital requirements that are in addition to the minimum capital ratio. Additional capital requirements will restrict the Bank from making payments of Distributions on the Preferred Securities in certain circumstances, in which case the Bank will cancel such Distributions. Payments on the Preferred Securities cannot exceed the Maximum Distributable Amount*" below for additional information.

There can, therefore, be no assurances that a Holder will receive payments of Distributions in respect of the Preferred Securities. Unpaid Distributions are not cumulative or payable at any time thereafter and, accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any requirement for, or election of, the Bank to cancel such Distributions then the right of the holders of the Preferred Securities to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.

No such election to cancel the payment of any Distribution (or part thereof) or non-payment of any Distribution (or part thereof) will constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle holders of the Preferred Securities to take any action to cause the liquidation, dissolution or winding up of the Bank.

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

Notwithstanding the applicability of any one or more of the conditions set out above resulting in Distributions under the Preferred Securities not being paid or being paid only in part, the Bank will not be in any way limited or restricted from making any Distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 capital of the Bank or the Group) or in respect of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities.

Furthermore, upon the occurrence of the Trigger Event, no further Distributions on the Preferred Securities will be made, including any accrued and unpaid Distributions, which will be cancelled.

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

Although it is the Bank's intention to take into account the relative ranking of capital instruments when approving dividends and distributions, as further set out in the risk factor below on "*The obligations of the Bank under the Preferred Securities are subordinated and will be further subordinated upon conversion into Ordinary Shares*", in accordance with the Applicable Banking Regulations and the Conditions, the Bank may discretionarily elect to cancel Distributions at any time and for any reason.

CRD IV introduces capital requirements that are in addition to the minimum capital ratio. Additional capital requirements will restrict the Bank from making payments of Distributions on the Preferred Securities in certain circumstances, in which case the Bank will cancel such Distributions. Payments on the Preferred Securities cannot exceed the Maximum Distributable Amount

No payments will be made on the Preferred Securities if and to the extent that such payment would, when aggregated together with other relevant distributions cause the Maximum Distributable Amount (if any) then applicable to the Bank and/or the Group to be exceeded.

Under CRD IV, institutions will be required to hold a minimum amount of regulatory capital of 8% of RWAs. In addition to these so-called "own funds" requirements under CRD IV, supervisory authorities may impose additional capital requirements to cover other risks (thereby increasing the regulatory minimum required under CRD IV), including any additional "Pillar 2" capital requirements that may be required to be maintained to address risks not considered to be fully captured by the minimum "own funds" requirements or to address macro-prudential considerations, and this may similarly include, under the Proposals made by the European Commission on 23 November 2016, further regulatory requirements such as the TLAC/MREL Requirements.

CRD IV further introduces capital buffer requirements that form a "combined buffer requirement" that is in addition to the above minimum capital requirements and is required to be satisfied with CET1 capital.

In accordance with Article 48 of Law 10/2014, Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016 (which implement Article 141 of the CRD IV Directive), an entity not meeting its "combined buffer requirement" must calculate its Maximum Distributable Amount and until the Maximum Distributable Amount has been calculated and communicated to the Bank of Spain, that entity will be subject to restrictions on discretionary payments. Following such calculation, any discretionary payments by that entity will be subject to the Maximum Distributable Amount so calculated.

In accordance with Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, the restrictions on discretionary payments will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution generated since the last annual decision on the distribution of profits. Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary payments" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement (including where additional capital requirements are imposed that have the result of increasing the regulatory minimum required under CRD IV) it may be necessary to reduce discretionary payments, including the potential exercise by the Bank of its discretion to cancel (in whole or in part) payments of Distributions (or payment of any additional amounts payable in accordance with Condition 12) in respect of the Preferred Securities.

Pending clarification of the above provisions, there are a number of factors that make the determination and application of the "Maximum Distributable Amount" particularly complex, including the following:

- the "Maximum Distributable Amount" applies when the "combined buffer requirement" is not maintained. The "combined buffer requirement" represents the amounts of capital that a financial institution is required to maintain beyond the minimum "Pillar 1" and (if applicable) "Pillar 2" required by applicable regulations. However, there are several different buffers, some of which are intended to encourage countercyclical behaviour (with extra capital retained when profits are robust) and others which are intended to provide additional capital cushions for institutions whose failure would result in a significant systemic risk;

- the capital conservation buffer and the institution-specific countercyclical buffer were implemented on 1 January 2016 on a phased-in basis continuing to 2019. The systemic risk buffer may be applied at any time upon decision of the relevant authorities. As a result, the potential impact of the "Maximum Distributable Amount" will change over time; and

- moreover, payments made earlier in the year will reduce the remaining "Maximum Distributable Amount" available for payments later in the year, and the Bank will have no obligation to preserve any portion of the "Maximum Distributable Amount" for payments scheduled to be made later in a given year. Even if the Bank attempts to do so, there can be no assurance that it will be successful, as the "Maximum Distributable Amount" at any time will depend on the amount of net income earned during the course of the relevant year, which will necessarily be difficult to predict.

The quantum of "Pillar 2" capital requirements and the type of resources that it must apply to meeting it, may impact a bank's ability to make discretionary payments on its Tier 1 capital, including interest payments on Additional Tier 1 instruments.

The interaction between "Pillar 2" and the Maximum Distributable Amount restriction has been the subject of much debate in the EU.

Amongst other things, the *December 2015 EBA Opinion* (which does not have the force of law) included an opinion addressed to EEA competent authorities that they should ensure that the CET1 capital to be taken into account for the Maximum Distributable Amount calculation is limited to the amount not used to meet "Pillar 1" and "Pillar 2" capital requirements of the institution. In effect, this would mean that "Pillar 2" capital requirements would be 'stacked' below the capital buffers, and thus a firm's CET1 capital resources would only be applied to meeting capital buffer requirements after "Pillar 1" and "Pillar 2" capital requirements have been met in full.

In its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA has recognised a distinction between P2R (stacked below the capital buffers and thus potentially directly affecting the

application of a Maximum Distributable Amount) and P2G (stacked above the capital buffers). With respect to P2G, the publication stated that, in response to the stress test results, competent authorities may (amongst other things) consider setting capital guidance, above the combined buffer requirement. In cases where capital guidance is provided, that guidance will not be included in calculations of the Maximum Distributable Amount, but competent authorities would expect banks to meet that guidance. Competent authorities have remedial tools if an institution is not able to follow such guidance.

The ECB published a set of "*Frequently asked questions on the 2016 EU-wide stress test*", confirming this distinction between P2R and P2G and noting that under the stacking order, banks facing losses will first fail to fulfil their P2G. In case of further losses, they would next breach the combined buffers, then P2R, and finally "Pillar 1". P2R is binding and breaches can have direct legal consequences for banks, while P2G is not directly binding and a failure to meet P2G does not automatically trigger legal action, even though the ECB expects banks to meet P2G. Following this clarification, it is understood that P2G is not expected to trigger the automatic calculation of the Maximum Distributable Amount. The *EBA Draft Guidelines* clarify the same stacking order.

Separately, certain regulatory proposals may restrict the Bank's ability to make discretionary payments in certain circumstances, in which case the Bank may reduce or cancel Distributions on the Preferred Securities. For example, under the Proposals made by the European Commission on 23 November 2016, a firm will be deemed not to have met its combined buffer requirement, and will become subject to the restrictions of Article 141 of CRD IV, where it does not have own funds and eligible liabilities in an amount and quality to meet: (i) its combined buffer requirement, (ii) its 4.5% "Pillar 1" CET1 capital requirement, (iii) its 6% "Pillar 1" Tier 1 requirement, (iv) its 8% "Pillar 1" capital requirement, and (v) its "Pillar 1" MREL requirements. Separately, these proposals also state that where an institution fails to meet or exceed its combined buffer requirement, in making distributions within the Maximum Distributable Amount, it shall not make distributions relating to CET1 capital or variable remuneration payments before having made payments on its Additional Tier 1 instruments. However, these proposals are in draft form and are still subject to the EU legislative process and national implementation and, therefore, it is not clear whether these proposals will be adopted in their current form and there may therefore be a risk that they will negatively impact the Bank, the Group and the Bank's ability to make Distributions on the Preferred Securities and therefore the value of the Preferred Securities.

Furthermore, any determination of the capital of the Bank and/or the Group and the compliance of the Bank and/or the Group with the respective capital requirements that may be imposed from time to time will involve consideration of a number of factors any one or a combination of which may not be easily observable or capable of calculation by holders of the Preferred Securities and some of which may also be outside of the control of the Group. The risk of any cancellation (in whole or in part) of Distributions (or any additional amounts payable in accordance with Condition 12) on the Preferred Securities may not, therefore, be possible to predict in advance and any such cancellation of Distributions (or any additional amounts payable in accordance with Condition 12) on the Preferred Securities could occur without warning (see "*Increasingly onerous capital requirements constitute one of the Issuer's main regulatory challenges*" for additional information).

Any failure by the Bank and/or the Group to comply with its TLAC/MREL Requirements could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Bank, including the payment of Distributions on the Preferred Securities

As outlined in the risk factor "*CRD IV introduces capital requirements that are in addition to the minimum capital ratio. Additional capital requirements will restrict the Bank from making payments of Distributions on the Preferred Securities in certain circumstances, in which case the Bank will cancel such Distributions. Payments on the Preferred Securities cannot exceed the Maximum Distributable Amount*" above, the

regulatory framework around the TLAC/MREL Requirement, including its implementation in Spain, is not yet in final form and is also the subject of the Proposals. If the Proposals are adopted in their current form, a failure by the Bank and/or the Group to comply with the TLAC/MREL Requirements means the Bank could become subject to the restrictions on payments on Additional Tier 1 instruments, including the Preferred Securities (subject to a potential six-month grace period in case specific conditions are met).

The obligations of the Bank under the Preferred Securities are subordinated and will be further subordinated upon conversion into Ordinary Shares

The payment obligations of the Bank under the Preferred Securities on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2º of the Insolvency Law read in conjunction with Additional Provision 14.3º of Law 11/2015, and upon the insolvency of the Bank, for so long as the obligations of the Bank under the Preferred Securities qualify as Additional Tier 1 Instruments but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) rank as set out in Condition 3. For these purposes as of the date of this Prospectus and according to Additional Provision 14.3º of Law 11/2015, the ranking of the Preferred Securities and any other subordinated obligations of the Bank may depend on whether those obligations qualify at the relevant time an Additional Tier 1 Instruments or Tier 2 Instruments or constitute subordinated obligations of the Bank not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments. See Condition 3 for the complete provisions regarding the ranking of the Preferred Securities.

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

Furthermore, if the Trigger Event occurs but the relevant conversion of the Preferred Securities into Ordinary Shares pursuant to the Conditions is still to take place before the liquidation, dissolution or winding-up of the Bank, the entitlement of holders of the Preferred Securities will be to receive out of the relevant assets of the Bank a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such conversion had taken place immediately prior to such liquidation, dissolution or winding-up.

Therefore, if a Trigger Event occurs, each Holder will be effectively further subordinated from being the holder of a subordinated debt instrument to being the holder of Ordinary Shares and there is an enhanced risk that holders of the Preferred Securities will lose all or some of their investment.

There are no events of default

Holders of the Preferred Securities have no ability to require the Bank to redeem their Preferred Securities. The terms of the Preferred Securities do not provide for any events of default. The Bank is entitled to cancel the payment of any Distribution (or any additional amounts payable in accordance with Condition 12) in whole or in part at any time and as further contemplated in Condition 4 (see "*Payments of distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions*" for additional information) and such cancellation will not constitute any event of default or similar event or entitle holders of the Preferred Securities to take any related action against the Bank. If Ordinary Shares are not issued and delivered following a Trigger Event, then on a liquidation, dissolution or winding-up of the Bank the claim of

a Holder will not be in respect of the Liquidation Preference of its Preferred Securities but will be an entitlement to receive out of the relevant assets a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such Conversion had taken place immediately prior to such liquidation, dissolution or winding-up.

The Preferred Securities may be redeemed at the option of the Bank

All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank, subject to the prior consent of the Competent Authority, on any Distribution Payment Date falling on or after the First Reset Date, at the Redemption Price and otherwise in accordance with Applicable Banking Regulations then in force. Under the CRR, the Competent Authority may give its consent to a redemption or repurchase of the Preferred Securities in such circumstances provided that either of the following conditions is met:

(i) on or before such redemption of the Preferred Securities, the Bank replaces the Preferred Securities with instruments qualifying as Tier 1 capital of an equal or higher quality on terms that are sustainable for the income capacity of the Bank; or

(ii) the Bank has demonstrated to the satisfaction of the Competent Authority that the Bank's 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 procedure by which such consent of the Competent Authority is to be obtained is further prescribed in Articles 29 to 31 of Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014.

The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price (subject to the prior consent of the Competent Authority and otherwise in accordance with Applicable Banking Regulation then in force) if there is a Capital Event or a Tax Event.

Under the Preferred Securities, a Capital Event is a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Preferred Securities that results (or would be likely to result) in: (i) the exclusion of any of the outstanding aggregate Liquidation Preference of the Preferred Securities from the Bank´s or the Group's Additional Tier 1 capital; or (ii) the reclassification of any of the outstanding aggregate Liquidation Preference of the Preferred Securities as a lower quality form of regulatory capital of the Bank or the Group in accordance with the Applicable Banking Regulations. See also Condition 7.3.

For the purposes of the Preferred Securities, a Tax Event is a change in, or amendment to, the laws or regulations of the Kingdom of Spain, or any change in the application or official interpretation of such laws or regulations that results in (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Bank being materially reduced, or (b) the Bank being obliged to pay additional amounts pursuant to Condition 12, or (c) the applicable tax treatment of the Preferred Securities being materially affected and, in each case cannot be avoided by the Bank taking reasonable measures available to it. See also Condition 7.4.

If any notice of redemption of the Preferred Securities is given pursuant to Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and, instead, the conversion of the Preferred Securities shall take place as provided under Condition 6.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or, in the case of a redemption of the Preferred Securities for tax reasons, the application

or official interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Bank is able to elect to redeem the Preferred Securities, and if so whether or not the Bank will elect to exercise such option to redeem the Preferred Securities or any prior consent of the Competent Authority required for such redemption will be given. There can be no assurances that, in the event of any such early redemption, holders of the Preferred Securities will be able to reinvest the proceeds at a rate that is equal to the return on the Preferred Securities. In the case of any early redemption of the Preferred Securities at the option of the Bank on any Distribution Payment Date falling on or after the First Reset Date, the Bank may be expected to exercise this option when its funding costs are lower than the Distribution Rate at which Distributions are then payable in respect of the Preferred Securities. In these circumstances, the rate at which holders of the Preferred Securities are able to reinvest the proceeds of such redemption is unlikely to be as high as, and may be significantly lower than, that Distribution Rate.

In addition, the redemption feature of the Preferred Securities is likely to limit their market value. During any period when the Bank has the right to elect to redeem the Preferred Securities or there is a perceived increase in the likelihood that the Bank will exercise the right to elect to redeem the Preferred Securities, the market value of the Preferred Securities is unlikely to rise substantially above the price at which they can be redeemed. This may also be true prior to such period.

Holders of the Preferred Securities only have a limited ability to cash in their investment in the Preferred Securities

The Preferred Securities are perpetual (see "*Preferred Securities are perpetual*" for additional information). The Bank has the option to redeem the Preferred Securities in certain circumstances (see "*The Preferred Securities may be redeemed at the option of the Bank*" for additional information). The ability of the Bank to redeem or purchase the Preferred Securities is subject to the Bank satisfying certain conditions (as more particularly described in Conditions 7 and 8). There can be no assurance that holders of the Preferred Securities will be able to reinvest the amount received upon redemption and/or purchase at a rate that will provide the same rate of return as their investment in the Preferred Securities.

Therefore, Holders have no ability to cash in their investment, except:

(i) if the Bank exercises its rights to redeem the Preferred Securities in accordance with Condition 7 (on any Distribution Payment Date falling on or after the First Reset Date or upon the occurrence of a Capital Event or a Tax Event) (see "*The Preferred Securities may be redeemed at the option of the Bank*" for additional information) or purchase the Preferred Securities in accordance with Condition 8; or

(ii) by selling their Preferred Securities or, following the occurrence of a Trigger Event and the issue and delivery of Ordinary Shares in accordance with Condition 6, their Ordinary Shares, provided a secondary market exists at the relevant time for the Preferred Securities or the Ordinary Shares (see "*The secondary market in general*" for additional information).

If the Bank exercised its right to redeem or purchase the Preferred Securities in accordance with Condition 7 but failed to make payment of the relevant Liquidation Preference to redeem the Preferred Securities when due, such failure would not constitute an event of default but would entitle holders of the Preferred Securities to bring a claim for breach of contract against the Bank, which, if successful, could result in damages.

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

The TLAC Principles and Term Sheet and the Proposals provide that eligible 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 Bank's obligations under the Preferred Securities upon the opening of a resolution procedure would be prohibited by Article 68 of BRRD (as transposed into Spanish law).

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

The interest rate on the Preferred Securities will be reset on each Reset Date, which may affect the market value of the Preferred Securities

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

There are limited remedies available under the Preferred Securities

There are no events of default under the Preferred Securities (see "*There are no events of default*" for additional information). In the event that the Bank fails to make any payments or deliver any Ordinary Shares when the same may be due, the remedies of holders of the Preferred Securities are limited to bringing a claim for breach of contract.

Holders of the Preferred Securities have limited anti-dilution protection

The number of Ordinary Shares to be issued and delivered on conversion in respect of each Preferred Security shall be determined by dividing the Liquidation Preference of such Preferred Security by the Conversion Price in effect on the Trigger Event Notice Date. The Conversion Price will be, if the Ordinary Shares are then admitted to trading on a Relevant Stock Exchange, the higher of: (a) the Current Market Price of an Ordinary Share; (b) the Floor Price; and (c) the nominal value of an Ordinary Share (being €1.00 on the Closing Date) or, if the Ordinary Shares are not then admitted to trading on a Relevant Stock Exchange, the higher of (b) and (c) above. See Condition 6 for the complete provisions regarding the Conversion Price.

The Floor Price will be adjusted in the event that there is a consolidation, reclassification/redesignation or subdivision affecting the Ordinary Shares, the payment of any Extraordinary Dividends or Non-Cash Dividends, rights issues or grant of other subscription rights or certain other events which affect the Ordinary Shares, but only in the situations and to the extent provided in Condition 6.3. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares or that, if a Holder were to have held the Ordinary Shares at the time of such adjustment, such Holder would not have benefited to a greater extent.

Furthermore, the Conditions do not provide for certain undertakings from the Bank which are sometimes included in securities that convert into the ordinary shares of a bank to protect investors in situations where the relevant conversion price adjustment provisions do not operate to neutralise the dilutive effect of certain corporate events or actions on the economic value of the Conversion Price. For example, the Conditions contain neither an undertaking restricting the modification of rights attaching to the Ordinary Shares nor an undertaking restricting issues of new share capital with preferential rights relative to the Preferred Securities.

Further, if the Bank issues any Ordinary Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares and such Dividend does not constitute an Extraordinary Dividend, no Floor Price adjustment shall be applicable in accordance with Conditions 6.3(b) and 6.3(c), and therefore holders of the Preferred Securities will not be protected by anti-dilution measures.

Accordingly, corporate events or actions in respect of which no adjustment to the Floor Price is made may adversely affect the value of the Preferred Securities.

In order to comply with increasing regulatory capital requirements imposed by applicable regulations, the Bank may need to raise additional capital. Further capital raisings by the Bank could result in the dilution of the interests of the holders of the Preferred Securities, subject only to the limited anti-dilution protections referred to above.

Holders of the Preferred Securities will bear the risk of fluctuations in the price of the Ordinary Shares and/or movements in the CET1 ratio that could give rise to the occurrence of the Trigger Event

The market price of the Preferred Securities is expected to be affected by fluctuations in the market price of the Ordinary Shares, in particular if at any time there is a significant deterioration in the CET1 ratio by reference to which the determination of any occurrence of the Trigger Event is made, and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Market prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Bank and/or the Group, the results of operations and political, economic, financial and other factors. Any decline in the market price of the Ordinary Shares or any indication that the Bank's or the Group's CET1 ratio is decreasing (and hence the risk of a Trigger Event occurring is becoming increasingly proximate) may have an adverse effect on the market price of the Preferred Securities. The level of the CET1 ratio specified in the definition of Trigger Event may also significantly affect the market price of the Preferred Securities and/or the Ordinary Shares.

Fluctuations in the market price of the Ordinary Shares between the date upon which notice of Conversion is given and the Conversion Settlement Date may also further affect the value to a Holder of any Ordinary Shares delivered to that Holder on the Conversion Settlement Date.

In certain circumstances holders of the Preferred Securities may be bound by modifications to the Preferred Securities to which they did not consent

Condition 11 contains provisions for calling meetings of holders of the Preferred Securities to consider matters affecting the interests of holders of the Preferred Securities generally. These provisions permit defined majorities to bind all holders of the Preferred Securities including those holders who did not attend and vote at the relevant meeting and who voted in a manner contrary to the majority.

Prior to the issue and registration of the Ordinary Shares to be delivered following the occurrence of a Trigger Event, Holders of the Preferred Securities will not be entitled to any rights with respect to such Ordinary Shares, but will be subject to all changes made with respect to the Ordinary Shares

Any pecuniary rights with respect to the Ordinary Shares, in particular the entitlement to dividends, shall only arise and the exercise of voting rights and rights related thereto with respect to any Ordinary Shares is only possible after the date on which, following a conversion, as a matter of Spanish law, the relevant Ordinary Shares are issued and the person entitled to the Ordinary Shares is registered as a shareholder in Iberclear and its participating entities in accordance with the provisions of, and subject to the applicable Spanish law and the limitations provided in, the Bank's bylaws. Therefore, any failure by the Bank to issue, or effect the registration of, the Ordinary Shares after the occurrence of a Trigger Event shall result in the holders of the Preferred Securities not receiving any benefits related to the holding of the Ordinary Shares and, on a liquidation, dissolution or winding-up of the Bank, the entitlement of any such holders of the Preferred Securities will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such conversion had taken place immediately prior to such liquidation, dissolution or winding-up, as more particularly described in Condition 5.2. Furthermore, under Spanish law only the holders of the shares

according to the registry kept by Iberclear are entitled to exercise voting, pre-emptive and other rights in respect of such shares.

If a Delivery Notice is not duly delivered by a Holder, that Holder will bear the risk of fluctuations in the price of the Ordinary Shares and the Bank may, in its sole and absolute discretion, cause the sale of any Ordinary Shares underlying the Preferred Securities

In order to obtain direct delivery of the relevant Ordinary Shares on conversion, the relevant Holder must deliver a duly completed Delivery Notice to the Bank trough the relevant Iberclear Members and according to the Iberclear procedures from time to time, all in accordance with the provisions set out under Condition 6.10. The Ordinary Shares corresponding to the Preferred Securities in respect of which no duly completed Delivery Notices have been delivered on or before the Notice Cut-off Date shall be delivered by the Bank to the Settlement Shares Depository on the Conversion Settlement Date through Iberclear. Within ten Business Day following the Conversion Settlement Date, the Settlement Shares Depository shall procure that all Ordinary Shares so received are sold as soon as reasonably practicable and the net proceeds of sale shall as soon as reasonably practicable be distributed rateably to the relevant Holders in accordance with Condition 4.2 or in such other manner and at such time as the Bank shall determine and notify to the Holders.

Due to the fact that, in the event of the Trigger Event, investors are likely to receive Ordinary Shares at a time when the market price of the Ordinary Shares is very low, the cash value of the Ordinary Shares received upon any such sale could be substantially lower than the price paid for the Preferred Securities at the time of their purchase. In addition, the proceeds of such sale may be further reduced as a result of the number of Ordinary Shares offered for sale at the same time being much greater than may be the case in the event of sales by individual holders of the Preferred Securities.

Holders of the Preferred Securities may be obliged to make a takeover bid in case of a Trigger Event if they take delivery of Ordinary Shares

Upon the occurrence of a Trigger Event, a Holder receiving Ordinary Shares may have to make a takeover bid addressed to the Shareholders of the Bank pursuant to the Spanish Securities Market Law, and Royal Decree-Law 1066/2007, of 27 July, as amended, on the legal regime of takeover bids, which have implemented Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, if its aggregate holding in the Bank exceeds 30% of the available voting rights or if its aggregate holding in the Bank is less than 30% of such voting rights, but within 24 months of the date on which it acquired that lower percentage, it nominates a number of directors that, when taken together with any directors it has previously nominated, represent more than half of the members of the Bank's management body, in each case as a result of the conversion of the Preferred Securities into Ordinary Shares.

Holders of the Preferred Securities may be subject to disclosure obligations and/or may need approval by the Bank's and/or the Group's Competent Authority

As the holders of the Preferred Securities may receive Ordinary Shares if a Trigger Event occurs, an investment in the Preferred Securities may result in holders of the Preferred Securities, following Conversion, having to comply with certain disclosure and/or regulatory approval requirements pursuant to applicable laws and regulations applicable in Spain.

Pursuant to Spanish law, the Bank and the CNMV must be notified by a natural or legal person when the percentage of voting rights or shares in the Bank controlled by that person, by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches or exceeds 3% and certain specified percentages thereafter. See "*Description of Share Capital – Reporting Requirements*" for additional information.

Additionally, any natural or legal person, or such persons acting in concert, who acquire, directly or indirectly, a holding of 5% must immediately notify the Bank and the Bank of Spain. If the holding that is to be acquired reaches 10% or more of the capital or the voting rights or any other percentage which makes it possible to exercise a significant influence over the management of a Spanish bank (in any case when there is the capacity to appoint or dismiss a board member), such person must first notify the Bank of Spain and, as soon as it receives such notice, the Bank of Spain shall then request the Spanish Anti-Money Laundering Authority (*Servicio Ejecutivo de la Comisión para la Prevención del Blanqueo de Capitales e Infracciones Monetarias*) for a report. See "*Description of Share Capital – Legal Restrictions on Acquisitions of shares in Spanish Banks*" for additional information.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrence by holders of the Preferred Securities of substantial fines and/or suspension of voting rights associated with the Ordinary Shares. Accordingly, each potential investor should consult its legal advisers as to the terms of the Preferred Securities, in respect of its existing shareholding and the level of holding it would have if it receives Ordinary Shares following a Trigger Event.

The Preferred Securities are subject to the provisions of the laws of Spain and their official interpretation, which may change and have a material adverse effect on the terms and market value of the Preferred Securities. Some aspects of the manner in which CRD IV will be implemented remain uncertain

The Conditions are drafted on the basis of Spanish law in effect as at the date of this Prospectus. Changes in the laws of Spain or their official interpretation by regulatory authorities such as the Bank of Spain or the ECB after the date hereof may affect the rights and effective remedies of holders as well as the market value of the Preferred Securities. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Preferred Securities, which may have an adverse effect on investment in the Preferred Securities.

CRD IV imposes a series of requirements, many of which will be phased-in over a number of years. Although the CRR is directly applicable in each Member State, it has left a number of important interpretational issues to be resolved through binding technical standards that will be adopted in the future, and the CRD IV Directive has left certain other matters to the discretion of the relevant regulator. In particular, the measurement of RWAs may change over time as a result of further international review and, if so, it may have an adverse effect on the CET1 ratio.

Any changes in laws and regulations (including those which may result from the publication of the technical standards which interpret CRR) could impact the calculation of the CET1 ratio or the CET1 Capital (both as defined in the Conditions) of the Bank and/or the Group or the RWA of the Bank and/or the Group. Furthermore, because the occurrence of the Trigger Event (as defined in the Conditions) and restrictions on Distributions where subject to a Maximum Distributable Amount (as defined in the Conditions) depends, in part, on the calculation of these ratio and capital measures, any change in Spanish laws or their official interpretation by regulatory authorities that could affect the calculation of such ratios and measures could also affect the determination of whether the Trigger Event has actually occurred and/or whether Distributions on the Preferred Securities are subject to restrictions.

Such calculations may also be affected by changes in applicable accounting rules, the Group's accounting policies and the application by the Bank and/or the Group of these policies. Any such changes, including changes over which the Group has a discretion, may have a material adverse impact on the Bank's and/or the Group's reported financial position and accordingly may give rise to the occurrence of the Trigger Event in circumstances where such Trigger Event may not otherwise have occurred, notwithstanding the adverse impact this will have for holders of the Preferred Securities.

Furthermore, any change in the laws or regulations of Spain, Applicable Banking Regulations (as defined in the Conditions) or the application thereof may in certain circumstances result in the Bank having the option to redeem the Preferred Securities in whole but not in part (see "*The Preferred Securities may be redeemed at the option of the Bank*"). In any such case, the Preferred Securities would cease to be outstanding, which 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 Preferred Securities accurately and therefore affect the market price of the Preferred Securities given the extent and impact on the Preferred Securities of one or more regulatory or legislative changes.

There is no restriction on the amount or type of further securities or indebtedness which the Bank may incur

There is no restriction on the amount or type of further securities or indebtedness which the Bank may issue or incur which ranks senior to, or *pari passu* with, the Preferred Securities. The incurrence of any such further indebtedness may reduce the amount recoverable by holders of the Preferred Securities on a liquidation, dissolution or winding-up of the Bank in respect of the Preferred Securities and may limit the ability of the Bank to meet its obligations in respect of the Preferred Securities, and result in a Holder losing all or some of its investment in the Preferred Securities. In addition, the Preferred Securities do not contain any restriction on the Bank issuing securities that may have preferential rights to the Ordinary Shares or securities ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities and having similar or preferential terms to the Preferred Securities.

A capital reduction may take place in accordance with the Spanish Companies Law

In accordance to Article 418.3 of the Spanish Companies Law (as defined in the Conditions), in the event that the Bank intends to approve a capital reduction by reimbursement of contributions (*restitución de aportaciones*) to shareholders, the Bank may have to offer the Holders to convert their Preferred Securities into Ordinary Shares at the applicable Conversion Price prior to the execution of such capital reduction. A resolution of capital reduction for the redemption of any Ordinary Shares previously repurchased by the Bank will not be considered a capital reduction for these purposes.

Impact of financial transaction taxes

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's proposal**"), for a financial transaction tax (the "**FTT**") to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission's proposal was adopted, the FTT would be a tax primarily on "financial institutions" (which would include the Bank) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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 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 financial transaction is issued in a participating member state.

The FTT may give rise to tax liabilities for the Bank with respect to certain transactions if it is adopted based on the Commission's proposal. Examples of such transactions are the conclusion of a derivative contract in the context of the Bank's hedging arrangements or the purchase or sale of securities. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Preferred

Securities (including secondary market transactions) if conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between participating member states. It may therefore be altered prior to implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of the Preferred Securities are advised to seek their own professional advice in relation to the FTT.

On 4 July 2014, Royal Decree-Law 8/2014, of 4 July was introduced in Spain setting forth a tax rate of 0.03% on bank deposits in Spain. Such tax was established in 2013 (but previously with a 0% rate) and is payable annually by Spanish banks. 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 Bank operates. Any such additional levies and taxes could have a material adverse effect on the Bank's business, financial condition and results of operations.

Risks related to the Spanish withholding tax regime

Article 44 of Royal Decree 1065/2007, of 27 July 2007, as amended by Royal Decree 1145/2011, of 29 July 2011 ("**Royal Decree 1065/2007**"), sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014. The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the wording of section 4 of Article 44 of Royal Decree 1065/2007, income derived from securities originally registered with Iberclear will be paid by the Bank net of Spanish withholding tax (currently, at a rate of 19%) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Personal Income Tax ("**PIT**"). The Bank will not pay any additional amounts in respect of any such withholding tax.

On the other hand, interest payments made by the Bank in respect of the Preferred Securities for the benefit of non- Spanish tax resident investors, or for the benefit of Spanish Corporate Income Tax taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Preferred Securities registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Bank, in a timely manner, with a duly executed and completed statement (a Payment Statement), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, with the following information:

1. Identification of the Preferred Securities.
2. Total amount of the income paid by the Bank.
3. Amount of the income corresponding to individuals' residents in Spain that are PIT taxpayers.
4. Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Bank in a timely manner in respect of a payment of income made by the Bank under the Preferred Securities, such payment will be made net of Spanish withholding tax, currently at the rate of 19%.

Should this occur, affected beneficial owners would receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Bank no later than the 10th calendar day of the month immediately following the relevant payment date. In

addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non-Resident Income Tax Law ("**NRIT**") (as defined in section 8).

Prospective investors should note that the Bank does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by Iberclear Members in connection with each payment of income under the Preferred Securities. Accordingly, the Bank will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Bank. Moreover, the Bank will not pay any additional amounts with respect to any such withholding tax.

Holders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Preferred Securities. The Bank does not assume any responsibility in this regard.

U.S. Foreign Account Tax Compliance Withholding

While the Preferred Securities are in book-entry form and held within Iberclear, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by Iberclear (see "*Taxation – FATCA*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Bank's obligations under the Preferred Securities are discharged once it has made payment to the Holders of the Preferred Security, and the Bank has therefore no responsibility for any amount thereafter transmitted through the Iberclear and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Risks in relation to the market

The secondary market in general

Although the Preferred Securities have been registered with Iberclear as managing entity of the Spanish Central Registry and application has been made for admission to listing and trading on AIAF, there is no assurance that such application will be accepted or that an active trading market will develop. If an active trading market does not develop or is not maintained, the market price and liquidity of the Preferred Securities may be adversely affected. If a market does develop, it may not be very liquid and any liquidity in such market could be significantly affected by any purchase and cancellation of the Preferred Securities by the Bank or any member of the Group as provided in Condition 8. Therefore, investors may not be able to sell their Preferred Securities easily or at prices that will provide them with a yield comparable to similar

investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of the Preferred Securities.

As the Preferred Securities are registered with Iberclear investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Preferred Securities have been registered with Iberclear. Consequently, no physical notes have been or will be issued. Clearing and settlement relating to the Preferred Securities, as well as payment of interest and redemption of principal amounts, will be performed within Iberclear's account-based system. The investors are therefore dependent on the functionality of Iberclear's account-based system.

Title to the Preferred Securities is evidenced by book entries (*anotaciones en cuenta*), and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the respective participating entities in Iberclear as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Preferred Securities recorded therein.

The Issuer will discharge its payment obligation under the Conditions by making payments through Iberclear. Holders of the Preferred Securities must rely on the procedures of Iberclear and its participants to receive payments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, holders of the Preferred Securities according to book entries and registries as described in the previous paragraph. In addition, the Issuer has no responsibility for the proper performance by Iberclear or their participants of their obligations under their respective rules and operating procedures.

A summary of clearance and settlement procedures applicable to book-entry notes in Spain is contained under Section *"Market Information-Summary of Clearance and Settlement Procedures"*.

