

BASE PROSPECTUS



CAIXABANK, S.A.

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

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

Under this Euro 10,000,000,000 Euro Medium Term Note Programme (the **Programme**), CaixaBank, S.A. (the **Issuer** or **CaixaBank**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below) subject to any applicable legal or regulatory restrictions.

The Final Terms (as defined below) for each Tranche (as defined on page 48) of Notes will state whether the Notes of such Tranche are to be (i) Senior Notes or (ii) Subordinated Notes. The Senior Notes will be unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer. Upon the insolvency of the Issuer will rank *pari passu* among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer (unless they qualify as subordinated claims pursuant to article 92 of Law 22/2003 (*Ley Concursal*) of 9th July, 2003 (the **Insolvency Law**) or equivalent legal provisions which replace it in the future, and subject to any applicable legal and statutory exceptions). The Subordinated Notes will constitute subordinated obligations of the Issuer and, upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions), will rank without preference or priority among themselves together with all other contractually subordinated obligations of the Issuer other than those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law, and subordinated obligations which are expressed to rank junior to the Subordinated Notes.

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

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

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

Potential investors should note the statements on pages 100 – 104 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 13/1985, of 25th May, 1985, as amended, on the Issuer. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information relating to the Notes is not received by the Issuer in timely manner.

This document has been approved as a base prospectus by the Central Bank of Ireland (the **CBI**) in its capacity as competent authority under Directive 2003/71/EC, as amended (including the amendments made by Directive

2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The CBI only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange (the **Main Securities Market**) or on another regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive) or that are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for Notes to be admitted to its official list (the **Official List**) and trading on the Main Securities Market.

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

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

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

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

The Issuer has been rated BBB-, Baa3, BBB and A (low) (each of which has a negative outlook) by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**), Moody's Investors Services España, S.A. (**Moody's**), Fitch Ratings España, S.A.U. (**Fitch**) and DBRS Ratings Limited (**DBRS**). Each of Standard and Poor's, Moody's, Fitch and DBRS is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Standard & Poor's, Moody's, Fitch and DBRS is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

BARCLAYS

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.

Barclays

BNP PARIBAS

Citigroup

Crédit Agricole Corporate and Investment Bank

Deutsche Bank

HSBC

Morgan Stanley

Nomura

The Royal Bank of Scotland

Banco Santander, S.A.

BofA Merrill Lynch

CaixaBank, S.A.

Commerzbank

Credit Suisse

Goldman Sachs International

J.P. Morgan

NATIXIS

Société Générale Corporate & Investment Banking

UBS Investment Bank

The date of this Base Prospectus is 15 October 2013.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive.

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

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

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

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

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

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

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

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer or the Dealers which is

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

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

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- **U.S. dollars** refer to United States dollars;
- **Sterling** and **£** refer to pounds sterling; and

- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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

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STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

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

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

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

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

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".

Issuing and Principal Paying Agent: BNP Paribas Securities Services, Luxembourg Branch.

Programme Size: Up to EUR 10,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution: Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.

Maturities: Any maturity greater than one month in the case of Senior Notes and a minimum maturity of five years in the case of Subordinated Notes, as indicated in the applicable Final Terms or such other minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price: Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: The Notes will be in bearer form and will on issue be represented by either a temporary global Note or a permanent global Note as specified in the applicable Final Terms. Temporary global Notes will be exchangeable either for (a) interests in a permanent global Note or (b) for definitive Notes as indicated in the applicable Final Terms. Permanent global Notes will be exchangeable for definitive Notes upon either (i) not less than 60 day's written notice from Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) (acting on the instructions of any holder

of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described under "*Form of Notes*".

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

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

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

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

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

Zero Coupon Notes:

Zero Coupon Notes (with a maturity of less than 12 months) will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

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

Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity without the consent of the Bank of Spain (*Banco de España*) which consent would not, under current *Banco de España* rules, be expected to be forthcoming for an early redemption occurring less than five years from the relevant issue date unless such redemption is carried out on the

relevant maturity date.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions - Notes having a maturity of less than one year*" above.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions - Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) in the case of Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 14 of Directive 2004/39/EC.

Taxation:

All amounts payable in respect of Notes by the Issuer will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will, save in certain limited circumstances (please refer to Condition 7 (*Taxation*) of the Terms and Conditions of the Notes) be required to pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

The Issuer considers that, according to the simplified information procedures set out in Royal Decree 1065/2007 of 27th July, 2007 as amended by Royal Decree 1145/2011 of 29th July, 2011 (**Royal Decree 1965/2007**), the Issuer is not obliged to identify Noteholders as described in "*Taxation – Spain: Simplified Information Procedures*". For further information regarding the interpretation of Royal Decree 1065/2007 please refer to "*Risk Factors – Risks related to the Spanish withholding tax regime*".

All payments in respect of the Notes will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the Code) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Negative Pledge:

The terms of the Senior Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).

The terms of the Subordinated Notes will not contain a negative

pledge provision.

Cross Default:

The terms of the Senior Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).

The terms of the Subordinated Notes will not contain a cross default provision.

Status of the Senior Notes:

The Senior Notes will be unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer. Upon the insolvency of the Issuer will rank *pari passu* among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer (unless they qualify as subordinated claims pursuant to article 92 of Insolvency Law or equivalent legal provisions which replace it in the future, and subject to any applicable legal and statutory exceptions).

Status of the Subordinated Notes:

The Subordinated Notes will constitute subordinated obligations of the Issuer and, upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions), will rank without preference or priority among themselves together with all other contractually subordinated obligations of the Issuer other than those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law, and subordinated obligations which are expressed to rank junior to the Subordinated Notes.

Rating:

The Issuer has been rated BBB- by Standard & Poor's, Baa3 by Moody's, BBB by Fitch and A (low) by DBRS, each of which has a negative outlook.

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing:

This Base Prospectus has been approved by the CBI as competent authority under the Prospectus Directive. Application has been made for Notes issued under the Programme to be listed on the Official List of the Irish Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series.

The applicable Final Terms will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.

Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except the provisions relating to the status of the Notes (and any non-contractual obligations arising out of or in connection with it), the capacity of the Issuer, the relevant corporate resolutions, the syndicate of the Noteholders and the Commissioner which are governed by Spanish law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, Spain, Japan, the Republic of Italy, France and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see " <i>Subscription and Sale</i> ".
United States Selling Restrictions:	Regulation S. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

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

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

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

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

Risks relating to Group operations

Some of the Group's business is cyclical and the Group's income may decrease when demand for certain products or services is in a downwards cycle

The level of income the Group derives from certain of its products and services depends on the strength of the economies in the regions where the Group operates and market trends prevailing in those regions. Customer loans and deposits, which collectively account for most of its earnings, are particularly sensitive to economic conditions. However, many of the economies of continental Europe, including Spain, are forecast to have flat or weakening economies in 2013. If the business environment in Spain does not improve or worsens, the results of operations of the Group could be materially adversely affected.

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

Effective management of the Group's capital position is important to its ability to operate its business and to pursue its business strategy. However, in response to the recent financial crisis, a number of changes to the regulatory capital framework have been adopted or are being considered. For example, CRD IV (as described below) requires the Issuer to maintain certain capital adequacy ratios.

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

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

Current economic conditions may make it more difficult for the Group to continue funding its business on favourable terms or at all

Historically, one of the Group's principal sources of funds has been savings and demand deposits. Moreover, since the Group relies heavily on short-term deposits for its funding, it cannot be sure 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 it operates, it 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 European Central Bank (ECB) extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, the Issuer can give no assurance that it will be able to continue funding its business or, if so, maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets.

Continuing economic tensions in the European Union and Spain, including as a result of the ongoing European sovereign debt crisis, could have a material adverse effect on the Group's business, financial condition and results of operations

The continuing crisis in worldwide financial and credit markets has led to a global economic slowdown in recent years, with many economies around the world showing significant signs of weakness or slow growth. In Europe, there has been a significant reduction in risk premiums. Nevertheless, uncertainty regarding the budget deficits and solvency of several countries persists, together with the risk of contagion to other more stable countries. To a lesser extent than during the height of the financial crisis, there is also the risk of default on the sovereign debt of certain EU countries and the impact this would have on the Eurozone countries, including the potential risk that one or more countries may leave the Eurozone, either voluntarily or involuntarily, which has raised concerns about the ongoing viability of the euro currency and the European Monetary Union (the EMU). These concerns have been further exacerbated by the rise of Euro-scepticism in certain EU countries, including countries that decided not to enter the EMU such as the United Kingdom.

These and other concerns could lead to the re-introduction of individual currencies in one or more EU Member States. The exit of one or more EU Member States from the EMU could materially adversely affect the European and global economy, cause a redenomination of financial instruments or other contractual obligations from the euro to a different currency and substantially disrupt capital, interbank, banking and other markets, among other effects, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, tensions among EU Member States, and growing Euro-scepticism in certain EU countries, could pose additional difficulties in the EU's ability to react to the ongoing economic crisis.

The Spanish economy contracted during 2012 and the recession continued in the first six months of 2013 with improvement expected in 2014. The recent significant reduction in risk premiums and improved access to funding have not entirely addressed concerns about Spain in the context of the sovereign debt crisis and health of the Spanish banking sector. The prospect of the continued contraction of the Spanish economy could lead Spanish leaders to consider requesting financial assistance from the European Central Bank. Any such financial assistance could impose austerity measures and other restrictions on the Spanish government, including enhanced requirements directed toward Spanish banking institutions, which could make it difficult for Spain to generate revenues and such events would raise additional concerns regarding its ability to service its sovereign debt. Any such restrictions, including additional capital requirements applicable to Spanish banking institutions, could also materially affect the Group's financial condition. Furthermore, any such austerity measures could adversely affect the Spanish economy and reduce the capacity of the Group's Spanish borrowers to repay loans made to them, increasing the Group's non-performing loans.

Economic conditions remain uncertain in Spain and the European Union and may deteriorate in the future, which could adversely affect the cost and availability of funding for Spanish and European banks, including the Group and the quality of the Group's loan portfolio, require the Group to take impairments on its

exposures to the sovereign debt of one or more countries in the Eurozone or otherwise adversely affect 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, impair the Group's loan and other financial assets and result in decreased demand for borrowings in general. In the context of the uneven global recovery from the recent market turmoil and economic recession, and the possibility of continued economic contraction in continental Europe combined with continued high unemployment and low consumer spending, the value of assets collateralising the Group's secured loans, including homes and other real estate, could decline significantly, possibly resulting in the impairment of the value of the Group's loan assets. In addition, the Group's customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group's fee and commission income.

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

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

Prior to 2008, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a holiday destination 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.

Since 2008, as economic growth came to a halt in Spain, housing oversupply has persisted, unemployment has continued to increase, housing demand has continued to decrease and house prices have declined, while mortgage delinquencies have increased. Further, recent government measures, such as the increase in the value added tax rate of real estate transactions may lead to further declines in demand for property. Spanish real estate prices continued to decline during 2012 in light of deteriorating economic conditions and it is expected that housing demand will remain weak and housing transactions will continue decreasing in 2013.

These trends, especially higher interest rates and unemployment rates, coupled with declining real estate prices, could have a material adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on its business, financial condition and results of operations.

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 €24,964,000,000 (11.3 per cent. of the Group's total loans and receivables) at 30th June, 2013. Specific coverage (NPLs and sub-standard) for this exposure amounted to approximately €6,857,000,000, 45% at 30th June, 2013, an NPL ratio on loans to real-estate developers at such date of 48.43 % excluding impact refinancing and 50.59% including impact refinancing.

Any defaults by borrowers in the property construction or development sector could have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

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

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

The Group is exposed to risks faced by other financial institutions

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

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

The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. In some of the Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Group for which there are less liquid markets. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group does not anticipate. The volatility of world equity markets due to recent economic uncertainty has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Group's investments in entities in this sector and, depending on their fair value and future recovery expectations could become a

permanent impairment which would be subject to write-offs against the Group's results, which may have a material adverse effect on the Group's business, financial condition and results of operations.

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

The markets in which the Issuer operates are highly competitive. Financial sector reforms in the markets in which it operates 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.

The Issuer 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 (as a result of the high yields which are being currently offered as a consequence of the sovereign debt crisis).

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.

Volatility in interest rates may negatively affect the Group's net interest income and increase the Group's NPL portfolio

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest bearing liabilities. Interest rates are highly sensitive to many factors beyond its control, including deregulation of the financial sectors in the markets in which it operates, monetary policies pursued by the European Union and national governments, domestic and international economic and political conditions, and other factors.

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

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

The Group is also subject to other regulations, such as those related to anti-money laundering, privacy protection and transparency and fairness in customer relations.

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

Capital adequacy requirements

Increasingly onerous capital requirements constitute one of the Group's main regulatory concerns.