Exchange rate risks and exchange controls

Payments made by the Bank in respect of the Preferred Securities will be in Euro. 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 Euro. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Euro, as the case may be, 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 Euro would decrease (i) the Investor's Currency-equivalent yield on the Preferred Securities, (ii) the Investor's Currency-equivalent value of the redemption moneys payable on the Preferred Securities and (iii) the Investor's Currency-equivalent market value of the Preferred Securities. 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 Bank to make payments in respect of the Preferred Securities. As a result, investors may receive less than expected, or may receive nothing at all.

Risks relating to EURIBOR and other "benchmarks"

The determination of the Distributions in respect of the Preferred Securities after the First Reset Date is dependent upon the relevant 6-month Euro Interbank Offered Rate ("**EURIBOR**") calculated at the relevant time (as specified in the Conditions). The EURIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change with the result that they may perform differently than in the past or other consequences which cannot be predicted.

In this respect, the Benchmark Regulation, which was published in the Official Journal of the EU on 29 June 2016, applies to "contributors", "administrators" and "users" of "benchmarks" in the EU, and 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 to comply with extensive requirements in relation to the administration of "benchmarks" (or, if non EU based, to be subject to equivalent requirements) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised/registered (or, if non EU based, deemed equivalent or recognised or endorsed). As at the date of this Prospectus, ICE Benchmark Administration Limited and the European Money Markets Institute do not appear on the register of administrators and benchmarks established and maintained by ESMA.

The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices, applies to many interest rate and foreign exchange rate indices, equity indices and other indices (including "proprietary" indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue or via a systematic internaliser, financial contracts and investment funds, which could also include the 5-year Swap Rate.

The Benchmark Regulation could have a material impact on securities traded on a trading venue or via a "systematic internaliser" linked to a "benchmark" index, including in any of the following circumstances: (i) an index which is a "benchmark" could not be used by a supervised entity in certain ways if its administrator does not obtain authorisation or registration or, if based in a non-EU jurisdiction, the administrator is not recognised as equivalent or recognised or endorsed and the transitional provisions do not apply; and (ii) the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the benchmark.

Either of the above could potentially lead to the securities being de-listed, adjusted or redeemed early or otherwise impacted depending on the particular "benchmark" and the applicable terms of the securities or have other adverse effects or unforeseen consequences.

More broadly, any of the international, national or other proposals for reform or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks".

Any such consequence could affect the manner in which Distributions determinations are required to be made pursuant to the Conditions, and have a material adverse effect on the value of and return on any the Preferred Securities.

Interest rate risk

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

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

The Preferred Securities are rated BB- by S&P. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Preferred Securities.

Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the Preferred Securities does not address the likelihood that Distributions (or any additional amounts payable in accordance with Condition 12) or any other payments in respect of the Preferred

Securities will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

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

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Potential investors should not rely on any rating of the Preferred Securities and should make their investment decision on the basis of considerations such as those outlined above (see "*The Preferred Securities may not be a suitable investment for all investors*" for additional information). The Bank or its Group does not participate in any decision making of the rating agencies and any revision or withdrawal of any credit rating assigned to the Bank or any securities of the Bank is a third party decision for which the Bank does not assume any responsibility.

In general, European regulated investors are restricted under the credit rating agencies regulation (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). 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 credit rating information is set out on the cover of this Prospectus.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Bank to rate the Preferred Securities may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to the Preferred Securities, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Bank could adversely affect the market value and liquidity of the Preferred Securities.

Legal investment considerations may restrict certain investments

The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) the Preferred Securities are lawful investments for it, (ii) the Preferred Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Preferred Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Preferred Securities under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

Each document incorporated herein by reference is only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Issuer or the Group, as the case may be, since the date thereof or that the information contained therein is current as of any time subsequent to its date. Any statement contained in any document incorporated herein by reference shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The following documents, which have been previously published and have been filed with the CNMV, are incorporated in, and form part of, this Prospectus:

(a) CaixaBank's audited consolidated financial statements prepared in accordance with IFRS–EU for the financial year ended 31 December 2017 (the "**2017 Consolidated Annual Financial Statements**") together with CaixaBank's management report in respect of the 2017 Consolidated Annual Financial Statements ("**CaixaBank Group Management Report for 2017**") (available at www.caixabank.com in section *Información para Accionistas e Inversores/Información económico-financiera/Informe financiero anual y semestral (cuentas)/2017/Cuentas anuales consolidadas, informe de gestión e informe de auditoría 2017* and on the CNMV website: www.cnmv.es).

(b) CaixaBank's audited consolidated financial statements prepared in accordance with IFRS–EU for the financial year ended 31 December 2016 (the "**2016 Consolidated Annual Financial Statements**") together with CaixaBank's management report in respect of the 2016 Consolidated Annual Financial Statements ("**CaixaBank Group Management Report for 2016**") (available at www.caixabank.com in section *Información para Accionistas e Inversores/Información económico-financiera/Informe financiero anual y semestral (cuentas)/2016/Cuentas anuales consolidadas, informe de gestión e informe de auditoría 2016* and on the CNMV website: www.cnmv.es).

(c) CaixaBank's audited consolidated financial statements prepared in accordance with IFRS–EU (including the auditor's report thereon) for the financial year ended 31 December 2015 (the "**2015 Consolidated Annual Financial Statements**") together with CaixaBank's management report in respect of the 2015 Consolidated Annual Financial Statements ("**CaixaBank Group Management Report for 2015**") (available at www.caixabank.com in section *Información para Accionistas e Inversores/Información económico-financiera/Informe financiero anual y semestral (cuentas)/2015/Cuentas anuales consolidadas, informe de gestión e informe de auditoría 2015* and on the CNMV website: www.cnmv.es).

(d) CaixaBank's Registration Document drawn up pursuant to Annex I of the Prospectus Regulation, approved and registered with the CNMV on 11 July 2017, as supplemented on 21 December 2017 incorporating (i) CaixaBank's condensed interim consolidated financial statements and interim consolidated management report for the six months ended 30 June 2017 and (ii) CaixaBank's unaudited quarterly business activity and results report for the nine months ended 30 September 2017; as further supplemented on 28 February 2018 incorporating CaixaBank's 2017 Consolidated Annual Financial Statements and the CaixaBank Group Management Report for 2017 (the "**Registration Document**") (available at www.caixabank.com in section *Información para Accionistas e Inversores/Información General/Ofertas públicas de venta y admisión de valores/Documento de registro, folletos base y programas de emisiones/2017* and on the CNMV website: www.cnmv.es).

English translations

The English translations of the documents referred to in paragraphs (a) to (c) above are available at www.caixabank.com in section *Shareholders and Investors/Economic-financial information/Annual and bi-annual financial report (accounts).*

The English translation of the document referred to in paragraph (d) above is available at www.caixabank.com in section *Shareholders and Investors/General Information/Public offerings and admission to trading/Registry document, base prospectuses and issue programmes/2017/2017 Registration Document.*

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

DESCRIPTION OF THE ISSUER

Overview

CaixaBank, S.A. (the "**Bank**", the "**Issuer**" or "**CaixaBank**") is a Spanish bank which conducts its business under the commercial name CaixaBank. CaixaBank and its subsidiaries compose the CaixaBank group (the "**CaixaBank Group**" or the "**Group**"). CaixaBank has its registered office in the city of Valencia, at calle Pintor Sorolla, 2-4, 46002 Valencia (contact telephone number +34 93 411 75 03), and is currently registered with the Bank of Spain's Registry of Banks and Bankers (*Registro Especial de Bancos y Banqueros*), under registration number 2100, with Legal Entity Identifier (L.E.I.) code 7CUNS533WID6K7DGFI87.

The Issuer is a Spanish company with legal status as a public limited company (*sociedad anónima*) and is governed by the Spanish Companies Law, approved by Royal Decree-Law 1/2010, of 2 July, as amended. The Issuer is also subject to (i) the supervision, control and regulation of the ECB and the Bank of Spain, (ii) the regulatory oversight of the CNMV, given its status as a listed company, (iii) the supervision of the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) with regard to its insurance business, and (iv) special legislation applicable to lending institutions in general.

The CaixaBank Group is the third largest banking group in Spain measured by total assets, with total consolidated assets of €383,186 million as of 31 December 2017 (€347,927 million as of 31 December 2016). CaixaBank is a leading retail bank in Spain with approximately 13.8 million customers as of 31 December 2017, including individuals, corporates and institutions, to which it provides a comprehensive range of banking products and services.

CaixaBank's business model is a highly segmented universal banking model based on specialisation and quality of service. It is underpinned by a specific value proposition tailored to the needs of each customer segment (retail banking –including individuals, micro-businesses and self-employed-, premier banking, private banking, business banking and corporate and institutional banking); offering a comprehensive and innovative range of banking products and services; through a best-in-class omni-channel distribution platform with extensive reach and widespread coverage; and with a strong IT architecture as key enabler.

As of 31 December 2017, CaixaBank had 4,874 branches in Spain with six additional operating branches and 17 representative offices. The Issuer complements its branch network through its innovative digital distribution channels, which allow it to provide its customers with customized, high-quality, convenient and readily accessible banking services.

CaixaBank is also present in the insurance sector, in which it plays a significant role through its wholly-owned subsidiary, VidaCaixa, S.A.U. ("**VidaCaixa**"), and VidaCaixa's joint venture with Mutua Madrileña Automovilista Sociedad de Seguros a Prima Fija ("**MMA**"), SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros ("**SegurCaixa Adeslas**"). CaixaBank's assurance business is also supported by other financial subsidiaries across other activities including asset management, consumer finance, microcredit, payment at point of sale and credit card services.

As part of its business CaixaBank has also equity investments in other international financial groups, such as a 9.92% stake in Erste Group Bank and in certain corporates mainly in the services sector, such as a 9.64% stake in Repsol, a company operating in the hydrocarbon sector, and a 5.00% stake in Telefónica, one of the leading international companies in the telecommunications market, in each case as of 31 December 2017.

History

The Issuer was incorporated for an indefinite period under the corporate name Grupo de Servicios, S.A. by virtue of a public deed granted on 12 December 1980. On 22 December 1983, it changed its name to GDS-Grupo de Servicios, S.A. and on 1 January 1992, it adapted its bylaws to the Royal Decree Legislative 1564/1989, of 22 December, approving the former Spanish Companies Law (*Ley de Sociedades Anónimas*).

On 1 June 2000, GDS-Grupo de Servicios, S.A. merged with CaixaHolding, S.A.U. ("**CaixaHolding**") and adopted its corporate name. The merger was formalized by virtue of a public deed granted on 11 July 2000. In July, 2000, Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" ("**"la Caixa"**") transferred the majority of its portfolio of companies in which it held a stake to CaixaHolding in order to optimize its management and control procedures.

The Issuer subsequently changed its corporate name from CaixaHolding to Criteria CaixaCorp, S.A. ("**Criteria**") on 2 August 2007 and in October 2007 it completed the process to have its shares admitted to trading on the Spanish Stock Exchanges pursuant to a public offering.

Reorganisation of "la Caixa" Group in 2011

The enactment of Royal Decree-Law 11/2010, of 9 July, on the governing bodies and other matters relating to the legal framework of savings banks ("**Royal Decree-Law 11/2010**"), and the approval of the consolidated text of the Catalan Savings Banks Law pursuant to Royal Decree-Law 5/2010, of 3 August ("**Royal Decree-Law 5/2010**"), enabled Spanish savings banks (*cajas*) based in Catalonia to conduct their financial activities indirectly through a bank.

Under this legal framework, on 27 January 2011, CaixaBank entered into a framework agreement with "la Caixa" and MicroBank de "la Caixa", S.A. ("**MicroBank**") for the reorganisation of the "la Caixa" group. The structure was designed to enable "la Caixa" to indirectly carry out its financial activity while maintaining its social welfare activities. The restructuring plan was approved at both the ordinary general assembly of "la Caixa" held on 28 April 2011, and the annual ordinary general shareholders' meeting of Criteria dated 12 May 2011.

Pursuant to the framework agreement, "la Caixa" assigned the assets and liabilities comprising its financial business to MicroBank and, by means of a swap, "la Caixa" transferred all post-segregation shares in MicroBank to Criteria. Further to the swap, Criteria became owner of the 100% of the outstanding share capital of MicroBank. On 30 June 2011, Criteria merged with MicroBank and adopted its current corporate name, CaixaBank, S.A. On the same date, the Issuer was incorporated to the Bank of Spain's Registry of Banks and Bankers (*Registro Especial de Bancos y Banqueros*) and, on 1 July 2011, the Issuer was admitted to listing on the Spanish Stock Exchanges as a bank.

Merger with Banca Cívica

On 26 March 2012, CaixaBank entered into a merger agreement with "la Caixa", Caja de Ahorros y Monte de Piedad de Navarra ("**Caja Navarra**"), Caja General de Ahorros de Canarias ("**Caja Canarias**"), Caja de Ahorros Municipal de Burgos ("**Caja de Burgos**"), Monte de Piedad Caja de Ahorros San Fernando de Guadalajara, Huelva, Jerez y Sevilla ("**Cajasol**" and, together with Caja Navarra, Caja Canarias and Caja de Burgos, the "**Cajas**") and Banca Cívica to establish the terms of the integration of Banca Cívica into CaixaBank. Among others, in the merger agreement an exchange ratio of 5 shares of CaixaBank for every 8 shares of Banca Cívica was set out. After the completion of the merger, Banca Cívica's shareholding represented 7.44% of the total share capital of CaixaBank.

Banca Cívica was the central company (*sociedad central*) of the Institutional Protection Scheme (*Sistema Institucional de Protección*) comprising the Cajas, and the entity through which the Cajas carried on their

financial activity indirectly under Royal Decree-Law 11/2010. Prior to the integration of Banca Cívica, the Cajas owned 55.3% of the share capital and voting rights of Banca Cívica. Further to completion of all applicable conditions precedent on 26 July 2012, CaixaBank took control of Banca Cívica's assets and liabilities. On 3 August 2012, the public deed of merger was registered at the Commercial Registry and the merger was completed. Banca Cívica ceased to exist from this date.

Acquisitions and Disposals during 2014-2016

Sale of shareholding in Bolsas y Mercados Españoles

On 16 January 2014, within the context of CaixaBank divestment of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. ("**BME**"), the Issuer carried out a private placement through an accelerated book-built offering process of 4,189,139 shares of BME. At the time this represented 5.01% of BME's outstanding issued share capital and the entirety of CaixaBank's shareholding in the company.

The private placement was aimed at qualified investors and other institutional investors, exclusively. The aggregate sale price of the BME shares amounted to €124 million and generated a consolidated pre-tax gain of €47 million for the 2014 financial year.

Acquisition of Barclays España

On 31 August 2014, CaixaBank entered into a merger agreement with Barclays Bank PLC to acquire Barclays Bank, S.A.U. ("**Barclays España**").

On 2 January 2015, CaixaBank acquired 100% of the share capital of Barclays España, after having obtained the relevant authorizations and approvals from the competent authorities.

The transaction included the acquisition of Barclays España's entire retail banking, wealth management and corporate banking business divisions for a consideration of €816 million, but excluded the investment banking and card businesses. The purchase price allocation was reported in CaixaBank's financial statements as a negative merger goodwill of €602 million.

On 30 March 2015, the relevant boards of directors approved the provisional terms of the merger.

On 14 May 2015, the merger was registered with the Commercial Registry, thereby leading to the dissolution of Barclays España, and the block transfer of its equity to CaixaBank, implying the transfer of Barclays España's rights and liabilities under universal succession arrangements.

Sale of shareholding in Boursorama and Self Trade Bank

On 18 June 2015, CaixaBank announced the sale to Société Générale Group of its total stake in the French investment firm Boursorama, representing 20.5% of its share capital, as well as its voting rights, for a consideration of €219 million. The price paid by Société Générale was the same as the one offered to the minority shareholders' in the context of the simplified public takeover bid and to the one offered during the delisting process carried out in 2014, for €12 per share.

This ended the alliance that had begun in 2006 with the sale of CaixaBank's French business to Boursorama. As a result, the shareholders' agreement entered into with Boursorama in May 2006 and renegotiated in March 2014 was terminated.

Likewise, CaixaBank sold to Boursorama its 49% stake in Self Trade Bank, the joint venture it had in Spain with Boursorama, for a consideration of €33 million. As a result, both the joint venture and the shareholders' agreement entered into with Boursorama in July 2008 were terminated.

Asset swap with CriteriaCaixa of the stakes held in BEA and GF Inbursa in exchange for treasury shares and cash

On 30 May 2016, CaixaBank completed the asset swap that was disclosed to the public on 3 December 2015, by means of which it transferred to Criteria Caixa, S.A.U. ("**CriteriaCaixa**") its stakes in both the Hong Kong credit institution, BEA, representing approximately 17.3% of its share capital, and the Mexican financial institution, Grupo Financiero Inbursa ("**GF Inbursa**"), representing approximately 9.0% of its share capital. In turn, CriteriaCaixa transferred to the Issuer CaixaBank's treasury shares representing 9.9% of CaixaBank's share capital and a cash consideration of €678 million.

As a result of the asset swap, the agreements related to Bank of East Asia ("**BEA**") and GF Inbursa have been amended in order for CriteriaCaixa to replace CaixaBank as a shareholder in both companies. However, CaixaBank remains a banking partner to both banks and continue to cooperate with them in commercial activities. In case any strategic investment in banks operating in Latin America or the Asia-Pacific is to be made, commitment to making such investments through GF Inbursa and BEA, respectively, will remain except in the case of GF Inbursa, if GF Inbursa decides not to carry out such an investment.

The treasury shares received under the swap agreement were sold on 22 September 2016. See "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*" for additional information.

Stake held in Visa Europe Ltd.

As of 21 June 2016, Visa Inc. completed the acquisition of Visa Europe Ltd. from CaixaBank. The sale of the stake in Visa Europe Ltd., previously classified as an available for sale financial asset, generated a gross capital gain of €165 million (€115 million net) in the Group's consolidated statement of profit or loss for 2016 and the addition of Visa Inc securities to the portfolio.

Disposal of Repsol shares as a result of the early amortisation of CaixaBank's mandatory exchangeable bonds into Repsol shares.

In connection with the early redemption of all of CaixaBank's "Unsecured Mandatory Exchangeable Bonds due 2026", with ISIN code XS0994834587, announced on 28 January 2016 and made effective on 10 March 2016, CaixaBank delivered a total of 29,824,636 Repsol shares representing 2.069% of Repsol's share capital.

Banco BPI Takeover Bid

On 18 April 2016, CaixaBank announced to the market that the board of directors had decided to launch a voluntary tender offer for the shares of Banco BPI. The offered price was €1.113 per share in cash and was subject to the elimination of the voting cap in Banco BPI, obtaining a number of acceptance declarations so that CaixaBank would become owner of more than 50% of Banco BPI's share capital and to the regulatory approvals. The price was equivalent to the volume weighted average price of Banco BPI shares for the six (6) months prior to such preliminary announcement of the tender offer.

At the extraordinary general shareholders' meeting of Banco BPI held on 21 September 2016, the shareholders of Banco BPI approved a resolution to eliminate the voting cap that had been established in the articles of association of Banco BPI. Due to such elimination and to the fact of CaixaBank holding a stake in Banco BPI above 33.3%, the Portuguese securities regulator (the "**CMVM**") revoked the waiver to launch a mandatory tender offer over Banco BPI originally granted to CaixaBank in 2012 and, therefore, CaixaBank became bound to the duty of launching a mandatory tender offer over Banco BPI. Consequently, the legal nature of the tender offer (initially voluntary) was converted into a mandatory tender offer (the "**Banco BPI Tender Offer**"). Furthermore, CaixaBank increased the price of the Banco BPI Tender Offer up to €1.134 per share in cash, equivalent to the volume weighted average price of Banco BPI shares for the six (6) months prior to 21 September 2016.

On 22 September 2016, 585 million treasury shares, representing 9.9% of CaixaBank's share capital with a book value of €2,013 million, were sold with the objective of reinforcing the regulatory capital ratio in view of the Banco BPI Tender Offer and complying with the current objective of CaixaBank's Strategic Plan to maintain a CET 1 ratio fully loaded between 11% and 12%. The proceeds raised amounted to €1,322 million and the impact on the CET1 ratio was a 0.98% on a fully loaded basis and a 0.97% on a phased-in basis. Hence, this capital impact was included in the capital evolution of the second half of 2016 (from 30 June 2016 to 31 December 2016) in which period the fully loaded CET1 ratio changed a 0.2% due to capital generation, a 0.98% due to this sale of treasury shares and a -0.26% due to value adjustments and others.

On 5 January 2017, Banco BPI lost control over Banco de Fomento Angola, S.A. ("**BFA**") as a result of the execution of the sale of a 2% BFA stake to Unitel, S.A ("**Unitel**") and the execution of a new shareholders' agreement between Banco BPI and Unitel in relation to BFA. Unitel currently holds 51.9% of the share capital of BFA and Banco BPI has reduced its stake in BFA down to 48.1%. This transaction was previously approved by an extraordinary general shareholders' meeting of Banco BPI held on 13 December 2016. This transaction will allow Banco BPI to solve the situation of non-compliance of the large exposure risks derived from its participation in BFA.

Finally, on 16 January 2017, after CaixaBank obtained all the applicable regulatory approvals, the CMVM registered Banco BPI Tender Offer prospectus. The acceptance period of the Banco BPI Tender Offer started on 17 January 2017 and ended on 7 February 2017, as result of which CaixaBank increased its stake in Banco BPI from 45.5% to 84.51% of the issued share capital. The payment for the 39.01% of share capital stood at €645 million.

Banco BPI Group

As of 31 December 2017, Banco BPI was the fifth bank by assets in Portugal, with a market share of 9.3% in credit facilities and 10.5% in client resources, and is the lead bank in terms of customer satisfaction (Source: *Bank of Portugal, ECSI Portugal – Nationals Clients' Satisfaction Index*).

The financial group of which Banco BPI is the holding company (the "**Banco BPI Group**") centres its activity on the Portuguese market, offering commercial banking, asset management and insurance, as well as investment banking and private equity services to companies, institutions and individuals. The Banco BPI Group serves its clients through its multi-channel distribution network comprising 505 branches for the domestic activity, as of 31 December 2017.

As of 31 December 2017, Banco BPI Group total assets amounted €29,544 million (€38,285 million as of 31 December 2016).

Developments during 2017

Deconsolidation of CaixaBank from CriteriaCaixa Group

On 26 May 2016, CriteriaCaixa, which held 56.8% of CaixaBank's issued share capital by that time, disclosed its intention to deconsolidate CaixaBank from CriteriaCaixa and its subsidiaries (the "**CriteriaCaixa Group**") as well as the response issued by the ECB to the enquiry made by CriteriaCaixa setting the following conditions precedent for the deconsolidation of CaixaBank from the CriteriaCaixa Group:

(a) The voting and dividend rights of CriteriaCaixa in CaixaBank must not exceed 40% of all voting and dividend rights. The reduction must allow new investors or new funds to enter the shareholding structure of CaixaBank, without factoring in the asset swap agreement involving BEA (as defined below) and GF Inbursa (as defined below) which was disclosed by way of disclosure notification to the market on 3 December 2015;

(b) The proprietary directors of CriteriaCaixa at CaixaBank must not exceed 40% of all directors. This limit must also apply to the relevant Board committees. Any Board member proposed by a shareholder that has an agreement with CriteriaCaixa will be considered a proprietary director of CriteriaCaixa for these purposes. Accordingly, Board members proposed by the savings banks (now foundations) formerly comprising Banca Cívica (which was absorbed by CaixaBank) will therefore be considered as proprietary directors of CriteriaCaixa;

(c) In relation to appointments of directors elected by the Board itself (co-opted), the proprietary directors of CriteriaCaixa shall only vote for the directors proposed by CriteriaCaixa and shall abstain in all other cases. With regard to appointments of directors by shareholders at the general shareholders' meeting, CriteriaCaixa shall not object to any appointments proposed by the Board of Directors of CaixaBank;

(d) A coordinating director must be appointed from among the independent directors of CaixaBank with extensive powers, including relations with shareholders in corporate governance matters; and

CaixaBank may not grant CriteriaCaixa and/or Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" ("**"la Caixa" Banking Foundation**") financing that exceeds 5% of the eligible capital at the sub-consolidated level of the CaixaBank Group in the 12 months following the deconsolidation, and the financing must be zero as of that date. In addition, indirect financing may not be provided by distributing debt instruments among CaixaBank's customers.

Once the conditions set by the ECB had been complied with, the ECB would evaluate the deconsolidation of CaixaBank from the CriteriaCaixa Group. If the ECB confirmed that the conditions had been met and that CriteriaCaixa is no longer the controlling entity over CaixaBank, then provided that CriteriaCaixa does not hold a controlling stake in any other bank, it would cease to be a mixed financial holding company for the purposes of CRR. This would result in the CriteriaCaixa Group no longer being required to comply with the capital requirements set out in CRR.

The Board of Trustees of the "la Caixa" Banking Foundation and CriteriaCaixa's Board of Directors agreed to intend to comply, before the end of 2017, with the above conditions such that the prudential deconsolidation of CriteriaCaixa with respect to the CaixaBank Group would proceed. This decision took into account the disincentive measures for maintaining control contained in the Savings Banks and Banking Foundations Law, as well as the likelihood of the EBA to define the scope of resolution at CriteriaCaixa Group level which would effectively commit all of the "la Caixa" Banking Foundation's net worth to one single investment (CaixaBank). It was also understood that under IFRS-EU, the fulfilment of the above conditions for prudential deconsolidation would also result in the accounting deconsolidation of CaixaBank.

On 31 May 2016, CriteriaCaixa and CaixaBank disclosed to the market the completion of the asset swap that was disclosed to the public on 3 December 2015, by means of which CaixaBank transferred to CriteriaCaixa its stakes in BEA and GF Inbursa. In turn, CriteriaCaixa transferred to the Issuer CaixaBank's treasury shares representing 9.9% of CaixaBank's share capital and a cash consideration of €678 million. On 7 June 2016, CriteriaCaixa and "la Caixa" Banking Foundation sent the relevant event announcement (*hecho relevante*) to the CNMV informing it of the fall under the 50% threshold as a result of the transfer of shares due to execution of the above mentioned swap. See "*Description of the Issuer – Acquisitions and Disposals during 2014-2016-Asset swap with CriteriaCaixa of the stakes held in BEA and GF Inbursa in exchange for treasury shares and cash*" for additional information.

On 13 December 2016, CriteriaCaixa released a relevant event announcement (*hecho relevante*) reporting the completion of an Accelerated Bookbuilt Offering (ABO) of a package 100 million CaixaBank shares, accounting for approximately 1.7% of its share capital, for €315 million. On 20 December 2016, CriteriaCaixa issued a notification of rights to vote and financial instruments for the above mentioned sale of

CaixaBank's shares and the subscription of 38,505,212 shares resulting from the capital increase carried out by CaixaBank in the context of the CaixaBank Scrip Dividend Program (as defined below) in December 2016.

On 20 December 2016, both "la Caixa" Banking Foundation and CriteriaCaixa filed a notification with the CNMV reporting that, following the last events, the stake held by the "la Caixa" Banking Foundation Group in CaixaBank had fallen from 46.908% to 45.322%. It also reported that, in compliance with additional provision eight of the Savings Banks and Banking Foundations Law, banking foundations that subscribe capital increases at an investee credit institution may not exercise the voting rights corresponding to that part of the capital acquired which would allow them to maintain a position of 50% or higher or a controlling position. In accordance with this legislation, "la Caixa" Banking Foundation may only exercise its vote over 2,672,375,355 shares representing 44.68% of the share capital of CaixaBank.

On 6 February 2017, CriteriaCaixa published a relevant event announcement (*hecho relevante*) announcing the placement on the market of a package of 318,305,355 CaixaBank shares owned by CriteriaCaixa and accounting for approximately 5.3% of CaixaBank's share capital through an ABO. The share placement amounted to €1,069 million, at a sale price of €3.36 per share. As of 30 April 2017, CriteriaCaixa held a stake of a 40% in the CaixaBank's share capital.

The general shareholders' meeting of CaixaBank held on 6 April 2017 approved the inclusion of certain corporate governance improvements to comply with the conditions established by the ECB for the prudential deconsolidation of CriteriaCaixa. Essentially, these improvements include the insertion of several provisions in the Bank's bylaws under which, among others, (i) no shareholder may be represented by a number of proprietary directors exceeding 40% of the members of the Board of Directors, notwithstanding the proportional representation right to which such shareholders are entitled to in the terms set forth in the applicable laws, (ii) the majority of the members of all internal Committees of the Board of Directors shall be independent directors, (iii) when a shareholder is represented in the Board of Directors by more than one proprietary director, the proprietary directors representing such shareholder shall abstain from participating in the deliberation and voting of the agreements for the appointment of independent directors by co-option and with regard to the appointment proposals of independent directors made to the general shareholders' meeting, (iv) the independent directors are only entitled to grant their proxies in favor of another independent directors, (v) no more than half of the executive directors should be appointed from amongst the proprietary directors representing a same shareholder, neither amongst directors who are current or past members of the governing bodies or senior management of a shareholder holding, or having held, control of the Bank, unless three or five years, respectively, have elapsed since the termination of such relationship, and (vi) the Board of Directors shall, with the abstention of the executive directors, appoint, among its independent directors, a coordinating director who will have the powers attributed to it by the Bank's bylaws and the regulations of the Board of Directors and, in any event, when the Chairman is an executive director, the powers set forth by the applicable laws.

On 26 September 2017, the ECB resolved that having confirmed the loss of control of CriteriaCaixa over CaixaBank, CriteriaCaixa had ceased to be considered a mixed financial holding company for the purposes of CRR under its supervision. The parent company of the new group for the purposes of complying with the capital requirements set out in CRR is CaixaBank, as published in CaixaBank's relevant event announcement (*hecho relevante*) dated 26 September 2017.

2017 early retirement schemes

On 10 January 2017, a paid early retirement scheme was launched for employees of the Group born between 1 March 1953 and 31 December 1959, which has been accepted by 350 people, with an impact in the profit and loss statement of costs of approximately €152 million.

On 12 May 2017, a paid early retirement scheme was launched for employees of the Group born before 1 January 1962. On 19 May 2017, the sign-up period for the scheme ended, with the acceptance of 610 employees and an estimated one-off expense of €310 million gross.

Banco BPI Takeover Bid

See "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*" for additional information.

Mortgage covered bond issue

On 11 January 2017, CaixaBank issued €1,500,000,000 1.25% mortgage covered bond due 11 January 2027. The interest on this bond will accrue from (and including) the issue date until (but not including) 11 January 2027, and from that date (including) to each 11 January until maturity, at an annual rate of 1.25%.

Subordinated bond issue

On 15 February 2017, CaixaBank issued a €1,000 million subordinated bond due 2027 callable one time at the option of the issuer in year 5, subject to regulatory approval. The interest on this bond will accrue from (and including) the issue date until (but not including) 15 February 2022 at an annual rate of 3.50% and from that date (including) the interest will accrue at a fixed interest rate equal to a 5-year Mid Swap Rate plus a margin of 3.35%, where the 5-year Mid Swap Rate will be determined on 15 February 2022.

CaixaBank has received confirmation from the ECB that the subordinated bond qualifies as Tier 2 capital.

Senior notes issue

On 17 May 2017, CaixaBank issued €1,000,000,000 1.125% senior notes due 17 May 2024 under its €10,000,000,000 Euro Medium Term Note Programme. The interest on this bond will accrue from (and including) the issue date until (but not including) 17 May 2024, and from that date (including) to each 17 May until maturity, at an annual rate of 1.125%.

Preferred securities issue

On 13 June 2017, CaixaBank issued €1,000,000,000 perpetual non-cumulative contingent convertible Additional Tier 1 preferred securities, accruing non-cumulative cash distributions as follows: (i) in respect of the period from (and including) 13 June 2017 to (but excluding) 13 June 2024, at the rate of 6.75 per cent. per annum, and (ii) in respect of each period from (and including) the 13 June 2024 and every fifth anniversary thereof to (but excluding) the next succeeding reset date, at the rate per annum, calculated on an annual basis and then converted to a quarterly rate in accordance with market convention, equal to the aggregate of 6.498 per cent. per annum and the 5-year Mid-Swap Rate.

CaixaBank has received confirmation from the ECB that the preferred securities qualify as Tier 1 capital.

Agreement with Cecabank

On 28 June 2017, CaixaBank Asset Management SGICC, S.A.U. ("**CaixaBank AM**") and VidaCaixa, two fully owned subsidiaries of CaixaBank, reached an agreement with Cecabank, S.A. ("**Cecabank**") whereby the latter will continue to act, until 31 March 2027, as the exclusive depositary for 80% of the assets under management related to the mutual funds, SICAVs (*Sociedades de Inversión de Capital Variable*) and individual pension funds which are managed by CaixaBank AM and VidaCaixa.

Subordinated notes issue

On 14 July 2017, CaixaBank issued a €1,000,000,000 subordinated notes due 2028 under its €10,000,000,000 Euro Medium Term Note Programme callable one time at the option of the issuer in year 6, subject to regulatory approval. The interest on this bond will accrue from (and including) the issue date until (but not including) 14 July 2023 at an annual rate of 2.75% and from that date (including) the interest will accrue at a

fixed interest rate equal to a 5-year Mid Swap Rate plus a margin of 2.35%, where the 5-year Mid Swap Rate will be determined on 14 July 2022.

CaixaBank has received confirmation from the ECB that the subordinated bond qualifies as Tier 2 capital.

Senior non preferred notes issue

On 12 September 2017, CaixaBank issued €1,250,000,000 1.125% senior non-preferred notes due 12 January 2023 under its €10,000,000,000 Euro Medium Term Note Programme. The interest on this bond will accrue from (and including) the issue date until (but not including) 12 January 2018, and from that date (including) to each 12 January until maturity, at an annual rate of 1.125%.

Interim dividend

On 23 October 2017, the Board of Directors of CaixaBank agreed to pay an interim dividend of €0.07 per share, with payment taking place on 2 November 2017.

Strategic Plan. Financial and operating targets 2015-18

The CaixaBank Group devised and further revised a new strategic plan for 2015 through to 2018 taking into consideration a scenario of gradual economic recovery, low interest rates, the start-up of the banking union and continued advances in technology and innovation in customer relations. The new strategic plan also addresses the challenge facing the financial system of recovering high levels of trust and reputation, which represents an opportunity for CaixaBank.

The plan has the following five strategic lines:

- Customer focus: being the best bank in both quality and reputation.
- Attaining recurring returns above the cost of capital.
- Managing capital actively.
- Leading the digitalisation of the banking industry.
- Having the best-prepared and most dynamic human team possible.

For the four-year plan period CaixaBank aims to achieve, among other financial and operating targets: (i) an ROTE of between 9% to 11%; (ii) a recurrent cost-to-income ratio of less than 55%; (iii) a compound annual growth rate for core revenues of 4% (excluding Banco BPI); (iv) a stabilized figure of recurrent operating expenses with reference to those for 2014; (v) reducing the cost of risk to less than 40 bps; (vi) maintaining the fully loaded CET1 ratio between 11% and 12%; (vii) maintaining the fully loaded total capital above 14.5% (viii) distributing to shareholders a cash dividend payout ratio equal to or above 50% of its consolidated net profit; and (ix) a special dividend and/or share buyback program if the fully loaded CET1 ratio is above 12%.

These are targets only and not forecasts. There can be no assurance that these targets can or will be met and they should not be seen as an indication of the Group's expected or actual results or returns. Accordingly, prospective investors should not place any reliance on these targets in deciding whether to invest in the Preferred Securities. In addition, as noted previously, prior to making any investment decision, prospective investors should carefully consider the risk factors described in this Prospectus.

Recent developments in 2018

Mortgage covered bond issue

On 17 January 2018, CaixaBank issued €1,000,000,000 1.00% mortgage covered bond due 17 January 2028. The interest on this bond will accrue from (and including) the issue date until (but not including) 17 January 2028, and from that date (including) to each 17 January until maturity, at an annual rate of 1.00%. On the same day, CaixaBank increased by €375,000,000 its existing 1.625% mortgage covered bond issuance due 14 July 2032 up to a total amount of €750,000,000.

Senior notes issue

On 18 January 2018, CaixaBank issued €1,000,000,000 0.75% senior notes due 18 April 2023 under its €10,000,000,000 Euro Medium Term Note Programme. The interest on this bond will accrue from (and including) the issue date until (but not including) 18 April 2019, and from that date (including) to each 18 April until maturity, at an annual rate of 0.75%.

Banco de Fomento Angola, S.A.

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

Distribution of a final cash dividend against 2017 profits to be submitted for approval at CaixaBank's ordinary general shareholders' meeting

On 22 February 2018 the Board of Directors of CaixaBank agreed to submit a resolution proposal to CaixaBank's ordinary general shareholders' meeting to be held on 6 April 2018, on second call, if it cannot be held at first call (on 5 April 2018, because the required quorum has not been reached), for the distribution of a final cash dividend of €0.08 per share (gross) against 2017 profits, amounting to a total distribution of €478,515 thousand. In accordance with the proposal's terms, the dividend would be paid on 13 April 2018. The approval of this dividend at the ordinary general shareholders' meeting, as applicable, and the specific payment conditions will be disclosed after such ordinary general shareholders' meeting.

After payment of this dividend, the total shareholder remuneration for 2017 would be €0.15 per share (gross), bringing the total cash amount paid to 53% of consolidated net profit, in line with the 2015-2018 Strategic Plan.

Under CaixaBank's current dividend policy, remuneration for 2018 will comprise two half-yearly dividends payable in cash and CaixaBank has reiterated its intention of remunerating shareholders by distributing an amount in cash equal to or greater than 50% of consolidated net profit, in line with the 2015-2018 Strategic Plan.

Capital Ratios

The following table shows the capital ratios of CaixaBank, at a consolidated level, as of 31 December 2017, 31 December 2016 and 31 December 2015.

Consolidated	31 December 2017	31 December 2016	31 December 2015
Common Equity Tier 1 (CET1), phase-in	12.7%	13.2%	12.9%
Tier 1, phase-in	12.8%	13.2%	12.9%
Total capital, phase-in	16.1%	16.2%	15.9%
Risk weighted assets (RWAs) (€ million), phase-in	148,940	134,864	143,312
Leverage ratio, phase-in	5.5%	5.7%	5.7%
Common Equity Tier 1 (CET1), fully loaded	11.7%	12.4%	11.6%

After Banco BPI Tender Offer, CaixaBank's pro-forma regulatory (phase-in) CET1 ratio as of 31 December 2016 was 12.0% (11.3% fully loaded), with 17,046 million of CET1 and 150,745 million of RWAs and a negative impact of 108 bps on its CET1 ratio. In terms of total capital, and factoring in the subordinated debt issued by CaixaBank on 8 February 2017, the pro-forma ratios were 15.7% (phase-in) and 15.0% (fully loaded).

Further relevant historical capital ratios at a consolidated level are provided in the following table:

	Phase-in								
	31 Dec. 2015	31 March 2016	30 June 2016	30 Sep. 2016	31 Dec. 2016	31 March 2017	30 June 2017	30 Sept. 2017	31 Dec. 2017
CET1 Ratio	12.9%	12.8%	12.3%	13.4%	13.2%	11.9%	12.5%	12.7%	12.7%
Tier 1 Ratio	12.9%	12.8%	12.3%	13.4%	13.2%	11.9%	12.5%	12.8%	12.8%
Total Capital Ratio	15.9%	15.9%	15.5%	16.6%	16.2%	15.5%	15.2%	16.2%	16.1%

	Fully loaded								
	31 Dec. 2015	31 March 2016	30 June 2016	30 Sep. 2016	31 Dec. 2016	31 March 2017	30 June 2017	30 Sept. 2017	31 Dec. 2017
CET1 Ratio	11.6%	11.6%	11.5%	12.6%	12.4%	11.5%	11.5%	11.7%	11.7%
Tier 1 Ratio	11.6%	11.6%	11.5%	12.6%	12.4%	11.5%	12.2%	12.3%	12.3%
Total Capital Ratio	14.6%	14.8%	14.7%	15.8%	15.4%	15.1%	14.9%	15.8%	15.7%

The following table shows the capital ratios of CaixaBank at an individual level, as of 31 December 2017, 31 December 2016 and 31 December 2015:

Individual ("solo basis")	31 December 2017	31 December 2016	31 December 2015
Common Equity Tier 1 (CET1), phase-in	13.6%	12.6%	13.0%
Tier 1, phase-in	14.1%	12.6%	13.0%
Total capital, phase-in	17.4%	15.5%	16.0%
Risk weighted assets (RWAs) (€ million) , phase-in	138,781	137,093	146,532
Leverage ratio, phase-in	6.1%	5.6%	5.3%

Business overview

Banking and Insurance is CaixaBank's core business line. CaixaBank's universal banking model is based on providing a quality, accessible and personalized service, with a wide range of products and services that are adapted to customers' needs and an extensive multi-channel distribution network. The two other business lines are Non-Core Real Estate, through which the Group manages its non-core real estate assets, and Equity Investments, mainly in other international financial groups and certain corporates primarily operating in the services sector.

The table below shows the audited consolidated statement of profit or loss of the Group by business segments for the years ended 31 December 2017 and 31 December 2016:

	Banking and Insurance[1]		**Non-Core Real Estate**		**Equity Investments[2]**		**BPI[3]**		**Total CaixaBank Group**	
	For the Year Ended 31 December		**For the Year Ended 31 December**		**For the Year Ended 31 December**		**For the Year Ended 31 December**		**For the Year Ended 31 December**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
					(€ million)					
Net interest income	**4,603**	**4,387**	**(71)**	**(66)**	**(163)**	**(164)**	**377**	**—**	**4,746**	**4,157**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	191	159	32	18	318	651	112	—	653	828
Net fee and commission income	2,222	2,089	1	1	—	—	276	—	2,499	2,090
Gain/(losses) on financial assets and liabilities and others	303	846	—	—	(44)	2	23	—	282	848
Income and expenses under insurance or reinsurance contracts	472	311	—	—	—	—	—	—	472	311
Other operating income and expenses	(80)	(156)	(332)	(251)	—	—	(18)	—	(430)	(407)
Gross income/(loss)	**7,711**	**7,636**	**(370)**	**(298)**	**111**	**489**	**770**	**—**	**8,222**	**7,827**
Administrative expenses	(3,602)	(3,687)	(42)	(55)	(4)	(4)	(502)	—	(4,150)	(3,746)
Depreciation and amortisation	(328)	(309)	(63)	(61)	—	—	(36)	—	(427)	(370)
Pre-impairment income	**3,781**	**3,640**	**(475)**	**(414)**	**107**	**485**	**232**	**—**	**3,645**	**3,711**
Impairment losses on financial assets and other provisions	(1,606)	(769)	(138)	(136)	4	(164)	29	—	(1,711)	(1,069)
Net operating income/(loss)	**2,175**	**2,871**	**(613)**	**(550)**	**111**	**321**	**261**	**—**	**1,934**	**2,642**
Gains/(losses) on disposal of assets and other	154	21	6	(1,034)	5	(91)	(1)	—	164	(1,104)
Profit/(loss) before tax from continuing operations	**2,329**	**2,892**	**(607)**	**(1,584)**	**116**	**230**	**260**	**—**	**2,098**	**1,538**
Income tax	(575)	(904)	194	459	57	(37)	(54)	—	(378)	(482)
Profit/(loss) after tax from continuing operations	**1,754**	**1,988**	**(413)**	**(1,125)**	**173**	**193**	**206**	**—**	**1,720**	**1,056**
Profit/(loss) attributable to minority interests	6	9	—	—	—	—	30	—	36	9

	Banking and Insurance[1]		Non-Core Real Estate		Equity Investments[2]		BPI[3]		Total CaixaBank Group	
	For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December		For the Year Ended 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Profit/(loss) attributable to the Group	**1,748**	**1,979**	**(413)**	**(1,125)**	**173**	**193**	**176**	**—**	**1,684**	**1,047**
Equity [4]	*19,641*	*20,332*	*1,331*	*1,598*	*1,012*	*1,470*	*2,220*	*—*	*24,204*	*23,400*
Total assets	*335,945*	*327,606*	*11,530*	*12,949*	*6,167*	*7,372*	*29,544*	*—*	*383,186*	*347,927*

Notes:

(1) This segment includes the impact of the business combination resulting from the acquisition of Banco BPI (€256 million), as it derived from a corporate operation.

(2) Profit and loss of Banco BPI was included in the investments business until acquisition of control in February 2017.

(3) Banco BPI includes the profit and loss contributed by Banco BPI to the consolidated Group from February 2017, using the full consolidation method to account for the assets and liabilities (considering the adjustments made in the business combination).

(4) Equity allocated to the businesses.

Banking and Insurance business

This is the Group's core business and includes the entire banking business (retail banking, corporate and institutional banking, among others, cash management and market transactions) and insurance business, primarily carried out in Spain through its branch network and other distribution channels.

As of 31 December 2017, CaixaBank had approximately 13.8 million customers, including individuals, companies and institutions. It also includes the liquidity management and the asset liability committee (ALCO) and income from financing other businesses.

For the year ended 31 December 2017, the Group's core revenues amounted to €7,887 million, representing 96% of the gross income and an increase of 18% in respect of the year ended 31 December 2016, when they amounted to €6,683 million and represented 85% of the gross income. For the year ended 31 December 2017, the Group's core operating income amounted to €3,420 million, representing an increase of 27% in respect of the year ended 31 December 2016, when they amounted to €2,688 million. On the other hand, recurring expenses have remained stable at around €1 billion per quarter (excluding Banco BPI).

Banking Business

The Banking Business relies on a universal banking model based on quality, innovation, accessibility and personalised service, with a wide range of products and services that are adapted to customers' various needs and an extensive multi-channel distribution network.

As of 31 December 2017, the Banking Business services were offered through a network of 4,874 branches in Spain, of which 4,681 are retail branches.

The Banking business has different divisions based on the type of customers its services are directed at:

Individual Banking

Individual Banking is directed at individuals with less than €60,000 in net worth, as well as businesses, including retail establishments, self-employed and freelance professionals, micro-companies and agribusiness, with a turnover of less than €2 million annually. This division represents the Group's most traditional business, and provides the basis for the development of other, more specialized, lines of business. As a result of CaixaBank's high-quality multi-channel approach it has strengthened customer loyalty through the launch

of a wide range of new products and services. CaixaBank has expanded and consolidated itself as a benchmark entity with a penetration amongst retail clients aged 18 or above in Spain of 30.0% as of 31 December 2017 (26.7% amongst those who cite CaixaBank as their main bank) (Source: *FRS Insmark*).

The market share for direct-deposit payrolls, which is a key indicator of customer engagement, increased to 26.3% as of 31 December 2017.

Premier Banking

This division is directed towards individual customers with a net worth of between €60,000 and €500,000, with advisory services provided by specialized managers that are focused on tailored solutions to customer needs.

Private Banking

The Private Banking division is aimed at customers with assets under management in excess of €500,000, with services offered by professionals through exclusive Private Banking Centres.

Business Banking

The Business Banking division provides services to business customers with annual turnover of between €2 million and €200 million. The purpose of this specialized business line is to establish a long-term relationship with companies, underpinning their growth and day-to-day management.

CaixaBank manages this business line through a network of specialized offices and specialist managers. Customers also receive support from the Group's branch network and advisory services from its professionals specialized in financing and services, treasury and foreign trade.

In 2015, the Issuer obtained the AENOR Conform quality certification on corporate banking advisory services, an award which recognizes CaixaBank's optimal level of management and customer service. In 2016, it also received the first AENOR certification in Europe for excellence in Individual and Business banking.

Corporate and Institutional Banking

The Corporate & Institutional Banking (CIB) division was created in 2015 and specializes in the provision of services to large companies, with annual turnover in excess of €200 million, and public administrations. This division is the result of the integration of the Corporate Banking division, the Institutional Banking division, and other areas that provide service to customers.

This division provides tailored services to approximately 500 commercial groups. With more than 200 specialized managers, this division intends to become a benchmark entity for its customers by offering personalized value proposals and being able to anticipate customers' needs.

International Business

The Group provides international banking services to its clients through operating branches, representative offices and correspondent banks, as described below:

- *Operating branches*: The Group has branches in Poland (Warsaw), the United Kingdom (London), Morocco (Casablanca, Tangier and Agadir) and Germany (Frankfurt).
- *Representative offices*: Within the EU, the Group maintains representative offices located in Italy (Milan) and France (Paris). Outside the EU, the Group maintains representative offices in China (Beijing, Shanghai and Hong Kong), Turkey (Istanbul), Singapore, the United Arab Emirates (Dubai), India (New Delhi), Egypt (Cairo), Chile (Santiago de Chile), Colombia (Bogotá), Perú (Lima), the United States (New York), South Africa (Johannesburg), Algeria (Algiers) and Brazil (São Paulo).

Business support

Certain of CaixaBank's subsidiaries and investments provide business support to its banking operations. The tables below set out the principal subsidiaries providing such support and their respective areas of activity, as of 31 December 2017:

Banking, other financial services and other support functions

Company	Ownership	Activity
CaixaBank Asset Management, SGIIC, S.A.U.....	100%	Collective Investment Institutions management
CaixaBank Consumer Finance	100%	Consumer financing
Nuevo MicroBank, S.A.U.	100%	Microcredit financing
CaixaBank Payments, EFC EP, S.A.	100%	Cards management
GestiCaixa, SGFT, S.A.	100%	Asset securitization
Comercia Global Payments, S.L.....	49%	Electronic payment services management
CaixaBank Electronic Money, EDE, S.L.....	88%	Payment instruments issuer
Silk Aplicaciones, S.L..	100%	Management of the Group's technological infrastructure
CaixaBank Digital Business, S.A...	100%	Management of multichannel platform.
GDS-CUSA, S.A.....	100%	Non-performing loan management and other legal services

Insurance

CaixaBank complements its banking services with a variety of life insurance, pension and general insurance products and services.

The Group offers these insurance and pension products and services through the following entities:

- VidaCaixa, a wholly-owned subsidiary through which the Group provides life insurance products and pension plans; and
- SegurCaixa Adeslas, S.A., a joint venture 49.9% of which is owned by VidaCaixa, 50% of which is owned by Mutua Madrileña and the remaining 0.1% is owned by minority shareholders, through which the Group provides non-life insurance products.

As of 31 December 2017, VidaCaixa was the largest provider in the Spanish market, with a 23.5% share of the pension market according to INVERCO (*Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones*) and 26.3% share of the life insurance market regarding technical provisions, according to ICEA (*Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones*).

As of 31 December 2017, SegurCaixa Adeslas was the market leader in health insurance in Spain, with a market share of 29.1% and had a number two market position in the Spanish home insurance market (Source: *ICEA* (*Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones*)).

Net profit of VidaCaixa for the year ended 31 December 2017 reached €634 million (€492 million the year ended 31 December 2016).

Non-Core Real Estate

Effective 1 January 2015, the Group implemented a new structure for its real estate management model by segregating some of its real estate activities, in particular real estate loans requiring special management, from the Group's Banking and Insurance business line. This resulted in a dedicated team and network of centres comprising the new Non-Core Real Estate business line. Until 1 January 2016, the Group differentiated

between two different lines of business: Banking and Insurance and Equity Investments. Under this model, the Non-Core Real Estate business was part of the Banking and Insurance business line.

Through this business line, the Group manages its current non-core real estate assets, which mainly include, amongst other real estate assets and interests, non-core developer loans and foreclosed real estate assets. The stock of foreclosed real estate assets, all of which are available for sale and rental, is mainly owned by CaixaBank's estate subsidiary, BuildingCenter, S.A.U. BuildingCenter, S.A.U. acquires the real estate assets deriving from CaixaBank's lending activity and manages them through Servihabitat Servicios Inmobiliarios, S.L., on which CaixaBank held a stake of 49% of the share capital as of 31 December 2017.

As of 31 December 2017 the total assets in the balance sheet of the Non-Core Real Estate business line amounted to €11,530 million.

Equity Investments

The Equity Investments business line includes the income of equity stakes in international financial entities, such as Erste Group Bank, as well as stakes in certain corporates mainly in the service sector, such as Repsol and Telefónica. It also includes equity stakes in other sectors incorporated as a result of CaixaBank's recent acquisitions.

In 2016 and until January 2017, upon completion of the Banco BPI Tender Offer on February 2017, this business line also included the equity stake in Banco BPI (see "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*"), and, until May 2016, the equity stake in BEA and GF Inbursa (see "*Acquisitions and Disposals during 2014-2016 – Asset swap with CriteriaCaixa of the stakes held in BEA and GF Inbursa in exchange for treasury shares and cash*").

Erste Group Bank, A.G.

Erste Group Bank is one of the leading banking groups in Austria and the Central and Eastern Europe region in terms of total assets. Erste Group Bank is present in Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia. The bank serves a total of about 16 million customers through a network of 2,577 branches. As of 30 September 2017, Erste Group Bank had total assets amounting to €221,715 million (€208,227 million as of 31 December 2016) (Source: *Interim Report of Erste Group Bank 2017*; *Erste Group Bank's unaudited quarterly business activity and results report for the nine months ended 30 September 2017*).

As of 31 December 2017, CaixaBank holds 9.92% of the issued outstanding share capital of Erste Group Bank.

Repsol

Repsol is an international company that operates in the hydrocarbon sector (exploration and production, refining and marketing) in more than 40 countries. As of 30 June 2017, Repsol had total assets amounting to €60,975 million (€64,849 million as of 31 December 2016) (Source: *interim financial statements of Repsol and company's website*).

As of 31 December 2017, CaixaBank held 9.64% of the issued outstanding share capital of Repsol.

Telefónica

Telefónica is a digital telecommunications operator, present in 21 countries across Europe and Latin America. It generates 75% of its business outside of Spain and has established itself as the leading operator in the Spanish-Portuguese speaking market. As of 30 June 2017, Telefónica had total assets amounting to approximately €120 billion (€124 billion as of 31 December 2016) (Source: *interim financial statements of Telefónica and company's website*), with 346 million total accesses (350 million as of 31 December 2016).

As of 31 December 2017, CaixaBank held 5.00% of the issued outstanding share capital of Telefónica.

Banco BPI

The Banco BPI business segment includes the profit and loss contributed by Banco BPI to the consolidated Group as from the acquisition of control in February 2017, at which time the Group began fully consolidating the interest held. The statement of profit or loss reflects the reversal of the adjustments derived from the fair value measurement of assets and liabilities assumed in the business combination. Equity in this business segment relates exclusively to Banco BPI's equity at the sub-consolidated level.

As of 31 December 2017, Banco BPI was Portugal's fifth largest bank when it comes to assets, with market shares of 9.3% in lending activity and 10.5% in customer funds (data prepared in-house; includes deposits, mutual funds, capitalisation insurance and insured pensions plans) (Source: *Banco de Portugal, APS, APFIPP*). It was also, for the second consecutive year, the market leader in customer satisfaction (Source: *ECSI Portugal 2016 and 2017 – Índice Nacional de Satisfação dos Clientes (National Customer Satisfaction Index)*).

As of 31 December 2017, CaixaBank's stake in BPI stands at 84.5% following completion, on 7 February 2017, of the acceptance period for the mandatory takeover bid filed by the Portuguese stock market regulatory (*Comissão do Mercado de Valores Mobiliários*) on 16 January 2017. The offered price for the bid was €1.134 per share and with demand totalling 39.01% of BPI's share capital, the total payout was therefore €644.5 million (See "*Acquisitions and Disposals during 2014-2016 – Banco BPI Takeover Bid*" for additional information).

In accordance with applicable accounting law, 7 February 2017 was set as the effective assumption of control date and the total stake in BPI (84.5%) has been reported under the full consolidation method since 1 February, having been previously reported under the equity method.

Business by Geographical Area

The Group's ordinary income for the years ended 31 December 2017 and 31 December 2016 by geographical area is as follows:

Distribution of ordinary income[(1)]

	For the Year Ended 31 December					
	Ordinary income from customers		Ordinary income between segments		Total ordinary income	
	2017	2016	2017	2016	2017	2016
			(thousands of €)			
Banking and Insurance	10,727,138	11,113,629	316,457	334,937	11,043,595	11,448,566
Spain	10,703,810	11,092,718	316,457	334,937	11,020,267	11,427,655
Other countries	23,328	20,911	—	—	23,328	20,911
Non-Core Real Estate	259,334	288,533	—	—	259,334	288,533
Spain	259,334	288,533	—	—	259,334	288,533
Other countries	—	—	—	—	—	—
Equity Investments	273,725	652,564	—	—	273,725	652,564
Spain	239,446	385,072	—	—	239,446	385,072
Other countries	34,279	267,492	—	—	34,279	267,492
BPI	851,719	—	3,263	—	854,982	—

Distribution of ordinary income[1]

	For the Year Ended 31 December					
	Ordinary income from customers		**Ordinary income between segments**		**Total ordinary income**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Portugal/Spain	713,713	—	3,263	—	716,976	—
Other countries	138,006	—	—	—	138,006	—
Adjustments and eliminations of ordinary income between segments			(319,720)	(334,937)	(319,720)	(334,937)
Total	**12,111,916**	**12,054,726**	—	—	**12,111,916**	**12,054,726**

Notes:

(1) Corresponds to the following line items of the CaixaBank Group's public statement of profit and loss calculated pursuant to Bank of Spain Circular 5/2014: (1) Interest income; (2) Dividend income; (3) Share of profit/(loss) of entities accounted for using the equity method; (4) Fee and commission income; (5) Gains/(losses) on financial assets and liabilities; (6) Gains/(losses) from hedge accounting; (7) Other operating income; and (8) Income from assets under insurance and reinsurance contracts.

Distributable Items

The following table shows the Distributable Items of CaixaBank[1] (as defined in the Conditions) on an individual basis as of 31 December 2017 and 31 December 2016.

	31 December	
	2017	**2016**
	(thousands of €)	
Reserves available	1,225,291	836,820
Profit of the period	1,428,131	1,035,077
Distributions to holders	(896,969)	(536,066)
Interim dividend	(418,454)	
Final dividend	(478,515)[2]	
Distributable Items of the Bank	1,756,453	1,335,831

Note:

(1) CaixaBank does not include within the Distributable Items figure the share premium account, which amounted to €12,033 million as of 31 December 2017 (€12,033 million as of 31 December 2016).

(2) This amount, which is the sum of a final cash dividend of €0.08 per share (gross) against 2017 net profits, has been proposed by the Board of Directors on 22 February 2018 to the ordinary general shareholders' meeting to be held on 6 April 2018, on second call, if it cannot be held on first call (on 5 April 2018).

Organisational Structure

As of 31 December 2017, the Group comprised 60 fully consolidated subsidiaries (entities over which CaixaBank has control, due to direct or indirect ownership of more than 50% of the relevant entity's voting rights or, if the percentage of ownership is lower than 50%, because it is party to agreements with other shareholders of the relevant entity that gives CaixaBank the majority of voting power); 8 joint ventures; and

52 associates (entities over which it exercises significant influence but which are neither subsidiaries nor jointly controlled entities).

The following table contains the fully consolidated subsidiaries that make up the Group as of 31 December 2017, showing both direct and indirect effective ownership percentages, as well as its sector of activity within each business line:

CaixaBank's fully consolidated subsidiaries		**% Interest**	
Company name	**Sector of activity**	**Direct**	**Total**
Aris Rosen, S.A.U.	Services	100.00	100.00
Arquitrabe Activos, S.L.	Holder of property assets	100.00	100.00
Banco BPI Cayman, Ltd	Bank	0.00	84.51
Banco BPI, S.A.	Bank	84.51	100.00
Banco Portugués de Investimento, S.A.	Venture capital company	0.00	84.51
Biodiesel Processing, S.L.	Research, creation, development and sale of biofuel manufacturing projects Production and sale of biodiesel and all types of oils	0.0	100.00
Bodega Sarría, S.A.	Production and sale of wine	0.0	100.00
BPI (Suisse), S.A.	Management of collective investment institutions	0.00	84.51
BPI - Global Investment Fund Management Company, S.A.	Management of collective investment institutions	0.00	84.51
BPI Capital Africa (Proprietary) Limited	Finance	0.00	84.51
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.	Management of collective investment institutions	0.00	84.51
BPI Madeira, SGPS, Unipessoal	Financial participations	0.00	84.51
BPI Private Equity – Sociedade de Capital de Risco, S.A.	Venture capital company	0.00	84.51
BPI Vida e Pensões - Companhia de Seguros, S.A.	Life insurance and pension fund management	0.00	84.51
BPI, Incorpored	Other	0.00	84.51
BuildingCenter, S.A.U.	Real estate property	100.00	100.00
Caixa Capital Biomed, SCR de Régimen Simplificado.	Venture capital company	90.9	90.9
Caixa Capital Fondos, SCR de Régimen Simplificado, S.A.U.	Venture capital company	100.00	100.00
Caixa Capital Micro, SCR de Régimen Simplificado, S.A.U.	Venture capital company	100.00	100.00
Caixa Capital TIC, SCR de Régimen Simplificado, S.A.	Venture capital company	80.7	80.7
Caixa Corp, S.A.	Holding company	100.00	100.00
Caixa Emprendedor XXI, S.A.	Promotion of entrepreneurial initiative	0.00	100.00
CaixaBank Asset Management, SGIIC, S.A.U.	Management of collective investment institutions	100.00	100.00
CaixaBank Brasil Escritório de representaçao, LTDA	Money intermediation	100.00	100.00
Caixabank Business Intelligence	Development of digital projects	100.00	100.00
CaixaBank Consumer Finance, EFC, S.A.	Consumer finance	100.00	100.00
CaixaBank Digital Business, S.A	Electronic channel management	100.00	100.00

CaixaBank's fully consolidated subsidiaries		% Interest	
Company name	**Sector of activity**	**Direct**	**Total**
CaixaBank Electronic Money, EDE, S.L.	Payment entity	0.0	88.45
Caixa Equipment Finance, S.A.U.	Vehicle and machinery rentals	0.0	100.00
CaixaBank Facilities Management, SA	Project management, maintenance, logistics and procurement	100.00	100.00
CaixaBank Payments 1 EFC, S.A	Finance	100.00	100.00
Caja San Fernando Finance, S.A	Finance	100.00	100.00
Cestainmob, S.L.	Property management	0.0	100.00
Corporación Hipotecaria Mutual, EFC, S.A.	Mortgage lending	100.00	100.00
Credifimo – Unión de crédito para la financiación mobiliaria e inmobiliaria, EFC, S.A.	Mortgage lending	100.00	100.00
Estugest, S.A.	Administrative activities and services	100.00	100.00
GDS – CUSA, S.A.	Services	100.00	100.00
CaixaBank Titulización, SGFT, S.A.	Securitisation fund management	91.00	100.00
Grupo Aluminios de Precisión, S.L.(*)	Smelting	100.00	100.00
Grupo Riberebro Integral, S.L.(*)	Vegetable processing	0.0	60.00
HipoteCaixa 2, S.L.	Mortgage loan management company	100.00	100.00
Hiscan Patrimonio, S.A.U.	Holding company	100.00	100.00
Holret, S.A.U.	Real estate services	100.00	100.00
Inter Caixa, S.A.	Services	99.99	100.00
Inversiones corporativas digitales, S.L..	Holding company	0.0	100.00
Inversiones Inmobiliarias Teguise Resort, S.L..	Services	60.00	60.00
Inversiones Valencia Capital, S.A.	Holding company	100.00	100.00
Inversiones Vitivinícolas, S.L.	Production and sale of wine	0.0	100.00
Líderes de empresa Siglo XXI, S.L	Custody, security and protection services	100.00	100.00
Negocio de Finanzas e Inversiones II, S.L.	Finance	100.00	100.00
Nuevo MicroBank, S.A.U.	Financing of micro-credits	100.00	100.00
PromoCaixa, S.A..	Product marketing	99.99	100.00
Puerto Triana, S.A..	Real estate developer specialized in shopping centers	100.00	100.00
Sercapgu, S.L.	Holding company	100.00	100.00
Silc Immobles, S.A.	Real estate management and administration	0.0	100.00
Silk Aplicaciones, S.L..	Provision of IT Services	100.00	100.00
Sociedad de Gestión Hotelera de Barcelona (formerly Sihabe Inversiones 2013)	Real estate operations	0.0	100.00
Telefónica Consumer Finance, EFC, S.A..	Consumer financing and financing for commercial transactions	0.0	50.00
VidaCaixa Mediación, Sociedad de Agencia de Seguros Vinculada, S.A.U.	Insurance agency	0.0	100.00
VidaCaixa, S.A. de Seguros y Reaseguros Sociedad Unipersonal..	Direct life insurance, reinsurance and pension fund management	100.00	100.00

Notes:

(*) These companies are subsidiaries, but they are classified as non-current assets held for sale.

For additional information regarding the organisational structure of the Group see "*Description of the Issuer – Developments during 2017*".

Major Shareholders

The following table sets forth information as of 31 December 2017 concerning the significant ownership interests of CaixaBank's shares (as defined by Spanish regulations, those who hold a stake on the Issuer's share capital representing 3% or more of the total voting rights, or 1% or more if the relevant significant shareholder is established in a tax heaven), based on the public filings with the CNMV, excluding the members of the Board of Directors:

Name of Shareholder	**Ownership (voting rights)**		
	Direct	**Indirect**	**% Total**
"la Caixa" Banking Foundation[(1)]	3,493	2,392,575,212	40.00
Invesco Limited[(2)]	0	58,429,063	1.00
Blackrock INC[(3)]	0	195,217,573	3.26

Notes:

(1) "la Caixa" Banking Foundation's indirect stake is held through its wholly subsidiary CriteriaCaixa.

(2) Invesco Limited holds its stake through Invesco Asset Management Limited (0.900%) and other entities (0.103%), as reported to the CNMV on 2 November 2015.

(3) In addition to the 3.26% voting rights, Blackrock INC has reported entitlement to 0.028% voting rights through ownership of certain financial instruments.

With regard to the stakes held by CriteriaCaixa in CaixaBank see "*Description of the Issuer – Developments during 2017 – Deconsolidation of CaixaBank from the CriteriaCaixa Group*".

In order to strengthen transparency and governance at CaixaBank, and in line with recommendation 2 of the Listed Companies' Code of Good Governance (*Código de Buen Gobierno de las Sociedades Cotizadas*), CaixaBank and the "la Caixa" Banking Foundation, as its controlling shareholder at that time, signed an internal relations protocol (the "**IRP**") which has been novated on various occasions to reflect the changes in the Group's structure.

The initial IRP was signed when the Issuer, previously known as Criteria CaixaCorp, was listed on the stock market and was replaced by a new IRP when a number of reorganisation transactions were carried out at the "la Caixa" group, as a result of which CaixaBank became the bank through which "la Caixa" indirectly carried on its financial activity. Thereafter, following the merger and absorption of Banca Cívica by CaixaBank and as a result of the transfer of Monte de Piedad's activity to CaixaBank, the IRP was amended by means of a novation agreement to remove reference to the exceptionality of Monte de Piedad's indirect activity. On 16 June 2014, a novation of the IRP was entered into to adapt it to the new situation whereby "la Caixa"would no longer indirectly carry out its financial activity through CaixaBank and to contemplate the former's transformation into "la Caixa" Banking Foundation.

The purpose of the IRP was to develop the basic principles governing relations between "la Caixa" and CaixaBank; define the main areas of activity of CaixaBank, bearing in mind that CaixaBank was the vehicle

via which the financial activity of ”la Caixa” is carried on; demarcate the general parameters governing any mutual business or social dealings between CaixaBank and its Group and ”la Caixa” and other ”la Caixa” group companies; and to ensure an adequate flow of information to allow ”la Caixa” and CaixaBank to prepare financial statements and meet their periodic reporting and supervision obligations with the Bank of Spain, the CNMV and other regulatory bodies.

As a result of the entry into force of the Savings Banks and Banking Foundations Law, inasmuch as ”la Caixa” owned over 10% of the share capital and voting rights of CaixaBank, the former had to become a banking foundation. The primary activity of the banking foundation would be to manage and carry out welfare projects and appropriately manage its stake in CaixaBank. Consequently, this extinguishes the arrangement whereby ”la Caixa” indirectly carries out its financial activity through CaixaBank.

Once the ”la Caixa” Banking Foundation was registered in the Foundations Registry, the ”la Caixa” Banking Foundation immediately ceased to carry out its financial activity indirectly through CaixaBank, therefore rendering the IRP ineffective. It was therefore necessary to amend the IRP to extend its validity for all matters which are not related to the indirect exercise of ”la Caixa” Banking Foundation’s financial activity until a new IRP is signed outlining the ”la Caixa” Group’s new structure.

By virtue of the foregoing, the Parties entered into a novation agreement amending the IRP on 16 June 2014, duly informing the CNMV the following day.

The Savings Banks and Banking Foundations Law requires banking foundations to approve, within two months from their creation, a management protocol (the “**Management Protocol**”) for managing its ownership interest in the financial institution. This Management Protocol must establish, at a minimum, the strategic criteria for managing the interest, the relations between the Board of Trustees and the governing bodies of the bank, specifying the criteria for proposing director appointments and the general criteria for carrying out operations between the banking foundation and the investee credit institution, and the mechanisms to avoid potential conflicts of interest. The ”la Caixa” Banking Foundation signed its Management Protocol for managing its ownership interest in CaixaBank on 24 July 2014. The CNMV was notified on 9 December 2014, following the Bank of Spain approval. On 18 February 2016, CaixaBank and the ”la Caixa” Banking Foundation executed a new Management Protocol for the management of the participation interest held by the ”la Caixa” Banking Foundation in CaixaBank, that superseded the Management Protocol executed on 24 July 2014. The purpose of this new Management Protocol was to adapt the text to the Circular 6/2015 of the Bank of Spain on the obligations of the banking foundations in relation to their interest held in credit entities.