As a Spanish financial institution, the Issuer is subject to the Bank of Spain Circular 3/2008 (**Circular 3/2008**) of 22nd May, as amended, on the calculation and control of minimum capital requirements, including amendments introduced by Bank of Spain Circular 4/2011 (**Circular 4/2011**), which implements Capital Requirement Directive III (**CRD III**). In addition, Law 9/2012 of 14th November, on restructuring and resolution of credit entities (**Law 9/2012**) as supplemented and detailed by Bank of Spain Circular 7/2012 (**Circular 7/2012**) established a new minimum requirement in terms of principal capital (*capital principal*) which is almost identical to European Banking Authority's (the **EBA**) core Tier 1 ratio on risk-weighted assets which is more restrictive than the one set out in Circular 3/2008, and that must be greater than 9 per cent. This requirement came into force in 2013 and according to paragraph 23 of the Memorandum of Understanding on Financial-Sector Policy (the **MoU**), has to be satisfied by all Spanish financial institutions until at least 31st December, 2014. Spanish financial institutions which do not comply with such requirements after the deadlines agreed with the Bank of Spain for its compliance may be subject to fines. Law 9/2012 states the consequences of not complying with this capital principal requirement; in particular this law includes early intervention, restructuring and resolution provisions for those institutions who fail to comply with the capital requirements.

In addition, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including the Issuer) based on data available as of 30th September, 2011, the EBA issued a recommendation (EBA/REC/2011/1) pursuant to which, on an exceptional and temporary basis, financial institutions based in the EU should have reached a new minimum Core Tier 1 ratio (9 per cent.) by 30th June, 2012. The "la Caixa" Group reached on that date an EBA Core Tier 1 ratio of 11.1 per cent., which allowed the Group to satisfy the minimum 9 per cent. requirement, as well as to absorb the 358 million euros capital buffer corresponding to sovereign risk calculated according to the EBA methodology on the same date. On 22nd July, 2013, the EBA issued a new recommendation on the presentation of core Tier 1 capital during the transition to the CRD/CRR (as defined below) framework which revoked the 8th December, 2011 recommendation (EBA/REC/2011/1) as from such a date and which applies to 61 banks, including Group "la Caixa" and which recommended the competent authorities to ensure that those credit institutions maintain a nominal floor of capital denominated in the relevant reporting currency of core Tier 1 capital as defined on 8th December, 2011 EBA recommendation corresponding to a 9 per cent. core Tier 1 ratio on 30th June, 2012 plus a sovereign exposure capital buffer related to sovereign risk exposure as calculated in EBA/REC/2011/1. The "la Caixa" group complies fully with this recommendation. This recommendation is stated to be reviewed in due course and in any event by 31st December, 2014.

The Issuer will be subject to the new Basel III capital standards, which are in the process of being phased in until 1st January, 2019. Despite the Basel III framework setting minimum transnational levels of regulatory capital and a measured phase-in, many national authorities have started a race to the top for capital by gold-plating both requirements and the associated interpretation calendars. For example, the European transposition of these standards will be through CRD IV (including Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 (**CRD IV**) and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26th June, 2013 (the **CRR**)). The date of entry into force of the CRR and the deadline for implementation of the CRD IV is 1st January, 2014. However, the Spanish Government anticipated certain requirements of Basel III in 2011 through Royal Decree-Law 2/2011 (**RD-L 2/2011**) of 18th February, as amended, which was superseded by Law 9/2012, which imposed stricter capital requirements, as noted above.

In addition, there can be no assurance that the implementation of these new standards will not adversely affect the Issuer's ability to pay dividends, 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 Issuer's business, financial condition and results of operations.

Implementation of Basel III and the CRD IV

The CRD IV introduces significant changes to the regulatory regime applicable to banks including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. The CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the CRD IV leverage ratio, which are not expected to be finally implemented until 2018. The CRD IV requirements adopted in Spain may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the EBA or changes to the way in which the regulator interprets and applies these requirements to Spanish banks (including as regards individual model approvals granted under Capital Requirement Directive II and CRD III). Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's CRD IV capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

In addition, different capital requirements might apply depending on the size of the credit institution and other systemic risk perception of the supervisory bodies.

In particular CRD IV sets out new rules as regards liquidity, stable funding and leverage. Liquidity requirements require credit institutions to hold certain liquid assets to ensure that they maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. Stable funding requirements require credit institutions to comply with reporting requirements to allow an assessment of the availability of stable funding. Leverage requirements request credit institutions to calculate a ratio as its capital measure divided by that institution total exposure measure.

The final impact of the CRD IV is dependent on technical standards to be finalised by the EBA and on the final implementation of the rules. The actual impact of the CRD IV will depend on interpretative issues outstanding and related technical standards that have not yet been finalised. This would impact, for example, provisions relating to the treatment of deferred tax assets, the treatment of insurance holdings or restrictions on short hedges relating to non-significant financial holdings. The actual impact will also be dependent on required regulatory approvals and the extent to which further management action is taken prior to implementation.

Provision requirements

Royal Decree-Law 2/2012, of 3rd February, and Royal Decree-Law 18/2012, of 11th May, applies to credit institutions and increased coverage requirements to cover potential losses (which had to be met by 31st December, 2012) for performing and non-performing real estate assets and required an additional capital buffer. Subsequently, requisites of both Royal Decree-Laws were included in Law 8/2012 of 30th October (Law 8/2012).

In April 2013 the Bank of Spain clarified the criteria for classification of refinanced loans into the categories of normal, substandard and doubtful. Financial institutions had until September to implement these new criteria, which may have an impact on provisions. Financial institutions had until September, 2013 to implement these new criteria, in relation to which the Issuer has made all the necessary provisions required by Royal Decree Law 2/2012, in an amount of €2,436 million, and €1,200 million in relation to the provisions required by Royal Decree Law 18/2012.

There can be no assurance that additional provision requirements will not be adopted by the authorities of the jurisdictions in which the Group operates (including Spanish authorities) nor of the effect of such additional requirements on the business, financial condition or results of operations of the Issuer.

Contributions for assisting in the restructuring of the Spanish banking sector

Royal Decree-Law 6/2013 of 22nd March, on protection for holders of certain savings and investment products and other financial measures, includes a requirement for banks (including therefore the Issuer), to make an exceptional one-off contribution to the Deposit Guarantee Fund (*Fondo de Garantía de Depósitos*) in addition to the annual contribution to be made by member institutions, equal to €3.00 per €1,000 of the deposits held as of 31st December, 2012. The purpose of such contribution is for the Deposit Guarantee Fund to be able to purchase at market prices the unlisted shares resulting from the compulsory exchange of hybrid capital instruments and subordinated debt of certain Spanish institutions other than the Issuer that are involved in a restructuring process under Law 9/2012. There can be no assurance that additional funding requirements will not be imposed by the Spanish authorities for assisting in the restructuring of the Spanish banking sector which may impose a further financial burden on the Issuer.

Steps taken towards achieving an EU fiscal and banking union

In June, 2012, a number of agreements were reached to reinforce the monetary union, including the definition of a broad roadmap towards a single banking and fiscal union. While support for a banking union in Europe is strong and significant advances will be made in terms of the development of a single-rule book through CRD IV, there is ongoing debate on the extent and pace of integration. It has been decided that the European Central Bank (the **ECB**) will play a key role in supervision; although a consensus on how to dovetail its central position with the role of national supervisors has not yet been agreed. Other issues are still open, such as the asset quality review and stress test to be conducted by the ECB before becoming the single European bank supervisor, representation and voting power of non-Eurozone countries, the accountability of the ECB to European institutions as part of the single supervision mechanism, the final status of the European Banking Authority, the development of a new bank resolution regime and the creation of a common deposit-guarantee scheme. European leaders have also supported the reinforcement of the fiscal union but continue negotiating on how to achieve it.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its future capacity as the Issuer's main supervisory authority may have a material impact on the Issuer's business, financial condition and results of operations.

Memorandum of Understanding on the Spanish Financial Sector

On 25th June, 2012, the Spanish government formally requested the European Union to provide financial aid to recapitalize certain Spanish financial institutions. The details and conditions of the related MoU were announced on 20th July, 2012. The MoU establishes a series of conditions to be met by all Spanish financial institutions, including those that have no capital deficits. Such conditions include compliance with the EBA's Core Tier 1 ratio of 9 per cent., early intervention and resolution measures, including burden sharing measures from hybrid capital holders and subordinated debt holders in banks receiving public capital, and new financial reporting requirements on capital, liquidity and loan portfolio quality. The Spanish government implemented the agreements reached in the MoU through Royal-Decree Law 24/2012, of 31st August, which was later replaced by Law 9/2012. The MoU, which is due to expire by the end of 2013, can be renewed.

As discussed below (please refer to "*Risk Factors – Subordinated Notes may be subject to loss absorption at the point of non-viability*"), the Spanish government, implementing the agreements reached in the MoU, has introduced certain specific loss absorption measures in Spain that may be applied by the Issuer or the Fund for Orderly Bank Restructuring (Fondo de Reestructuración Ordenada Bancaria, the **FROB**). The Issuer has received assistance from the FROB on a limited number of occasions, most recently in its acquisition of

Banco de Valencia. In February 2013, the Issuer acquired Banco de Valencia from the FROB. This acquisition is subject to a series of financial support measures, implemented through an asset protection scheme (esquema de protección de activos). Under the terms of this scheme the FROB will assume, over a 10-year period, 72.5% of losses incurred in Banco de Valencia's small and medium sized entities, self-employed professionals and contingent risk portfolios, once any existing provisions covering these assets have been applied (please refer to "*Description of the Issuer – Acquisition of Banco de Valencia*"). In addition, in February 2011, prior to its merger with the Issuer, Banca Cívica received financial assistance from the FROB in which the FROB subscribed for €977 million preference shares in Banca Cívica. This amount was repaid by the Issuer in April 2013.

The Issuer cannot predict the impact that the conditions set forth in the MoU, its renewal or the implementing regulation may have on its business, financial condition or results of operations.

Operational risks are inherent in the Group's business

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. There can be no assurance that the Group will not suffer material losses from operational risk in the future.

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

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and their ratings of its long-term debt are based on a number of factors, including the Group's financial strength as well as conditions affecting the financial services industry generally.

As at the date of this Base Prospectus, the rating agencies have awarded the Issuer the same rating as Spanish sovereign debt. Due to this methodology of the main rating agencies, if Spain's sovereign debt is downgraded, the Issuer's credit rating could also be downgraded by an equivalent amount.

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 as well 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 an adverse effect on its operating results and financial condition.

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks. With regard to those rating agencies which have a negative outlook on the Group, there can be no assurances that such agencies will revise such outlooks upward. 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.

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

Risks related to the structure of a particular issue of Notes

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

Risks applicable to all Notes

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

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. The Issuer may also be expected to redeem Subordinated Notes as the regulatory and capital adequacy benefits of having these Subordinated Notes outstanding diminish for the Issuer over the latest five years before maturity. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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

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

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

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

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

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Issuer. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is an enhanced risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

After payment in full of unsubordinated claims, but before distributions to shareholders, under article 92 of the Insolvency Law, the Issuer will meet subordinated claims in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated debts (including the Subordinated Notes); (iii) interest (including accrued and unpaid interest due on the Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer as provided for under the Spanish Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

Subordinated Notes may be subject to loss absorption at the point of non-viability.

On 6th June, 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, known as the Recovery and Resolution Directive (the **RRD**). The stated aim of the draft RRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. RRD will harmonise the rules for bank resolution in all EU countries and will establish common instruments to be used in case of a bank crisis. National resolution authorities will be in charge of implementing resolution plans used in case of a bank crisis and will also be in charge of implementing resolution plans which comply with some common rules in particular imposing losses and a pecking order of the different stakeholders within order of seniority.

The powers provided to resolution authorities in the draft RRD include write down powers to ensure relevant capital instruments (including Tier 2 capital instruments such as the Subordinated Notes) fully absorb losses at the point of non-viability of the issuing institution, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity. In addition, in accordance with the communication of 10th July, 2013 from the European Commission on the application, from 1st August, 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis, in certain circumstances, subordinate debt will be subject to a bail-in prior to State aid being granted. Accordingly, the draft RRD contemplates that resolution authorities may require the permanent write down in full of such capital instruments (including Tier 2 capital instruments such as the Subordinated Notes) or the conversion of them into common equity tier 1 instruments at the point of non-viability (which common equity tier 1 instruments may also be subject to any application of the bail-in tool) and before any other resolution action is taken (the **RRD Loss Absorption Requirement**).

For the purposes of the RRD Loss Absorption Requirement, the point of non-viability under the draft RRD is the point at which the relevant authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Subordinated Notes) are written down (or subject to loss absorption) or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable. 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. Furthermore, the determination that all or part of the principal amount of any relevant capital instruments (such as the Subordinated Notes) will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the institution's control. This determination will be made by the institution's regulators and there may be many factors, including factors not directly related to the institution, which could result in such a determination. The RRD is further not in final form and there is still scope for changes to be made to the draft RRD before any final legislation is adopted. On the basis of the current proposals, however, European Union member states will be expected to implement the proposed RRD Loss Absorption Requirement on or before 1st January, 2015.

The draft RRD represents the proposed implementation in the European Economic Area of the non-viability requirements set out in the press release dated 13th January, 2011 of the Basel Committee on Banking Supervision (the **Basel Committee**) entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the **Basel III Non-Viability Requirements**). The Basel III Non-Viability Requirements represent part of the broader package of guidance issued by the Basel Committee in the form of the new Basel III capital standards.

The Basel Committee contemplated implementation of the Basel III reforms as of 1st January, 2013. However, implementation of these reforms in the European Economic Area through CRD IV has been delayed. CRD IV contemplates that the Basel III Non-Viability Requirements will be implemented in the European Economic Area by way of the RRD and the RRD Loss Absorption Requirement. If such statutory loss absorption at the point of non-viability is not implemented by 31st December, 2015 CRD IV indicates that the European Commission shall review and report on whether provision for such a requirement should be contained in CRD IV and, in light of that review, come forward with appropriate legislative proposals.

It is currently unclear whether the RRD Loss Absorption Requirement will apply on implementation to capital instruments such as the Subordinated Notes that are already in issue or whether certain grandfathering rules will apply. If and to the extent that the draft RRD is implemented retrospectively so as to apply to Subordinated Notes, the Subordinated Notes will be subject to the provisions of the RRD (including the RRD Loss Absorption Requirement).

In addition to RRD Loss Absorption Requirement, the draft RRD provides resolution authorities with broader powers to implement other resolution measures with respect to banks which reach non-viability, which may include (without limitation) the sale of the bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

In addition to the above, the Spanish government, anticipating the rules to be implemented pursuant to the RRD and implementing the agreements reached in the MoU, has already introduced certain specific loss absorption measures in Spain that may be applied by the Issuer or the FROB.

The application of such loss absorption measures may be applied by the Issuer or imposed by the FROB if the Issuer or its group of consolidated credit entities is in breach of (or there are sufficient objective elements pursuant to which it is reasonable to foresee that they may breach) applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls. Under Law 9/2012, the Issuer may be subject to a procedure of "early intervention" (*actuación temprana*), "restructuring" (*reestructuración*) or

"resolution" (*resolución*) (as each such term is defined in Law 9/2012). The Issuer would be subject to a restructuring or resolution procedure if it requires public assistance to be viable or it is considered to be viable or it is considered to be non-viable and an insolvency proceeding does not ensure certain public objectives can be achieved. The restructuring and resolution procedures may involve the application of loss absorption measures which may include, among others: (i) the deferment, suspension, elimination or amendment of certain rights, obligations, terms and conditions of any Subordinated Notes, (ii) the repurchase of any Subordinated Notes at a price set by the FROB, in compliance with the requirements of Article 44.2 b) of Law 9/2012 which sets out that the repurchase price may not exceed the market value of the securities, applying any subsidy or discounts in accordance with European Union State aid legislation. Pursuant to such repurchase, investors should receive a sum equivalent at least to that which they would have received had the issuer been liquidated in an insolvency proceeding, (iii) the exchange of any Subordinated Notes for capital instruments of the Issuer, (iv) the write down of any interest and/or principal amount of the Subordinated Notes, and (v) the redemption of any Subordinated Notes. Law 9/2012 does not include any grandfathering provisions and applies equally to those capital instruments such as the Subordinated Notes that are already in issue as well as any future issues of such instruments and Subordinated Notes.

The obligations of the Issuer under Subordinated Notes may, therefore, be subject to write-down or loss absorption at the point of non-viability or otherwise on any bail-in or pursuant to the loss absorption measures under Law 9/2012, which may result in holders of Subordinated Notes losing some or all of their investment. The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of Subordinated Notes.

The draft RRD is not in final form and changes may be made to it in the course of the legislative process. It is also presently unclear what the implications of its implementation will be for the loss absorption measures introduced in Spain by Law 9/2012 and as to what extent, if any, the provisions of Law 9/2012 may need to change once the draft RRD is implemented. Accordingly, it is not yet possible to assess the full impact of Law 9/2012 or the draft RRD. There can be no assurance that the implementation of the RRD in its current form or in its final form as modified and any actions that may be taken pursuant to the RRD once implemented or Law 9/2012 would not adversely affect the price or value of a Noteholder's investment in Subordinated Notes and/or the ability of the Issuer to satisfy its obligations under Subordinated Notes.

Claims of Holders under the Senior Notes are effectively junior to those of certain other creditors and from 1st January, 2018 may also be subject to bail-in.

The Senior Notes are unsecured and unsubordinated obligations of the Issuer. Upon the insolvency of the Issuer, subject to statutory preferences and provided they do not qualify as subordinated claims pursuant to article 92 of the Insolvency law, the Senior Notes will rank equally with any of the Issuer's other unsecured and unsubordinated indebtedness. However, the Senior Notes will be effectively subordinated to all of the Issuer's secured indebtedness, to the extent of the value of the assets securing such indebtedness, and other preferential obligations under Spanish law.

In addition, as discussed above (see "*Subordinated Notes may be subject to loss absorption at the point of non-viability*"), the draft RRD contemplates that resolution authorities will also have the power to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity (which may include the Senior Notes, subject to certain parameters as to which liabilities could be eligible for the bail-in tool). While it is currently proposed that the RRD Loss Absorption Requirement will be implemented on or before 1st January, 2015, it is not contemplated that the bail-in tool (other than in relation to Additional Tier 1 and Tier 2 instruments) will be applied before 1st January, 2018.

Under the current draft of the RRD, the credit institutions will have to meet, at all times, a minimum requirement for own funds and eligible liabilities which could be subject to bail in. In addition, certain liabilities (such as covered deposits, secured liabilities including covered bonds, client moneys, client assets or deposits) will not be subject to the power of the resolution authorities to writedown or convert liabilities into equity under the bail in tool.

As noted above, the draft RRD is not in final form and changes may be made to it in the course of the legislative process. It is also not yet possible to assess the full impact of the draft RRD, including the extent to which the application of the bail-in tool will affect instruments such as Senior Notes. However, the exercise of any such tool or any suggestions of its exercise could materially adversely affect the value of the Notes.

Subordinated Notes may not be redeemed prior to maturity at the option of Noteholders, including in the event of non-payment of principal or interest.

Pursuant to Bank of Spain Circular 3/2008, of 22nd May (*Circular 3/2008, de 22 de mayo, del Banco de España*), the Issuer is prohibited from including in the terms and conditions of any Subordinated Notes terms that would oblige it to redeem such Subordinated Notes prior to their stated maturity at the option or request of holders of the Subordinated Notes. As a result, the terms and conditions of the Subordinated Notes do not include provisions allowing for early redemption of Subordinated Notes at the option of Noteholders. Furthermore, holders of Subordinated Notes will not have any rights under the terms and conditions of the Subordinated Notes to request the early redemption of such Subordinated Notes in the event of any failure by the Issuer to pay principal or interest in respect of such Subordinated Notes or in the case of default by the Issuer or any company within its group under any other indebtedness.

In addition, Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June, 2013 (**CRR**) provides that the provisions governing Subordinated Notes should not give the Noteholders the right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the Issuer.

The obligations of the Issuer with respect to Subordinated Notes will be subordinated and unsecured and will rank junior to all unsubordinated obligations of the Issuer in the event of insolvency of the Issuer. After payment in full of unsubordinated claims, the Issuer will pay subordinated claims in the order and as further described in Condition 2.2 (*Status of the Subordinated Notes*) of the Terms and Conditions of the Notes.

Risks Relating to the Insolvency Law

The Insolvency Law, which came into force on 1st September, 2004 supersedes all pre-existing Spanish provisions which regulated the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of its credits.

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

Risks related to Notes generally

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

Noteholders will not be able to exercise their rights on an event of default in the event of the adoption of any resolution measure under Law 9/2012

As discussed above (see "- Risks related to the structure of a of a particular issue of Notes - Subordinated Notes may be subject to loss absorption at the point of non-viability"), the Issuer may be subject to a

procedure of early intervention, restructuring or resolution under Law 9/2012 if the Issuer or its group of consolidated credit entities is in breach of (or there are sufficient objective elements pursuant to which it is reasonable to foresee that they may breach) applicable regulatory requirements relating to solvency, liquidity, internal structure or internal controls.

Pursuant to Law 9/2012 the adoption of any early intervention, restructuring or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Issuer to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 9/2012.

Accordingly, while the Notes are governed by English law and the Issuer submits to the exclusive jurisdiction of the English courts, the above provisions of Law 9/2012 may limit the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default (as defined in Condition 9 (*Events of Default*)). In addition, pursuant to Directive 2001/24/EC on the reorganisation and winding up of credit institutions in EU Member States, Law 9/2012 and The Credit Institutions (Reorganisation and Winding up) Regulations 2004 of the United Kingdom, any resolution procedure (and the loss absorption measures in a restructuring scenario) is specified under Law 9/2012 to be a "reorganisation measure" for the purposes of Directive 2001/24/EC and, as such, will be effective in the United Kingdom in relation to any Notes as if it were part of the general law of insolvency of the United Kingdom. Given the absence of any grandfathering provisions under Law 9/2012, this is the case both for those Notes already in issue as well as any Notes issued in the future.

Any enforcement by a Noteholder of its rights under the Notes upon the occurrence of an Event of Default following the adoption of any resolution procedure will, therefore, be subject to the relevant provisions of Law 9/2012 in relation to the exercise of the relevant measures and powers pursuant to such procedure, which may include, among others, the sale of the Issuer's business, the transfer of assets or liabilities of the Issuer to a bridge bank and/or the transfer of assets or liabilities of the Issuer to an asset management company. Any claims on the occurrence of an Event of Default will consequently be limited by the application of any measures pursuant to the provisions of Law 9/2012. There can be no assurance that the taking of any such action would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and the enforcement by a holder of any rights it may otherwise have on the occurrence of any Event of Default may be limited in these circumstances.

Risks relating to the Spanish withholding tax regime

Article 44 of Royal Decree 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 13/1985 (the **Simplified Information Procedures**). The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 13/1985 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

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

- (i) identification of the securities;
- (ii) income payment date (or refund if the Notes are issued at a discount or segregated);

- (iii) total amount of income (or total amount to be refunded if the Notes are issued at a discount or segregated); and
- (iv) total amount of the income corresponding to each clearing system located outside Spain.

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

In accordance with Article 44 of Royal Decree 1065/2007, the relevant Issuing and Principal Paying Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Issuer or the Issuing and Principal Paying Agent on its behalf will make a withholding at the general rate (currently 21 per cent.) on the total amount of the return on the relevant Notes otherwise payable to such entity.

The Issuer considers that, according to Royal Decree 1065/2007, any payments under the Notes will be made by the Issuer free of Spanish withholding tax, provided that the Simplified Information Procedures described above (which do not require identification of the Noteholders) are complied with by the Issuer and the Issuing and Principal Paying Agent. However, the interpretation of Royal Decree 1065/2007 and in particular the absence of a withholding tax obligation for the Issuer in respect of Spanish resident individuals, and to disclose certain tax information to the Spanish Tax Authorities about those Noteholders who are Spanish Individual Income Tax or Corporate Income Tax taxpayers, or non-Spanish residents operating in Spain through a permanent establishment is currently subject to debate. The Spanish Tax Authorities may eventually issue a tax ruling to clarify the interpretation of the currently applicable procedures and it cannot be completely discarded that such ruling determines that the Issuer should apply a withholding on payments to individuals with tax residence in Spain and to obtain and disclose certain information to the tax authorities. If this is the case, identification of Noteholders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer (to the extent required) so that it can comply with its obligations under the applicable legislation as clarified by the Spanish Tax Authorities.

If, following clarification by the Spanish Tax Authorities, procedures for the collection of the Noteholders information are to apply, the Noteholders will be informed of such new procedures and their implications.

Similarly if following clarification by the Spanish Tax Authorities, Noteholders who are Spanish Individual Income Tax Payers become subject to withholding tax, the Issuer will apply the relevant withholding on payments to individuals with tax residence in Spain. The Issuer will not pay any additional amounts in respect of any such withholding tax.

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

General

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

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

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

Withholding under the EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Luxembourg has announced that it will no longer apply the withholding tax system as from 1st January, 2015 and will provide details of payments of interest (or similar income) as from this date. A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the clearing systems (see "*Taxation - U.S. Foreign Account Tax Compliance Act*"). 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 Issuer's obligations under the Notes are discharged once it has paid the common depositary or common

safekeeper for the clearing systems (as bearer of the Notes) and therefore the Issuer has no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries.

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

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

Reliance on Euroclear and Clearstream, Luxembourg procedures

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

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

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

Risks related to the market generally

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

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

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or

reevaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The 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 Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the auditors' report and audited consolidated annual financial statements for the financial year ended 31st December, 2011 of the Issuer (available at https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Informacion_accionistas_inversores/Gobierno_corporativo/Junta_General_Accionistas/MEM_CONSOL_201112_GRUPCAIXABANK_INGLES_WEB.pdf);
- (b) the auditors' report and audited consolidated annual financial statements for the financial year ended 31st December, 2012 of the Issuer (available at https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Informacion_accionistas_inversores/Informacion_Economica_Financiera/Informe_Anuual_y_Cuentas/Consolidated_financial_statements_2012.pdf); and
- (c) the unaudited consolidated condensed interim financial statements for the six months ended 30th June, 2013 of the Issuer (available at https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/Informacion_accionistas_inversores/Informacion_Economica_Financiera/memGrupCaixaBank201306_en_WEB.pdf).