In accordance with the provisions of the Management Protocol, CaixaBank, the ”la Caixa” Banking Foundation and CriteriaCaixa, signed on 19 December 2016 a new IRP, which is currently applicable to the relations between them and replaces the previous one, dated 16 June 2014, and whose main objectives are to:

- manage related-party transactions derived from the conduct of transactions or the provision of services;
- establish mechanisms that try to avoid the emergence of conflicts of interest;
- make provision for the ”la Caixa” Banking Foundation to have a pre-emptive right in the event of a transfer by CaixaBank of Monte de Piedad, which it owns;
- establish the basic principles for a possible collaboration between CaixaBank and the ”la Caixa” Banking Foundation in the adoption of corporate social responsibility (CSR) policies;

- regulate the flow of adequate information to allow ”la Caixa” Banking Foundation, CriteriaCaixa and CaixaBank to prepare their financial statements and to comply with periodic reporting and supervisory duties; and
- establish the mechanisms necessary so that CriteriaCaixa can assume all the requirements deriving from the ECB’s decision to consider CriteriaCaixa as the ultimate responsible entity for the financial conglomerate.

Agreement Among Shareholders

On the basis of information provided to the Bank by shareholders, the Bank has knowledge of the agreement described below.

Following the merger by absorption of Banca Cívica by CaixaBank, on 1 August 2012, ”la Caixa” Banking Foundation and Caja Navarra Banking Foundation, Cajasol Foundation, Caja Canarias Foundation and Caja de Burgos, Banking Foundation (the “**Foundations**”) entered into an agreement which regulates the relationships between the Foundations and ”la Caixa” Banking Foundation as shareholders of CaixaBank, and their cooperation, with the aim of strengthening their respective positions at CaixaBank and supporting the control of ”la Caixa” Banking Foundation.

The shareholders agreement foresees that ”la Caixa” Banking Foundation would vote in favour of the appointment of two members of the Board of Directors of CaixaBank proposed by the Foundations and, in order to give stability to their shareholding in CaixaBank, the Foundations agreed to a four-year lock-up period, and to grant a pre-emptive acquisition right in favour of the other Foundations in the first place and then to ”la Caixa” Banking Foundation, in the case any of the Foundations intended to transfer all or part of their stake, during two years once the lock-up period expires.

On 17 October 2016, CaixaBank published a relevant event announcement (*hecho relevante*) reporting the amendments to the mentioned agreement that determine: (i) the savings banks that constituted Banca Cívica will appoint one director at CaixaBank and one director at VidaCaixa, a subsidiary of CaixaBank, instead of two directors at CaixaBank and (ii) the extension of the agreements, which in August 2016 was set automatically for three years, will now last for four years instead of the afore-mentioned three (i.e., until 2020).

Treasury Stock

The ordinary general shareholders’ meeting held on 28 April 2016 authorized the Board of Directors of CaixaBank to acquire, directly or indirectly through its subsidiaries, its own shares during a five-year period as of the date of that meeting, in the forms permitted by the applicable Laws, subject to the following limits and requirements: (i) the nominal value of the shares acquired, added to those already held by CaixaBank, may not at any time exceed 10% of CaixaBank’s share capital; and (ii) the acquisition price of the treasury shares will be the closing price of the shares on the Automated Quotation System – Continuous Market (*Sistema de Interconexión Bursátil Español – Mercado Continuo* (*SIBE*)) corresponding to the day prior to the acquisition, increased or decreased by a maximum variation of 15%.

The general shareholders’ meeting also authorized the Bank’s subsidiaries to acquire shares of CaixaBank in the same conditions referred above.

As of 31 December 2017, the number of treasury shares held by CaixaBank was 3,565,959, representing 0.06% of CaixaBank’s total share capital.

Management of the Issuer

Board of Directors

Under Spanish Companies Law, the Board of Directors (*Consejo de Administración*) of CaixaBank is responsible for the overall management, administration and representation of the Bank in all matters concerning its business and for supervision and control, subject to the provisions of its bylaws (*estatutos sociales*), the regulations that govern CaixaBank's Board of Directors (*Reglamento del Consejo de Administración*) (the "**Board Regulations**") and the powers conferred by the general shareholders' meeting.

The Board of Directors shall be composed of a minimum of 12 and a maximum of 22 members, whose appointment, re-election, ratification or dismissal correspond to the general shareholders' meeting. The Board of Directors should be formed by persons who meet the suitability requirements to develop their position. In particular, they should have recognized commercial and professional honourability, adequate knowledge and experience to perform their functions and be in a position to carry out a good management of the Bank.

The term of office of a director is four years, although they may be re-elected to serve for an unlimited number of terms of the same duration (save that no independent directors can serve for more than 12 years and still be considered independent). If a director does not serve a full term, the Board of Directors may fill the vacancy by appointing a replacement director to serve until the next general shareholders' meeting subject to subsequent ratification at a general shareholders' meeting (*nombramiento por cooptación*). Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law. A director may be dismissed from office by the shareholders at a general shareholders' meeting, even if such dismissal is not included on the agenda for that general shareholders' meeting.

The table below sets forth, as of the date of this Prospectus, the names of the members of CaixaBank's Board of Directors and its Secretary and Deputy Secretary, the respective dates of their appointment to their positions within CaixaBank and their category:

Name	First appointment	Last appointment	Appointment expiration date	Title	Category
Jordi Gual Solé	30/06/2016	06/04/2017	06/04/2021	Chairman	Proprietary[1]
Gonzalo Gortázar Rotaeche	30/06/2014	23/04/2015	23/04/2019	CEO	Executive
Xavier Vives Torrents	05/06/2008	23/04/2015	23/04/2019	Lead Independent Director	Independent[5]
Fundación CajaCanarias represented by Natalia Aznárez Gómez	23/02/2017	06/04/2017	06/04/2021	Director	Proprietary[2]
Maria Teresa Bassons Boncompte	26/06/2012	26/06/2012	26/06/2018	Director	Proprietary[1]
María Verónica Fisas Vergés	25/02/2016	28/04/2016	28/04/2020	Director	Independent
Alejandro García-Bragado Dalmau	01/01/2017	06/04/2017	06/04/2021	Director	Proprietary[1]
Ignacio Garralda Ruiz de Velasco	06/04/2017	06/04/2017	06/04/2021	Director	Proprietary[4]
Javier Ibarz Alegría	26/06/2012	26/06/2012	26/06/2018	Director	Proprietary[1]
Alain Minc	06/09/2007	24/04/2014	24/04/2018	Director	Independent
María Amparo Moraleda Martínez	24/04/2014	24/04/2014	24/04/2018	Director	Independent
John S. Reed	03/11/2011	19/04/2012	19/04/2018	Director	Independent
Juan Rosell Lastortras	06/09/2007	24/04/2014	24/04/2018	Director	Independent
Antonio Sáinz de Vicuña y Barroso	01/03/2014	24/04/2014	24/04/2018	Director	Independent

Name	First appointment	Last appointment	Appointment expiration date	Title	Category
Eduardo Javier Sanchiz Irazu	21/09/2017	21/09/2017	—(3)	Director	Independent
José Serna Masiá	30/06/2016	06/04/2017	06/04/2021	Director	Proprietary(1)
Koro Usarraga Unsain	30/06/2016	06/04/2017	06/04/2021	Director	Independent
Óscar Calderón de Oya	27/06/2011	—	—	Non-director	General Secretary and of the Board
Óscar Figueres Fortuna	23/10/2017	—	—	Non-director	Deputy Secretary of the Board

Notes:

(1) Shareholder represented: "la Caixa" Banking Foundation.

(2) Shareholder represented: Fundación Bancaria Caja Navarra, Fundación Cajasol, Fundación Caja Canarias, Fundación Caja de Burgos and Fundación Bancaria.

(3) Appointment to expire on the date of the next CaixaBank general shareholders' meeting.

(4) Shareholder represented: Mutua Madrileña.

(5) Appointed by the Board of Directors on 22 June 2017, with effects since 18 July 2017, after authorization by the ECB.

At the meeting held on 21 December 2017, the Board of Directors resolved to appoint Tomás Muniesa Arantegui as a member of the Board of Directors at the proposal of the "la Caixa" Banking Foundation (indirectly through CriteriaCaixa). Tomás Muniesa Arantegui has also been appointed Deputy Chairman of the Board of Directors and member of the Executive Committee, however, his appointment remains subject to the results of the suitability assessment by the ECB.

The table below sets out all entities in which the members of the Board of Directors are members of administrative, management or supervisory bodies or in which they hold partnership positions as of the date of this Prospectus, notified to the Register of Senior Officers at Bank of Spain, except (i) purely familiar or patrimonial companies, (ii) subsidiaries of an issuer in which they are also a member of the administrative, management or supervisory bodies and (iii) "la Caixa" Group companies.

Name	Company	Position
Jordi Gual Solé	Erste Bank	Member of the Supervisory Board
	Repsol, S.A.	Member of the Board
Gonzalo Gortázar Rotaeche	Repsol, S.A.	Deputy Chairman
	Banco BPI, S.A.	Director
María Teresa Bassons Boncompte	Bassline, S.L.	Director
	Terbass XXI, S.L.	Director
Javier Ibarz Alegría	Eigma, S.L.	Sole director
Koro Usarraga Unsain	2005 KP Inversiones, S.L.	Director
	Vehicle Testing Equipment, S.L.	Director
Alain Minc	AM Conseil	Chairman
	Promotora de Informaciones, S.A. – PRISA	Director and member of the Executive Committee and the Audit Committee
	SANEF	Chairman and member of the Strategy Committee
María Amparo Moraleda Martínez	Vodafone Group, PLC.	Director
	Solvay, S.A.	Director
	Airbus Group, N.V.	Director

Name	Company	Position
María Verónica Fisas Vergés	Natura Bissé Int. S.A. (España)	CEO
	Natura Bissé Inc. Dallas (USA)	Chairwoman and Secretary
	Natura Bissé Int. S.A. de CV (México)	Chairwoman
	Natura Bissé Int. Ltd. (UK)	Director
	Natura Bissé Int. FZE (Dubai) (Dubai Airport Free Zone)	Director
	Stanpa (Asociación Nacional de Perfumería y Cosmética)	Deputy Chairwoman
	NB Selective Distribution, S.L.	Joint and several Director
Juan Rosell Lastortras	Congost Plastic, S.A.	Chairman
	Civislar, S.A.	Director
John .S. Reed	American Express Exchange, INC	Chairman
Alejandro García-Bragado Dalmau	Gas Natural, S.A.	Board Member

According to the information received by CaixaBank, since 1 January 2017 to 21 February 2018 there have been no conflicts of interest between any duties of CaixaBank's directors and their private interests and/or other duties, save those stated below:

Name	Conflict
Jordi Gual Solé	Abstention from voting the resolution on his bonus 2016 as former member senior executive of the company. Abstention from voting the resolution on the assessment of his suitability as Board member to be submitted to the general shareholders' meeting. Abstention from voting the resolution on his appointment as member of the Executive Committee.
Antonio Massanell Lavilla[(1)]	Abstention from voting the resolution on the 2017 remuneration for executive Board members and chief executive officers. Abstention from voting the resolution on the targets for 2017 corresponding to the Vice-chairman, the CEO, the Management Committee and the Deputy General Director of Control and Compliance. Abstention from voting the resolution on the terms and conditions of a deposit agreement with CecaBank. Abstention from voting the resolution on a credit facility granted to a related person. Abstention from voting the resolution on the appointment of the Lead Independent Director.
Gonzalo Gortázar Rotaeche	Abstention from voting the resolution on the 2017 remuneration for executive Board members and chief executive officers. Abstention from voting the resolutions on the targets for 2017 corresponding to the Vice-chairman, the CEO, the Management Committee and the Deputy General Director of Control and Compliance. Abstention from voting the resolutions on the proposal of the remuneration for 2018 corresponding to the Vice-chairman, the CEO and the Management Committee. Abstention from voting the resolution on the appointment of the Lead Independent Director.

Name	Conflict
Fundación Caja Canarias	Abstention from voting the resolution on its appointment as member of the Risk Committee.
Alain Minc	Abstention from voting the resolution on his appointment as member of the Appointments Committee.
María Amparo Moraleda Martínez	Abstention from voting the resolution on credit facilities granted to related persons.
Natalia Aznárez Gómez	Abstention from voting the resolution on a credit facility granted to a related person.
María Teresa Bassons Boncompte	Abstention from voting the resolution on credit facilities granted to related persons. Abstention from voting the resolution on her appointment as member of the Remunerations Committee.
María Verónica Fisas Vergés	Abstention from voting the resolution on credit facilities granted to related persons. Abstention from voting the resolution on her appointment as member of the Executive Committee.
Alejandro García-Bragado Dalmau	Abstention from voting the resolution on his appointment as member of the Remunerations Committee.
Ignacio Garralda Ruíz de Velasco	Abstention from voting the resolution on his appointment as member of the Risk Committee.
John S. Reed	Abstention from voting the resolution on his appointment as member of the Appointments Committee.
Juan Rosell Lastortras	Abstention from voting the resolution on credit facilities granted to related persons. Abstention from voting the resolution on his appointment as member of the Remunerations Committee.
Eduardo Javier Sanchiz Irazu	Abstention from voting the resolution on his appointment as member of the Audit and Control Committee. Abstention from voting the resolution on his appointment as member of the Risk Committee.
José Serna Masià	Abstention from voting the resolution on credit facilities granted to related persons. Abstention from voting the resolution on the assessment of his suitability as Board member to be submitted to the general shareholders' meeting. Abstention from voting the resolution on her appointment as member of the Audit and Control Committee.
Koro Usarraga Unsain	Abstention from voting the resolution on the assessment of his suitability as Board member to be submitted to the general shareholders' meeting. Abstention from voting the resolution on credit facilities granted to related persons. Abstention from voting the resolution on her appointment as member of the Audit and Control Committee. Abstention from voting the resolution on her appointment as member of the Risk Committee.
Xavier Vives Torrents	Abstention from voting the resolution on his appointment as Lead Independent Director. Abstention from voting the resolution on his remuneration as Lead Independent Director.

Name	Conflict

Notes:

(1) At the Board of Directors meeting held on 21 December 2017, Antonio Massanell Lavilla tendered his resignation as Deputy Chairman and member of the Board of Directors, effective as of 31 December 2017.

Article 26 of the regulations of the Board of Directors regulates the duty of diligence of the Board members, which mainly requires the directors to have adequate dedication to adopt the necessary measures for the good management and control of CaixaBank, to demand adequate and necessary information to prepare the Board meetings and internal Committees and to take an active part in the deliberations and decision-making process. Article 27 regulates the duty of loyalty, mainly stating that directors must abstain from attending and intervening in deliberations and voting which affect matters in which they are personally interested. Article 29 of the regulations of the Board of Directors regulates the duty to not compete of CaixaBank's directors. Article 30 of the Board Regulations regulates the duty to avoid situations of conflict of interest applicable to all directors, referring to (among other duties) not using CaixaBank's assets or availing themselves of their position in CaixaBank to obtain an economic advantage or for private aims, and to avoid developing activities on their own account or for third parties that position them in permanent conflict of interests with the CaixaBank.

It should be noted that the statutory amendments adopted in the general shareholders' meeting of CaixaBank held on 6 April 2017 (see "*Developments during 2017 – Deconsolidation of CaixaBank from CriteriaCaixa Group*"), notwithstanding their connection with the deconsolidation conditions established by the ECB, are within the framework of the recommendations and best practices of good corporate governance, considering that, in essence, they are measures designed to favour the role of independent directors in the Board of Directors and prevent any significant shareholder from exerting a decisive influence on the performance and decisions of the Board of Directors. Regarding the good governance measures introduced in connection with the deconsolidation conditions, the Company complemented those measures developing the duties attributed by the Spanish Companies Act and the good governance recommendations to the Chairman of the Board of Directors ("responsible for the effective functioning of the Board"), expressly contemplating the impetus for the Board to develop its powers and coordination with its Committees for a better performance of the Board's duties. Additionally, maintaining the regime in which the Board appoints the members of the internal Committees at the proposal of the Appointments Committee, but introducing the specialty that, when it comes to appointing the members of the Appointments Committee itself, the proposal shall be made by the Audit and Control Committee in order to give greater autonomy and independence to the process of selection and preparation of proposals, also in accordance with the powers granted to the Audit and Control Committee by the current Regulations of the Board of Directors in relation to corporate governance rules.

The business address of each member of the Board of Directors is Calle Pintor Sorolla, 2-4, 46002 Valencia, Spain.

Executive Committee

The Board of Directors has delegated all of its powers in favour of the Executive Committee, except for those which cannot be delegated pursuant to the provisions of the Spanish Companies Law, the Board Regulations and CaixaBank's bylaws.

The Chairman and Secretary of the Board of Directors will also be the Chairman and Secretary of the Executive Committee.

The Committee will meet when it deems appropriate and when called by its Chairman, and its meetings are considered to be validly constituted when the majority of its members are present or represented. Its resolutions are adopted by the majority of the directors present or represented at the relevant meeting.

The resolutions adopted by the Committee are valid and binding without any need for subsequent ratification by the Board of Directors, although the Board must be informed of the matters discussed and the resolutions adopted at its meetings.

As of the date of this Prospectus, the Executive Committee was composed of the following members:

First Appointment	Name	Position
30 June 2016	Jordi Gual Solé	Chairman
26 June 2012	Javier Ibarz Alegría	Member
1 March 2014	Antonio Sáinz de Vicuña y Barroso	Member
24 April 2014	María Amparo Moraleda Martínez	Member
30 June 2014	Gonzalo Gortázar Rotaeche	Member
27 October 2016	Xavier Vives Torrents	Member
27 July 2017	María Verónica Fisas Vergés	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)

Audit and Control Committee

The Audit and Control Committee must comprise a minimum of three and a maximum of seven members, with the number to be set by the Board of Directors. The Committee must be comprised of non-executive directors and the majority of which must be independent directors. The members of this Committee, considered as a whole, must have the necessary technical knowledge according to the activity of the Bank and at least one of the independent directors must be appointed based on his background in accounting and/or audit.

The Audit and Control Committee typically meets on a quarterly basis, to review the regular financial information to be submitted to the stock market authorities as well as the information which the Board of Directors must approve and include within its annual public documentation. The Audit and Control Committee will meet whenever convened by its Chairman at his own initiative or at the request of the Chairman of the Board of Directors or two or more members of the Committee.

CaixaBank' senior management and staff are obliged to assist to the meetings of the Audit and Control Committee and to collaborate and provide with any information, if so requested by the Committee.

Among others, the main functions of the Audit and Control Committee are:

(a) to report to the general shareholders' meeting about matters posed by shareholders that fall under the remit of the Committee and, in particular, about the audit results;

(b) to submit to the Board of Directors, for submission to the general shareholders' meeting, the proposals for selection, appointment, re-election and replacement of the external auditor, in accordance with regulations applicable to CaixaBank, as well as the contracting conditions thereof, the scope of their professional mandate and regularly collect and review from the external auditor, information on the auditing plan and its execution as well as preserving its independence in the exercise of its duties;

(c) to supervise the internal auditing services, verifying the adequacy and integrity thereof, to propose the selection, appointment and substitution of their responsible persons, to propose the budget for such services, and to verify that senior management bears in mind the conclusions and recommendations of their reports;

(d) to serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations and to

mediate in cases of discrepancies between the former and the latter in relation to the principles and criteria applicable to the preparation of the financial statements, as well as to examine the circumstances which, as the case may be, motivated the resignation of the auditor;

(e) to oversee the process for preparing and submitting required financial information and to submit recommendations or proposals to the Board of Directors with the purpose of safeguarding its integrity, and to supervise the effectiveness of CaixaBank's internal control systems, internal audit and risk management system; and to discuss with auditors of accounts any significant weaknesses in the internal control system identified during the course of the audit, all without jeopardising their independence;

(f) to establish appropriate relationships with the external auditor in order to receive information, for examination by the Audit and Control Committee, on matters which may threaten the independence of said auditor and any other matters relating to the audit process;

(g) to supervise the compliance with the auditing contract, striving to ensure that the opinion of the annual financial statements and the principal contents of the auditor's report are drafted clearly and precisely;

(h) to review the CaixaBank's accounts and previously report to the Board of Directors about the periodic financial information which the CaixaBank must periodically publish to the markets and their supervisory bodies and, in general, to monitor compliance with legal requisites on this subject matter and the correct application of generally accepted accounting principles, as well as to report on proposals for modification of accounting principles and criteria suggested by management, in order to guarantee the integrity of the accounting and financial systems, including the financial and operational control, and compliance with the applicable legislation;

(i) to supervise the compliance with regulations with respect to related party transactions and, previously, inform the Board of Directors on such transactions; to supervise the compliance with the internal code of conduct on matters relating to the securities market and, in general, of the rules of corporate governance;

(j) to report to the Board of Directors on the creation or acquisition of stakes in special purpose entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of an analogous nature which, due to their complexity, may deteriorate the transparency of CaixaBank or of the group to which it belongs; to consider the suggestions submitted to it by the Chairman of the Board of Directors, Board members, executives and shareholders of CaixaBank, and to establish and supervise a mechanism which allows the employees of CaixaBank or of the group to which it belongs confidentially and, if deemed appropriate, anonymously, to report irregularities of potential significance, especially financial and accounting ones, observed within CaixaBank;

(k) to receive information and, as the case may be, issue a report on the disciplinary measures intended to be imposed upon members of CaixaBank's senior management team;

(l) to supervise compliance with the internal relations protocol, as well as the carrying out of any other actions established in the protocol itself for the best compliance with the aforementioned supervisory duty and any others attributed thereto by law and other regulations applicable to CaixaBank; and

(m) any others attributed thereto in the applicable laws, the bylaws and other applicable regulations to CaixaBank.

As of the date of this Prospectus, the Audit and Control Committee was composed of the following members:

First Appointment	Name	Position
20 September 2007	Alain Minc	Chairman
27 October 2016	Koro Usarraga Unsain	Member
23 March 2017	José Serna Masiá	Member
1 February 2018	Eduardo Javier Sanchiz Irazu	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)
23 October 2017	Óscar Figueres Fortuna	Deputy Secretary (non-director)

Risks Committee

The Risks Committee must comprise a minimum of three and a maximum of six members, with the number to be set by the Board of Directors. Only non-executive directors of the Board of Directors can be appointed as members of the Committee and the majority of which must be independent directors.

This Committee meets as often as necessary to fulfil its duties and can be convened by the Chairman, upon his own initiative or at the request of the Chairman of the Board of Directors or at least two members of the Risks Committee. The Risks Committee will prepare an annual report on its activity, highlighting any significant incidents that may have occurred in relation to its own functions and including, if the Committee considers it appropriate, suggestions for improvement.

The main functions of the Risks Committee are:

(a) to advise the Board of Directors on the overall susceptibility to risk, current and future, of CaixaBank and its strategy in this area, reporting on the risk appetite framework, assisting in the monitoring of the implementation of the risk strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and implementing the monitoring of the appropriateness of the risks assumed and the profile established;

(b) to propose to the Board of Directors the risk policy for the Group;

(c) to ensure that the pricing policy of the assets and liabilities offered to clients fully considers the business model and risk strategy of CaixaBank. Otherwise, the Risks Committee will submit to the Board of Directors a plan to amend it;

(d) to determine with the Board of Directors the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish the information the Committee should receive;

(e) to regularly review exposures with the Group's main customers, economic business sectors, geographic areas and types of risk;

(f) to examine the information and control processes of the Group's risk as well as the information systems and indicators;

(g) to evaluate the regulatory compliance risk in its scope of action and determination, understood as the risk management of legal or regulatory sanctions, financial loss, material or reputational that the Issuer could suffer as a result of non-compliance with laws, rules, regulation standards and codes of conduct, detecting any risk of non-compliance, and carrying out monitoring and examining possible deficiencies in the principles of professional conduct and to report on new products and services or significant changes to existing ones;

(h) to report on new products and services or significant changes to existing ones;

(i) to cooperate with the Remuneration Committee in the establishment of policies and practices of remunerations. For these purposes, the Risks Committee will examine notwithstanding the functions of the Remuneration Committee, if the incentives policy anticipated in the remuneration systems take into account the risk, capital, liquidity and the probability and timing of the benefits;

(j) to assist the Board of Directors, particularly, regarding (i) the establishment of efficient channels of information to the Board about the risk management policies of CaixaBank and all the important risks it faces, (ii) ensuring that adequate resources will be assigned for managing risks, and particularly, intervening in the evaluation of the assets, in the use of external credit classifications and the internal models related to these risks and (iii) the approval and periodical review of the strategies and policies for assuming, managing, supervising and reducing the risks to which CaixaBank is or can be exposed, including those presented by the macro-economic situation in which it operates in relation to the economic cycle and;

(k) Any others attributed thereto by the applicable laws, the bylaws, and other applicable regulations to CaixaBank.

As of the date of this Prospectus, the Risks Committee is composed of the following members:

First Appointment	Name	Position
25 September 2014	Antonio Sáinz de Vicuña y Barroso	Chairman
1 February 2018	Ignacio Garralda Ruiz de Velasco	Member
1 February 2018	Eduardo Javier Sanchiz Irazu	Member
1 February 2018	Koro Usarraga Unsain	Member
1 February 2018	Fundación CajaCanarias (represented by Natalia Aznárez Gómez)	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)
23 October 2017	Óscar Figueres Fortuna	Deputy Secretary (non-director)

Appointments Committee

The Appointments Committee must comprise a minimum of three and a maximum of five members, with the number to be set by the Board of Directors. Only non-executive directors of the Board of Directors can be appointed as members of the Appointments Committee and the majority of which must be independent directors.

This Committee meets as often as necessary to fulfil its duties and can be convened by the Chairman, upon his own initiative or at the request of at least two members of the Appointments Committee. The Committee must also meet whenever the Board of Directors or its Chairman requires reports to be issued or resolutions to be adopted and always when deemed appropriate or necessary in order to carry out its functions correctly.

The main functions of the Appointments Committee are:

(a) to evaluate and propose to the Board of Directors the evaluation of skills, knowledge and experience necessary for the members of the Board of Directors and for the key personnel of the Bank;

(b) to submit to the Board of Directors the proposals for the nomination of the independent directors to be appointed by co-option or for submission to the decision of the general shareholders' meeting, as well as the proposals for the reappointment or removal of such directors by the general shareholders' meeting;

(c) to report on the proposed appointment of the remaining directors to be appointed by co-option or for submission to the decision of the general shareholders' meeting, as well as the proposals for their reappointment or removal by the general shareholders' meeting;

(d) to report the appointment and, if necessary, removal of the coordinating director, and of the Secretary and the Vice-Secretaries of the Board for submission for approval of the Board;

(e) to evaluate the profile of the most suitable persons to sit on the Committees other than the Appointments Committee itself, based on their knowledge, aptitudes and experience, and forward to the Board the corresponding proposals for the appointment of the members of the Committees other than the Appointments Committee itself;

(f) to report on proposals for appointment or removal of senior managers, being able to effect such proposals directly in the case of senior managers which, due to their roles of either control or support of the Board or its Committees, the Appointments Committee considers it necessary to take action and to propose, if deemed appropriate, basic conditions in senior managers' contracts, other than in relation to remuneration, and subsequently reporting on them when they have been established;

(g) to examine and organize, where appropriate, under the coordination of the coordinating director, and in collaboration with the Chairman of the Board of Directors, the succession of the Chairman, as well as examine and organize, in collaboration with the Chairman of the Board, the chief executive officer of the Bank and, if appropriate, make proposals to the Board of Directors so that this succession takes place in an orderly and planned manner;

(h) to report to the Board of Directors in relation to gender diversity issues, ensuring that the procedures for selection of its members favour the diversity of experience and knowledge, and facilitate the selection of female directors, and establish a representation target for the minority gender on the Board of Directors, as well as preparing guidelines on how this should be achieved, to evaluate periodically, and at least once a year, the structure, size, composition and actions of the Board of Directors and its committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these and to evaluate the composition of the steering committee as well as its replacement tables for adequate provision for transitions;

(i) to evaluate, with the frequency required by the regulations, the suitability of the members of the Board of Directors and of the Board as a whole, and consequently inform the Board of Directors;

(j) to periodically review the Board of Directors selection and appointment policy in relation to senior executives and make recommendations;

(k) to consider the suggestions posed thereto by the Chairman, the Board members, officers or shareholders of CaixaBank, as well as, monitor the independence of the independent Directors.

(l) to supervise and control the smooth operation of the corporate governance system of CaixaBank, making, if applicable, the proposals it deems necessary for its improvement;

(m) to propose to the Board the Annual Corporate Governance Report;

(n) to supervise the activities of the organisation in relation to corporate social responsibility issues and to submit any proposals in relation to this which it considers appropriate to the Board of Directors.

(o) to evaluate the balance of knowledge, skills, diversity and experience of the Board of Directors and prepare a description of the duties and aptitudes which may be necessary for any specific appointment, evaluating the expected dedication of time for fulfilling the position.

As of the date of this Prospectus, the Appointments Committee is composed of the following members:

First Appointment	Name	Position
1 February 2018	John S. Reed	Chairman
12 December 2013	Maria Teresa Bassons Boncompte	Member
1 February 2018	Alain Minc	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)

Remuneration Committee

The Remuneration Committee must comprise a minimum of three and a maximum of five members, with the number to be set by the Board of Directors. Only non-executive directors of the Board of Directors can be appointed as members of the Committee and the majority of which must be independent directors.

The Remuneration Committee meets as often as necessary to fulfil its duties and can be convened by the Chairman, upon his own initiative or at the request of at least two members of the Remuneration Committee. The Committee must also meet whenever the Board of Directors or its Chairman requires reports to be issued or resolutions to be adopted and always when deemed appropriate or necessary in order to carry out its functions correctly.

The main functions of the Remuneration Committee are:

(a) to draft the resolutions related to remunerations and, particularly, report and propose to the Board of Directors the remuneration policy for the directors and senior management, the system and amount of annual remuneration for directors and senior managers, as well as the individual remuneration of the executive directors and senior managers, and the other conditions of their contracts, particularly financial, and without prejudice to the competences of the Appointments Committee in relation to any conditions that it has proposed and unconnected with the retributive aspect;

(b) to ensure compliance with the remuneration policy for directors and senior managers as well as report on the basic conditions established in their contracts, and compliance with the conditions of such contracts;

(c) to report on and prepare the general remuneration policy of the Issuer and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of CaixaBank, and those policies that are intended to prevent or manage conflicts of interest with the Bank's customers;

(d) to analyse, formulate and periodically review the remuneration programmes, evaluating their adequacy and performance and ensuring compliance;

(e) to propose to the Board of Directors the approval of the remuneration reports or policies that it has to submit to the general shareholders' meeting as well as informing the Board of Directors concerning the proposals relating to remuneration that, where applicable, it will propose to the general shareholders' meeting; and

(f) to consider the suggestions posed to it by the Chairman, members of the Board of Directors, officers or shareholders of CaixaBank.

As of the date of this Prospectus, the Remuneration Committee is composed of the following members:

First Appointment	Name	Position
25 September 2014	María Amparo Moraleda Martínez	Chairwoman
1 February 2018	Alejandro García-Bragado Dalmau	Member
1 February 2018	Juan Rosell Lastortras	Member
1 January 2017	Óscar Calderón de Oya	Secretary (non-director)

Senior Management

The following table identifies the members of the senior management (*Comité de Dirección*) of CaixaBank, which is composed by CaixaBank's CEO and the persons responsible of the different areas as of the date of this Prospectus:

First Appointment	Name	Position
30 June 2011	Gonzalo Gortázar Rotaeche	CEO
30 June 2011	Juan Antonio Alcaraz García	Chief Business Officer
17 November 2016	Matthias Bulach	Head of Financial Accounting, Control and Capital
30 June 2011	Francesc Xavier Coll Escursell	Chief Human Resources and Organisation Officer
30 June 2011	Tomás Muniesa Arantegui	Chief Insurance and Asset Management Officer
30 June 2011	Joaquín Vilar Barrabeig	Head of Internal Audit
10 July 2014	Jorge Fontanals Curiel	Head of Resources
27 May 2016	María Luisa Martínez Gistau	Head of Communication, Institutional Relations, Brand and CSR
29 January 2015	María Victoria Matía Agell	Head of International Banking
10 July 2014(1)	Jorge Mondéjar López	Chief Risks Officer
24 October 2013	Javier Pano Riera	Head of Finance
29 May 2014	Oscar Calderón de Oya	General Secretary and Secretary to the Board

Notes:

(1) Date of first appointment as a member of the senior management. He has been the Chief Risk Officer since November 2016.

The table below sets out all entities in which the members of the senior management are members of administrative, management or supervisory bodies or in which they hold partnership positions as of the date of this Prospectus, notified to the Register of Senior Officers at Bank of Spain, except (i) purely familiar or patrimonial companies, (ii) stakes in listed companies that are not significant, (iii) "la Caixa" Group companies and (iv) any other companies that are nor relevant for the purposes of CaixaBank's activity.

Director	Company	Title
Juan Antonio Alcaraz García	SegurCaixa Adeslas, S.A. de Seguros y Reaseguras (multigrupo)	Member of the Board
Pablo Forero Calderón	Lenox Inversiones, S.L.	Shareholder
María Luisa Martínez Gistau	Aceites de Semillas, S.A.	Member of the Board
María Victoria Matía Agell	Comercia Global Payments, Entidad de Pago, S.L.	Director
	Servired, Sociedad Española de Medios de Pago, S.A.	Director

Director	Company	Title
	Comercia Global Payments, Entidad de Pago (Brasil)	Director

Employees

As of 31 December 2017, the Group's number of employees was 36,972, as compared to 32,403 as of 31 December 2016.

Legal Proceedings

As of 31 December 2017, certain lawsuits and proceedings arising from the ordinary course of the Group's operations were ongoing. Its legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on equity in the years in which they are settled.

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

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

As of the date of this Prospectus, this judgment is not final, as it was appealed by various parties. In its appeal, the consumer association ADICAE (*Asociación de Usuarios de Bancos, Cajas y Seguros*) is requesting that the reimbursement of amounts is not limited to those charged from 9 May 2013 but that it extends in each case to the date when the mortgage was granted. The Public Prosecutor (*Ministerio Fiscal*) opposed this request (unless the European Court of Justice rules otherwise). For the Group, the full retroactive reimbursement in relation to floor clauses means a total exposure of approximately €1,250 million, including all concepts (cancelled transactions, non-performing transactions and legal interest).