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

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

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

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

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

FORM OF THE NOTES

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

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

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

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

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

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described

therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or (iii) the Notes are required to be removed from both Euroclear and Clearstream, Luxembourg and no alternative clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Permanent Global Notes and definitive Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes:

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

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

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

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

Except in relation to Notes issued in NGN form, any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms. A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 15th October, 2013 and executed by the Issuer.

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

Initial Issue of Notes

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

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

FORM OF FINAL TERMS

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

[Date]

CaixaBank, S.A.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the EUR 10,000,000,000]
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 15th October, 2013 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Central Bank of Ireland's website at <http://www.centralbank.ie> and on the website of the Irish Stock Exchange at www.ise.ie. In addition, if the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange, copies of the Final Terms will be published on the website of the Irish Stock Exchange at www.ise.ie.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

- | | | |
|----|--|---|
| 1. | Issuer: | CaixaBank, S.A. |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [<i>identify earlier Tranches</i>] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 23 below, which is expected to occur on or about [date]][Not Applicable] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | [] |
| | (b) Tranche: | [] |

5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: []
- (N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent) in the case of Notes to be admitted to trading on a regulated market as defined in Article 4, paragraph 1, point 14 of Directive 2004/39/EC.)
- (b) Calculation Amount: []
7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes for example, Zero Coupon Notes)
(N.B. For Zero Coupon Notes, Maturity Date cannot fall more than 12 months after the Issue Date (or, in the case of subsequent Tranches, the Issue Date of the first Tranche)).
8. Maturity Date: [Fixed rate - specify date/Floating rate - Interest Payment Date falling in or nearest to [specify month and year]]
9. Interest Basis: [[] per cent. Fixed Rate]
[Fixed Reset Notes]
[[[] month [LIBOR/EURIBOR]] +/- [] per cent. Floating Rate]
[Zero Coupon]
(see paragraph 14/15/16 below)
10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
11. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 16 below and identify there][Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
- [(see paragraph 18/19/20 below)]
13. (a) Status of the Notes: [Senior/Subordinated]
- (b) Date [Board] approval for [] [and []], respectively] [Not issuance of Notes obtained: Applicable]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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

- (g) First Reset Date: []
- (h) Second Reset Date: []/[Not Applicable]
- (i) Subsequent Reset Date(s): [] [and []]
- (j) Reset Margin: [+/-][] per cent. per annum
- (k) Relevant Screen Page: []
- (l) Floating Leg Reference Rate: []
- (m) Floating Leg Screen Page: []
- (n) Initial Mid-Swap Rate: [] per cent. per annum (quoted on a[n annual/semi-annual basis])

16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Specified Period(s)/Specified Interest Payment Dates: []
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (c) Additional Business Centre(s): []
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination:
 - Reference Rate: [] month [[*currency*] LIBOR/EURIBOR]
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360][360/360][Bond Basis]
 [30E/360][Eurobond Basis]
 [30E/360 (ISDA)]
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
 [Actual/360]
 [Actual/365]

PROVISIONS RELATING TO REDEMPTION

18. Notice periods for Condition Minimum period: [] days
 [Redemption and Purchase – Maximum period: [] days
 Redemption for taxation reasons]:
19. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s):
 []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount

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

20. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
(NB: The Optional Redemption Amount cannot be other than a specified amount per Calculation Amount)
- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

21. Final Redemption Amount: [] per Calculation Amount
22. Early Redemption Amount payable on redemption for taxation reasons, on an event of default or upon the occurrence of a Capital Event: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:
- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange

event described in paragraph (iii) of the definition in the Permanent Global Note]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event [including/excluding] the exchange event described in paragraph (iii) of the definition in the Permanent Global Note]]

(b) New Global Note: [Yes][No]

24. Additional Financial Centre(s): [Not Applicable/give details]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(c) relates)

25. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

26. Commissioner: []

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

Signed on behalf of CaixaBank, S.A.:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the [Official List of the Irish Stock Exchange] and admitted to trading on the [Regulated Market of the Irish Stock Exchange] with effect from [].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's regulated market or the Regulated Market of the Irish Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] with effect from [].]

- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details]] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

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

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

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

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

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

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No.

1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*], although notification of the corresponding registration decision has not yet been provided by the European Securities and Markets Authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. The European Securities Markets Authority has indicated that ratings issued in [Japan/Australia/the USA/Canada/Hong Kong/Singapore/Argentina/Mexico (*delete as appropriate*)] which have been endorsed by [*insert the legal name of the relevant EU CRA entity that applied for registration*] may be used in the EU by the relevant market participants.]

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

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

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

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

4. YIELD (Fixed Rate Notes only)

Indication of yield: []

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

5. HISTORIC INTEREST RATES (Floating Rate Notes only)

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

6. OPERATIONAL INFORMATION

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): []
- (vi) Deemed delivery of clearing system notices for the purposes of Condition 14 (*Notices*): Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (vii) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
- [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]

- (iii) Date of [Subscription] [] Agreement:
- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (v) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (vi) U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]

TERMS AND CONDITIONS OF THE NOTES

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

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

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

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 15th October, 2013 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

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

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

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 15th October, 2013 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

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

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

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

1. FORM, DENOMINATION AND TITLE

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

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

This Note may also be a Senior Note or a Subordinated Note, as indicated in the applicable Final Terms.

Definitive Notes are issued with Coupons attached unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

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

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

of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

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

2. STATUS OF THE SENIOR NOTES AND SUBORDINATED NOTES

The applicable Final Terms will indicate whether the Notes are Senior Notes or Subordinated Notes and, in the case of Subordinated Notes, the applicable subordination provisions.

*Law 22/2003 of 9th July, 2003 on insolvency (the **Insolvency Law**) came into force in Spain on 1st September, 2004. Certain provisions in the Insolvency Law could affect the ranking of certain Notes on an insolvency of the Issuer.*

2.1 Status of the Senior Notes

The Senior Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer. Upon the insolvency of the Issuer, the Senior Notes will rank *pari passu* among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer (unless they qualify as subordinated claims pursuant to article 92 of the Insolvency Law or equivalent legal provisions which replace it in the future, and subject to any applicable legal and statutory exceptions).

In the event of insolvency (concurso) of the Issuer, under the Insolvency Law (as defined above), claims relating to Senior Notes (which are not subordinated pursuant to article 92 of the Insolvency Law) will be ordinary credits (créditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (créditos contra la masa) and credits with a privilege (créditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders.

Pursuant to article 59 of the Insolvency Law, interest shall cease to accrue from the date of declaration of the insolvency of any Issuer. Interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of the Issuer shall constitute subordinated claims against the Issuer ranking in accordance with the provisions of article 92 of the Insolvency Law.

2.2 Status of the Subordinated Notes

The payment obligations of the Issuer under the Subordinated Notes and any relative Coupons whether on account of principal, interest or otherwise, constitute direct, unconditional and subordinated obligations of the Issuer. Upon the insolvency of the Issuer, the Subordinated Notes will (unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank without preference or priority among themselves together with all other contractually subordinated obligations of the Issuer other than those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law, and subordinated obligations which are expressed to rank junior to the Subordinated Notes.

Pursuant to article 92 of the Insolvency Law after payment in full of unsubordinated claims but before distributions to shareholders, the Issuer of the Subordinated Notes will meet subordinated payment claims in the order detailed below and pro rata within each class:

- (a) *claims that, having been lodged late, are included in the list of creditors by the insolvency administrators or that, not having been duly lodged or which have been lodged late are included on that list by subsequent communications or by the Court on resolving on an appeal on the list of creditors. The following claims shall not be subordinated for this cause and shall be classified according to their respective nature: (i) those credits arising from article 86.3 of the Insolvency Law, (ii) those credits whose existence arises from the documentation of the Issuer, (iii) those arising from an executive title, (iv) those guaranteed by an in rem guarantee registered with a public registry, (v) those that are in any way recorded in the insolvency proceedings or in any other judicial proceedings, or (vi) those that require inspection action by the Public Administrations to be determined;*
- (b) *claims that, under a contractual arrangement, are subordinated in nature with regard to all the other claims against the Issuer;*
- (c) *interest and overcharge claims of any kind, including those for late payment, except for those claims with a security in rem, up to the sum of the respective guarantee;*
- (d) *claims for fines and other monetary penalties;*
- (e) *claims held by any of the persons especially related to the Issuer that are referred to in article 93 of the Insolvency Law, except for those arising from non-financing agreements entered into by the Issuer and those of its shareholders referred to under articles 93.2.1º and 93.2.3º of the Insolvency Law and which have the percentage of holding established therein;*
- (f) *claims in favour of whom the ruling has declared a party in bad faith in the act contested as a consequence of the insolvency revocation; and*
- (g) *claims arising from the contracts with reciprocal obligations referred to in articles 61, 62, 68 and 69 of the Insolvency Law, when the Court finds, following the report by the insolvency administrators, that the creditor has repeatedly hindered fulfilment of the contract to the detriment of the insolvency interests.*

As indicated above, interest on the Notes accrued but unpaid as of the commencement of any insolvency procedure of an Issuer shall constitute subordinated claims of the Issuer ranking in accordance with the provisions or article 92 of the Insolvency Law. Under Spanish Law, interest on the Notes shall cease to accrue from the date of the declaration of insolvency of any Issuer.

The Subordinated Notes are also subject to any Statutory Loss Absorption Regime applicable to Subordinated capital instruments of the Issuer.

In the Conditions:

Statutory Loss Absorption Regime means any statutory regime implemented or directly effective in Spain which provides any administrative agency or governmental authority (including, without limitation, *Fondo de Reestructuración Ordenada Bancaria (FROB)*), or any successor authority with the powers to implement any loss absorption measures in respect of capital instruments (such as the Subordinated Notes), including, but not limited to, Law 9/2012 of 14th November, on restructuring and resolution of credit entities (**Law 9/2012**) and any such regime which is implemented pursuant to the RRD or which otherwise contains provisions analogous to those

regarding the implementation of loss absorption measures in respect of capital instruments contained in Chapter IV of the draft text of the RRD published on 6th June, 2012; and

RRD means any relevant laws and regulations applicable to the Issuer at the relevant time pursuant to, or which implement, or are enacted within the context of, a directive or regulation of the European Parliament and/or of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (a first draft of which was published on 6th June, 2012) or such other resolution or recovery rules which may from time to time be applicable to the Issuer.

3. **NEGATIVE PLEDGE**

(a) So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will:

- (i) not grant any preference or priority or create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertakings, assets, property or revenues (including uncalled capital), present or future, to secure (A) payment of any Relevant Indebtedness or (B) payment under any Guarantee granted by the Issuer in respect of any Relevant Indebtedness;
- (ii) procure that no Relevant Subsidiary of the Issuer will grant any preference or priority or create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertakings, assets, property or revenues (including uncalled capital), present or future, to secure (A) payment of any Relevant Indebtedness or (ii) payment under any Guarantee granted by the Relevant Subsidiary in respect of any Relevant Indebtedness;
- (iii) not give any Guarantee (except a Permitted Guarantee) of Relevant Indebtedness of any Person (other than a Relevant Subsidiary of the Issuer); and
- (iv) not permit any Person to give any Guarantee (except a Permitted Guarantee) of Relevant Indebtedness of the Issuer or any of its Relevant Subsidiaries,

without (in the case of paragraphs (a)(i) and (ii)) at the same time or prior thereto securing such Notes equally and rateably therewith or providing such other security for such Notes as may be approved by a resolution of the relevant Syndicate of the Noteholders (as defined in Condition 13 (*Syndicate of Noteholders and Modification*)) of the relevant Series of Notes.

(b) In these Conditions,

Banking Business means, in relation to any entity:

- (a) banking business as ordinarily carried on or permitted to be carried on at the relevant time by banking institutions in the country in which such entity is incorporated or carries on business; or
- (b) the seeking or obtaining from members of the public of moneys by way of deposit; or
- (c) any other part of the business of such entity which an expert (which expression shall for this purpose include any officer of the Issuer) nominated in good faith for such purpose by the Issuer or such entity shall certify to the Agent to be part of, or permitted to be part of, such entity's banking business;

Group means the Issuer and its Subsidiaries;

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

- (a) any obligation to purchase such Relevant Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Relevant Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Relevant Indebtedness; and
- (d) any other agreement to be responsible for such Relevant Indebtedness;

Permitted Guarantee means any guarantee arising by operation of law or in the ordinary course of Banking Business;

Permitted Security Interest means:

- (a) a Security Interest arising by operation of law or in the ordinary course of Banking Business; or
- (b) a Security Interest created or arising in respect of the Issuer's obligations to *Banco de España*, any other Central Bank of a member state of the European Union, the European Central Bank or any successor to such entities for the time being carrying on the function of a central bank in Spain or within the European Union;

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

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

Relevant Indebtedness means any obligation (whether present or future, actual or contingent) in the form of or represented by any bonds, notes, debentures, loan stock, or other securities which are or are capable of being admitted to listing by any listing authority, quoted, listed or ordinarily dealt in or on any stock exchange, over the counter market or other securities market (for which purpose any such bonds, notes, debentures, loan stock or other securities shall be deemed not to be capable of being so admitted, quoted, listed or ordinarily dealt in if the terms of the issue thereof expressly so provide);

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

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

consolidated accounts as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Issuer.

For the purposes of this definition:

- (a) *if there shall not at any time be any relevant audited consolidated accounts of the Issuer, references thereto herein shall be deemed to be references to a consolidation (which need not be audited) by the Issuer of the relevant audited accounts of the Issuer and its Subsidiaries;*
- (b) *if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated gross revenues shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer;*
- (c) *if (i) any Subsidiary shall not in respect of any relevant financial period for whatever reason produce audited accounts or (ii) any Subsidiary shall not have produced at the relevant time for the calculations required pursuant to this definition audited accounts for the same period as the period to which the latest audited consolidated accounts of the Issuer relate, then there shall be substituted for the purposes of this definition the management accounts of such Subsidiary for such period;*
- (d) *where any Subsidiary is not wholly owned by the Issuer there shall be excluded from all calculations all amounts attributable to minority interests;*
- (e) *in calculating any amount all amounts owing by or to the Issuer and any Subsidiary to or by the Issuer and any Subsidiary shall be excluded; and*
- (f) *in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as are necessary to achieve a true and fair comparison of such financial items.*

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

Subsidiary means, in relation to an entity, any entity controlled by that first person entity where control is determined in accordance with section 3 of the Third Regulation of Circular 4/2004 of the Bank of Spain (*Norma Tercera apartado tercero de la Circular 4/2004 de Banco de España*), whether any such entity is a financial institution or not.

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

4. INTEREST

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

4.1 Interest on Fixed Rate Notes

This Condition 4.1 applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate

Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

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

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

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

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

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

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

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (b) if "Actual/Actual (ISDA)" is specified in the applicable Final Terms, the actual number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365);
 - (c) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
 - (d) if "30/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day a month, or (b) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
 - (e) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

In the Conditions:

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

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

4.2 Interest on Fixed Reset Notes

(a) Rates of Interest and Interest Payment Dates

Each Fixed Reset Note bears interest:

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

- (ii) from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if none, the Maturity Date (the **First Reset Period**) at the rate per annum equal to the First Reset Rate; and
- (iii) if applicable, from (and including) the Second Reset Date to (but excluding) the first Subsequent Reset Date (if any), and each successive period from (and including) any Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date (if any) (each a **Subsequent Reset Period**) at the rate per annum equal to the relevant Subsequent Reset Rate,

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

The provisions of this Condition 4.2 shall apply, as applicable, in respect of any determination by the Principal Paying Agent of the Rate of Interest for a Reset Period in accordance with this Condition 4.2 as if the Fixed Reset Notes were Floating Rate Notes. The Rate of Interest for each Reset Period shall otherwise be determined by the Principal Paying Agent on the relevant Reset Determination Date in accordance with the provisions of this Condition 4.2. Once the Rate of Interest is determined for a Reset Period, the provisions of Condition 4.1 shall apply to Fixed Reset Notes, as applicable, as if the Fixed Reset Notes were Fixed Rate Notes.

In these Conditions:

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

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

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

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

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

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

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

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

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

Reset Reference Bank Rate means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the percentage determined on the basis of the Reset Period Mid-Swap Rate quotations provided by the Reference Banks at approximately 11.00 in the principal financial centre of the Specified Currency on the Reset Determination Date. The Principal Paying Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Mid-Swap Rate will be the Mid-Swap Rate for the immediately preceding Reset Period or, if none, the Initial Mid-Swap Rate.

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

The Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the other Paying Agents and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (where a "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.

(c) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Agent shall (in the absence of negligence, wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 4.3 applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.3 for full information on the manner in which interest is calculated on Floating

Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Interest Determination Date(s) and Relevant Screen Page.

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

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

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

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

- (A) in any case where Specified Periods are specified in accordance with Condition 4.3(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

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

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

(ii) Screen Rate Determination for Floating Rate Notes

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

- (A) the offered quotation; or

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

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

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

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

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

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

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

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

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

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

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

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.3:

- (i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

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

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment

Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*).

(f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.3 by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.4 Accrual of interest

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

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

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

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 (*Payments – Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 5.4 (*Payments – General provisions applicable to payments*)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

5.3 Payments in respect of Global Notes

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

5.4 General provisions applicable to payments

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

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.6 (*Redemption and Purchase – Early Redemption Amounts*)); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

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

Zero Coupon Notes will not have a maturity of more than 12 months.

Subordinated Notes will have a maturity of not less than five years from their date of effective disbursement or such other minimum or maximum maturity as may be permitted or required from time to time by any laws or regulations applicable to the Issuer, *Banco de España* requirements or requirements of any other applicable regulatory authority.

6.2 Redemption for tax reasons

Subject to Condition 6.6 (*Redemption and Purchase – Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, subject in the case of Subordinated Notes which shall only be redeemed at any time if so permitted by the applicable Spanish capital adequacy requirements then in force, and subject to the previous consent of *Banco de España*, if required, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) or the Issuer would be unable for reasons outside its control in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or

amendment to, the laws or regulations of Spain (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

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

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

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall (i) deliver to the Agent to make available at its specified office to the Noteholders a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) use its best efforts to deliver to the Agent to make available at its specified office to the Noteholders an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and, in the case of Subordinated Notes, a copy of *Banco de España's* consent to redemption.

Notes redeemed pursuant to this Condition 6.2 (*Redemption and Purchase - Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 6.6 (*Redemption and Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

This Condition 6.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, subject in the case of Subordinated Notes which shall not be redeemed unless in compliance with the applicable Spanish capital adequacy regulations then in force and subject to the prior consent of the *Banco de España*, if required, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, with the intervention of the relevant Commissioner and before a Notary Public who will take the minutes not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their

discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption.

6.4 Redemption at the option of the Issuer (Capital Event)

If a Capital Event occurs as a result of a change in Spanish law, applicable Spanish banking or capital adequacy regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date (including as a result of the implementation or applicability in Spain on or after the Issue Date of CRD IV), the Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part, subject to such redemption being permitted by the applicable Spanish capital adequacy regulations then in force, and subject to the prior consent of *Banco de España* if required pursuant to such regulations, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption).

In these Conditions,

a **Capital Event** means the determination by the Issuer after consultation with *Banco de España* that the Subordinated Notes are not eligible for inclusion in whole or in part in the Tier 2 capital of the Group pursuant to Spanish capital adequacy regulations or any other regulations applicable in Spain from time to time (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer);

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;

CRD IV Implementing Measures means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Regulator, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand alone basis) or the Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a stand alone or consolidated basis); and

CRR means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

References in the Conditions to applicable Spanish capital adequacy requirements or regulations and any related or similar such references shall be construed as including any laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Spain including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Regulator (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group) and references to *Banco de España* shall be construed as references to the Regulator. The **Regulator** means *Banco de España* or such other governmental authority which assumes or performs the functions of the Bank of Spain, as at the Issue Date of the first Tranche of the Subordinated Notes, or such other or successor authority

exercising primary bank supervisory authority, in each case with respect to prudential matters in relation to the Issuer and/or the Group.

Subordinated Notes redeemed pursuant to this Condition 6.4 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 (*Redemption and Purchase – Redemption at the option of the Noteholders (Investor Put)*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

This Condition 6.5 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 6.5 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. No such redemption option will be applicable to any Subordinated Notes, unless as permitted under applicable Spanish capital adequacy regulations.

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

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.5 and instead to declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

6.6 Early Redemption Amounts

For the purpose of Conditions 6.2 (*Redemption and Purchase – Redemption for tax reasons*) and 6.4 (*Redemption and Purchase – Redemption at the option of the Issuer (Capital Event)*) above and Condition 9 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount;
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.7 Purchases

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

Any purchases under this Condition 6.7 will be made in compliance with the applicable Spanish capital adequacy regulations in force at the time of such a purchase and subject to the prior consent of the *Banco de España*, if required.

6.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 (*Redemption and Purchase – Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption and Purchase – Redemption at maturity*), 6.2 (*Redemption and Purchase – Redemption for tax reasons*), 6.3 (*Redemption and Purchase – Redemption at the option of the Issuer (Issuer Call)*) or 6.4 (*Redemption and Purchase – Redemption at the option of the Issuer (Capital Event)*) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.6(c) (*Redemption and Purchase – Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

7. TAXATION

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

- (a) presented for payment in Spain; or
- (b) to, or to a third party on behalf of, a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payments – Payment Day*)); or
- (d) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish Corporation Income Tax if the Spanish Tax Authorities determine that the Notes do not comply with applicable exemption requirements including those specified in the Reply to a

Non-Binding Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made; or

- (e) to, or to a third party on behalf of, a holder in respect of whom the Issuer does not receive such information concerning such Noteholder's identity and tax residence as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities; or
- (f) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (g) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means Spain or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

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

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Payments – Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT

9.1 Events of Default relating to Senior Notes

This Condition 9.1 only applies to Senior Notes. If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes within 14 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 21 days of the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or, as the case may be, the Agency Agreement, as the case may be, the Deed of Covenant and such default remains unremedied for 30 days or after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer; or
- (c) **Cross-default of Issuer or Relevant Subsidiary:**
 - (i) any Indebtedness for Borrowed Money of the Issuer or any of its Relevant Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the Relevant Subsidiaries or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness for Borrowed Money, provided that the amount of Indebtedness for Borrowed Money referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds EUR 50,000,000 (or its equivalent in any other currency or currencies);
- (d) **Unsatisfied judgment:** one or more final judgment(s) or order(s) for the payment of any amount which individually or in the aggregate exceeds EUR 50,000,000) or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Relevant Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) **Security enforced:** any Security Interest created or assumed by the Issuer or any of its Relevant Subsidiaries becomes enforceable and any steps are taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) provided that the Indebtedness for Borrowed Money to which such Security Interest relates either individually or in aggregate exceeds EUR 50,000,000 (or its equivalent in any other currency or currencies); or
- (f) **Winding up:** any order is made by any competent court or any resolution passed for the winding up or dissolution of the Issuer (or any of its Relevant Subsidiaries) (except in any such case for the purpose of a Permitted Reorganisation); or
- (g) **Cessation of business:** the Issuer (or any of its Relevant Subsidiaries) ceases or threatens to cease to carry on the whole or a substantial part of its business (except in any such case for the purpose of a Permitted Reorganisation) or the Issuer (or any of its Relevant Subsidiaries) stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or

any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (h) ***Insolvency proceedings:*** (i)(A) in respect of the Issuer, an order is made by any competent court commencing insolvency proceedings (*procedimientos concursales*) against it or an order is made or a resolution is passed for the dissolution or winding up of the Issuer, and in respect of any of the Issuer's Relevant Subsidiaries, proceedings are initiated against any such Relevant Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (except in any such case for the purpose of a Permitted Reorganisation); or (B) an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer (or any of its Relevant Subsidiaries) or in relation to the whole or any substantial part of the undertaking or assets of any of them; or (C) an encumbrance takes possession of the whole or any substantial part of the undertaking or assets of the Issuer (or any of its Relevant Subsidiaries); or (D) a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of the Issuer (or any of its Relevant Subsidiaries); and (ii) in any case is or are not discharged within 30 days; or
- (i) ***Arrangements with creditors:*** the Issuer (or any of its Relevant Subsidiaries) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (j) ***Failure to take action etc.:*** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of Spain or England is not taken, fulfilled or done; or
- (k) ***Unlawfulness:*** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Noteholders, in respect of all Notes of the relevant Series, or (ii) unless there has been a resolution to the contrary by the relevant Syndicate of Noteholders (which resolution shall be binding on all Noteholders), any Noteholder in respect of the Notes held by such Noteholder, may be declared immediately due and payable whereupon the relevant Notes shall, when permitted by applicable Spanish law, become immediately due and payable at their principal amount, together with accrued interest, without further formality.

For the purpose of this Condition 9:

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

Permitted Reorganisation means:

- (a) with respect to the Issuer, a reconstruction, merger or amalgamation (i) which has been approved by the Syndicate of Noteholders; or (ii) where the entity resulting from any such

reconstruction, merger or amalgamation is (A) a financial institution (entidad de crédito) under article 1 of Real Decreto Legislativo 1298/1986 dated 28 June, as amended and restated and (B) has a rating for long-term senior debt assigned by Standard & Poor's Rating Services, Moody's Investor Services or Fitch Ratings Ltd equivalent to or higher than the rating for long-term senior debt of the Issuer immediately prior to such reconstruction, merger or amalgamation); and

- (b) with respect to a Relevant Subsidiary, a reconstruction, merger or amalgamation (i) which has been approved by the Syndicate of Noteholders; or (ii) is on a solvent basis.