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

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

Furthermore, in accordance with the provisions of Royal Decree-Law 1/2017, of 20 January, on urgent

consumer protection measures in connection with floor clauses (the "**Royal Decree-Law 1/2017**"), CaixaBank has implemented a code of best practices, creating a specialised department or service to swiftly handle claims filed in relation to this Royal Decree-Law, and thereby attend and provide responses to its customers within three months. The procedure established is operating, the relevant customers are being informed of the decisions made and the disbursements have begun. However, certain claims are still being reviewed. As of 31 December 2017, €241 million of disbursements related to claims of Royal Decree-Law 1/2017 have been made.

Additional Alternative Performance Measures

The additional APMs used in this Prospectus are defined and reconciled below.

Definitions

Assets under Management (AUM): the addition of assets under management including mutual funds and pension plans, plus insurance contract liabilities.

Non-performing assets (NPAs): the gross book value of non-performing assets including non-performing loans and repossessed real estate assets available for sale (gross book value).

Core revenues: the addition of net interest income; net fee and commission income; income and expense arising from insurance or reinsurance contracts; and equity accounted income from SegurCaixa Adeslas.

Core operating income: the addition of net interest income; net fee and commission income; income and expense arising from insurance or reinsurance contracts; equity accounted income from SegurCaixa Adeslas; and recurring administrative expenses, depreciation and amortization.

Relevance

CaixaBank considers appropriate to include the above APMs because they provide useful information in relation to its financial position, cash-flows or financial performance. Specific details about the use of each of the APMs describe above are detailed below:

- AUM + Insurance funds: this indicator provides an idea of the total volume of customer savings managed by the Bank.
- NPAs: this indicator is used to monitor and track the evolution of problematic assets, this is, the non-performing loan portfolio and foreclosed assets available for sale.
- Core revenues: this metric is used in the banking sector to monitor the evolution of the revenues generated by the main or principal business.
- Core operating income: this metric is used in the banking sector to monitor the evolution of the revenues generated by the main or principal business less all the recurrent expenses.

Reconciliation

AUM + Insurance funds and NPAs (CaixaBank)

(*€ million*)	FY17	FY16	Var.
Mutual funds	61,077	56,674	7.8%
Pension Plans	26,941	25,216	6.8%
Insurance contract liabilities	45,841	40,315	13.7%
AUM + Insurance funds	**133,859**	**122,205**	**9.5%**

AUM + Insurance funds and NPAs (CaixaBank)

(*€ million*)	FY17	FY16	Var.
Non-performing loans (gross book value)	13,086	14,754	-11.3%
Repossessed real estate assets available for sale (gross book value)	11,689	12,551	-6.9%
NPAs	**24,775**	**27,305**	**-9.3%**

Core revenues (CaixaBank Group)

(*€ million*)	FY17	FY16	Var.
Net interest income	4,746	4,157	14.2%
Net fee and commission income	2,499	2,090	19.5%
Income and expense arising from insurance or reinsurance companies	472	311	51.9%
Equity accounted income from SegurCaixa Adeslas and income from BPI insurance investees	170	125	36.0%
Core revenues	**7,887**	**6,683**	**18.0%**

Net interest income	4,746	4,157	14.2%
Net fee and commission income	2,499	2,090	19.5%
Income and expense arising from insurance or reinsurance companies	472	311	51.9%
Equity accounted income from SegurCaixa Adeslas and income from BPI insurance investees	170	125	36.0%
Recurring administrative expenses, depreciation and amortization	(4,467)	(3,995)	11.8%
Core operating income	**3,420**	**2,688**	**27.2%**

DESCRIPTION OF SHARE CAPITAL

The following summary provides information concerning the Issuer's share capital and briefly describes certain significant provisions of the Issuer's bylaws (*estatutos sociales*) and Spanish corporate law, the Spanish Companies Law, Spanish Law 3/2009 on Structural Amendments of Private Companies, the LMV and Royal Decree 878/2015 on clearing, settlement and registry of negotiable securities in book-entry form, and transparency requirements for issuers of securities admitted to trading on an official secondary market.

The issued share capital of CaixaBank as of the date of this Prospectus is €5,981,438,031 represented by a single series and class of 5,981,438,031 shares, with a nominal value per ordinary share of €1.00. All of the Ordinary Shares have equal voting and economic rights. Residents and non-residents of Spain may hold and vote shares of CaixaBank subject to the restrictions set forth below.

Historical Price of Ordinary Shares

The following table sets forth the price of the Issuer's Ordinary Shares on a quarterly basis for the years 2015, 2016, 2017 and for the period from 1 January 2018 to 31 January 2018:

	Average	Minimum	Maximum	Final
January 2018	4.248	3.971	4.440	4.347
December 2017	3.961	3.830	4.139	3.889
September 2017	4.313	4.108	4.500	4.240
June 2017	4.196	3.683	4.465	4.180
March 2017	3.499	3.211	4.030	4.029
December 2016	2.808	2.236	3.270	3.140
September 2016	2.280	1.931	2.539	2.249
June 2016	2.426	1.894	2.845	1.967
March 2016	2.704	2.380	3.203	2.597
December 2015	3.531	3.214	3.942	3.214
September 2015	3.906	3.356	4.361	3.445
June 2015	4.380	4.156	4.505	4.156
March 2015	4.121	3.829	4.510	4.415

Source: Bloomberg

Form and Transfer

The shares are in book-entry (*anotaciones en cuenta*) form and are indivisible. Shares represented by a book-entry shall be constituted as such by virtue of their registration in the pertinent book-entry record. Joint holders must nominate one person to exercise their shareholders' rights, though joint holders are jointly and severally liable vis-à-vis CaixaBank for all obligations arising from their status as shareholders.

Iberclear, which manages the clearing and settlement system of the Spanish Stock Exchanges, maintains the central registry, which reflects the balance of shares held by each of its participating entities (*entidades participantes*) from time to time, for their own account, the balance of shares held by each participating entity for the account of third parties and the balance of shares held by persons in segregate individual accounts and the balances of individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, keeps a record of the owners of such shares. The shares must be entered in the corresponding register in the name of the person or persons that own them. The shareholders and holders of the limited real rights or encumbrances on the shares may obtain legitimation

certificates (*certificados de legitimación*) as provided for under Royal Decree 878/2015 on clearing, settlement and registry of negotiable securities in book-entry form, and transparency requirements for issuers of securities admitted to trading on an official secondary market.

As a general rule, transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchanges. Brokerage firms, official stock broker or dealer firms, Spanish credit entities, investment services entities authorized in other EU member states and investment services entities authorized by their relevant authorities and in compliance with Spanish regulations are eligible to be members of the Spanish Stock Exchanges. The transfer of shares may be subject to certain fees and expenses.

Dividend and Liquidation Rights

Holders of the Issuer's Ordinary Shares have the right to participate in distributions of the Issuer's profits and proceeds from liquidations, proportionally to their paid-up share capital. However, there is no right to receive a minimum dividend.

Payment of dividends is generally proposed by the Board of Directors and must then be authorized or ratified, as the case may be, by CaixaBank's shareholders at a general shareholders' meeting. Shareholders have the right to participate in such dividends from the date such dividends are agreed. Spanish law requires each company to contribute at least 10% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital. However, when the net worth of the company is below the company's share capital the net income shall be used to offset losses. As long as the company's legal reserve does not exceed 20% of the share capital, it is not available for distribution to its shareholders except upon such company's liquidation.

The general shareholders' meeting and the Board of Directors are also entitled to declare interim dividends, provided the following requirements are met: (i) the Board of Directors must prepare an accounting statement that evidences that there is sufficient liquidity to proceed with the distribution and which is incorporated in the notes to the financial statements of the Issuer for the year in which the interim distribution was made; and (ii) the amount to be distributed may not exceed the profit obtained since the end of the immediately preceding financial year, less: (a) the accumulated losses from preceding years; (b) the amounts to be allocated to legal reserves or any other reserves provided for in the bylaws; and (c) an estimation of the taxes to be paid on the profit obtained since the end of the immediately preceding financial year.

The dividend policy of CaixaBank allows the Board of Directors to propose how to distribute dividends to shareholders. Shareholders can receive dividends in kind (including new issued shares) or in cash. According to the Issuer's dividend policy, the Board of Directors shall decide the periodicity of the payments. However, it shall procure to approve semi-annual payments, around April and November.

With regard to the tax implications derived from dividends paid by CaixaBank see "*Taxation – Direct taxation.*"

In case of liquidation, CaixaBank's shareholders would be entitled to receive a liquidation settlement proportionately to their stake, after payment of CaixaBank's debts and taxes and expenses of the liquidation.

The following table sets forth the dividends distributed by CaixaBank for the years 2015, 2016 and 2017.

Payment Date[1]	Gross Amount	Net Amount[2]	Date Ex-dividend	Type	Total gross amount of dividend paid
	(€)	*(€)*			*(thousands of €)*
2017					
02-11-2017	0.07	0.0567	31-10-2017	Interim	418,454
2016					
13-04-2017	0.06	0.0486	11-04-2017	Final	358,675
19-12-2016	0.04[3]	0.0324	22-11-2016	CaixaBank Scrip Dividend Program[4]	236,410[5]
30-09-2016	0.03	0,0243	27-09-2016	Interim	177,180
2015					
01-06-2016	0.04	0.0324	27-05-2016	Final	236,233
01-04-2016	0.04[3]	0.0324	01-03-2016	CaixaBank Scrip Dividend Program[4]	232,960[5]
24-12-2015	0.04	0.032	24-12-2015	Interim	232,754
02-10-2015	0.04[3]	0.032	08-09-2015	CaixaBank Scrip Dividend Program[4]	230,732[5]

Notes:

(1) For CaixaBank Scrip Dividend Program, this date refers to the date on which the admission to listing of the new shares was effective, i.e. the date on which the new shares started to trading.

(2) Estimated using a tax rate of 19% for dividends paid as of 2017 and 2016; 19.5% for dividends paid from 12 July 2015 to 1 January 2016; and 20% for dividends paid from 1 January 2015 to 12 July 2015.

(3) The price that CaixaBank paid for the free allocation rights.

(4) For this payment, shareholders are offered the choice of receiving newly-issued shares of the Issuer or cash out under the CaixaBank Scrip Dividend Program.

(5) Includes cash paid to shareholders and the fair value of the shares delivered.

Attendance and Voting at Shareholders' Meetings

In accordance with the bylaws of the Issuer, shareholders have the right to physically attend the general shareholders' meetings if they hold at least 1,000 shares of CaixaBank. However, shareholders who do not reach this threshold may group their shareholdings so as to reach the minimum number of shares required and grant their representation to one of them or delegate the representation of their shares to a shareholder with the right to attend the meeting. In the event a shareholder does not reach such threshold and is unable to group its holding with those of other shareholders, such shareholder will not be able to physically attend at shareholders' meetings and physically vote in person during the meeting. However, shareholders can vote through remote communication regardless of the number of shares they hold. In addition, any shareholder may also be represented by proxy. Proxies must be granted for each meeting in writing or in electronic form acceptable under the regulations of the general shareholders' meeting. Proxies may be given to any person and may be revoked, either expressly or by remote voting or attendance by the shareholder at the meeting. In order to physically attend the general meeting, the proxy holder must be either shareholder and/or represent one or more shareholders holding a minimum of 1,000 shares.

Only shareholders duly registered in the book-entry records maintained by Iberclear and its member entities at least five days prior to the day on which a shareholders' meeting is scheduled may, in the manner provided in the notice for such meeting, attend, be represented at such meeting or exercise the voting rights.

Each share of the Issuer's share capital entitles the shareholder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder.

Pursuant to the bylaws of CaixaBank and the Spanish Companies Law, general shareholders' meetings may be either ordinary or extraordinary. Ordinary general shareholders' meetings must be convened within the first six months of each fiscal year on a date fixed by the Board of Directors. As a general rule, extraordinary general shareholders' meetings may be called from time to time by the Board of Directors of CaixaBank at its discretion or at the request of shareholders representing at least 3% of CaixaBank's share capital. Notices of all general shareholders' meetings must be published (i) in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*) or in one of the leading daily newspapers in Spain and (ii) on the CNMV and the CaixaBank websites at least one month prior to the date fixed for the meeting unless the laws set a different minimum period or means. The interval between the first and second calls for a general shareholders' meeting must be at least 24 hours. The notice must include the name of the company, the date and place of the first call, the agenda of the meeting, the position of the persons signing the call notice of the meeting, the date on which shareholders need to be registered as such in order to attend, be represented and/or vote at the meeting, the place and form in which information related to the proposed resolutions can be obtained by the shareholders, the website where such information will be available, and clear instructions on how shareholders can attend, be represented and vote in the general shareholders' meeting. It may also state the date in which, if applicable, the shareholders' meeting is to be held on second call.

Shareholders representing at least 3% of the share capital of CaixaBank have the right to request the publication of a supplementary notice including one or more additional items of the agenda of the ordinary general meeting and to add new resolution proposals to the agenda of any general shareholders' meeting, within the first five days following the publication of the call notice of the meeting.

At ordinary general shareholders' meetings, shareholders shall resolve on the audited individual and consolidated annual accounts for the previous fiscal year, the management of the Issuer's directors during the previous fiscal year, and the allocation of the profit or loss attributable to CaixaBank corresponding to the previous fiscal year. All other matters that can be decided by a general shareholders' meeting may be addressed at either ordinary or extraordinary general shareholders' meetings if such items are included on the meetings' agenda, except for the dismissal of directors and the corporate action to demand liability from directors, which can be considered even if not included in the meetings' agenda.

The bylaws of CaixaBank provide that, in order to facilitate the shareholders' attendance at the meetings, shareholders shall be provided with registered attendance cards (*tarjetas de asistencia*).

The bylaws of CaixaBank and the Spanish Companies Law provide that generally, on the first call of a general shareholders' meeting, a duly constituted general shareholders' meeting requires a quorum of at least 25% of the subscribed voting share capital, present in person or by proxy. If on the first call of the meeting the quorum is not achieved, the meeting may be held on second call. On the second call, there is no quorum requirement.

Resolutions relating to ordinary matters may be adopted upon the affirmative vote of a majority of votes cast at such meeting. The Spanish Companies Law and the bylaws of CaixaBank provide that in order to resolve on extraordinary matters such as the increase or decrease of the share capital, the amendment of the bylaws, the issuance of bonds (when the issuance is to be approved by the shareholders' meeting), the cancellation or restriction of the preferential subscription rights to acquire new shares, mergers, spin-offs, changes in the corporate form, global assignment of assets and liabilities and the transfer of the registered office abroad require on first call a quorum of at least 50% of the issued voting share capital, present in person or by proxy, and on second call, the presence of shareholders representing at least 25% of the issued voting share capital, present in person or by proxy. On first call, such resolutions may only be passed upon the affirmative vote of

an absolute majority, when the attending shareholders (whether in person or by proxy) hold more than 50% of the subscribed share capital. If, on second call, the shareholders present or represented constitute less than 50 % of the subscribed voting share capital, present in person or by proxy, resolutions relating to such extraordinary matters may be adopted only with the approval of two-thirds of the votes validly cast at such meeting.

A resolution passed at a general shareholders' meeting is binding on all shareholders. As a general rule, and subject to certain exceptions provided for in the Spanish Companies Law, a resolution passed at a general shareholders' meeting may be contested if such resolution is (i) contrary to Spanish laws, to the Issuer's bylaws or to the general shareholders' meeting regulations, or (ii) prejudicial to the Issuer's corporate interests for the benefit of one or more shareholders or third parties. Damage to the company's corporate interest may also be caused when the resolution, without causing damage to the corporate assets, is imposed in an abusive manner by the majority. A resolution is understood to have been imposed in an abusive manner when, rather than responding reasonably to a corporate need, the majority adopts the resolution in their own interests and to the unjustifiable detriment of the other shareholders. The Spanish Companies Law acknowledges a legal right to initiate legal proceedings in favour of (i) shareholders who held shares prior to the adoption of such resolutions as long as they hold, individually or in group, a minimum of 0.1% of the company's share capital, (ii) directors and (iii) third parties with legitimate interest. If the resolution is contrary to public order, any shareholder (whether or not he or she was a shareholder at the time when the resolution was adopted), director or third party is entitled to contest the resolution.

The right to challenge the resolution lapses in three months from the date on which the resolution is deemed to have been known to the plaintiff, except when the resolution is against the public order, in which case the right to challenge does not lapse.

In certain circumstances (such as a substantial modification of corporate purpose, change of the corporate form or transfer of registered office abroad, intra-EU merger with transfer of registered office to another EU country or incorporation of a limited liability European holding company if the dissenting shareholder is a partner of the promoter companies), Spanish corporate law gives shareholders that had not voted in favour of a resolution the right to withdraw from the company. If this right were to be exercised, the Issuer would be required to purchase or offset the relevant share ownership at prices determined in accordance with an established formula or criteria relating to the average price of the shares in the Spanish Stock Exchanges within certain periods of time.

Under the Spanish Companies Law, shareholders who voluntarily aggregate their shares so that the share capital so aggregated is equal to or greater than the result of dividing the total share capital by the number of directors have the right to appoint a corresponding proportion of the members of the Board of Directors, provided that the relevant vacancy or vacancies exist within the Board. Shareholders who exercise this right may not vote on the appointment of other directors.

Preferential Subscription Rights and Increase of Share Capital

Pursuant to Spanish law, shareholders have preferential subscription rights to subscribe for any new shares issued in consideration to cash contributions and for any new bonds convertible into shares. However, a resolution passed at a general shareholders' meeting or a meeting of the Board of Directors acting by delegation may, in certain circumstances, suppress such preferential subscription rights, provided that the relevant requirements of Spanish law (particularly, Articles 308, 504, 505 and 506 of the Spanish Companies Law) are met. In such cases, the resolution authorizing the suppression of preferential subscription rights will only be valid if, amongst other requirements: (i) a report is issued by an independent auditor appointed by the Commercial Registry stating, amongst other elements, the market value of the shares, the theoretical value of

the preferential subscription rights and the net book value of the shares; and (ii) the nominal value and issue premium of the newly issued shares is equal or higher than their net book value, as determined by the auditor's report.

Preferential subscription rights will not be available in the event of an increase in the share capital of CaixaBank on a conversion of convertible bonds into shares, a merger in which new shares are issued, acquiring all or part of another company's asset or in the case of a capital increase with non-cash contributions.

Preferential subscription rights are transferable, may be traded on the Automated Quotation System (as defined below) of the Spanish Stock Exchanges and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices.

In the case of a listed company, under Articles 506 and 511 of the Spanish Companies Law, when the shareholders authorize the Board of Directors to issue new shares or bonds convertible into shares, they can also authorize the Board of Directors to suppress preferential subscription rights in connection with such new shares or bonds convertible into shares if it is in the best interest of the company.

The following table shows the evolution of the share capital of CaixaBank during 2017[(1)], 2016 and 2015:

Initial share capital (€)	Share capital increase/ reduction	Date	Date of listing	Nominal Amount	Number of shares issued	Resulting share capital	Resulting number of shares
				(€)		*(€)*	
5,714,955,900	Issue of ordinary shares charged to reserves[(2)]	24-03-2015	30-03-2015	53,331,614	53,331,614	5,768,287,514	5,768,287,514
5,768,287,514	Issue of ordinary shares charged to reserves[(2)]	29-09-2015	02-10-2015	55,702,803	55,702,803	5,823,990,317	5,823,990,317
5,823,990,317	Issue of ordinary shares charged to reserves[(2)]	22-03-2016	31-03-2016	86,252,367	86,252,367	5,910,242,684	5,910,242,684
5,910,242,684	Issue of ordinary shares charged to reserves[(2)]	14-12-2016	16-12-2016	71,195,347	71,195,347	5,981,438,031	5,981,438,031

Note:

(1) During the year 2017 there has not been any change in the share capital of CaixaBank.

(2) Under the CaixaBank Scrip Dividend Program.

The general shareholders' meeting held on 23 April 2015 approved to authorize the Board of Directors to increase the Issuer's share capital by an amount of up to 50% of the share capital at that date (that is, in a maximum of €2,857,477,950), including the delegation to the Board of Directors to exclude, total or partially, preferential subscription rights of shareholders in respect of a share capital increase of up to 20% of the Issuer's share capital as of such date (€1,142,991,180). This increase can be completed in one or multiple transactions during a maximum period of five years from the date of the meeting pursuant to Article 297.1.b) of the Spanish Companies Law. As of the date of this Prospectus, the relevant authorization granted by the general shareholders' meeting under this approval has not been used by the Board of Directors, save as provided below.

The general shareholders' meeting held on 28 April 2016 approved to authorize the Board of Directors to issue fixed-income securities that are convertible for shares of CaixaBank, or that may grant, directly or indirectly, the right to acquire or subscribe shares in CaixaBank, including warrants, and which may be additionally or alternatively exchangeable for shares in CaixaBank, on one or more occasions within a maximum period of five years from the date of the meeting, up to a total maximum aggregate amount of €3,000,000,000 (or its equivalent in another currency). This authorization includes the powers to increase the necessary share capital of the Issuer to meet the conversion and exclude the shareholders' preferential subscription rights, as long as the capital increase, together with the other capital increases approved by the Board of Directors pursuant to authorizations by the general shareholders' meeting do not exceed 50% of the share capital as of the date of the authorization granted on 23 April 2015 (€2,857,477,950).

On 25 May 2017, the Board of Directors approved the creation and issue of preferred securities (see "*Description of the Issuer – Developments during 2017 – Preferred securities issue*" for additional information) and the related increase of the share capital of the Bank, pursuant to the delegation of the general shareholders' meeting, in up to 448,430,493 new shares in order to attend the potential conversion of the preferred securities.

On 1 February 2018, the Board of Directors approved the creation and issue of the Preferred Securities and the related increase of the share capital of the Bank, pursuant to the delegation of the general shareholders' meeting, in up to 538,793,103 new shares in order to attend the potential conversion of the Preferred Securities.

Shareholder Claims

Under Spanish law, shareholders must generally bring action against the directors as well as any other actions against the Issuer or challenge corporate resolutions before the courts of the judicial district of the Issuer's registered address (currently Valencia, Spain).

In general terms, directors are liable to the company and the shareholders and creditors of the company for acts and omissions contrary to Spanish law or the company's bylaws and for failure to carry out the duties and obligations required of directors, provided that they have acted wilfully or negligently. When in violation of the law or of the company's bylaws, directors are presumed to have acted negligently, but that presumption can be rebutted. Directors have such liability even if the transaction in connection with which the acts or omissions occurred is approved or ratified by the shareholders.

The liability of the directors is joint and several, except to the extent any director can demonstrate that he or she did not participate in decision-making relating to the transaction at issue, was unaware of its existence or, being aware of it, did all that was possible to mitigate any damages or expressly disagreed with the decision-making relating to the transaction.

Information to Shareholders

Under Spanish law, shareholders are entitled to receive certain company information, including information regarding any amendment to bylaws, any increase or reduction in share capital, the approval of the annual accounts, any issuance of debt securities, a merger or spin-off, the winding-up or liquidation, or any other major corporate events or actions.

Furthermore, shareholders may request any reports or explanations that they consider necessary in respect of the matters included in the agenda of a general shareholders' meeting or any public information provided to the CNMV and the auditor's report, either (i) in writing beforehand until the fifth day prior to the date scheduled for the general shareholders' meeting in which case, the Board of Directors is obliged to provide

these reports and explanations until the day before the general shareholders' meeting, or (ii) orally at the meeting, in which case and if the right of the shareholder could not be satisfied at the moment, the Board of Directors is obliged to provide these reports and explanations within the seven days following the conclusion of the general shareholders' meeting, except in the case where such information should not be disclosed in order to protect the shareholders' rights, or it may be objectively considered that the information could be used for non-corporate purposes, or public exposure of the information requested may be detrimental to the Group's interests. However, the latter exception shall not apply should the request be backed by shareholders who together hold 25% or more of the share capital.

Legal Restrictions on Acquisitions of Shares in Spanish Banks

Certain provisions of Spanish law require clearance by the competent authority prior to the acquisition by any individual or corporation of a significant holding of shares of a Spanish bank. The decision-making authority for the assessment of the proposed acquisition, formerly attributed to the Bank of Spain, now corresponds to the ECB by virtue of Regulation No. 1024/2013.

Any natural or legal person or such persons acting in concert, who have taken a decision either to acquire, directly or indirectly, a qualifying holding (*participación significativa*) in a Spanish bank or to further increase, directly or indirectly, such a qualifying holding in a Spanish bank as a result of which the proportion of the voting rights or of the capital held would reach or exceed 20%, 30% or 50% or so that the bank would become its subsidiary, must first notify the ECB (through the Bank of Spain), indicating the size of the intended holding and other relevant information. A qualifying holding for these purposes is defined as a direct or indirect holding in a Spanish bank which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that bank. In accordance with Article 23 of RD 84/2015, in any case, "significant influence" shall be deemed to exist when there is the capacity to appoint or dismiss a board member.

As soon as the Bank of Spain receives the notice, the Bank of Spain will request the Spanish Anti-Money Laundering Authority (*Servicio Ejecutivo de la Comisión para la Prevención del Blanqueo de Capitales e Infracciones Monetarias* – "**SEPBLAC**") for a report, and the SEPBLAC will submit such report within 30 business days from the day following the day of receipt of such request.

The ECB has 60 business days after the Bank of Spain acknowledges the receipt of any such notice (the Bank of Spain will acknowledge receipt in written within two business days from the date of receipt of the notification by the Bank of Spain to the extent such notification includes all the information required by Article 24 of RD 84/2015) to object to a proposed transaction. In case the notification does not have all the information required, the acquirer will be required to provide the outstanding information within ten business days. Such objection may be based on finding the acquirer unsuitable on the basis of its commercial or professional reputation, its solvency or the transparency of its corporate structure, among other things. If no such objection is raised within the 60 business days' period, the authorization is deemed to have been granted.

The above assessment term may be suspended in one occasion, between the request of information and the submission of information, for a maximum term of 20 business days (or, under certain circumstances, this term may be of 30 business days).

If the acquisition is carried out and the required notice is not given to the ECB (through the Bank of Spain) or if the acquisition is carried out before the 60 business days' period following the giving of notice elapses, or if the acquisition is opposed by the ECB, then there shall be the following consequences: (A) the voting rights corresponding to the acquired shares may not be exercised or, if exercised, will be deemed null, (B) the ECB may seize control of the bank or replace its Board of Directors, and (C) a fine may be levied on the acquirer.

Furthermore, pursuant to Royal Decree 84/2015, any natural or legal person, or such persons acting in concert, who has acquired, directly or indirectly, a holding in a Spanish bank so that the proportion of the voting rights or of the capital held reaches or exceeds 5%, must immediately notify in writing the Bank of Spain and the relevant Spanish bank, indicating the size of the acquired holding.

Any natural or legal person who has taken a decision to dispose, directly or indirectly, of a qualifying holding in a bank must first notify the Bank of Spain, indicating the size of his intended reduced holding. Such a person shall likewise notify the Bank of Spain if he has taken a decision to reduce his qualifying holding so that the proportion of the voting rights or of the capital held would fall below 20%, 30% or 50% or so that the bank would cease to be its subsidiary. Failure to comply with these requirements may lead to sanctions being imposed on the defaulting party.

Spanish banks are required, on becoming aware of any acquisitions or disposals of holdings in their capital that cause holdings to exceed or fall below one of the thresholds referred to above, to inform the Bank of Spain of those acquisitions or disposals. In addition, Spanish banks must provide the Bank of Spain quarterly, during the month following each natural quarter, with a list of all its shareholders that are financial institutions and all other shareholders that own at least 0.25% of the bank's share capital (or 1% in case of credit unions) by reference to the last day of each calendar quarter.

If the ECB determines at any time that the influence of a person who owns a qualifying holding of a bank may adversely affect that bank's management or financial situation, it may: (1) suspend the voting rights of such person's shares; (2) seize control of the bank or replace its Board of Directors; or (3) in exceptional circumstances revoke the bank's license. A fine may also be levied on the person owning the relevant qualifying shareholding.

Reporting Requirements

Acquisition of shares

Pursuant to Royal Decree 1362/2007, of 19 October, any individual or legal entity which, by whatever means, purchases or transfers shares which grant voting rights in the Issuer, must notify the Issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% and 90% of the Issuer's total voting rights.

The individual or legal entity obliged to carry out the notification must serve the notification by means of the form approved by the CNMV from time to time for such purpose, within four (4) trading days from the date on which the individual or legal entity acknowledged or should have acknowledged the circumstances that generate the obligation to notify (Royal Decree 1362/2007 deems that the obliged individual or legal entity should have acknowledge the aforementioned circumstance within two (2) trading days from the date on which the transaction was entered into, regardless of the date on which the transaction takes effect).

The reporting requirements apply not only to the purchase or transfer of shares, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information reported to the CNMV and disclosed by it. In such a case, the transaction is deemed to be acknowledged within two (2) trading days from the date of publication of the relevant event announcement (*hecho relevante*) regarding such transaction.

Should the individual or legal entity effecting the transaction be a non-resident of Spain, notice must also be given to the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and

Investments (a department of the Ministry of Economy, Industry and Competitiveness). See "*Restrictions on Foreign Investment*" below.

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares, and any individual or legal entity which acquires, transfers or holds, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights, will also have an obligation to notify the Issuer and the CNMV of the holding of a significant stake in accordance with applicable regulations.

Should the person or group effecting the transaction be resident in a tax haven (as defined in Royal Decree 1080/1991, of July 5), the threshold that triggers the obligation to disclose the acquisition or transfer of the Issuer's Ordinary Shares is reduced to 1% (and successive multiples thereof).

All members of the Board of Directors must report to both the Issuer and the CNMV any percentage or number of voting rights in the Issuer held by them at the time of becoming or ceasing to be a member of the Board of Directors within five (5) trading days. Furthermore, all members of the Board of Directors must report any change in the percentage of voting rights they hold, regardless of the amount, as a result of any acquisition or disposition of the Issuer's shares or voting rights, or financial instruments which carry a right to acquire or dispose of shares which have voting rights attached, including any stock based compensation that they may receive pursuant to any of the Bank compensation plans. Members of the Bank senior management must also report any stock based compensation that they may receive pursuant to any of the Bank compensation plans or any subsequent amendment to such plans.

In addition, pursuant to Article 19 of Regulation (EU) No 596/2014, of 16 April 2014, on market abuse ("**EU Regulation on Market Abuse**"), persons discharging managerial responsibilities as well as persons closely associated with them (*vínculo estrecho*) must similarly report to the Issuer and the CNMV any acquisition or disposal of the Issuer's shares, derivative or financial instruments linked to the Issuer's shares regardless of the size, within three (3) business days after the date of the transaction is made. The notification of the transaction must include particulars of, among others, the type of transaction, the date of the transaction and the market in which the transactions were carried out, the number of shares traded and the price paid.

Royal Decree 1362/2007 refers to the definition given by Royal Decree 1333/2005, developing the LMV, regarding market abuse, which defines senior management (*directivos*) as those "high level employees in positions of responsibility with regular access to insider information (*información privilegiada*) related, directly or indirectly, to the issuer and that, furthermore, are empowered to adopt management decisions affecting the future development and business perspectives of the issuer".

In certain circumstances established by Royal Decree 1362/2007, the notification requirements on the acquisition or transfer of shares also apply to any person or legal entity that, directly or indirectly, and independently of the ownership of the shares or financial instruments, may acquire, transmit or exercise the voting rights granted by those shares or financial instruments, provided that the aggregated proportion of voting rights reaches, increases above or decreases below, the percentages set forth by Spanish law.

Moreover, pursuant to Article 30.6 of Royal Decree 1362/2007, in the context of a takeover bid, the following transactions should be notified to the CNMV: (i) any acquisition reaching or exceeding 1% of the voting rights of the Issuer, and (ii) any increase or decrease in the percentage of voting rights held by holders of 3% or more of the voting rights in the Issuer. The CNMV will immediately make this information public.

Acquisition of own shares

If an acquisition or series of acquisitions of the Issuer's Ordinary Shares reaches or exceeds or causes the Issuer and its affiliates' holdings to reach or exceed 1% of the voting shares, the Issuer must notify its final holding of treasury shares to the CNMV. If such threshold is reached as a result of a series of acquisitions,

such reporting obligation will only arise after the closing of the acquisition which, taken together with all acquisitions made since the last of any such notifications, causes the Issuer and its affiliates' holdings to exceed 1% of the voting shares. Sales and other transfers of the Issuer's treasury shares will not be deducted in the calculation of such threshold. This requirement would also apply if the shares were acquired by one of its majority owned subsidiaries.

Moreover, pursuant to Spanish Companies Law, the management report of a company must include a reference to any treasury shares.

See "*Description of the Issuer – Treasury Stock*" for a description of CaixaBank's transactions involving treasury shares.

Disclosure of Shareholders' Agreements

The LMV and Articles 531, 533 and 535 of the Spanish Companies Law require parties to disclose certain types of shareholders' agreements that affect the exercise of voting rights at a general shareholders' meeting or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares of listed companies. If any shareholders enter into such agreements with respect to CaixaBank's shares, they must disclose the execution, amendment or extension of such agreements to CaixaBank and the CNMV and file such agreements with the appropriate Commercial Registry. The shareholder agreements must also be disclosed through a relevant event announcement (*hecho relevante*) on the CNMV's website. Failure to comply with these disclosure obligations renders any such shareholders' agreement unenforceable and constitutes a violation of the LMV.

Such shareholders' agreement will have no effect with respect to the regulation of the right to vote in general shareholders' meetings and restrictions or conditions on the free transferability of shares and bonds convertible into shares until such time as the aforementioned notifications, deposits and publications are made.

Upon request by the interested parties, the CNMV may waive the requirement to report, deposit and publish the agreement when publishing the shareholders' agreement could cause harm to the Issuer.

See "*Description of the Issuer – Agreement Among Shareholders*" for a description of agreements among CaixaBank's shareholders of which the Issuer is aware on the basis of the information publicly disclosed by CaixaBank's shareholders.

Net Short Positions

In accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps ("**Regulation 236/2012**") (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), net short positions on shares listed on the Spanish Stock Exchanges equal to, or in excess of, 0.2% of the relevant issuer's share capital and any increases or reductions thereof by 0.1% are required to be disclosed to the CNMV. If the net short position reaches 0.5%, and also at every 0.1% above that, the CNMV will disclose the net short position to the public. Regulation 236/2012 restricts uncovered short sales in shares, providing that a natural or legal person may enter into a short sale of a share admitted to trading on a trading venue only where one of the conditions established in Article 12 of the referred Regulation has been fulfilled.

The notification or disclosure mentioned above shall be made no later than 3:30 pm (Madrid time) on the following trading day.

The disclosure is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a website operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, when the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with ESMA, take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the applicable premiums; and
- restrict short selling activities by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to ESMA in order to take similar measures to those described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

Share Repurchases

Pursuant to the Spanish Companies Law, the Issuer may only repurchase the Issuer's own shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorized by the general shareholders' meeting in a resolution establishing the maximum number of shares to be acquired, the titles for the acquisition, the minimum and maximum acquisition price and the duration of the authorization, which may not exceed 5 years from the date of the resolution;
- the repurchase, including the shares already acquired and currently held by the Issuer, or any person or company acting in its own name but on the Issuer's behalf, must not bring the Issuer's net worth below the aggregate amount of the Issuer's share capital and legal or non-distributable bylaws' reserves. For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly allocated to such net worth, and adding the amount of share capital subscribed but not called and the share capital par value and issue premium recorded in the Issuer's accounts as liabilities;
- the aggregate value of the Ordinary Shares directly or indirectly repurchased, together with the aggregate par value of the Ordinary Shares already held by the Issuer, must not exceed 10% of the Issuer's share capital; and

- Ordinary Shares repurchased for valuable consideration must be fully paid up. A repurchase shall be considered null and void if (i) the shares are partially paid up, except in the case of free repurchase, or (ii) the shares entail ancillary obligations.

The voting rights of treasury shares are suspended. Additionally, the economic rights (dividends and other distributions and liquidation rights), except the right to receive bonus shares, will accrue proportionately to the Issuer's shareholders. Treasury shares are counted for purposes of establishing the quorum for general shareholders' meetings as well as majority voting requirements to pass resolutions at general shareholders' meetings.

The EU Regulation on Market Abuse, repealing, among others, Directive 2003/6/EC of the European Parliament and the European Council of 28 January, on insider dealing and market manipulation, establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence in those markets. This regulation maintains an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in a member state. Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, implements EU Regulation on Market Abuse with regard to the regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures. According to the provisions included in the Commission Delegated Regulation (EU) 2016/1052, in order to benefit from the exemption, an issuer implementing a buy-back program must comply with the following requirements:

Prior to the start of trading in a buy-back program, the issuer must ensure the adequate disclosure of the following information:

- The purpose of the program. According to Article 5.2 of EU Regulation on Market Abuse, the buy-back program must have as its sole purpose (a) to reduce the capital of the issuer; (b) to meet obligations arising from debt financial instruments convertible into equity instruments; or (c) to meet obligations arising from share option programs, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer or of an associate company;
- The maximum pecuniary amount allocated to the program;
- The maximum number of shares to be acquired; and
- The period for which authorization for the program has been granted.

The issuer must ensure that the transactions relating to the buy-back program meet the conditions included on Article 3 of the Commission Delegated Regulation (EU) 2016/1052. Specifically, that the purchase price is not higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Furthermore, issuers must not purchase on any trading day more than 25% of the average daily volume of shares on the corresponding trading venue.

Issuers shall not, for the duration of the buy-back program, engage on (a) selling of own shares; (b) trading during the closed periods referred to in Article 19.11 of EU Regulation on Market Abuse; and (c) trading where the issuer has decided to delay the public disclosure of inside information.

On 19 December 2007, the CNMV issued Circular 3/2007 setting out the requirements to be met by liquidity contracts entered into by issuers with financial institutions for the management of its treasury shares to constitute an accepted market practice and, therefore, be able to rely on a safe harbor for the purposes of market abuse regulations. On 26 April 2017, the CNMV approved Circular 1/2017 which will repeal and replace the CNMV's Circular 3/2007, as from 10 July 2017, and will introduce new specific rules, limits and mechanisms for liquidity agreements.

In addition, on 18 July 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the "discretionary transactions with treasury shares" (outside of the buyback program regulation). These guidelines are in line with the buy-back program regulation in respect of price, limits and volumes and include certain restricted periods and a rule of separated management of the trading activity. In line with these guidelines, the Issuer approved the internal rules regarding transactions with treasury shares, which are currently published at the Issuer's website.

In addition, Commission Delegated Regulation (EU) No 241/2014, of 7 January, supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for own funds requirements for institutions, prohibits redemptions, reductions and repurchases of own funds instruments (such as own shares) unless they have been previously approved by the competent authority.

Foreign Investment and Exchange Control Regulations

Restrictions on Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalized by Royal Decree 664/1999, of 23 April, which was approved in conjunction with Law 18/1992, of 1 July (the "**Spanish Foreign Investment Law**"), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the EU.

According to regulations adopted under the Spanish Foreign Investment Law, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls). Foreign investors who are not resident in a tax haven are only required to file a notification with the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments (*Dirección General de Comercio e Inversiones*) within the Ministry of Economy, Industry and Competitiveness (*Ministerio de Economía, Industria y Competitividad*) following an investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991, of 5 July), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after consummating the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market;
- investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50% of the capital of the Spanish company in which the investment is made.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy, Industry and Competitiveness, may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such a

suspension would be subject to prior authorization from the Spanish government, acting on the recommendation of the Ministry of Economy, Industry and Competitiveness.

Law 19/2003, of 4 July, on the establishment of a regulatory regime relating to capital flows to and from legal or natural persons abroad and the prevention of money laundering ("**Law 19/2003**"), generally provides for the liberalization of the regulatory environment with respect to acts, businesses, transactions and other operations between Spanish residents and non-residents in respect of which charges or payments abroad will occur, as well as money transfers, variations in accounts or financial debit or credits abroad. These operations must be reported to the Ministry of the Economy and Competitiveness and the Bank of Spain only for informational and statistical purposes. The most important developments resulting from Law 19/2003 are the obligations on financial intermediaries to provide to the Spanish Ministry of Economy, Industry and Competitiveness and the Bank of Spain information corresponding to client transactions.

Exchange control regulations

Pursuant to Royal Decree 1816/1991, of 20 December, relating to economic transactions with non-residents as amended by Royal Decree 1360/2011 of 7 October, and EC Directive 88/361/EEC, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or another financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency), if made in cash or by check payable to bearer, must be notified to the Spanish exchange control authorities.

CONDITIONS OF THE PREFERRED SECURITIES

The following is the text of the Conditions of the Preferred Securities (save for the paragraphs in italics which are for disclosure purposes only).

The Preferred Securities (as defined below) are issued by CaixaBank, S.A. (the "**Bank**") by virtue of the resolutions passed by (a) the general meeting of shareholders of the Bank, held on 28 April 2016 and (b) the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 1 February 2018 and in accordance with the First Additional Provision of Law 10/2014, of 26 June, on regulation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) ("**Law 10/2014**") and the CRR (as defined below).

The Preferred Securities will be issued following the registration with the Mercantile Registry of Valencia of a public deed relating to the issuance of the Preferred Securities before the Closing Date (as defined below).

The Preferred Securities do not grant Holders (as defined below) preferential subscription rights in respect of any possible future issues of shares, preferred securities or any other securities to be carried out by the Bank or any of its Subsidiaries (as defined below).

1 Definitions

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

"**5-year Mid-Swap Rate**" means, in relation to a Reset Date and the Reset Period commencing on that Reset Date:

(a) the rate for the Reset Date of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading "EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT" as of 11.00 (CET) on the Reset Determination Date; or

(b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate for such Reset Period;

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

(a) has a term of five years commencing on the relevant Reset Date; and

(b) is in a Representative Amount,

where the floating leg (calculated on an Actual/360 day count basis) is equivalent to EURIBOR 6-month;

"**Accounting Currency**" means euro or such other primary currency used in the presentation of the Bank and/or Group's accounts from time to time;

"**Additional Ordinary Shares**" has the meaning given in Condition 6.4;

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

"**Additional Tier 1 Instrument**" means any contractually subordinated obligation of the Bank

constituting an additional tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3º(c) of Law 11/2015;

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

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

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

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

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

(a) the exclusion of any of the outstanding aggregate Liquidation Preference of the Preferred Securities from the Bank's or the Group's Additional Tier 1 Capital; or

(b) the reclassification of any of the outstanding aggregate Liquidation Preference of the Preferred Securities as a lower quality form of own funds of the Bank or the Group in accordance with the Applicable Banking Regulations;

"**Cash Dividend**" means any Dividend which is (a) to be paid or made in cash (in whatever currency), other than any such Dividend falling within paragraph (b) of the definition of "Spin-Off", or (b) to be treated as a Cash Dividend pursuant to paragraph (a) of the definition of "Dividend", and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of "Dividend" shall be treated as being a Non-Cash Dividend;

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

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

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

"**Closing Date**" means 23 March 2018;

"**Closing Price**" means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security, warrant or other right or asset, on any dealing day, the closing price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security, warrant or other right or asset on the Relevant Stock Exchange on such dealing day published by or derived from Bloomberg page HP (using the setting labelled "Last Price", or any successor thereto) for such Ordinary Share, Security or, as the case may be, Spin-Off Security, warrant or other right or asset in respect of the Relevant Stock Exchange and such dealing day (and for the avoidance of doubt, such Bloomberg page for the Ordinary Shares as at the Closing Date is CABK SM Equity HP), or, if the Closing Price cannot be determined as aforesaid, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Closing Price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security, warrant or other right or asset, in respect of such dealing day shall be the Closing Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or as an Independent Financial Adviser might otherwise determine in good faith to be appropriate;

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

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

"**Conversion Calculation Agent**" has the meaning given in Condition 6.14.

"**Conversion Price**" means, in respect of the Trigger Event Notice Date, if the Ordinary Shares are:

(a) then admitted to trading on a Relevant Stock Exchange, the higher of:

(i) the Current Market Price of an Ordinary Share;

(ii) the Floor Price; and

(iii) the nominal value of an Ordinary Share (being €1.00 on the Closing Date),

in each case on the Trigger Event Notice Date; or

(b) not then admitted to trading on a Relevant Stock Exchange, the higher of subparagraph (ii) or (iii) of paragraph (a) above;

"**Conversion Settlement Date**" means the date on which the relevant Ordinary Shares are to be delivered on Trigger Conversion, which shall be as soon as practicable and in any event not later than one month following (or such other period as Applicable Banking Regulations or the Competent Authority may require) the Trigger Event Notice Date;

"**Conversion Shares**" has the meaning given in Condition 6.2;

"**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 activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time;

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

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

"**Current Market Price**" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date (the "**Relevant Period**") provided that for the purposes of determining the Current Market Price pursuant to Condition 6.3(d) or (f) in circumstances where the relevant event relates to an issue of Ordinary Shares if at any time during the Relevant Period the Volume Weighted Average Price shall have been based on a price ex Dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement), then:

(a) if the Ordinary Shares to be issued and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum- such Dividend (or cum- such other entitlement) shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend (or other entitlement) per Ordinary Share as at the Ex Date of such Dividend or entitlement; or

(b) if the Ordinary Shares to be issued and delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex- such Dividend (or ex- such other entitlement) shall for the purposes of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend (or entitlement) per Ordinary Share as at the Ex Date of such Dividend (or entitlement),

provided further that:

(i) for the purposes of determining the Current Market Price pursuant to Condition 6.3(d) or (f) in circumstances where the relevant event relates to an issue of Ordinary Shares if on each of the dealing days in the Relevant Period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such Dividend or entitlement;

(ii) if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the dealing days in the Relevant Period (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such

Volume Weighted Average Prices which are available in the Relevant Period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the Relevant Period, or if the Ordinary Shares are not admitted to trading on a Relevant Stock Exchange at any relevant time for these purposes, the Current Market Price shall be determined in good faith by an Independent Financial Adviser; and

(iii) for the purposes of any calculation or determination required to be made pursuant to paragraphs (a)(i) or (a)(ii) of the definition of "Dividend", if on each of the said five consecutive dealing days the Volume Weighted Average Price shall have been based on a price cum the relevant Dividend or capitalisation giving rise to the requirement to make such calculation or determination, the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of the relevant Dividend or capitalisation.

"**dealing day**" means, in relation to Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights or assets, as the context may require, a day on which the Relevant Stock Exchange in respect thereof is open for business and on such Ordinary Shares, Securities, Spin-Off Securities, options, warrants or other rights or assets (as the case may be) may be dealt in (other than a day on which such Relevant Stock Exchange is scheduled to or does close prior to its regular weekday closing time);

"**Delivery Notice**" means a notice to be provided by the relevant Holder in accordance with Condition 6.10 which contains the relevant account and related details for the delivery of any Ordinary Shares in connection with a conversion of the Preferred Securities;

According to the Iberclear procedures applicable as of the Closing Date, Delivery Notices will take the form of a Swift MT565 communication.

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

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

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

"**Distribution Payment Date**" means each of 23 March, 23 June, 23 September and 23 December, in each year, with the first Distribution Payment Date falling on 23 June 2018;

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

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

"**Dividend**" means any dividend or distribution to Shareholders in respect of the Ordinary Shares (including a Spin-Off) whether of cash, assets or other property (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), and however described and whether payable out of a share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital, provided that:

(a) where:

(i) (x) a Dividend in cash is announced which may (at the election of a Shareholder or Shareholders) be satisfied by the issue or delivery of Ordinary Shares or other property or assets, or (y) an issue of Ordinary Shares or other property or assets by way of a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash (including without limitation where Shareholders have the option to transfer, sell or renounce all or a portion of their entitlement to receive Ordinary Shares to the Bank for a payment of cash by the Bank pursuant to a purchase commitment assumed by the Bank), then the Dividend in question shall be treated as a Cash Dividend of an amount equal to the greater of:

(A) the Fair Market Value of such cash amount as at the Ex Date of such Dividend or capitalisation; and

(B) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets, in each case as at the Ex Date of such Dividend or capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued and delivered is determined; or

(ii) (x) there shall be any issue of Ordinary Shares or other property or assets by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a Cash Dividend equivalent or amount is announced) or (y) a Dividend is announced that is to be satisfied by the issue or delivery of Ordinary Shares or other property or assets or (z) any issue of Ordinary Shares or other property or assets by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) that is to be satisfied by the payment of cash, in each case other than in the circumstances the subject of sub-paragraph (i) above), the Dividend or capitalisation in question shall be treated as a Cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets, in each case as at the Ex Date of such Dividend or capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares (or amount of other property or assets) to be issued and delivered is determined;

(b) any issue of Ordinary Shares falling within Condition 6.3(a) or 6.3(b) shall be disregarded;

(c) a purchase or redemption or buy-back of share capital of the Bank by or on behalf of the Bank in accordance with any general authority for such purchases or buy-backs approved by a

general meeting of Shareholders and otherwise in accordance with the limitations prescribed under the Spanish Companies Law for dealings generally by a company in its own shares shall not constitute a Dividend and any other purchase or redemption or buy-back of share capital of the Bank by or on behalf of the Bank or any member of the Group shall not constitute a Dividend unless, in the case of a purchase or redemption or buy-back of Ordinary Shares by or on behalf of the Bank or any member of the Group, the weighted average price per Ordinary Share (before expenses) on any one day (a **Specified Share Day**) in respect of such purchases or redemptions or buy-backs (translated, if not in the Share Currency, into the Share Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the Current Market Price of an Ordinary Share on the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy-backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or a formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy-back shall be deemed to constitute a Dividend in the Share Currency in an amount equal to the amount by which the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by or on behalf of the Bank or, as the case may be, any member of the Group (translated where appropriate into the Share Currency as provided above) exceeds the product of:

(i) 105 per cent. of the Current Market Price of an Ordinary Share determined as aforesaid; and

(ii) the number of Ordinary Shares so purchased, redeemed or bought back;

(d) if the Bank or any member of the Group shall purchase, redeem or buy-back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser; and

(e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Bank for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than (or in addition to) the Bank, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Bank, and the foregoing provisions of this definition, and the provisions of these Conditions, including references to the Bank paying or making a dividend, shall be construed accordingly;

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

"**Equity Share Capital**" means, in relation to any entity, its issued share capital excluding any part of that capital which, in respect of dividends and capital, does not carry any right to participate beyond a specific amount in a distribution;

"**EUR**", **€** and **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;

"**EURIBOR 6-month**" means:

(a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as of 11.00 (CET) on the Reset Determination Date for the relevant Reset Date; or

(b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the arithmetic mean of the rates at which deposits in euros are offered by four major banks in the Eurozone interbank market, as selected by the Bank, at such time on such Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

"**Existing Shareholders**" has the meaning given in the definition of "Newco Scheme";

"**Extraordinary Resolution**" has the meaning given to it in Condition 11;

"**Ex Date**" means, in relation to any Dividend, capitalisation or other entitlement, unless otherwise defined herein, the first dealing day on which the Ordinary Shares are traded ex- the relevant Dividend, capitalisation or other entitlement on the Relevant Stock Exchange;

"**Fair Market Value**" means, with respect to any property on any date:

(a) in the case of a Cash Dividend, the amount of such Cash Dividend;

(b) in the case of any other cash amount, the amount of such cash;

(c) in the case of Securities or Spin-Off Securities, options, warrants or other rights or assets that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined by the Conversion Calculation Agent in good faith):

(i) in the case of Securities or Spin-Off Securities (in each case to the extent constituting equity share capital), the average of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities; and

(ii) in the case of Securities or Spin-Off Securities (in each case other than to the extent constituting equity share capital), options, warrants or other rights or assets, the arithmetic mean of the daily Closing Prices of such Securities, Spin-Off Securities, options, warrants or other rights or assets,

in the case of both (i) and (ii) above during the period of five consecutive dealing days on the Relevant Stock Exchange commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded on the Relevant Stock Exchange) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights or assets are publicly traded on the Relevant Stock Exchange; and

(d) in the case of Securities, Spin-Off Securities, options, warrants or other rights or assets that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid), the fair market value of such Securities, Spin-Off Securities, options, warrants or other rights or assets as shall be determined by an Independent Financial Adviser in good faith, on the basis of a commonly accepted market valuation method and taking into account such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an

Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Such amounts shall, in the case of (a) above, be translated into the Share Currency (if such Cash Dividend is declared or paid or payable in a currency other than the Share Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Share Currency; and in any other case, shall be translated into the Share Currency (if expressed in a currency other than the Share Currency) at the Prevailing Rate on that date. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

"**First Reset Date**" means on 23 March 2026;

"**Floor Price**" means €2.583 per Ordinary Share, subject to adjustment in accordance with Condition 6.3;

"**Further Preferred Securities**" means any substantively similar instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Preferred Securities that is contingently convertible into Ordinary Shares other than at the option of the holders thereof;

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

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

"**Iberclear**" means the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal*);

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

"**Independent Financial Adviser**" means an independent financial firm or financial adviser with appropriate expertise or financial institution of international repute, which may include without limitation the Conversion Calculation Agent, appointed by the Bank at its own expense;

"**Initial Margin**" means 4.504 per cent. per annum;

"**Insolvency Law**" means Law 22/2003, of 9 July, on Insolvency (*Ley Concursal*), as amended from time to time;

"**Law 11/2015**" means Law 11/2015, of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms (*Ley 11/2015 de 18 de junio de Recuperación y Resolución de Entidades de Crédito y Empresas de Servicios de Inversión*), as amended from time to time;

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

"**Liquidation Preference**" means €200,000 per Preferred Security;

"**Maximum Distributable Amount**" means, at any time, the lower of any maximum distributable amount relating to the Bank or the Group required to be calculated, if applicable, at such time in accordance with Article 48 of Law 10/2014 and any provision developing such Article, and any other

provision of Spanish law transposing or implementing Article 141 of the CRD IV Directive and/or Applicable Banking Regulations;

"**Newco Scheme**" means a scheme of arrangement or an analogous proceeding (Scheme of Arrangement) which effects the interposition of a limited liability company (Newco) between the Shareholders of the Bank immediately prior to the Scheme of Arrangement (the Existing Shareholders) and the Bank, provided that:

(a) only ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco are issued to Existing Shareholders;

(b) immediately after completion of the Scheme of Arrangement, the only shareholders of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco are Existing Shareholders, and the Voting Rights in respect of Newco are held by Existing Shareholders in the same proportion as their respective holdings of such Voting Rights immediately prior to the Scheme of Arrangement;

(c) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only ordinary shareholder (or shareholders) of the Bank;

(d) all Subsidiaries of the Bank immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary) are Subsidiaries of the Bank (or of Newco) immediately after completion of the Scheme of Arrangement; and

(e) immediately after completion of the Scheme of Arrangement, the Bank (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Bank immediately prior to the Scheme of Arrangement;

"**Non-Cash Dividend**" means any Dividend which is not a Cash Dividend, and shall include a Spin Off;

"**Ordinary Shares**" means ordinary shares in the capital of the Bank, each of which confers on the holder one vote at general meetings of Shareholders of the Bank and is credited as fully paid up;

"**outstanding**" means, in relation to the Preferred Securities, all the Preferred Securities issued other than those Preferred Securities:

(a) that have been redeemed pursuant to Condition 7 or otherwise pursuant to the Conditions;

(b) that have been or are in the process of being converted into Ordinary Shares following a Trigger Event under Condition 6;

(c) that have been purchased and cancelled under Condition 8; and

(d) that have become void under Condition 14,

provided that for each of the following purposes, namely:

(a) the right to attend and vote at any meeting of Holders; and

(b) the determination of how many and which Preferred Securities are for the time being outstanding for the purposes of Condition 11,

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

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

"**Prevailing Rate**" means, in respect of any currencies on any day, the mid-spot rate of exchange between the relevant currencies prevailing as at 12 noon (CET) on that date as appearing on or derived from the Reference Page or, if such a rate cannot be determined at such time, the mid-spot rate prevailing as at 12 noon (CET) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Reference Page, the mid-spot rate of exchange determined in such other manner as an Independent Financial Adviser in good faith shall prescribe;

"**Royal Decree 84/2015**" means Royal Decree 84/2015, of 13 February, implementing Law 10/2014, as amended from time to time;

"**Royal Decree 1012/2015**" means Royal Decree 1012/2015, of 6 November, developing Law 11/2015 as amended from time to time;

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

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

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

"**Reference Date**" means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day;

"**Reference Page**" means Bloomberg page BFIX, or if such page is not available, the relevant page (as determined in good faith by an Independent Financial Adviser) on Reuters or such other information service provider that displays the relevant information;

"**Relevant Stock Exchange**" means (i) in the case of Ordinary Shares, the Spanish Stock Exchanges or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on any of the Spanish Stock Exchanges, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing and (ii) in the case of Securities (other than Ordinary Shares), Spin-Off Securities, options, warrants or other rights or assets, the principal stock exchange or securities market on which such Securities, Spin-Off Securities, options, warrants or other rights or assets are then listed, admitted to trading or quoted or accepted for dealing;

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

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

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

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

"**Reset Reference Bank Rate**" means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the percentage determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 (CET) on the Reset Determination Date for such Reset Date. The Bank will request the principal offices of each of the Reference Banks to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for such Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be:

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

(b) in the case of the Reset Period commencing on the First Reset Date, 0.850 per cent. per annum;

"**Retroactive Adjustment**" has the meaning given in Condition 6.4;

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

"**Scheme of Arrangement**" has the meaning given in the definition of "Newco Scheme";

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

(a) in the case of the 5-year Mid-Swap Rate, the "ICESWAP/ISDAFIX2" page; or

(b) in the case of EURIBOR 6-month, the "EURIBOR01" page, or in each case such other page as may replace that page on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the 5-year Mid-Swap Rate or EURIBOR 6-month, as applicable;

"**Securities**" means any securities including, without limitation, shares in the capital of the Bank, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Bank;

"**Settlement Shares Depository**" means any reputable independent financial institution, trust company or similar entity to be appointed by the Bank, on or prior to any date when a function ascribed to the Settlement Shares Depository in these Conditions is required to be performed, to perform such functions and who will hold Ordinary Shares in Iberclear or any Iberclear Members in a designated custody account for the benefit of the Holders and otherwise on terms consistent with these Conditions;

"**Share Currency**" means euro or such other currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at the relevant time or for the purposes of the relevant calculation or determination;

"**Shareholders**" means the holders of Ordinary Shares;

"**Spanish Companies Law**" means the Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Companies Law (*Ley de Sociedades de Capital*) as amended from time to time;

"**Spanish Stock Exchanges**" means the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the Automated Quotation System – Continuous Market (*Sistema de Interconexión Bursátil– Mercado Continuo (SIB)*) (**AQS**);

"**Specified Date**" has the meanings given in Conditions 6.3(d), 6.3(f), 6.3(g) and 6.3(h), as applicable;

"**Spin-Off**" means:

(a) a distribution of Spin-Off Securities by the Bank to the Shareholders as a class; or

(b) any issue, transfer or delivery of any property or assets (including cash or shares or other securities of or in or issued or allotted by any entity) by any entity (other than the Bank) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares (or depositary or other receipts or certificates representing such ordinary shares) by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Bank or any member of the Group;

"**Spin-Off Securities**" means equity share capital of an entity other than the Bank or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Bank;

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

"**Subsidiary**" means any entity over which the Bank has, directly or indirectly, control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*) and Applicable Banking Regulations;

"**TARGET Business Day**" means any day on which the Trans-European Automated Real Time Gross Settlement Transfer (TARGET 2) system is open;

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

(a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Bank being materially reduced; or

(b) the Bank being obliged to pay additional amounts pursuant to Condition 12 below; or

(c) the applicable tax treatment of the Preferred Securities being materially affected,

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

"**Trigger Conversion**" has the meaning given in Condition 6.1;

"**Trigger Event**" means if, at any time, as determined by the Bank or the Competent Authority (or any other agent appointed for such purpose by the Competent Authority), the CET1 ratio is less than 5.125 per cent.;

"**Trigger Event Notice**" has the meaning given in Condition 6.1;

"**Trigger Event Notice Date**" means the date on which a Trigger Event Notice is given in accordance with Condition 6.1;

"**Volume Weighted Average Price**" means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on the Relevant Stock Exchange on such dealing day published by or derived from Bloomberg page HP (using the setting labelled "Weighted Average Line" or any successor thereto) for such Ordinary Share, Security or, as the case may be, Spin-Off Security in respect of the Relevant Stock Exchange and such dealing day (and for the avoidance of doubt, such Bloomberg page for the Ordinary Shares as at the Closing Date is CABK SM Equity HP), or, if the Volume Weighted Average Price cannot be determined as aforesaid, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

As of the Closing Date, the price of the Ordinary Shares, which are listed on the Relevant Stock Exchange, is published on such Bloomberg page as aforesaid on each dealing day.

"**Voting Right**" means the right generally to vote at a general meeting of Shareholders of the Bank (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the occurrence of any contingency).

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

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

1.3 References to any issue or offer or grant to Shareholders or Existing Shareholders as a class or by way of rights shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

1.4 In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as the Conversion Calculation Agent or an Independent Financial Adviser determines in good faith appropriate to reflect any consolidation or subdivision of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

1.5 For the purposes of Condition 6.3 only:

(a) references to the issue of Ordinary Shares or Ordinary Shares being issued shall, if not otherwise expressly specified in these Conditions, include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Bank or any member of the Group; and

(b) Ordinary Shares held by or on behalf of the Bank or any member of the Group (and which, in the case of Conditions 6.3(d) and 6.3(f), do not rank for the relevant right or other entitlement) shall not be considered as or treated as in issue or issued or entitled to receive any Dividend, right or other entitlement.

2 Form, denomination and title

2.1 The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €1,250,000,000 and denominations of €200,000.

2.2 The Preferred Securities have been registered with Iberclear as managing entity of the central registry of the Spanish clearance and settlement system (the "**Spanish Central Registry**"). Holders of a beneficial interest in the Preferred Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream Luxembourg**") with Iberclear.

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

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Preferred Securities: ES0840609012. The Common Code for this issue is 179524341.

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

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

The Preferred Securities are issued without any restrictions on their transferability. Consequently, the Preferred Securities may be transferred and title to the Preferred Securities may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Preferred Securities for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest,

or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

3 Status of the preferred securities

Unless previously converted into Ordinary Shares pursuant to Condition 6, the payment obligations of the Bank under the Preferred Securities on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2º of the Insolvency Law and, in accordance with 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 Bank, for so long as the obligations of the Bank under the Preferred Securities qualify as Additional Tier 1 Instruments of the Bank, rank:

(a) *pari passu* among themselves and with:

(i) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2º of the Insolvency Law qualifying as Additional Tier 1 Instruments; and

(ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Bank´s obligations under the Preferred Securities;

(b) junior to:

(i) any claims for principal in respect of unsubordinated obligations of the Bank;

(ii) any subordinated obligations (*créditos subordinados*) of the Bank under Article 92.1º of the Insolvency Law;

(iii) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2º of the Insolvency Law not qualifying as Additional Tier 1 Instruments; and

(iv) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Bank´s obligations under the Preferred Securities; and

(c) senior to:

(i) any claims for the liquidation amount of the Ordinary Shares; and

(ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the Bank´s obligations under the Preferred Securities.

4 Distributions

4.1 The Preferred Securities accrue Distributions:

(a) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 5.25 per cent. per annum; and

(b) in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Period, first calculated on an annual basis and then converted to a quarterly rate in accordance with market

convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Bank on the relevant Reset Determination Date.

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

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

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

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

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

4.4 Without prejudice to the right of the Bank to cancel the payments of any Distribution under Condition 4.3 above:

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

(b) If the Competent Authority, in accordance with Article 68 of Law 10/2014 and/or Article 16 of the SSM Regulation and/or with Applicable Banking Regulations, requires the Bank to cancel a

relevant Distribution (including any additional amounts pursuant to Condition 12) in whole or in part, the Bank will only make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities.

(c) The Bank may make partial or, as the case may be, no payment of the relevant Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities (whether by way of a repayment of the Liquidation Preference, the payment of any Distribution or otherwise) if and to the extent that payment of any Distribution (including any additional amounts pursuant to Condition 12) would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of Spanish law transposing or implementing CRD IV, which will include Article 48 of Law 10/2014 and any of its development provisions), the Maximum Distributable Amount to be exceeded or otherwise would cause any other breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Capital pursuant to Applicable Banking Regulations;

(d) If the Trigger Event occurs at any time on or after the Closing Date, the Bank will not make any further Distribution (including any additional amounts pursuant to Condition 12) on the Preferred Securities and any accrued and unpaid Distributions up to a Trigger Event (whether or not such distributions have become due for payment) shall be automatically cancelled in accordance with Condition 6.1(b).

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

4.6 No such election to cancel the payment of any Distribution (or part thereof) pursuant to Condition 4.3 above or non-payment of any Distribution (or part thereof) as a result of the limitations on payment set out in Condition 4.4 above and Condition 6.1(b) below will constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding-up of the Bank or in any way limit or restrict the Bank from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 Capital of the Bank or the Group, respectively) or in respect of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with Preferred Securities. If the Bank does not pay a Distribution or part thereof on the relevant Distribution Payment Date, such non-payment shall evidence the cancellation of such Distribution (or relevant part thereof) or, as appropriate, the Bank's exercise of its discretion to cancel such Distribution (or relevant part thereof) and accordingly, such Distribution shall not in any such case be due and payable. Notwithstanding the previous sentence, the Bank will give notice to the Holders in accordance with Condition 13 of any election under Condition 4.3 and of any limitation set out in Condition 4.4 occurring or applying and for avoidance of doubt, failure to deliver such notice shall not affect the validity of the cancellation.

4.7 The Bank will at, or as soon as practicable after, the relevant time on each Reset Determination Date at which the Distribution Rate is to be determined, determine the Distribution Rate for the relevant Reset

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

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

5 Liquidation distribution

5.1 Subject as provided in Condition 5.2 below, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Bank, the Preferred Securities (unless previously converted into Ordinary Shares pursuant to Condition 6 below) will confer an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of Ordinary Shares or any other instrument of the Bank ranking junior to the Preferred Securities.

5.2 If, before such liquidation, dissolution or winding-up of the Bank described in Condition 5.1, the Trigger Event occurs but the relevant conversion of the Preferred Securities into Ordinary Shares pursuant to Condition 6 below is still to take place, the entitlement conferred by the Preferred Securities for the purposes of Condition 5.1, will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such conversion had taken place immediately prior to such liquidation, dissolution or winding-up.

5.3 After payment of the relevant entitlement in respect of a Preferred Security as described in Conditions 5.1 and 5.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Bank.

6 Conversion

6.1 If the Trigger Event occurs at any time on or after the Closing Date, then the Bank will:

(a) notify the Competent Authority and Holders thereof immediately in accordance with Condition 13 below (together, the "**Trigger Event Notice**");

(b) not make any further Distribution on the Preferred Securities, including any accrued and unpaid Distributions which shall be cancelled by the Bank in accordance with Condition 4.4 above; and

(c) irrevocably and mandatorily (and without any requirement for the consent or approval of Holders) convert all the Preferred Securities into Ordinary Shares (the "**Trigger Conversion**") to be delivered on the relevant Conversion Settlement Date.

The Bank shall also notify Holders of the expected Conversion Settlement Date and of the Conversion Price in accordance with Condition 13 not more than ten Business Days following the Trigger Event Notice Date. Notwithstanding the previous sentence, failure to provide such notifications shall not have any impact on the effectiveness of or otherwise affect the Trigger Conversion or give Holders any rights as a result of such failure.

Holders shall have no claim against the Bank in respect of (A) any Liquidation Preference of Preferred Securities converted into Ordinary Shares or (B) any accrued and unpaid Distributions cancelled or otherwise unpaid, in each case pursuant to any Trigger Conversion.

The Bank will (x) calculate the CET1 ratio based on information (whether or not published) available to management of the Bank, including information internally reported within the Bank pursuant to its procedures for ensuring effective on-going monitoring of the capital ratios of the Bank and/or Group and (y) calculate and publish the CET1 ratio on at least a quarterly basis.

6.2 Subject as provided in Condition 6.9, the number of Ordinary Shares to be issued on Trigger Conversion in respect of each Preferred Security to be converted (the "**Conversion Shares**") shall be determined by dividing the Liquidation Preference of such Preferred Security by the Conversion Price in effect on the Trigger Event Notice Date.

The obligation of the Bank to issue and deliver Conversion Shares on the Conversion Settlement Date shall be satisfied by the delivery of the Conversion Shares either directly to the Holders or, alternatively, to the Settlement Shares Depository on behalf of them, all in accordance with Condition 6.10. Receipt of the Conversion Shares by the Holders or the Settlement Shares Depository, as appropriate, shall discharge the Bank's obligations in respect of the Preferred Securities.

Holders shall have recourse to the Bank only for the issue and delivery of Conversion Shares pursuant to these Conditions. After the delivery of any Conversion Shares to the Settlement Shares Depository in accordance with Condition 6.10, the relevant Holders shall have recourse to the Settlement Shares Depository only for the delivery to them of any cash amounts or Conversion Shares to which such Holders are entitled under such Condition.