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

9.2 Events of Default relating to Subordinated Notes

This Condition 9.2 only applies to Subordinated Notes and references to "Notes" shall be construed accordingly.

If any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (except in any such case for the purpose of a Permitted Reorganisation (as defined in Condition 9.1 (*Events of Default – Events of Default relating to Senior Notes*) above)) (an **Event of Default**) then, (i) the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Noteholders, in respect of all Notes of the relevant Series, or (ii) unless there has been a resolution to the contrary by the relevant Syndicate of Noteholders (which resolution shall be binding on all Noteholders), any Noteholder in respect of the Notes held by such Noteholder, may be declared immediately due and payable whereupon the relevant Notes shall, when permitted by applicable Spanish law, become immediately due and payable at their principal amount, together with accrued interest, without further formality.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

11. PAYING AGENTS

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

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

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

- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*Payments - General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14 (*Notices*).

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

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. SYNDICATE OF NOTEHOLDERS AND MODIFICATION

The Noteholders of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Noteholders (the **Regulations**). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Public Deed of Issuance. A set of pro forma Regulations is included in the Agency Agreement.

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Notes, the Commissioner will call a general meeting of the Syndicate to ratify or oppose the acts of the temporary Commissioner, confirm his appointment or appoint a substitute and to ratify the Regulations.

Provisions for meetings of the Syndicate of Noteholders will be contained in the Regulations and the Agency Agreement. Such provisions shall have effect as if incorporated herein.

Every Noteholder of each Series will be deemed to have agreed to membership in the Syndicate in respect of such Series of Notes and to have granted full power and authority to the Agent with respect to such Series of Notes to act as its proxy to vote at the first meeting of the Syndicate of Noteholders of such Series in favour of ratifying the Regulations in respect of such Syndicate, the

designation and appointment of the Commissioner of such Syndicate and the actions of the Commissioner of such Syndicate performed prior to such first meeting of such Syndicate.

The Issuer may, with the consent of the Issue and Principal Paying Agent and the relevant Commissioner, but without the consent of the Noteholders of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Notes to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Notes.

For the purposes of these Terms and Conditions,

- (i) **Commissioner** means the trustee (*comisario*) as this term is defined under the Spanish Corporations Law (*Ley de Sociedades de Capital*) of each Syndicate of Noteholders; and
- (ii) **Syndicate** means the syndicate (*sindicato*) as this term is described under the Spanish Corporations Law (*Ley de Sociedades de Capital*).

In accordance with Spanish law article 425 of Spanish Corporations law (Ley de Sociedades de Capital), a general meeting of the Syndicate of The Noteholders shall be validly constituted upon first being convened provided that the Noteholders holding or representing two-thirds of the Notes outstanding attend. If the necessary quorum is not achieved at the first meeting, a second general meeting may be reconvened to meet one month after the first general meeting and shall be validly constituted regardless of the number of the Noteholders who attend. A resolution shall be passed by the Noteholders holding an absolute majority in principal amount of Notes present or duly represented at any properly constituted meeting.

14. NOTICES

(a) *Notice to Noteholders:*

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

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

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

- (b) *Notice of a General Meeting of the Syndicate of Noteholders*: Notice of a general meeting of the Syndicate of Noteholders of a Series must be given in accordance with the relevant Regulations.
- (c) *To Commissioners*: Copies of any notice given to any Noteholders will be also given to the Commissioner of the Syndicate of Noteholders of the relevant Series.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. SUBSTITUTION OF THE ISSUER

- (a) The Issuer (or any previous substitute under this Condition) may, with respect to any Series of Notes issued by it (the **Relevant Notes**), without the further consent of the Noteholders but, in the case of Subordinated Notes, subject to the prior consent of *Banco de España*, be replaced and substituted by any of its wholly owned Subsidiaries as the principal debtor in respect of the Notes, Coupons, Talons and the Deed of Covenant (the **Substituted Debtor**), provided that:
 - (i) the Issuer is not in default in respect of any amount payable under any of the Relevant Notes;
 - (ii) the Issuer (or any previous substitute under this Condition) and the Substituted Debtor have entered into a deed poll and such other documents (the **Documents**) as are necessary to give effect to the substitution and in which the Substituted Debtor has undertaken in favour of each Noteholder of the Relevant Notes to be bound by these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as the debtor in respect of such Notes in place of the Issuer (or of any previous substitute under this Condition 16) and pursuant to which the Issuer shall unconditionally and irrevocably guarantee (the **New Guarantee**) in favour of each Noteholder the payment of all sums payable by the Substituted Debtor as such principal debtor with the Issuer's obligations under the New Guarantee ranking *pari passu* with the Issuer's obligations under the Notes prior to the substitution becoming effective;
 - (iii) if the Substituted Debtor is resident for tax purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was resident for tax purposes (the **Former Residence**) the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that each Noteholder of the Relevant Notes has the benefit of an undertaking in terms corresponding to the provisions of Condition 7 (*Taxation*), with, where applicable, the substitution of references to the Former Residence with references to the New Residence. The Documents also contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Noteholder against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to this

Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such Noteholder by any political sub-division or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

- (iv) the Documents contain a warranty and representation by the Substituted Debtor and the Issuer that the Substituted Debtor and the Issuer have obtained all necessary governmental approvals and consents for such substitution and for the giving by the Issuer of the New Guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of their respective obligations under the Documents and that all such approvals and consents are in full force and effect;
 - (v) each stock exchange on which the Relevant Notes are listed has confirmed that, following the proposed substitution of the Substituted Debtor, the Relevant Notes will continue to be listed on such stock exchange (of the Issuer or the Substituted Debtor is otherwise satisfied of the same);
 - (vi) legal opinions shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in the country of incorporation of the Substituted Debtor and the country which laws governs this Programme, confirming, as appropriate, that upon the substitution taking place the Notes, Coupons and Talons are legal, valid and binding obligations of the Substituted Debtor enforceable in accordance with their terms;
 - (vii) legal opinion shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in the country of jurisdiction of the Documents that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms;
 - (viii) legal opinion shall have been delivered to the Agent (from whom copies will be available) from lawyers of recognised standing in England that upon the substitution taking place the Documents (including the New Guarantee given by the Issuer in respect of the Substituted Debtor) constitute legal, valid and binding obligations of the parties thereto under English law;
 - (ix) any rating agency which has issued a rating in connection with the Relevant Notes shall have confirmed that following the proposed substitution of the Substituted Debtor, the credit rating of the Relevant Notes will remain the same or be improved;
 - (x) if applicable, the Substituted Debtor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Relevant Notes and any Coupons and the Documents; and
 - (xi) the substitution complies with all applicable requirements established under the applicable laws.
- (b) Upon the execution of the Documents and the delivery of the legal opinions, the Substituted Debtor shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer (or any previous substitute under this Condition) under the Relevant Notes and any related Coupons or Talons and the Agency Agreement and the Deed of Covenant with the same effect as if the Substituted Debtor had been named as the principal debtor in place of the Issuer herein, and the Issuer or any previous substitute under these provisions shall, upon the execution of the Documents

be released from its obligations under the Relevant Notes and any related Coupons or Talons and under the Agency Agreement and the Deed of Covenant.

- (c) After a substitution pursuant to Condition 16(a), the Substituted Debtor may, without the further consent of any Noteholder, effect a further substitution. All the provisions specified in Condition 16(a) and 16(b) shall apply, *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Debtor.
- (d) After a substitution pursuant to Condition 16(a) or 16(c) any Substituted Debtor may, without the further consent of any Noteholder, reverse the substitution, *mutatis mutandis*.
- (e) The Documents shall be delivered to, and kept by, the Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder in relations to the Notes or the Documents shall not have been finally adjudicated or settled or discharged. Copies of the Documents will be available free of charge at the specified office of each of the Agents.
- (f) Not later than 15 Business Days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*).

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The issue of the Notes, including their legal nature (*obligaciones u otros valores que reconozcan o creen deuda*), the status of the Notes, the capacity of the Issuer, the relevant corporate resolutions, when required the appointment of the Commissioner and the constitution of the Syndicates of Noteholders will be governed by Spanish law. The Agency Agreement, the Deed of Covenant, the Notes (save as provided above), the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law. The Notes are issued in accordance with the formalities prescribed by Spanish company law.

Pursuant to Directive 2001/24/EC on the reorganisation and winding up of credit institutions in EU Member States, Spanish Law 9/2012 and The Credit Institutions (Reorganisation and Winding up) Regulations 2004 of the United Kingdom, any resolution procedure under Law 9/2012 is specified to be a "reorganisation measure" for the purposes of Directive 2001/24/EC and, accordingly, will be effective in the United Kingdom as if it were part of the general law of insolvency of the United Kingdom.

18.2 Submission to jurisdiction

- (a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and

any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

- (b) For the purposes of this Condition 18.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

The Issuer appoints CaixaBank London at 130 Fleet Street, 4th Floor, London EC4 2BH as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of CaixaBank London being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for the general financing requirements of the "*la Caixa*" Group of which it forms a part. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

History and development of the Issuer

CaixaBank, S.A. (**CaixaBank** or the **Issuer**) and its subsidiaries compose the CaixaBank Group (the **CaixaBank Group** or the **Group**). The Issuer has its registered office in the city of Barcelona, at Avenida Diagonal, 621, 08028 Barcelona (contact telephone number 0034 902 223 223 or 0034 93 404 6000), registration number 2100 in the register of the Bank of Spain (*Banco de España*). It is a Spanish company with legal status as a public limited company (*sociedad anónima*) and is governed by the Restated Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2nd July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). The Issuer is subject to special legislation for lending institutions in general, the supervision, control and regulation of the Bank of Spain (*Banco de España*) and, as a listed company, the regulatory oversight of the Spanish Securities Market Commission (the **CNMV**).

The Issuer was incorporated for an indefinite period under the corporate name Grupo de Servicios, S.A. by virtue of a public deed granted on 12th December, 1980. The Issuer changed its name to GDS-Grupo de Servicios, S.A. on 22nd December, 1983 and adapted its by-laws to the Spanish Companies Law (*Ley de Sociedades Anónimas*) in force at that time on 1st June, 1992.

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

The Issuer subsequently changed its corporate name to Criteria CaixaCorp, S.A. (**Criteria**) on 2nd August, 2007 and in October, 2007, the Issuer completed the process to have its securities admitted to trading on the Barcelona, Madrid, Valencia and Bilbao stock exchanges (the **Spanish stock exchanges**) further to a public offering.

Reorganisation of the "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 (*Real Decreto-ley 11/2010, de 9 de julio, de órganos de gobierno y otros aspectos del régimen jurídico de las Cajas de Ahorros*) (**Royal Decree-Law 11/2010**), and the approval of the consolidated text of the Catalan Savings Banks Law pursuant to Royal Decree-Law 5/2010, of 3rd August (*Decreto-ley 5/2010, de 3 de agosto, de modificación del texto refundido de la Ley de Cajas de Ahorros de Cataluña, aprobado por el Decreto Legislativo 1/2008, de 11 de marzo*) (**Royal Decree-Law 5/2010**), enabled Spanish savings banks (*cajas*) based in Catalonia to conduct their financial activities indirectly through a bank.

Under this legal framework, on 27th January, 2011, the boards of directors of "la Caixa", Criteria and MicroBank de "la Caixa", S.A. (**MicroBank**) entered into a framework agreement which set out the structure for the reorganisation of the "la Caixa" group. The structure was designed to enable "la Caixa" to indirectly carry out its financial activity while maintaining its social welfare activities. The restructuring plan was approved at the Ordinary General Assembly of "la Caixa" held on 28th April, 2011, and at the Annual General Meeting of Criteria held on 12th May, 2011.

Pursuant to the framework agreement, on 27th June, 2011, "la Caixa" assigned the assets and liabilities comprising its financial business to MicroBank and, by means of a swap, "la Caixa" transferred all post-segregation shares in MicroBank to Criteria. Further to the swap, Criteria became owner of 100% of the outstanding share capital of MicroBank. On 30th June, 2011, Criteria and MicroBank merged, MicroBank ceased to exist, and the Issuer adopted its current corporate name, CaixaBank, S.A. Also on this date, the

Issuer was entered on the Bank of Spain's Registry of Banks and Bankers (*Registro Especial de Bancos y Banqueros*) and, on 1st July, 2011, it was listed on the Spanish stock exchanges as a bank.

Further to the reorganisation, "la Caixa" carries on its business indirectly as a credit institution through the Issuer, in accordance with Royal Decree-Law 11/2010 and Royal Decree-Law 5/2010.