6.3 Upon the occurrence of any of the events described below, the Floor Price shall be adjusted as follows:

(a) If and whenever there shall be a consolidation, reclassification/redesignation or subdivision affecting the number of Ordinary Shares, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to such consolidation, reclassification/redesignation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification/redesignation or subdivision, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification/redesignation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification/redesignation or subdivision, as the case may be, takes effect.

(b) If and whenever the Bank shall issue any Ordinary Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than where such issue constitutes a Cash Dividend pursuant to limb (b) of the definition thereof, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

(c)

(i) If and whenever the Bank shall pay any Extraordinary Dividend to Shareholders, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Ex Date of the Extraordinary Dividend; and

B is the portion of the Fair Market Value of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend.

Such adjustment shall become effective on the date (in respect of this Condition 6.3(c)(i), the "**Effective Date**") which is the Ex Date of the Extraordinary Dividend, or, if later, the first date upon which the Fair Market Value of the relevant Extraordinary Dividend can be determined.

"**Extraordinary Dividend**" means any Cash Dividend which is expressly declared by the Bank to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to Shareholders or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend.

(ii) If and whenever the Bank shall pay or make any Non-Cash Dividend to Shareholders, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Non-Cash Dividend Effective Date; and

B is the portion of the Fair Market Value of the aggregate Non-Cash Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Non-Cash Dividend by the number of Ordinary Shares entitled to receive the relevant Non-Cash Dividend (or, in the case of a purchase, redemption or buy-back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Bank or any member of the Group, by the number of Ordinary Shares in issue

immediately following such purchase, redemption or buy-back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the date (in respect of this Condition 6.3(c)(ii), the "Effective Date") which is the Non-Cash Dividend Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Non-Cash Dividend is capable of being determined as provided herein.

"**Non-Cash Dividend Effective Date**" means, in respect of this Condition 6.3(c)(ii), the Ex Date of the Non-Cash Dividend or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Bank or any member of the Group, the date on which such purchase, redemption or buy back is made (or, in any such case if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein).

(iii) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the Ex Date of the relevant Extraordinary Dividend, or, as the case may be, the Non-Cash Dividend Effective Date.

(iv) In making any calculations for the purposes of this Condition 6.3(c), such adjustments (if any) shall be made as the Conversion Calculation Agent or an Independent Financial Adviser may determine in good faith to be appropriate to reflect:

(A) any consolidation or subdivision of any Ordinary Shares; or

(B) the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event); or

(C) any increase in the number of Ordinary Shares in issue in the relevant year in question.

(d) If and whenever the Bank shall issue Ordinary Shares to Shareholders as a class by way of rights, or the Bank or any member of the Group or (at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to acquire, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue on the Effective Date;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase or other rights of acquisition in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate,

provided that if at the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange (as used in this Condition 6.3(d), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 6.3(d), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this Condition 6.3(d), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(e) If and whenever the Bank or any member of the Group or (at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares or Securities which by their terms carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or rights to otherwise acquire, Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares or Securities which by their term carry (directly or indirectly) rights of conversion into, or exchange or subscription for, rights to otherwise acquire, Ordinary Shares), the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this Condition 6.3(e), the first date on which the Ordinary Shares are traded ex-the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

(f) If and whenever the Bank shall issue (otherwise than as mentioned in Condition 6.3(d) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the Preferred Securities or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, or right to otherwise acquire Ordinary Shares) or if and whenever the Bank or any member of the Group or (at the direction or request or pursuance to any arrangements with the Bank or any member of the Group) any other company, person or entity shall issue or grant (otherwise than as mentioned in Condition 6.3(d) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares (other than the Preferred Securities, which term shall for this purpose include any Further Preferred Securities), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights,

provided that if at the time of issue of such Ordinary Shares or date of issue or grant of such options, warrants or rights (as used in this Condition 6.3(f), the "**Specified Date**"), such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 6.3(f), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this Condition 6.3(f), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

(g) If and whenever the Bank or any member of the Group or (at the direction or request of or pursuant to any arrangements with the Bank or any member of the Group) any other company,

person or entity (otherwise than as mentioned in Condition 6.3(d), 6.3(e) or 6.3(f) above) shall issue wholly for cash or for no consideration any Securities (other than the Preferred Securities, which term for this purpose shall include any Further Preferred Securities) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, purchase of, or rights to otherwise acquire, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be reclassified/redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription, purchase, acquisition or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, purchase of, or rights to otherwise acquire Ordinary Shares which have been issued, purchased or acquired by the Bank or any member of the Group (or at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such reclassification/redesignation would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange, subscription, purchase or acquisition price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such reclassification/redesignation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this Condition 6.3(g), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or, as the case may be, such Securities are reclassified/redesignated or at such other time as may be provided), then for the purposes of this Condition 6.3(g), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, reclassification/redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this Condition 6.3(g), the date of issue of such Securities or, as the case may be, the grant of such rights.

(h) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Preferred Securities, which term shall for this purpose include any Further Preferred Securities) as are mentioned in Condition 6.3(g) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Bank or any member of the Group (or at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Adviser in good faith shall consider appropriate for any previous adjustment under this Condition 6.3(h) or Condition 6.3(g) above,

provided that if at the time of such modification (as used in this Condition 6.3(h), the "**Specified Date**") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided) then for the purposes of this Condition 6.3(h), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this Condition 6.3(h), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

(i) If and whenever the Bank or any member of the Group or (at the direction or request of or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Floor Price falls to be adjusted under Condition 6.3(b), 6.3(c), 6.3(d), 6.3(e) or 6.3(f) above or Condition 6.3(j) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day under Condition 6.3(e) above) the Floor Price shall be adjusted by multiplying the Floor Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this Condition 6.3(i), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

(j) If the Bank determines that a reduction to the Floor Price should be made for whatever reason, the Floor Price will be reduced (either generally or for a specified period as notified to Holders) in such manner and with effect from such date as the Bank shall determine and notify to the Holders.

Notwithstanding the foregoing provisions:

(i) where the events or circumstances giving rise to any adjustment pursuant to this Condition 6.3 have already resulted or will result in an adjustment to the Floor Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Floor Price or where more than one event which gives rise to an adjustment to the Floor Price occurs within such a short period of time that, in the opinion of the Bank, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and

(ii) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate:

(A) to ensure that an adjustment to the Floor Price or the economic effect thereof shall not be taken into account more than once; and

(B) to ensure that the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to Conditions 6.3(d), 6.3(f), 6.3(g) and 6.3(h), the following provisions shall apply:

(A) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;

(B) (I) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities; and

(II) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Bank to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date as referred to in Condition 6.3(d), 6.3(f), 6.3(g) or 6.3(h), as the case may be, plus in the case of each of (I) and (II) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights; and

(III) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (I) or (II) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

(C) if the consideration or price determined pursuant to (A) or (B) above (or any component thereof) shall be expressed in a currency other than the Share Currency, it shall be converted into the Share Currency at the Prevailing Rate on the relevant Effective Date (in the case of (A) above) or the relevant date of first public announcement (in the case of (B) above);

(D) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and

(E) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable regardless of whether all or part thereof is received, receivable, paid or payable by or to the Bank or another entity.

6.4 If the Conversion Settlement Date in relation to the conversion of any Preferred Security shall be after the record date in respect of any consolidation, reclassification/redesignation or subdivision as is mentioned in Condition 6.3 above, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Conditions 6.3(b), 6.3(c), 6.3(d), 6.3(e) or 6.3(i) above, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Conditions 6.3(f) and 6.3(g) above or of the terms of any such modification as is mentioned in Condition 6.3(h) above, and the Trigger Event Notice Date falls before the relevant adjustment to the Floor Price (if applicable) becomes effective under Condition 6.3 above (such adjustment, a "**Retroactive Adjustment**"), then the Bank shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued and delivered to the Holders, in accordance with the instructions contained in the relevant Delivery Notices received by the Bank, or failing the relevant Delivery Notices, to the Settlement Shares Depository, such additional number of Ordinary Shares (if any) (the "**Additional Ordinary Shares**") as, together with the Ordinary Shares issued on conversion of the Preferred Securities (together with any fraction of an Ordinary Share not so delivered to any relevant Holder), is equal to the number of Ordinary Shares which would have been required to be issued and delivered on such conversion if the relevant adjustment to the Floor Price had been made and become effective immediately prior to the relevant Trigger Event Notice Date, provided that if the Settlement Shares Depository and/or the Holders, as the case may be, shall be entitled to receive the relevant Dividend in respect of the Ordinary Shares to be issued or delivered to them, then no such Retroactive Adjustment shall be made in relation to such Dividend, and Additional Ordinary Shares shall not be issued and delivered to the Settlement Shares Depository and Holders in relation thereto.

6.5 If any doubt shall arise as to whether an adjustment falls to be made to the Floor Price or as to the appropriate adjustment to the Floor Price, and following consultation between the Bank and an Independent Financial Adviser, a written determination of such Independent Financial Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.

6.6 No adjustment will be made to the Floor Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Bank or any member of the Group or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option or similar scheme.

6.7 On any adjustment, the resultant Floor Price shall be rounded down to the nearest integral multiple of €0.0001. No adjustment shall be made to the Floor Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Floor Price then in effect. Any adjustment not required to be made and/or any amount by which the Floor Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Floor Price shall be given by the Bank to Holders through the filing of a relevant event announcement (*hecho relevante*) with the CNMV and its publication in accordance

with the rules and regulations of any applicable stock exchange or other relevant authority and Condition 13 promptly after the determination thereof.

6.8 On any Trigger Conversion of the Preferred Securities and upon the Trigger Event Notice Date, the Bank shall give instructions in accordance with the Iberclear procedures applicable from time to time so that all the Preferred Securities outstanding are blocked by Iberclear and the Iberclear Members at the relevant securities accounts on the Trigger Event Notice Date and the Ordinary Shares to be issued and delivered shall be issued and delivered subject to, and as provided in, Condition 6.10 below. Immediately on such conversion the Preferred Securities shall cease to be outstanding for all purposes and shall be cancelled.

6.9 Fractions of Ordinary Shares will not be issued on Trigger Conversion or pursuant to Condition 6.4 and no cash payment or other adjustment will be made in lieu thereof. Without prejudice to the generality of the foregoing, the number of Conversion Shares or Additional Ordinary Shares to be delivered in respect of Holders of more than one Preferred Security, shall be calculated on the basis of the aggregate Liquidation Preference of the corresponding Preferred Securities being so converted and rounded down to the nearest whole number of Ordinary Shares.

6.10 On the Conversion Settlement Date, the Bank shall deliver to the Holders or the Settlement Shares Depository, as set out below, such number of Ordinary Shares as is required to satisfy in full the Bank's obligation to deliver Ordinary Shares in respect of the Trigger Conversion of the aggregate number of Preferred Securities outstanding on the Trigger Event Notice Date.

In order to obtain direct delivery of the relevant Ordinary Shares upon any Trigger Conversion from the Bank, Holders will have to deliver a duly completed Delivery Notice to the Bank through the relevant Iberclear Members and in accordance with the Iberclear procedures applicable from time to time no later than the moment on or before the Conversion Settlement Date which the said procedures permit (the "**Notice Cut-off Date**"). The Bank shall then give the relevant instructions, in accordance with the Iberclear procedures applicable from time to time, for the relevant Ordinary Shares corresponding to the Preferred Securities in respect of which duly completed Delivery Notices have been delivered not later than the Notice Cut-off Date, to be delivered on the Conversion Settlement Date in accordance with the instructions given in the relevant Delivery Notices through Iberclear.

The Ordinary Shares corresponding to the Preferred Securities in respect of which no duly completed Delivery Notices have been delivered on or before the Notice Cut-off Date shall be delivered by the Bank to the Settlement Shares Depository on the Conversion Settlement Date through Iberclear.

Within ten Business Day following the Conversion Settlement Date, the Settlement Shares Depository shall procure that all Ordinary Shares so received are sold as soon as reasonably practicable based on advice from an independent financial firm or financial adviser with appropriate expertise or financial institution of international repute to be appointed by the Settlement Shares Depository after consultation with the Bank and, subject to the deduction by or on behalf of the Settlement Shares Depository of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue, registration and/or transfer taxes and duties (if any) and any fees or costs (including in respect of such independent financial firm or financial adviser with appropriate expertise or financial institution of international repute as aforesaid) incurred by or on behalf of the Settlement Shares Depository in connection with the sale and allotment thereof, the net proceeds of sale shall as soon as reasonably practicable be distributed rateably to the relevant Holders in accordance with Condition 4.2 or in such other manner and at such time as the Bank shall determine and notify to the Holders. Such payment shall for all purposes discharge the obligations of the Bank and the Settlement Shares Depository in respect of the relevant Trigger Conversion.

The Settlement Shares Depository will be deemed to be acting on behalf of the relevant Holders of the Preferred Securities in respect of which no duly completed Delivery Notices are delivered on or before the Notice Cut-off Date for the purposes set out above and to that effect Holders of the Preferred Securities by virtue of the subscription and/or purchase and holding of the Preferred Securities will be deemed to be accepting and giving express instructions to the Settlement Shares Depository to do so in accordance with these Conditions.

The Bank and the Settlement Shares Depository shall have no liability in respect of any sale of any Ordinary Shares pursuant to these Conditions, whether for the timing of any such sale or the price at or manner in which any such Ordinary Shares are sold or the inability to sell any such Ordinary Shares.

If any Ordinary Shares could not be sold for any reasons by the Settlement Shares Depository in accordance with this Condition 6.10, such Ordinary Shares shall continue to be held by the Settlement Shares Depository until the relevant Holder delivers a duly completed Delivery Notice.

Any Delivery Notice shall be irrevocable. Failure to properly complete and deliver a Delivery Notice may result in such Delivery Notice being treated as null and void, and the Bank shall be entitled to procure the sale of any applicable Ordinary Shares to which the relevant Holder may be entitled in accordance with this Condition 6.10. Any determination as to whether any Delivery Notice has been properly completed and delivered as provided in this Condition 6.10 shall be made by the Bank in its sole discretion, acting in good faith, and shall, in the absence of manifest error, be conclusive and binding on the relevant Holders.

6.11 A Holder or the Settlement Shares Depository must pay (in the case of the Settlement Shares Depository by means of deduction from the net proceeds of sale referred to in Condition 6.10 above) all taxes arising on Trigger Conversion other than:

(a) any taxes payable by the Bank; and

(b) any capital, issue and registration and transfer taxes or stamp duties;

in each case payable in Spain and in respect of the conversion of the Preferred Securities and the issue and delivery of the Ordinary Shares (including any Additional Ordinary Shares) in accordance with a Delivery Notice delivered pursuant to these Conditions which shall be paid by the Bank. For the avoidance of doubt, such Holder or the Settlement Shares Depository (as the case may be) must pay (in the case of the Settlement Shares Depository, by way of deduction from the net proceeds of sale as aforesaid) all, if any, taxes arising by reference to any disposal or deemed disposal of a Preferred Security or interest therein.

If the Bank shall fail to pay any capital, stamp, issue, registration and transfer taxes and duties for which it is responsible as provided above, the Holder or the Settlement Shares Depository, as the case may be, shall be entitled (but shall not be obliged) to tender and pay the same and the Bank as a separate and independent obligation, undertakes to reimburse and indemnify each Holder or Settlement Shares Depository, as the case may be, in respect of any payment thereof and any penalties payable in respect thereof.

6.12 The Ordinary Shares (including any Additional Ordinary Shares) issued on Trigger Conversion will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Trigger Event Notice Date or, in the case of Additional Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or

payments the record date or other due date for the establishment of entitlement for which falls prior to the Trigger Event Notice Date or, as the case may be, the relevant Reference Date.

6.13 Notwithstanding any other provision of this Condition 6 and subject to compliance with the provisions of the Spanish Companies Law and/or with any Applicable Banking Regulations, the Bank or any member of the Group may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Bank (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Holders.

6.14 So long as any Preferred Securities are outstanding, there shall at all times be a conversion calculation agent (the "**Conversion Calculation Agent**"), which may be the Bank or another person appointed by the Bank to serve in such capacity, who shall be responsible, in consultation with the Bank, for the calculation of all adjustments to the Floor Price and all related determinations required to be made in connection therewith. All such calculations and determinations performed by the Conversion Calculation Agent shall be conclusive and binding on the Holders, save in the case of bad faith or manifest error. If any provision in these Conditions at any time calls for any calculation or determination to be made by an Independent Financial Adviser, which may include the Conversion Calculation Agent appointed by the Bank to act in such Independent Financial Adviser capacity, and the person then serving as Conversion Calculation Agent is not wholly independent of the Bank, the Bank shall use commercially reasonable efforts to appoint an Independent Financial Adviser which is wholly independent of the Bank to make such calculation or determination. A written opinion of such Independent Financial Adviser in respect of such calculation or determination shall be conclusive and binding on the Bank and any Holders, save in the case of manifest error. The Bank has appointed Conv-Ex Advisors Limited as the initial Conversion Calculation Agent. The Bank may change the Conversion Calculation Agent at any time without prior notice to any Holder.

The Conversion Calculation Agent (if not the Bank) shall act solely upon request from, and solely as agent of, the Bank and will not thereby assume any obligations towards or relationship of agency or trust with, and it shall not be liable and shall incur no liability as against, the Holders.

7 Optional redemption

7.1 The Preferred Securities are perpetual and are only redeemable in accordance with the following provisions of this Condition 7.

7.2 Subject to Conditions 7.3 and 7.4 below, the Preferred Securities shall not be redeemable prior to the First Reset Date. All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank, on any Distribution Payment Date falling on or after the First Reset Date, at the Redemption Price, subject to the prior consent of the Competent Authority (and otherwise in accordance with Applicable Banking Regulations then in force).

As of the Closing Date, Article 78(1) of the CRR provides that the Competent Authority will give its consent to a redemption of the Preferred Securities in such circumstances provided that either of the following conditions is met:

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

(b) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds would, following such redemption, exceed the requirements laid down in article 92(1) of the CRR and the combined buffer requirement as defined in point (6) of article 128 of the CRD IV

Directive by a margin that the Competent Authority may consider necessary on the basis of article 104(3) of the CRD IV Directive.

7.3 If, on or after the Closing Date, there is a Capital Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority (and otherwise in accordance with Applicable Banking Regulations then in force), at any time, at the Redemption Price.

As of the Closing Date, Article 78(4) of the CRR provides that the Competent Authority may only permit the Bank to redeem the Preferred Securities before the fifth anniversary of the Closing Date in the case of a Capital Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification was not reasonably foreseeable at the Closing Date.

7.4 If, on or after the Closing Date, there is a Tax Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Competent Authority (and otherwise in accordance with Applicable Banking Regulations then in force), at the Redemption Price.

As of the Closing Date, Article 78(4) of the CRR provides that the Competent Authority may only permit the Bank to redeem the Preferred Securities before the fifth anniversary of the Closing Date in the case of a Tax Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable at the Closing Date

7.5 The decision to redeem the Preferred Securities must be, subject to Condition 6.1 above, irrevocably notified by the Bank to the Holders not less than 30 and not more than 60 days prior to the relevant redemption date through the filing of a relevant event announcement (*hecho relevante*) with the CNMV and its publication in accordance with the rules and regulations of any applicable stock exchange or other relevant authority and Condition 13.

The Bank will not give notice under this Condition 7.5 unless, at least 15 days prior to the publication of any notice of redemption, it will make available to the Holders at its registered office, a certificate signed by two of its duly authorised officers stating that a Capital Event or a Tax Event has occurred, or there is sufficient certainty that it will occur, as the case may be.

7.6 If the notice of redemption has been given, and the funds deposited and instructions and authority to pay given as required above, then on the date of such deposit:

(a) Distributions on the Preferred Securities shall cease;

(b) such Preferred Securities will no longer be considered outstanding; and

(c) the Holders will no longer have any rights as Holders except the right to receive the Redemption Price.

7.7 The Bank may not give a notice of redemption pursuant to this Condition 7 if a Trigger Event Notice has been given. If any notice of redemption of the Preferred Securities is given pursuant to this Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and, instead, the conversion of the Preferred Securities shall take place as provided under Condition 6. The Bank shall give notice of any such automatic rescission of a redemption notice to the Holders in accordance with Condition 13 as soon as possible thereafter.

7.8 If either the notice of redemption has been given and the funds are not deposited as required on the date of such deposit or if the Bank improperly withholds or refuses to pay the Redemption Price of the Preferred Securities, Distributions will continue to accrue in accordance with Condition 4 above from (and including) the redemption date to (but excluding) the date of actual payment of the Redemption Price.

8 Purchases of preferred securities

The Bank, or any member of the Group, may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise in accordance with Applicable Banking Regulations in force at the relevant time and subject to the prior consent of the Competent Authority, if required.

As of the Closing Date, Article 29(3)(b) of the Commission Delegated Regulation (EU) No 241/2014, of 7 January 2014, provides for market making purposes that the Competent Authority may only permit the Bank to purchase the Preferred Securities provided that the total liquidation preference of the Preferred Securities so purchased does not exceed the lower of (i) 10% of the aggregate liquidation preference of the Preferred Securities, and (ii) 3% of the total amount the outstanding Additional Tier 1 Instruments of the Bank.

Any Preferred Securities so acquired by the Bank or any member of the Group may (subject to the approval of the Competent Authority and in accordance with Applicable Banking Regulations then in place) be held, resold or, at the option of the Bank or such member of the Group, cancelled.

9 Waiver of set-off

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

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

10 Undertakings

So long as any Preferred Security remains outstanding, the Bank will, save as otherwise permitted or required pursuant to an Extraordinary Resolution:

(a) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on Trigger Conversion, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;

(b) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates of the offeror) to acquire all or a majority of the issued Ordinary Shares, or if a scheme is proposed with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the Holders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that

details concerning such offer or scheme may be obtained from the registered office of the Bank and, where such an offer or scheme has been recommended by the Board of Directors of the Bank, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of any Trigger Conversion and/or to the Holders;

(c) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that such amendments are made to these Conditions immediately after completion of the Scheme of Arrangement as are necessary to ensure that the Preferred Securities may be converted into or exchanged for ordinary shares in Newco (or depositary or other receipts or certificates representing ordinary shares of Newco) mutatis mutandis in accordance with and subject to these Conditions and the ordinary shares of Newco are:

(i) admitted to the Relevant Stock Exchange; or

(ii) listed and/or admitted to trading on another Recognised Stock Exchange,

and the Holders irrevocably authorise the Bank to make such amendments to these Conditions;

(d) issue, allot and deliver Ordinary Shares upon Trigger Conversion subject to and as provided in Condition 6;

(e) use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares and any Ordinary Shares issued upon Trigger Conversion will be admitted to listing and trading on the Relevant Stock Exchange or will be listed and/or admitted to trading on another Recognised Stock Exchange;

(f) at all times keep in force the relevant resolutions needed for issue, free from pre-emptive rights, sufficient authorised but unissued Ordinary Shares to enable Trigger Conversion of the Preferred Securities, and to satisfy in full all rights that Holders may have hereunder; and

(g) where the provisions of Condition 6 require or provide for a determination by an Independent Financial Adviser or a role to be performed by a Settlement Shares Depository, use all reasonable endeavours promptly to appoint such person for such purpose.

11 Meetings of Holders

11.1 Convening meetings

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

11.2 Procedures for convening meetings

(a) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 13. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either:

(i) specify the terms of the Extraordinary Resolution to be proposed; or

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

The notice shall:

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

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

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

(b) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if ten were substituted for 21 in Condition 11.2(a) and the notice shall state the relevant quorum. Subject to the foregoing it shall not be necessary to give any notice of an adjourned meeting.

11.3 Chairman

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

11.4 Quorums

(a) At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5 per cent. in Liquidation Preference of the Preferred Securities for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman in accordance with Condition 11.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business. The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50 per cent. in Liquidation Preference of the Preferred Securities for the time being outstanding provided that at any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

(i) a reduction or cancellation of the Liquidation Preference of the Preferred Securities; or

(ii) without prejudice to the provisions of Condition 4 (including, without limitation, the right of the Bank to cancel the payment of any Distributions on the Preferred Securities), a reduction or cancellation of the amount payable or modification of the payment date in respect of any Distributions or variation of the method of calculating the Distribution Rate; or

(iii) a modification of the currency in which payments under the Preferred Securities are to be made; or

(iv) a modification of the majority required to pass an Extraordinary Resolution; or

(v) the sanctioning of any scheme or proposal described in Condition 11.7(b)(vi) below; or

(vi) alteration of this proviso or the proviso to Condition 11.4(b) below,

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

(b) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 11.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is a public holiday the next following business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Bank). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.

(c) At any adjourned meeting one or more Eligible Persons present (whatever the Liquidation Preference of the Preferred Securities so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 11.4(a) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in Liquidation Preference of the Preferred Securities for the time being outstanding.

11.5 Right to attend and vote

(a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Preferred Securities must be notified to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting.

(b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the proviso to the definition of "outstanding", no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.

(c) Subject as provided in Condition 11.5(b), at any meeting:

(i) on a show of hands every Eligible Person present shall have one vote; and

(ii) on a poll every Eligible Person present shall have one vote in respect of each Preferred Security.

11.6 Holding of meetings

(a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.

(b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the Liquidation Preference of the Preferred Securities held by him), a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

(c) Subject to Condition 11.6(e) if at any meeting a poll is demanded it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

(d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business, which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.

(e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

11.7 Approval of the resolutions

(a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 13 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.

(b) The expression "**Extraordinary Resolution**" when used in this Condition 11 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 11 by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll.

A meeting of the Holders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to the quorum contained in Conditions 11.4(a) and 11.4(c)), namely:

(i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;

(ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Preferred Securities or otherwise;

(iii) power to agree to any modification of the provisions contained in these Conditions or the Preferred Securities, which is proposed by the Bank;

(iv) power to give any authority or approval which under the provisions of this Condition 11 or the Preferred Securities is required to be given by Extraordinary Resolution;

(v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;

(vi) power to approve any scheme or proposal for the exchange or sale of the Preferred Securities for, or the conversion of the Preferred Securities into, or the cancellation of the Preferred Securities in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Bank or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash; and

(vii) power to approve the substitution of any entity in place of the Bank (or any previous substitute) as the principal debtor in respect of the Preferred Securities.

(c) Subject to Condition 11.7(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 11, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.

11.8 Miscellaneous

(a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.

(b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.

(c) Any modification or waiver of the Conditions in accordance with this Condition 11 will be effected in accordance with the Applicable Banking Regulations and conditional upon any prior approval from the Competent Authority, to the extent required thereunder.

12 Taxation

12.1 All payments of Distributions and other amounts payable (excluding, for the avoidance of doubt, repayment of principal) in respect of the Preferred Securities by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payments of Distributions (but not any Liquidation Preference or other amount), the Bank shall (to the extent such payment can be made on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such Distributions had no such withholding or deduction been required.

12.2 The Bank shall not be required to pay any additional amounts in relation to any payment in respect of Preferred Securities:

(a) presented for payment by or on behalf of a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his having some connection with Spain other than:

(i) the mere holding of Preferred Securities; or

(ii) the receipt of any payment in respect of Preferred Securities;

(b) where taxes are imposed by the Kingdom of Spain (or any political subdivision thereof or any authority or agency therein or thereof having power to tax) that are (i) any estate, inheritance, gift, sales, transfer, personal property or similar taxes or (ii) solely due to the appointment by any Holder, or any person through which such Holder holds such Preferred Security, of a custodian, collection agent, person or entity acting on its behalf or similar person in relation to such Preferred Security; or

(c) to, or to a third party on behalf of, a Holder who is an individual resident for tax purposes in Spain (or any political subdivision or any authority thereof or therein having power to tax); or

(d) to, or to a third party on behalf of, a Holder in respect of whom the Bank (or an agent acting on behalf of the Bank) has not received such information it may be required in order to comply with Spanish tax reporting requirements, as may be necessary to allow payments on such Preferred Securities to be made free and clear of withholding tax or deduction on account of any taxes imposed by Spain, including when the Bank (or an agent acting on behalf of the Bank) does not receive such information concerning such Holder'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.

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the Preferred Securities will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations

or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

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

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

13 Notices

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

So long as the Preferred Securities are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public to the market through a relevant event announcement (*hecho relevante*) to be filed with the CNMV and to be published at the CNMV's official website at www.cnmv.es; and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

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

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

14 Prescription

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

15 Governing law and jurisdiction

15.1 The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, Spanish law.

15.2 The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of the city of Barcelona, Spain are to have jurisdiction to settle any disputes which may arise out of or in connection with the Preferred Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Preferred Securities) and that accordingly any suit, action or proceedings arising out of or in connection with the Preferred Securities (together referred to as "Proceedings") may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Barcelona, Spain. To the extent permitted by law, nothing contained in this Condition 15 shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

USE OF PROCEEDS

CaixaBank intends to use the net proceeds from the issue of the Preferred Securities for its general corporate purposes.

TAXATION

Spanish tax considerations

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Preferred Securities by individuals or entities who are the beneficial owners of the Preferred Securities. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or holders of the Preferred Securities by reason of employment) may be subject to special rules.

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

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

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

(a) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011 of 29 July ("**Royal Decree 1065/2007**");

(b) for individuals resident for tax purposes in Spain who are PIT tax payers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the "**PIT Law**"), and Royal Decree 439/2007, of 30 March, approving the PIT Regulations, as amended (the "**PIT Regulations**"), along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended;

(c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax ("**CIT**") taxpayers, Law 27/2014, of 27 November, on CIT, as amended (the "**CIT Law**"), and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the "**CIT Regulations**"); and

(d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("**NRIT**") taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended ("**NRIT Law**") and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended ("**NRIT Regulations**") along with Law 19/1991, of 6 June, on Wealth Tax as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.

Tax treatment of the Preferred Securities

Indirect taxation

Whatever the nature and residence of the Holder, the acquisition and transfer of Preferred Securities 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, dated 24 September 1993

and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

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

Direct taxation

(a) Individuals with tax residency in Spain

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

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

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

Negative income derived from the transfer of the Preferred Securities, in the event that the investor had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Preferred Securities will be deductible, excluding those pertaining to discretionary or individual portfolio management.

A (current) 19% withholding on account of PIT will be imposed by the Issuer on interest payments as well as on income derived from the redemption or repayment of the Preferred Securities, by individual investors subject to PIT.

However, income derived from the transfer of the Preferred Securities should not be subject to withholding on account of PIT provided that the Preferred Securities are:

(i) registered by way of book entries (*anotaciones en cuenta*); and

(ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, 19% withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Preferred Securities takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

(i) the acquirer would be a non-resident or a CIT taxpayer;

(ii) the explicit yield derived from the Preferred Securities being transferred is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by the Issuer against his or her final PIT liability for the relevant tax year.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Preferred Securities that are individuals resident in Spain for tax purposes.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*). Therefore, they should take into account the value of the Preferred Securities which they hold as of 31 December in each year, the applicable rates ranging between 0.2% and 2.5% although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with article 4 of Royal Decree-Law 3/2016, a full exemption on Wealth Tax will apply in 2018 unless such exemption is revoked.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals with tax residency in Spain who acquire ownership or other rights over any Preferred Securities by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or federal rules. The applicable rates range between 7.65% and 81.6%, although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

(b) Spanish tax resident legal entities

Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Preferred Securities are subject to CIT at the current general flat tax rate of 25%.

However, this general rate will not be applicable to all corporate income tax payers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30%).

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Preferred Securities, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the Preferred Securities registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See "— *Compliance with Certain Requirements in Connection with Income Payments*".

With regard to income derived from the transfer of the Preferred Securities, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the Preferred Securities obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Preferred Securities are:

(i) registered by way of book entries (*anotaciones en cuenta*); and

(ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Preferred Securities that are legal persons or entities resident in Spain for tax purposes.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Preferred Securities are not subject to Spanish Wealth Tax.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but generally must include the market value of the Preferred Securities in their taxable income for CIT purposes.

(c) Individuals and legal entities that are not tax resident in Spain

(i) Investors that are not resident in Spain for tax purposes, acting in respect of the Preferred Securities through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

If the Preferred Securities form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Preferred Securities are, generally, the same as those set forth above for Spanish CIT taxpayers. See "*—Spanish tax resident legal entities – Corporate Income Tax (Impuesto sobre Sociedades*)".

Ownership of the Preferred Securities by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Reporting Obligations

The Issuer will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Preferred Securities that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Preferred Securities through a permanent establishment in Spain.

(ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the Preferred Securities through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

Both interest payments periodically received under the Preferred Securities and income derived from the transfer, redemption or repayment of the Preferred Securities, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Preferred Securities, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Preferred Securities carried out by the Issuer, the Iberclear Members that have the Preferred Securities registered in their securities

account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in Article 44 of Royal Decree 1065/2007. See "*—Compliance with Certain Requirements in Connection with Income Payments*".

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of interest under the Preferred Securities, the Issuer will withhold Spanish withholding tax at the applicable rate (currently 19%) on such payment of income on the Preferred Securities and the Issuer will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement to the Issuer, will receive a refund of the amount withheld, with no need for action on the beneficial owner's part, if the Issuer receives a duly executed and completed Payment Statement no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Preferred Securities may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, 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 during the tax year 2017, the applicable rates ranging between 0.2% and 2.5% although some reductions may apply.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Preferred Securities which income is exempt from NRIT as described above.

In accordance with article 4 of Royal Decree-Law 3/2016, a full exemption on Wealth Tax will apply in 2018 unless such exemption is revoked.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

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

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish legislation.

However, if the deceased, heir or the donee are resident in an EU or European Economic Area Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

Non-Spanish resident legal entities which acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to NRIT. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

(d) Compliance with certain requirements in connection with income payments

As described under "*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*", "*—Individuals and legal entities that are not tax resident in Spain*", provided the conditions set forth in Law 10/2014 are met, income payments made by the Issuer in respect of the Preferred Securities for the benefit of Spanish CIT taxpayers, or for the benefit of non-Spanish tax resident investors will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Preferred Securities registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a "**Payment Statement**") (which is attached as Annex I), in accordance with section 4 of Article 44 of Royal Decree 1065/2007, containing the following information:

(i) Identification of the Preferred Securities.

(ii) Total amount of the income paid by the Issuer.

(iii) Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.

(iv) Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Preferred Securities, such payment will be made net of Spanish withholding tax, currently at the rate of 19% If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the Preferred Securities. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.

(e) Conversion of the Preferred Securities into Ordinary Shares

(i) Individuals with tax residency in Spain

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

Income earned on the conversion of the Preferred Securities to Ordinary Shares, computed as the difference between the Conversion Price of the newly-issued Ordinary Shares received and the acquisition or subscription value of the Preferred Securities delivered in exchange, will be considered as a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law.

Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income obtained.

Any income obtained in the conversion will not be subject to withholding tax.

The tax treatment will be the one referred to under "*Tax treatment of the Preferred Securities – Individuals with tax residency in Spain – Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)*".

(ii) Spanish tax resident legal entities

Subject to the applicable accounting regulations, income derived from the conversion of the Preferred Securities will be computed as the difference between the Conversion Price of the newly-issued Ordinary Shares received and the book value of the Preferred Securities delivered in exchange.

Such income will be subject to CIT at the general rate applicable from time to time (currently 25 per cent.) in accordance with the rules for this tax. Any income derived from the conversion will not be subject to withholding tax.

The tax treatment will be the one referred to under "*Tax treatment of the Preferred Securities – Spanish tax resident legal entities – Corporate Income Tax (Impuesto sobre Sociedades)*".

(iii) Individuals and legal entities that are not tax resident in Spain

(a) Non-Spanish resident investors acting though a permanent establishment in Spain

Non-Spanish resident investors operating through a permanent establishment in Spain are subject to the same tax treatment that applies to Spanish CIT taxpayers.

(b) Non-Spanish resident investors not acting though a permanent establishment in Spain

Income obtained by non-Spanish resident investors not acting though a permanent establishment in Spain on the conversion of the Preferred Securities to Ordinary Shares will be computed as the difference between the Conversion Price of the newly-issued Ordinary Shares received and the book value of the Preferred Securities delivered in exchange.

The tax treatment applicable to the income obtained will be the one described above under "*Taxes treatment of the Preferred Securities – Individuals and legal entities that are not tax resident in Spain*".

Taxation on ownership and transfer of the Ordinary Shares

Indirect Taxation

The subscription, acquisition and any subsequent transfer of the Ordinary Shares will be exempt from Transfer Tax, Stamp Duty and Value Added Tax, under the terms and with the exemption set out in Article 314 of the LMV. Additionally, no Stamp Duty will be levied on such subscription, acquisition and transfer.

Direct Taxation

(a) Individuals with tax residency in Spain

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

(i) Taxation on dividends

According to the PIT Law, the following, among others, shall be treated as gross capital income: income received by a Spanish holder in the form of dividends, shares in profits, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of the shares and any other income received in his capacity as shareholder.

Gross capital income shall be reduced by any administration and custody expenses (but not by those incurred in individualised portfolio management) and the net amount shall be included in the relevant Spanish holder's savings taxable base and taxed at the tax rate applicable from time to time, currently 19% for taxable income up to €6,000, 21% for taxable income between €6,000.01 to €50,000 and 23% for taxable income in excess of €50,000.

The payment of dividends or any other distribution will be generally subject to a withholding tax at the rate of 19%. Such withholding tax will be deductible from the final PIT liability, and if the amount of tax withheld is greater than the amount of the final PIT liability, the taxpayer will be entitled to a refund of the excess withheld in accordance with the PIT Law.

(ii) Taxation on capital gains

Gains or losses recorded by a Spanish holder, as a result of the transfer of listed shares which represent a participation in a company's equity, will qualify for the purposes of the PIT Law as capital gains or losses and will be subject to taxation according to the general rules applicable to capital gains. The amount of capital gains or losses shall be the difference between the shares' acquisition value (plus any fees or taxes incurred) and the transfer value, which is the listed value of the share as of the transfer date or, if higher, the agreed transfer price (less any fees or taxes incurred).

Capital gains arising from the transfer of shares, shall be included in such Spanish holder's savings taxable base corresponding to the period in which the transfer takes place, and any such gains will be taxed at the tax rate applicable from time to time, currently 19% for taxable income up to €6,000, 21% for taxable income between €6,000.01 to €50,000 and 23% for taxable income in excess of €50,000. Exceptionally, capital gains arising from the transfer of shares are not subject to withholding tax on account of PIT.

Losses arising from the transfer of shares admitted to trading on certain official stock exchanges will not be treated as capital losses if securities of the same kind have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, the capital losses will be included in the taxable base upon the transfer of the remaining shares of the taxpayer.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*). Therefore, they should take into account the value of the Ordinary Shares which they hold as of 31 December in each year, the applicable rates ranging between 0.2% and 2.5% although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with article 4 of Royal Decree-Law 3/2016, a full exemption on Wealth Tax will apply in 2018 unless such exemption is revoked.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals with tax residency in Spain who acquire ownership or other rights over any Ordinary Shares by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or federal rules. The applicable rates range between 7.65% and 81.6%, although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

(b) Legal entities with tax residency in Spain and non-Spanish resident investors acting through a permanent establishment in Spain to which the Ordinary Shares are attributable

Corporate Income Tax (*Impuesto sobre Sociedades*)

(i) Taxation on dividends

According to Section 10 of the CIT Law, dividends from the Issuer or a share of the Issuer's profits received by CIT taxpayers, or by NRIT taxpayers who operate, with respect to the Issuer's shares, through a permanent establishment in Spain, to which such shares are attributable, less any expenses inherent to holding the shares, shall be included in the CIT taxable base. The general CIT tax rate is currently 25 per cent (30% in case of banking institutions).

Dividends or profit distributions in respect of the shares obtained by Spanish CIT taxpayers that: (i) hold, directly or indirectly, at least 5% in the Issuer's share capital or an acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant distribution date or it commits to hold the participation for the time needed to complete such one-year holding period, will be exempt as a general rule.

In case the Issuer obtains dividends, profit distributions or income derived from transfer of shares in entities in an amount higher than 70% of the Issuer's income, this exemption shall only be applicable provided that certain complex requirements are fulfilled. Mainly, Spanish CIT taxpayers must have an indirect stake in those entities that complies with the requirements described in the previous paragraph. Certain exceptions to this rule apply if those entities comply with the requirements of Article 42 of the Spanish Commercial Code of 22 August 1885, as amended (the "**Spanish Commercial Code**"), for being part of the same group of companies of the Issuer, and prepare consolidated financial statements.

Should that be the case and provided that the minimum one-year holding period requirement is complied with on the distribution date, dividends will not be subject to withholding tax. Otherwise, dividends will be taxed at the applicable CIT tax rate of the taxpayer and a 19% withholding will apply. This CIT withholding will be credited against the taxpayer's annual CIT

due, and if the amount of tax withheld is greater than the amount of the annual CIT due, the taxpayer will be entitled to a refund of the excess withheld.

(ii) Taxation of capital gains

The gain or loss arising on transfer of the shares or from any other change in net worth relating to the shares will be included in the tax base of CIT taxpayers, or of NRIT taxpayers who operate through a permanent establishment in Spain to which such shares are attributable, in the manner contemplated in Section 10 of the CIT Law, being taxed generally at a rate of 25 per cent (30% in case of banking institutions).

CIT payers that: (i) hold, directly or indirectly, at least 5% in the Issuer's share capital or an acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant transfer date, capital gains will be exempt as a general rule. Otherwise, capital gains will be taxed at the applicable tax rate of the taxpayer.

In case the Issuer obtains dividends, profit distributions or income derived from transfer of shares in entities in an amount higher than 70% of the Issuer's income, this exemption shall only be applicable provided that certain complex requirements are fulfilled. Mainly, Spanish CIT taxpayers must have an indirect stake in those entities that complies with the requirements described in the precedent paragraph. Certain exceptions to this rule apply if those entities comply with the requirements of Article 42 of the Spanish Commercial Code for being part of the same group of companies of the Issuer and prepare consolidated financial statements.

Income deriving from share transfers is not subject to withholding on account of CIT.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Spanish resident legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

In the event of acquisition of shares free of charge by the CIT taxpayer, the income generated for the latter will likewise be taxed according to the CIT rules, the Inheritance and Gift Tax not being applicable.

(c) Non-Spanish resident investors not acting through a permanent establishment in Spain to which the Ordinary Shares are attributable

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

(i) Taxation on dividends

Under Spanish law, dividends paid by a Spanish resident company to a non-Spanish holder are subject to NRIT, and thus the Spanish resident company will withhold at the source on the gross amount of dividends, currently at a tax rate of 19%. However, certain corporate holders resident in an EU Member State (other than a tax haven jurisdiction for Spanish tax purposes) may be entitled to an exemption from NRIT dividend withholding tax to the extent that they are entitled to the benefits of the NRIT provisions that implement the regime of the Council Directive (EU) 2015/121, of 27 January 2015, amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different member states. Such exemption may be available to the extent that the recipient of the dividends has held, directly or indirectly, at least 5% of the shares of the distributing entity (such minimum shareholding threshold could be lower in certain cases), or an acquisition cost higher than €20

million, without interruption for at least one year prior to the distribution date, and provided that other requirements (including specific anti-abuse rules that need to be analysed on a case-by-case basis and procedural formalities, such as the supply of a government-issued tax residence certificate) are met. Holders claiming the applicability of such exemption that have not met a minimum one-year holding period as of a given dividend distribution date (but who could meet such requirement afterwards) should be aware that the NRIT Law requires the Issuer to withhold the applicable NRIT on such dividends, and that such holders will need to request a direct refund of such withholding tax from the Spanish tax authorities pursuant to the Spanish refund procedure described below under "Spanish Direct Refund from Spanish tax authorities".

In addition, holders resident in certain countries will be entitled to the benefits of a double taxation treaty, in effect between Spain and their country of tax residence. Such holders may benefit from a reduced tax rate or an exemption under an applicable treaty with Spain, subject to the satisfaction of any conditions specified in the relevant treaty, including providing evidence of the tax residence of the non-Spanish holder by means of a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the non-Spanish holder or, as the case may be, the equivalent document specified in the Spanish Order which further develops the applicable treaty.

According to the Order of the Ministry of Economy and Finance of 13 April 2000, upon distribution of a dividend, the Issuer or its paying agent will withhold an amount equal to the tax amount required to be withheld according to the general rules set forth above (e.g, applying the general withholding tax rate of 19%), transferring the resulting net amount to the depositary. For this purpose, the depositary is the financial institution with which the non-Spanish holder has entered into a contract of deposit or management with respect to shares in the Issuer held by such holders. If the depositary of the non-Spanish holder is resident, domiciled or represented in Spain and it provides timely evidence (e.g., a valid certificate of tax residence issued by the relevant tax authorities of the non-Spanish holder's country of residence stating that, for the records of such authorities, the non-Spanish holder is a resident of such country within the meaning of the relevant double taxation treaty, or as the case may be, the equivalent document regulated in the Order which further develops the applicable treaty) of the non-Spanish holder's right to obtain the treaty-reduced rate or the exemption, it will immediately receive the surplus amount withheld, which will be credited to the non-Spanish holder. For these purposes, the relevant certificate of residence must be provided before the tenth day following the end of the month in which the dividends were paid. The tax certificate is generally valid only for a period of one year from the date of issuance.

If this certificate of tax residence, or as the case may be, the equivalent document referred to above, is not provided within this time period or if the depositary of the non-Spanish holder is not resident, domiciled or represented in Spain, the non-Spanish holder may subsequently obtain a refund of the amount withheld in excess from the Spanish tax authorities, following the standard refund procedure established by the Royal Decree 1776/2004, promulgating the NRIT Regulations and an Order dated 17 December 2010, as amended.

(ii) Taxation of capital gains

Capital gains derived from the transfer or sale of the shares will be deemed income arising in Spain, and, therefore, are taxable in Spain at a general tax rate of 19%

Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains. However, capital gains derived from the transfer of shares in the Issuer will be exempt from taxation in Spain in either of the following cases:

- Capital gains derived from the transfer of the shares on an official Spanish secondary stock market (such as the Barcelona, Madrid, Bilbao or Valencia stock exchanges) by any non-Spanish holder who is tax resident of a country that has entered into a double taxation treaty with Spain containing an "exchange of information" clause. This exemption is not applicable to capital gains obtained by a non-Spanish holder through a country or territory that is defined as a tax haven by Spanish regulations.
- Capital gains obtained directly by any non-Spanish holder resident of another EU Member State or indirectly through a permanent establishment of such non-Spanish holder in a EU Member State other than Spain, provided that:
    - the Issuer's assets do not mainly consist of, directly or indirectly, Spanish real estate;
    - during the preceding 12 months in case of individuals non-Spanish holder has not held a direct or indirect interest of at least 25% in the Issuer's capital or net equity;
    - in the case of non-resident legal entities, the transfer fulfils all the requirements to benefit from the exemption on dividends and capital gains established for Spanish resident entities, passed by the CIT Law and described in paragraph (a) under "*Legal entities with tax residency in Spain and non-Spanish resident investors acting through a permanent establishment in Spain to which the Ordinary Shares are attributable – Corporate Income Tax (Impuesto sobre Sociedades)*"; and
    - the gain is not obtained through a country or territory defined as a tax haven under applicable Spanish regulations.
- Capital gains realised by non-Spanish holders who benefit from a double taxation treaty that provides for taxation only in such non-Spanish holder's country of residence.

Holders must submit a Spanish tax form (currently, Form 210) within the time periods set out in the applicable Spanish regulations to settle the corresponding tax obligations or qualify for an exemption. In order for the exemptions mentioned above to apply, a non-Spanish holder must provide a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that, to the best knowledge of such authority, the non-Spanish holder is resident of such country within the meaning of the relevant double taxation treaty) or equivalent document meeting the requirements of the Order which further develops the applicable double taxation treaty, together with the Spanish tax form. The non-Spanish holder's tax representative in Spain and the depositary of the shares are also entitled to carry out such filing.

The certificate of tax residence mentioned above will be generally valid for a period of one year after its date of issuance.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals

whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2% and 2.5% although some reductions may apply.

In accordance with article 4 of Royal Decree-Law 3/2016, a full exemption on Wealth Tax will apply in 2018 unless such exemption is revoked.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

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

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Unless otherwise provided under an applicable double taxation agreement in relation to Inheritance and Gift Tax, transfers of shares upon death and by gift to individuals not resident in Spain for tax purposes are subject to Spanish Inheritance and Gift Tax if the shares are located in Spain (as is the case with shares in the Issuer) or the rights attached to such shares are exercisable in Spain, regardless of the residence of the heir or the beneficiary. The taxpayer is the transferee. The applicable tax rate, after applying all relevant factors, ranges between 7.65% and 81.6% for individuals, although the final tax rates may vary depending on any applicable regional tax laws.

However, if the deceased, heir or the donee are resident in an EU or European Economic Area Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

Non-Spanish legal entities which acquire ownership or other rights over the Ordinary Shares by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be generally subject to Spanish NRIT as capital gains, without prejudice to the exemptions referred to above under "— *Taxation of capital gains*".

Spanish Direct Refund from Spanish tax authorities

Beneficial owners entitled to receive income payments in respect of the Preferred Securities or in respect of the Ordinary Shares free of Spanish withholding taxes or at the reduced withholding tax rate contained in any applicable double taxation treaty, but in respect of whom income payments have been made net of Spanish withholding tax at the general withholding tax rate, may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Beneficial owners may claim any excess amount withheld by the Issuer from the Spanish Treasury following the 1 February of the calendar year following the year in which the relevant payment date takes place, and within the first four years following the last day on which the Bank may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form, (ii) proof of beneficial ownership, and (iii) a certificate of residence issued by the tax authorities of the country of tax residence of such beneficial owner, among other documents.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer

may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Preferred Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred Securities, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Preferred Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Preferred Securities, neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus.

ANNEX I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal ( )[(1)], en nombre y representación de (entidad declarante), con número de identificación fiscal ( )[(1)] y domicilio en ( ) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number ( )[(1)], in the name and on behalf of (entity), with tax identification number ( )[(1)] and address in ( ) as (function – mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Issuing and Paying Agent appointed by the issuer.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1. En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores……

1.1 Identification of the securities……

1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)

1.2 Income payment date (or refund if the securities are issued at discount or are segregated)

1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) ……

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora ……

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved ……

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. En relación con el apartado 5 del artículo 44.

2. In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores ……

2.1 Identification of the securities……..

2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) ……

2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
……

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados ……

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en……a … de……de …

I declare the above in …… on the … of …… of …

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

Pursuant to the terms and conditions set forth in a subscription agreement dated 15 March 2018 (the "**Subscription Agreement**"), the Bank agreed to issue the Preferred Securities on the Closing Date, and the Joint Lead Managers agreed to procure subscribers, or (with the exception of CaixaBank, S.A.) subscribe and pay for the Preferred Securities on the Closing Date at their issue price of 100 per cent. of the aggregate principal amount.

The Bank paid to the Joint Lead Managers a customary combined management and underwriting commission.

The Subscription Agreement provides that the Bank will indemnify each Joint Lead Manager against certain liabilities.

The Preferred Securities are newly issued securities for which there is currently no market. The Issuer will use all reasonable endeavours to procure that the Preferred Securities are admitted to listing on AIAF within 30 days of the Closing Date and to maintain such admission until none of the Preferred Securities is outstanding.

Selling Restrictions

General

Each Joint Lead Manager has undertaken to the Bank that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or has in its possession or distributes the Prospectus or any related offering material, in all cases at its own expense.

Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Preferred Securities or possess, distribute or publish this Prospectus or any other offering material relating to the Preferred Securities, in all cases at their own expense.

United States

The Preferred Securities have not been and will not be registered under the Securities Act and have not been and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Capitalised terms used in this paragraph have the meanings given to them under Regulation S.

The Preferred Securities are subject to U.S. tax law requirements and have not been 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 regulations thereunder.

Each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered the Preferred Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Preferred Securities within the United States by any dealer that is not participating in the Offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken to the Issuer and each other Joint Lead Manager that:

(i) ***Financial Promotion*****:** it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services Markets Act 2000 —FSMA) received by it in connection with the issue or sale of any Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(ii) ***General Compliance*****:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

Spain

Each of the Joint Lead Managers has represented and agreed that the Preferred Securities may not be offered or sold in Spain other than by institutions authorised under the LMV, and related legislation, to provide investment services in Spain, and as agreed between the Issuer and the Joint Lead Managers, offers of the Preferred Securities in Spain shall only be directed specifically at or made to professional investors (*clientes profesionales*) as defined in Article 205 of the LMV.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager represents, warrants and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Preferred Securities to any retail investor in the European Economic Area. For the purposes of this provision:

(i) 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 MiFID II; or

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

(ii) not a qualified investor as defined in Directive 2003/71/EC, as amended; and

the expression “offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Preferred Securities.

MARKET INFORMATION

Summary of Clearance and Settlement Procedures

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry securities such as the Preferred Securities and the Ordinary Shares of CaixaBank.

Notwithstanding this summary, it should be noted that the Spanish clearing, settlement and recording system of securities transactions is undergoing a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects.

Law 32/2011 of 4 October which amended Law 24/1988 of 28 July on the securities market ("**Law 32/2011**"), anticipated and set the master plan of the future Spanish clearing, and recording system providing for certain changes that are being implemented and that will modify the system and allow for the integration of the post-trading Spanish systems into the system TARGET2 Securities. Law 24/1988 was repealed by the restated text of the LMV but the amendments introduced by Law 32/2011 are duly reflected in this restated law.

In any case, it should be emphasised that, as of the date of this Prospectus, the procedures established for fixed-income securities remain practically the same.

Additionally, Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July on improving securities settlement in the EU and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 ("**Regulation No. 909/2014**") provides that the maximum settlement period as regards transactions in transferable securities which are executed on trading venues must be settled by no later than the second business day following the relevant transaction, subject to certain exemptions. In this regard, since October 2014 transactions affecting debt securities settled through Iberclear are generally settled two business days after they have been made.

In this regard, the Spanish clearing, settlement and recording system has been recently adapted by Law 11/2015, on the recovery and resolution of credit institutions and investment firms and Royal Decree 878/2015, of 2 October to the provisions set forth in Regulation No 909/2014.

Following this reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities (the "**Reform**").

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., "**BME Clearing**" or the "**CCP**"), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

The Reform has been implemented in two phases:

- The first phase was implemented on 27 April 2016 and set up the new clearance and settlement system for equity securities, including the creation of BME Clearing, a CCP for post-trade operations compatible with the TARGET2 Securities system (messages, account structure, definition of operations, etc.). From 3 October 2016, with respect to transactions carried out on 29 September 2016, the new settlement and registration platform (ARCO) operates under a "T+2 Settlement Standard" by which any transactions must be settled within two stock-exchange business days following the date on which the relevant transaction was completed.

- The second phase was implemented in September 2017 upon Iberclear's connection to the TARGET2 Securities system. As a result, fixed-income securities were transferred to the new ARCO platform.

  Since that date the settlement and registration system for both equity and fixed-income securities are unified.

Iberclear and BME Clearing

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market, the Alternative Stock Market (MAB), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses two technical platforms, SCLV (for the Spanish Stock Exchanges and Latibex) and CADE (for the Book-Entry Public Debt Market, MARF and AIAF). Following the implementation of the Reform, transactions carried out on the AQS (see "*Market Information – Market Information in relation to the Ordinary Shares – AQS*") continue to be settled by Iberclear, as central securities depository, and are cleared by BME Clearing as central counterparty.

Iberclear and BME Clearing are owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems.

The securities recording system of Iberclear is a two tier level registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorized to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorized central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorized to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;
- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner's request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

Market Information in relation to the Preferred Securities

Iberclear Settlement of securities traded in AIAF

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

Securities traded in AIAF are private fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds), represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a "transaction-to-transaction" cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

Settlement Cycles: The ARCO Platform

The ARCO platform offers both settlement in cycles and in real-time.

Real-time settlement (Madrid time):

a) Against payment trades: from 07:00 am to 4:00 pm;
b) Free of payment trades: from 07:00 am to 6:00 pm.

The settlement of transactions that settle via real-time procedure will take place every 8 minutes.

Settlement in cycles (Madrid time):

- Free and against payment trades: from 08:00 am to 3:00 pm. There are five cycles: at 08:00 am, 10:00 am, 11:30 am, 1:00 pm and 3:00 pm. In addition, there is one cycle at 2:00 pm (only for bilateral transactions free and against payment not cleared through a CCP) or 3:45 pm (for existing last resort loans) and 5:00 pm (only for bilateral transactions free of payment not cleared through CCP).

- Iberclear has an additional settlement cycle (*ciclo de repesca*) that allows the matching of trades from 3:00 pm to 3:45 pm whenever a Spanish custodian has a last resource loan in the market. Therefore, if Iberclear opens this extra settlement cycle, transactions that settle in cycles can be settled as of that time if the delivering party has sufficient position (Iberclear will start to send settlement confirmations after 3:45 pm for those trades that are matched from 3:00 pm to 3:45 pm).

Euroclear and Clearstream

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Preferred Securities through bridge accounts maintained by each of Euroclear and Clearstream with participating entities in Iberclear.

Market Information in relation to the Ordinary Shares

The Ordinary Shares of CaixaBank are listed on the Spanish Stock Exchanges of Barcelona, Madrid, Bilbao and Valencia, which are regulated markets for the purposes of MiFID II, under the ticker symbol "*CABK*". Shares of listed Spanish companies are represented in book entry form.

The Spanish securities market for equity securities consists of the Spanish Stock Exchanges (as defined in the Conditions) and the Automated Quotation System ("**AQS**"). The AQS links the four Spanish Stock Exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences among the local exchanges. The Spanish securities markets are regulated by the CNMV.

AQS

The AQS was founded in 2 November 1995, substituting the computer assisted trading system known as *Sistema de Interconexion Bursatil*, which had been in place since 1989. The principal feature of the system is the computerised matching of bid and offer orders at the time of placement. Each order is completed as soon as a matching order occurs, but can be modified or cancelled until completion. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by Sociedad de Bolsas, S.A. ("***Sociedad de Bolsas***"), a company owned by the companies that manage the Spanish Stock Exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of one of the Spanish Stock Exchanges.

In a pre-opening session held from 8:30 to 9:00 am (Madrid time) each trading day, an opening price is established for each equity security traded on the AQS based on a real-time auction in which orders can be placed, modified or cancelled, but not completed. During this pre-opening session, the system continuously displays the price at which orders would be completed if trading were to begin. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer price. If an auction price cannot be determined, the best bid and offer price and their respective associated trading volumes are disclosed instead. The auction terminates with a random period of 30 seconds in which share allocation takes place. Until the allocation process has finished, orders cannot be entered, modified or cancelled. In exceptional circumstances (including the admission of new securities to trade on the AQS) and subject to prior notice to the CNMV, Sociedad de Bolsas may establish an opening price disregarding the reference price (the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price or modify the reference price.

The computerised trading hours, known as the open session, range from 9.00 a.m. to 5.30 p.m. (CET). The AQS sets out two ranges of prices for each security named "static" and "dynamic" in order to monitor the volatility of the trading price of each security. During the open session, the trading price of a security is permitted to fluctuate up to a maximum so-called "*static*" range of the reference price (the price resulting from the closing auction of the immediately preceding trading day or the immediately preceding volatility auction in the current trading session), provided that the trading price for each trade of such security is not permitted to vary in excess of a maximum so-called "*dynamic*" range with respect to the trading price of the immediately preceding trade of the same security. If, during the trading session, there are matching bid and ask orders for a security within the computerised system which exceed any of the above "*static*" and/or "*dynamic*" ranges, trading on the security is automatically suspended and a new auction, or volatility auction, is held where a new reference price is set, and the "*static*" and "*dynamic*" ranges will apply over such new

reference price. The "*static*" and "*dynamic*" ranges applicable to each specific security are set up and reviewed periodically by Sociedad de Bolsas. From 5:30 pm to 5:35 pm (Madrid time), known as the closing auction, orders can be placed, modified or cancelled, but no trades can be completed.

Between 5:30 pm and 8:00 pm (Madrid time), trades may occur outside the computerised matching system without prior authorization of Sociedad de Bolsas (provided such trades are however disclosed to Sociedad de Bolsas), at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day if (i) there are no outstanding bids or offers, respectively, on the system matching or improving the terms of the proposed off-system transaction; and (ii) among other requirements, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the relevant security during the preceding three months. These off-system trades must also relate to individual orders from the same person or entity and shall be reported to Sociedad de Bolsas before 8:00 pm (Madrid time).

Trades may take place at any time (with the prior authorization of Sociedad de Bolsas) and at any price if:

- the trade involves more than €1.5 million and more than 40% of the average daily trading volume of the relevant securities during the preceding three months;
- the transaction results from a merger or spin-off, or from the restructuring of a group of companies;
- the transaction is executed for the purpose of settling litigation or completing a complex set of contracts; or
- for any other reason which justifies the authorization of such transaction at the discretion of Sociedad de Bolsas.

Information with respect to the computerised trades between 9:00 am and 5:30 pm (Madrid time) is made public immediately, and information with respect to off-system trades is reported to the Sociedad de Bolsas by the end of the trading day and published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

Euroclear and Clearstream, Luxembourg

Shares deposited with depositories for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, Société Anonyme, Luxembourg ("**Clearstream**") and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System, as amended from time to time, the Management Regulations of Clearstream and the instructions to Participants of Clearstream, as amended from time to time, as applicable. Subject to compliance with such regulations and procedures, those persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited ("**investors**") shall have the right to receive the number of shares equal to the number of shares credited in their accounts, upon compliance with the foregoing regulations and procedures of Euroclear or Clearstream.

With respect to the shares that are deposited with depositories for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees, as described below, if any, and once the relevant recording in the book-entry registries kept by the members of Iberclear has occurred.

Under Spanish law, only the holder of the shares according to the registry kept by Iberclear is entitled to receive dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of

such shares. Euroclear, or its nominees, or Clearstream, or its nominees, will, respectively, be the sole record holder of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, until investors exercise their rights to withdraw such shares and record their ownership rights over them in the book-entry records kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction of any applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream. See "*Taxation*".

Each of Euroclear and Clearstream will endeavour to inform investors of any significant events of which they become aware affecting the shares recorded in the name of Euroclear, or its nominees, and Clearstream, or its nominees, and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action as they shall deem appropriate in order to assist investors to direct the exercise of voting rights in respect of the shares. Such actions may include (i) acceptance of instructions from investors to execute or to arrange for the execution of proxies, powers of attorney or other similar certificates for delivery to the Bank, or its agent; or (ii) exercise by Euroclear or its nominees and Clearstream or its nominees of voting rights in accordance with the instructions provided by investors.

If the Bank offers or causes to be offered to Euroclear, or its nominees, and Clearstream, or its nominees, acting in their capacity as record holders of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will endeavour to inform investors of the terms of any such rights issue of which it has notice in accordance with the provisions of its regulations and procedures referred to above. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or alternatively, such rights may be sold and, in such event, the net proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

ADDITIONAL INFORMATION

Listing

This Prospectus has been approved by the CNMV in its capacity as competent authority under the Prospectus Directive and relevant implementing measures in Spain. Application has been made for the Preferred Securities to be admitted to trading on AIAF. The Preferred Securities may also be admitted to trading on any other secondary market as may be agreed by the Issuer.

Authorisation

The creation and issue of the Preferred Securities have been authorised by resolutions of the Board of Directors dated 1 February 2018 acting by delegation of a resolution of the general shareholders' meeting 28 April 2016.

Working capital

In the opinion of the Issuer, the working capital available to the Issuer is sufficient for CaixaBank's present requirements.

Independent auditors

The consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 by Deloitte, S.L., Plaza Pablo Ruiz Picasso, 1, 28020 Madrid, Spain, independent auditors who are members of the Official Registry of Auditors of Accounts (*Registro Oficial de Auditores de Cuentas*). The reports in respect of such annual financial statements were unqualified.

Notwithstanding the above, the general shareholders' meeting of CaixaBank held on 6 April 2017 appointed PricewaterhouseCoopers Auditores, S.L. with registered address at Paseo de la Castellana 259B, Tower PWC, 28046 Madrid, as the auditors of CaixaBank for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

Third party information

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

Documents on Display

Copies of the following documents in electronic format (together with English translations thereof (if any)) may be inspected during normal business hours at the offices of the Issuer at Calle Pintor Sorolla, 2-4, 46002 Valencia, Spain, for 12 months from the date of Prospectus:

(a) the bylaws (*estatutos sociales*) of the Issuer, which are available on CaixaBank's website (www.caixabank.com in section *Shareholders and Investors/Corporate Governance and Remuneration Policy/By-laws*);

(b) the audited consolidated annual accounts of the Issuer for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 (with an English translation thereof) together with the audit

reports and the consolidated management reports, which are available on CaixaBank's website (www.caixabank.com in section *Shareholders and Investors/Economic-financial Information/Annual and bi-annual financial report (accounts)*). The audited consolidated annual accounts of the Issuer for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 together with the audit reports and the consolidated management reports are also available on the CNMV website (www.cnmv.es);

(c) CaixaBank's Registration Document drawn up pursuant to Annex I of the Prospectus Regulation, approved and registered with the CNMV on 11 July 2017, as supplemented on 21 December 2017 and further supplemented on 28 February 2018, which is available on CaixaBank's website (www.caixabank.com in section *Shareholders and Investors/General information/Public offerings and admission to trading/Registry document, base prospectuses and issue programmes*). The Registration Document is also available on the CNMV website (www.cnmv.es).

Interests of Natural and Legal Persons Involved in the Offer of the Preferred Securities

Save as discussed in "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the offer of the Preferred Securities has an interest material to the offer.

Responsibility

The Issuer and the undersigned, Mr. Gonzalo Gortázar Rotaeche, in his capacity as Chief Executive Officer (*Consejero Delegado*) of the Issuer and acting under a special power of attorney granted by the Board of Directors of the Issuer, accepts responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Statement of the capacity in which the advisers have acted

In addition to the Joint Lead Managers, the following entities have provided advisory services in relation with the Offering of the Preferred Securities:

- White & Case LLP has acted as legal adviser to the Issuer on Spanish and English laws; and
- Linklaters, S.L.P. has acted as legal adviser to the Joint Lead Managers on Spanish and English laws.

Paying agency

All payments under the Conditions will be carried out directly by the Issuer through Iberclear.

Conversion calculation agency

The Issuer has appointed Conv-Ex Advisors Limited as the initial Conversion Calculation Agent. The Issuer may change the Conversion Calculation Agent at any time without prior notice to any Holder.

Yield

On the basis of the issue price of the Preferred Securities of 100% of their principal amount, the annual yield of the Preferred Securities for the period from (and including) the Closing Date to (but excluding) the First Reset Date is 5.25%. This yield is calculated on the Closing Date and is not an indication of future yield.

Clearing: ISIN and Common Code

The Preferred Securities will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The Preferred Securities bear the ISIN ES0840609012 and the common code 179524341.

Listing of the Ordinary Shares

The Ordinary Shares are listed on the Spanish Stock Exchanges of Barcelona, Madrid, Bilbao and Valencia, which are regulated markets for the purposes of MiFID II, and are quoted on the Automated Quotation System – Continuous Market (*Sistema de Interconexión Bursátil Español – Mercado Continuo (SIBE))*, under the symbol "*CABK*". The ISIN for the Ordinary Shares is ES0140609019. Information about the past and future performance of the Ordinary Shares and their volatility can be obtained from the respective websites of each of the relevant Spanish Stock Exchanges.

Stabilisation

In connection with the issue of the Preferred Securities, Barclays Bank PLC (the "**Stabilising Manager**") (or any person acting on behalf of the Stabilising Manager) may over-allot Preferred Securities or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Preferred Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Preferred Securities and 60 days after the date of the allotment of the Preferred Securities. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with EU Regulation on Market Abuse and any other applicable laws and rules.

Other Relationships

Certain Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their 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 its affiliates. Certain Joint Lead Managers 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 Joint Lead Managers 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 Preferred Securities issued under the Prospectus. Any such short positions could adversely affect future trading prices of Preferred Securities issued under the Prospectus. The Joint Lead Managers and their 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.

Expenses related to the admission to trading

For informative purposes only, an approximate estimate of the expenses payable by the Issuer in relation to the admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear	55,500
CNMV fees (listing)	70,700
Total	126,200

Credit ratings assigned to an issuer or its debt securities at the request or with the co-operation of the Issuer in the rating process

As of the date of this Prospectus, CaixaBank S.A. has been assigned the following ratings by the following credit rating agencies:

Agency[(1)]	Review date	Short-term rating	Long-term rating	Outlook
Fitch	6 February 2018	F2	BBB	Positive
S&P	6 October 2017	A-2	BBB	Positive
DBRS	14 July 2017	R-1 (low)	A (low)	Stable
Moody's	10 May 2017	P-2	Baa2	Stable

Notes:

(1) Moody's assigns senior debt ratings, whereas S&P, Fitch and DBRS assign issuer ratings.

The Preferred Securities are rated BB- by S&P.

Each of Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Moody's Investors Service España, S.A. ("**Moody's**"), Fitch Ratings España, S.A.U. ("**Fitch**") and DBRS Ratings Limited ("**DBRS**") is a rating agency established in the EU and registered under the CRA Regulation. A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu.

SIGNATURES

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes I, III (sections 3.1 and 3.2), XIII and XIV of Commission Regulation (EC) No. 809/2004 of 29 April 2004, it is hereby signed by Gonzalo Gortázar Rotaeche, Chief Executive Officer (*Consejero Delegado*) of the Bank, in Barcelona, on 15 March 2018.

REGISTERED
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