Merger with Banca Cívica

On 26th March, 2012, the boards of directors of "la Caixa", CaixaBank, Caja de Ahorros y Monte de Piedad de Navarra (**Caja Navarra**), Caja General de Ahorros de Canarias (**Caja Canarias**), Caja de Ahorros Municipal de Burgos (**Caja de Burgos**), Monte de Piedad Caja de Ahorros San Fernando de Guadalajara, Huelva, Jerez y Sevilla (**Cajasol**, together with Caja Navarra, Caja Canarias and Caja de Burgos, the **Cajas**) and Banca Cívica, S.A. (**Banca Cívica**) entered into a merger agreement to establish the terms of the integration of Banca Cívica into CaixaBank.

At that date, Banca Cívica was the central company (*sociedad central*) of the Institutional Protection Scheme (*Sistema Institucional de Protección*, or "SIP") comprising the Cajas, and the entity through which the Cajas carried on their financial activity indirectly under Royal Decree-Law 11/2010. Prior to the integration of Banca Cívica into CaixaBank, the Cajas owned 55.316% of the share capital and voting rights of Banca Cívica.

On 18th April, 2012, the boards of directors of the Issuer and Banca Cívica signed the merger plan, which was approved by their respective extraordinary general shareholders' meetings held on 26th June, 2012. The merger was also approved at the Ordinary General Assembly of "la Caixa" held on 22nd May, 2012.

Further to completion of all applicable conditions precedent on 26th July, 2012, the Issuer took control of Banca Cívica's assets and liabilities. On 3rd August, 2012, the public merger deed was registered at the Companies Register and the merger of Banca Cívica and CaixaBank was completed. From this date, Banca Cívica ceased to exist.

Pursuant to the merger, five CaixaBank shares were exchanged for eight Banca Cívica shares, the share capital of which at the date of approval of the merger consisted of 497,142,800 shares. CaixaBank completed the exchange of shares with a combination of 71,098,000 treasury shares and 233,000,000 newly issued shares, issued pursuant to a capital increase approved at the CaixaBank extraordinary general shareholders' meeting of 26th June, 2012, registered with the Companies Register on 3rd August, 2012. The exchange did not take into account the shares of Banca Cívica previously held by CaixaBank, or Banca Cívica's treasury shares which were cancelled.

Acquisition of Banco de Valencia

On 27th November, 2012, the Issuer signed a share purchase agreement to acquire, for €1 per share, the shares of Banco de Valencia, S.A. (**Banco de Valencia**) held by the Governing Committee of the FROB. Having obtained the required administrative approvals and authorisations, and under the terms and conditions agreed with the FROB and official approval and authorisation by Spanish and EU authorities, on 28th February, 2013, the Issuer confirmed the purchase of these shares (98.9% of the outstanding share capital of Banco de Valencia).

In accordance with the share purchase agreement, prior to the acquisition, Banco de Valencia's distressed assets were transferred to Sareb.

The acquisition is subject to a series of financial support measures structured through an asset protection scheme (*esquema de protección de activos*). Pursuant to this scheme, during a 10-year period the FROB will assume 72.5% of losses incurred in Banco de Valencia's small and medium sized entities (**SMEs**), self-

employed professionals, and contingent risk portfolios (guarantees), following the application of any existing provisions recognised for these assets.

On 4th April, 2013, the planned merger between CaixaBank and Banco de Valencia was approved by the boards of directors of each entity pursuant to which one CaixaBank share was to be exchanged for 479 shares of Banco de Valencia.

Further to the approval of the Ministry of Economy and Competition (*Ministerio de Economía y Competitividad*), on 19th July, 2013, CaixaBank registered its merger with Banco de Valencia at the Companies Register, making the merger fully effective as from that date.

Sale of Servihabitat

On 26th September, 2013, the Issuer approved the sale of 51% of Servihabitat Gestión Inmobiliaria, SLU (**Servihabitat**) to Texas Pacific Group (**TPG**). Servihabitat provides real estate services to third parties (overseeing acquisitions, property development, asset management and sales) and manages the real estate assets of the Issuer.

In order to complete the sale, the Issuer will first purchase 100% of the shares in Servihabitat from Servihabitat XXI SAU, a subsidiary of Criteria CaixaHolding, SAU (which is in turn a subsidiary of "la Caixa") for €98 million. The Servihabitat business will then be transferred to a newly created company whose share capital will be divided between TPG (51%) and the Issuer (49%). The final value of the deal will depend on the volume of real estate assets owned by the Issuer that are managed by Servihabitat from 2014 to 2017, with a maximum value of €370 million and a minimum value of €250 million. The deal includes an agreement pursuant to which Servihabitat will exclusively manage the "la Caixa" group's real estate assets for the next ten years. It is estimated that the transaction will generate a consolidated pre-tax gain for the Issuer of €255 million. As at the date of the Base Prospectus, this transaction remains subject to approval by the EU Competition Authorities.

Business overview

The Group's business is divided between the core banking and insurance business, international banking investees and its industrial portfolio, each as described below.



Banking and insurance business

This is the Group's core business and includes the entire banking business (retail banking, corporate banking, cash and markets) and insurance business, primarily carried out in Spain through the branch network and other complementary channels.

This business segment encompasses the activity and the profits generated from the Group's customers (as at 30th June, 2013 the Group had 13.8 million customers, including individuals, companies and institutions).

Total turnover of the banking business at 30th June, 2013 was €526,552 million, an increase of 2.4% from the figure as at 31st December, 2012 (€512,017 million) due mainly to the inclusion of Banca Cívica and Banco de Valencia's business. The gross balance of customer loans amounted to €220,967 million, while total customer funds stood at €305,585 million as at 30th June, 2013 in comparison to figures of €223,449 million and €288,568 as at 31st December, 2012, respectively.

The Issuer's principal activity is the provision of retail financial services (including the deposit of customer funds and extension of credit and the provision of, amongst other banking services, payment mechanisms, securities transactions, currency exchange) managed to adapt to the needs of the customers.

The Issuer's business has grown on the foundation of a broad customer base which adds lending stability and facilitates business volume growth.

The banking business is divided into the following segments:

Individual Banking

Individual banking is directed towards households, older customers, retailers, self-employed persons and micro-enterprises invoicing less than €1million. This is the group's most traditional business, and the foundations for the rest of the specialised value proposals.

At 31st December, 2012, the individual banking segment had approximately 12.1 million customers.

Personal Banking

This division is directed towards individual customers with a net worth of between €100,000 and €500,000, with services offered through the Issuer's office network designed to target such customer needs.

In 2012 the Issuer maintained a volume of funds and managed securities of almost €83,400 million, with one of the principal projects being the implementation of a multichannel relationship model, aimed at strengthening the relationship between the customer and the manager.

Private Banking

The private banking service is aimed at customers with assets being managed of a value in excess of EUR 500,000. For customers with a net worth of more than €10 million, there is a specialised group, the "Altium" team, which works together with private banking managers to offer a global service. The private banking service assists customers in structuring their investment portfolio in accordance with their positioning in terms of risk.

Further to the integration of Banca Cívica, the division became the market leader in terms of share funds under management which amounted to 12.5 per cent. (*source*: DBK competitors 2012, published in April, 2013).

As at 31st December, 2012, the entity had 33 specific private banking centres distributed throughout Spain, which collaborated with the 6,342 CaixaBank branches.

SME Banking

SME banking provides services to business customers with a turnover of less than €9 million.

As at 31st December, 2012, this division was serviced by 682 managers in 466 specialist offices. In 2012 the customer operations in this division grew, with a market penetration at 31st December, 2012 of 45.1% (internally prepared data; *source*: Informa at 31st December, 2012).

Business Banking

The business banking division is aimed at companies with turnover of more than €9 million. This service is offered under the brand "Caixaempresa" and has specialised centres and business managers who liaise with more than 38,826 business customers.

As at 31st December, 2012, the business banking service had its own network of 84 business centres and 604 specialist professionals.

Corporate Banking

Corporate Banking is aimed at business groups with annual turnover of more than €200 million, located in Madrid and Catalonia, and has three centres focused on Madrid, Barcelona and the international market.

Corporate Banking is comprised of a specialised team of 100 persons including directors, relationship managers, business analysts and specialists in transactional banking products focused on specialised financing, international business and risk management by way of derivatives and options.

Institutional Banking

This business, created in January, 2011 with the objective of unifying management related to public authorities, has a team of 90 professionals, and manages around 5,000 customers. In addition to acting principally domestically, this team serves national and international customers operating in certain countries, engaging principally in project finance.

During 2012, the business was reorganised with the creation of its own centres in all territories where CaixaBank has a presence, as well as a new internal risk structure to manage all assets transactions in the public sector.

Insurance business

CaixaBank offers life insurance, pensions and general insurance. In 2012, organic growth in the insurance area was strengthened by the integration of the insurance business of Banca Cívica.

Through VidaCaixa, S.A. de Seguros y Reaseguros (**VidaCaixa**) (life insurance); SegurCaixa Adeslas, S.A. de Seguros Generales y Reaseguros (**SegurCaixa Adeslas**) (non-life insurance owned (as at 30th June, 2013) 49.92% by VidaCaixa and 50% by Mutua Madrileña, by virtue of a strategic alliance); and AgenCaixa, S.A., CaixaBank is able to offer various insurance and pension plans to its customers.

As at 30th June, 2013, the overall volume of assets under management was in excess of €43,000 million, with a market share in terms of technical provisions of 20.1% (*source*: ICEA 2013, Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones (**ICEA 2013**)). SegurCaixa Adeslas is the health insurance market leader in Spain in terms of premiums (*source*: ICEA 2013).

Recurring net profit for the insurance business in 2012 amounted to €339 million as at 31st December, 2012 in comparison to €279 in 2011. As at 31st December, 2012, VidaCaixa had on-balance sheet assets of €45,178 million, mathematical provisions of €29,071 million and annual premiums of €5,027 million, in comparison to €38,765 million, €23,791 million and €5,069 million, respectively, as at 31st December, 2011.

Business support: Group subsidiaries

CaixaBank's subsidiaries provide support to its principal banking operations. The principal subsidiaries providing such support (in which the Issuer has a 100 per cent. holding) are BuildingCenter (administration and marketing of real estate related to the business of CaixaBank); e-la Caixa (multichannel management);

GDS-Cusa (non-performing loan management); PromoCaixa (management of loyalty programmes, promotions and marketing); Silk Aplicaciones (management of the Group's technological architecture); Sumasa (construction and maintenance); and CaixaBank CaixaCard (management of the "la Caixa" cards business).

International banking investees

The Issuer provides services for customers on a global level through operating branches, representative offices, correspondent banks and strategic alliances, each as described below.

- *Operating branches:* The Group has one branch in each of Poland (Warsaw), Romania (Bucharest), and Morocco (Casablanca), which offer services to Spanish companies with interests in these countries, and to local entities with significant business interests in Spain.

On 24th April, 2013, the Board of Directors of CaixaBank adopted resolutions in relation to the Romanian branch to sell all or a part of the loan portfolio of such branch to Banca Comerciala Romana (BCR) and/or Erste Group Bank, for an amount to be agreed, with any loans not ultimately transferred to be managed by CaixaBank, to cease business of the branch and to cancel the registration of the branch in the Bucharest Commercial Registry and to withdraw from registration with the Romanian National Bank Registry, as well as any other Romanian public authority.

On 30th April, 2013, the intention to cease business of the branch during the 2013 financial year was notified to the Romanian National Bank.

- *Representative Offices:* There are representative offices in Italy (Milan), the UK (London), France (Paris) and Germany (Stuttgart and Frankfurt) that offer services to large Spanish companies, international companies that have affiliates in Spain and to local small and medium sized entities which have a significant business interest in Spain. Outside of the EU, there are also representatives offices in China (Beijing and Shanghai), Turkey (Istanbul), Singapore, the UAE (Dubai), India (Delhi), Egypt (Cairo) and Chile (Santiago de Chile), the latter two inaugurated during 2012. The representation offices advise Spanish companies with projects abroad and provide them with information regarding bids and the actions required thereby.

In addition they act as liaisons with local financial institutions, guide customers in their activities in the country and are a point of reference for business actions that the CaixaBank branch network undertakes with customers having business in the countries covered by these offices.

- *Correspondent banks:* Agreements have been reached with correspondent banks in those countries in which CaixaBank does not have its own presence. Relationships have been established with more than 2,900 foreign banks in these countries, in order to support its customers in foreign business initiatives and investment projects they pursue in any country in the world.
- *Strategic alliances:* The Issuer maintains shares in five large banking groups located in Central and Eastern Europe, in China and in Mexico to offer shareholders and investors preferred access to new business opportunities in regions of high growth and balanced risk profile. Each of these alliances and recent investment activity in respect of such groups is described below:

Banco BPI, SA (Banco BPI)

Banco BPI commenced its activities in 1981, with its shares listed on the Lisbon and Portuguese stock exchanges since 1986. "la Caixa" purchased a 9% holding in Banco BPI in 1995, and its holding has increased since such date.

As at 30th June, 2013, the Group's ownership interest in Banco BPI was 46.22% and four members of the board of directors of Banco BPI (out of a total of 21) represented the Issuer. As at this date, Banco BPI had total assets of around €44,000 million and a business network of more than 710 branches in Portugal, and more than 170 in Angola, through its stake in Banco Fomento Angola (BFA).

Grupo Financiero Inbursa, S.A.B. de C.V. (GF Inbursa)

The Mexican Grupo Financiero Inbursa started its operations in 1965 offering retail banking services, asset management and insurance services. On 8th October, 2008, the Issuer purchased a 20% holding in GF Inbursa (its holding as at 31st December, 2012).

As at 30th June, 2013, two members of the board of directors of GF Inbursa (out of a total of 16) represented the Issuer, and as at this date, GF Inbursa had total assets of around €20,000, a network of more than 300 branches, 6,700 employees and around 14,000 financial advisors.

As at 30th June, 2013, the Group's ownership interest in GF Inbursa was 9.9%, subsequently reduced to 9.01% on 2nd July, 2013.

Erste Group Bank AG (Erste Group Bank)

Erste Group Bank was established in 1819 in Austria, listing its shares in 1997. In addition to Austria, it is present in the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine, serving 17 million customers through 3,000 branches. The Issuer purchased a 4.90% holding in Erste Group Bank for €628 million in 2008.

In 2012, the Issuer acquired additional shares in Erste Group Bank for the amount of €14,715 thousand, raising its ownership interest by 0.25%. This acquisition also offset the previous dilution of the Issuer's holding following various rights issues made without preferential subscription rights for shareholders carried out by Erste Group Bank.

As at 30th June, 2013, the Group's ownership interest in Erste Group Bank was 9.93% and as at such date it had total assets of approximately €210,000 million.

The Bank of East Asia, LTD. (Bank of East Asia)

Bank of East Asia was established in 1918 and has listed its shares on the Hong Kong stock exchange since 1930 with a presence in China since 1920. Bank of East Asia offers its Hong Kong and China customers commercial and personal banking services, as well as business and investment banking. It also serves the overseas Chinese community, operating in other countries in Southeast Asia, North America and the United Kingdom.

The Issuer purchased a holding of 8.89% in Bank of East Asia in 2007, and as at 30th June, 2013, the Group's ownership interest was 16.47% further to a scrip dividend for the amount of €17.4 million and €15.2 million in March and September, 2012, respectively, a private placement made by Bank of East Asia with Sumitomo Mitsui Banking Corporation in December 2012 and a scrip dividend, in which CaixaBank elected to receive shares worth €22.6 million, in April, 2013. As at 30th June, 2013, Bank of East Asia had more than €68,000 million of assets, 225 branches and more than 12,400 employees.

Boursorama

Boursorama, whose business is focused on online banking in Europe, was established in 1995 as a French finance group belonging to the Société Générale group, which remains its principal

shareholder with a 56% holding. The Issuer became a shareholder of Boursorama on 16th May, 2006 pursuant to the sale of CaixaBank France to Boursorama for a shareholding of 19.9% in Boursorama and a cash payment of €109 million. As at 30th June, 2013, the Group's holding in Boursorama was 20.7%. As at this date, Boursorama had total assets of more than €5,200 million and presence in four European countries (France, the United Kingdom, Germany through On Vista Bank and Spain through SelfBank (in a joint venture with CaixaBank)).

Industrial portfolio

CaixaBank holds stakes in Repsol, S.A. (**Repsol**) and Telefónica, S.A. (**Telefónica**), two of Spain's leading corporations in terms of market capitalization and profits. Both companies have strong market positions in their respective sectors, with extensive international operations and a strong growth and value-generation capacity, as well as a shareholder remuneration policy that forms the backbone of their strategy. CaixaBank's stakes in Repsol and Telefónica enable it to diversify its revenue streams. As at 30th June, 2013, CaixaBank held shares of 12.2% in Repsol and 5.6% in Telefónica.

Business segments

For segment reporting purposes, CaixaBank's results are classified into two main businesses:

- (i) The core business, banking and insurance, which includes all banking revenues (retail banking, corporate banking, cash management and market transactions) and all insurance-related revenues, as well as liquidity management and Assets and Liabilities Committee (ALCO), and income from the financing of the equity investment business net of capital allocation.

As at 30th June, 2013, profit from the banking and insurance business amounted to €131 million.

- (ii) The equity investment business, which encompasses dividend income and the CaixaBank Group's share of profits from its international banking and service investees, net of financing costs.

As at 30th June, 2013, attributable profit from equity investments, net of financing costs, amounted to €277 million.

Consolidated income statement of the Group by business segment^(*):

Unaudited (Millions of euro)	Banking and insurance ^(*)		Investments		TOTAL CAIXABANK GROUP	
	January-June		January-June		January-June	
	2013	2012	2013	2012	2013	2012
Net interest income	2,233	1,958	(274)	(172)	1,959	1,786
Dividends and profits due to application of the equity method	33	36	407	480	440	516
Net fee and commission income	890	839	-	-	890	839
Gains/(loss) on financial assets and liabilities and other operating income and expense	340	273	-	-	340	273
Gross income	3,496	3,106	133	308	3,629	3,414
Administrative expenses	(2,630)	(1,410)	(1)	(2)	(2,631)	(1,412)
Amortization/depreciation	(209)	(154)	-	-	(209)	(154)
Pre-impairment income	657	1,542	132	306	789	1,848
Impairment on financial and other assets	(2,876)	(1,900)	-	-	(2,876)	(1,900)
Profit/(loss) from operations	(2,219)	(358)	132	306	(2,087)	(52)
Gains/(losses) on disposal of assets and other	2,106	54	55	-	2,161	54
Profit before tax	(113)	(304)	187	306	74	2
Income tax	239	117	90	47	329	164
Profit for the period	126	(187)	277	353	403	166
Profit attributable to non-controlling interests	(5)	-	-	-	(5)	-
Profit attributable to the Group	131	(187)	277	353	408	166
Equity (**)	19,142	15,252	3,972	6,537	23,115	21,789

(*) Net profit for the insurance business in the first half of 2013 amounted to €241 million. Key indicators for the insurance group at 30th June, 2013 include on-balance sheet assets of €49,734 million, mathematical provisions of €32,005 million and premiums earned in the period of €2,656 million.

(**) Average equity in the period allocated to the businesses.

The following table shows amounts invested as at 30th June, 2013 and 31st December, 2012. The investments are accounted for using the equity method on the basis of the best available estimate of underlying carrying amount at the date of preparation of the consolidated financial statements. For listed companies, the latest public figures are shown:

Unaudited		
(Thousands of euro)	30 June 2013	30 June 2012
Listed banking investments	5,072,425	5,745,456
Underlying carrying amount	3,714,323	4,050,785
Goodwill.....	1,358,102	1,694,671
Other listed companies	3,425,559	3,472,246
Underlying carrying amount	3,425,559	3,472,246
Goodwill.....	—	—
Unlisted.....	1,408,028	1,456,485
Underlying carrying amount	1,081,723	958,367
Goodwill.....	326,305	498,118
Subtotal.....	9,906,012	10,674,187
Less:.....		
Impairment allowance	(738,109)	(736,016)
Total.....	9,167,903	9,938,171

The following table presents the main listed companies as at 30th June, 2013 and 31st December, 2012 classified as associates or available-for-sale financial assets, detailing the percentage of ownership and market value:

Company		30 June 2013		31 December 2012	
		% holding	Unaudited	% holding	Unaudited
			Market value		Market value
Telefónica, SA	(AFS)	5.59%	2,506,519	5.55%	2,574,853
Grupo Financiero Inbursa.....	(ASSOC)	9.90%	1,108,497	20.00%	3,042,441
Repsol, SA	(ASSOC)	12.20%	2,537,018	12.46%	2,400,072
The Bank of East Asia, LTD	(ASSOC)	16.47%	1,026,009	16.38%	1,057,572
Erste Group Bank AG	(ASSOC)	9.93%	803,711	9.93%	941,680
Banco BPI, SA	(ASSOC)	46.22%	583,356	46.22%	605,842
Boursorama, SA.....	(ASSOC)	20.70%	119,263	20.70%	90,858
Bolsas y Mercados Españoles SHMSF, SA.....	(AFS)	5.01%	78,819	5.01%	77,290
Market value			8,763,192		10,790,608

(ASSOC)= Associates; (AFS) = Available-for-sale

The following are the main changes in the first six months of 2013 with respect to investments in associates and jointly controlled companies, and available-for-sale equity instruments:

Sale of Grupo Financiero Inbursa shares

On 6th June, 2013, CaixaBank sold 3.7% of GF Inbursa (250 million shares) to Inmobiliaria Carso, S.A., for €387 million (26 pesos per share).

Subsequently, on 26th June, 2013, CaixaBank completed its placement of shares representing 6.4% of GF Inbursa, at a price of 26 pesos per share (€654 million).

These transactions produced a net capital gain for CaixaBank of €63 million.

At 2nd July, 2013, following the aforementioned sales and the exercise of the overallotment option (0.89%) by the underwriters, CaixaBank's stake in GFI stood at 9.01%.

CaixaBank reaffirmed its commitment to GF Inbursa and to its main shareholders, by means of entering into a new agreement governing GF Inbursa shareholder relations.

Investment in Sociedad de gestión de Activos Procedentes de la Reestructuración Bancaria, SA (Sareb)

In December, 2012, the Issuer entered into an agreement to invest in Sareb jointly with the Fund for Orderly Bank Restructuring (the **FROB**), Banco Santander, S.A., Banco de Sabadell, S.A., Banco Popular Español S.A. and Kutxabank, S.A. Pursuant to this agreement, the Issuer committed to invest up to €606 million, of which 25% would be via subscription of equity (representing a shareholding of approximately 11.7% in Sareb) and the remaining 75% via the acquisition of subordinated debt.

By 31st December, 2012 the Issuer had subscribed shares issued pursuant to a capital increase in Sareb of €118 million, and subscribed €354 million of subordinated debt.

On 13th February, 2013 Sareb carried out a second capital increase pursuant to which CaixaBank paid €31.3 million, raising its investment to €149.3 million as at 30th June, 2013.

At 30th June, 2013, CaixaBank's stake in SAREB was 12.4%.

In addition, VidaCaixa SA had an investment in Sareb subordinated debt amounting to €431.9 million at 30th June, 2013.

Telefónica

In the six months ended 30th June, 2013, CaixaBank increased its stake in Telefónica, SA by directly investing €66 million, representing a 0.13% stake. It also sold shares representing a 0.09% stake, generating a pre-tax gain of €5 million.

As at 30th June, 2013, CaixaBank's stake in Telefónica, SA stood at 5.59%, with a market value of €2,507 million.

Geographical distribution

The income of the Group for the six months ended 30th June, 2013 and 30th June, 2012 by geographical area is as follows:

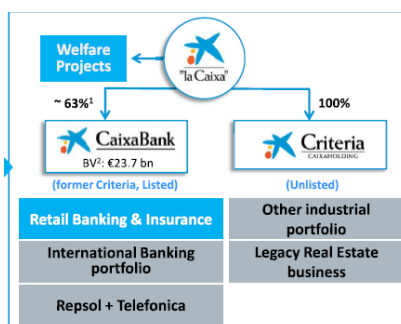
Unaudited (Thousands of euro)	January-June			
	Ordinary income from customers		Total ordinary income	
	2013	2012	2013	2012
Banking and insurance	6,756,012	5,684,114	6,756,012	5,684,114
Spain	6,747,590	5,673,298	6,747,590	5,673,298
Other countries.....	8,422	10,816	8,422	10,816
Investments	406,861	479,983	406,861	479,983
Spain	198,658	337,032	198,658	337,032
Other countries.....	208,203	142,951	208,203	142,951
Total.....	7,162,873	6,164,097	7,162,873	6,164,097

As at 30th June, 2013, the Group had 6,132 branches in Spain; one branch in each of Poland (Warsaw), Romania (Bucharest), and Morocco (Casablanca); and representative offices in Germany, Chile, China, UAE, Egypt, France, India, Italy, UK, Singapore and Turkey.

Organisational Structure

As of 31st December, 2012, the Group was made up of 96 fully consolidated subsidiaries (entities with which the Issuer constitutes a decision-making unit, due to direct or indirect ownership of 50% or more of the voting power or, if this percentage is lower, because it has agreements with other shareholders of these companies that give the Issuer the majority of the voting power); 36 joint ventures; and 114 associates (companies over which the Issuer exercises significant influence, but which are not subsidiaries or jointly controlled entities).

The following chart sets out the structure of the "la Caixa" group as at 30th June, 2013:



[1] Including conversion of mandatory convertible bonds I/2011 and I/2012
 [2] As of end of June 2013

The companies which form part of the Group are principally domiciled in Spain.

The following chart sets out the main subsidiaries of CaixaBank as at 30th June, 2013:

CaixaBank					
LISTED SERVICES	Telefónica	5.6%	INTERNATIONAL BANKING	46.2%	Banco BPI
	Repsol YPF	12.2%		20.7%	Boursorama
	BME	5.0%		9.9%	GF Inbursa
SPECIALIZED FINANCIAL SERVICES	Banco de Valencia	98.9%	16.5%	BEA	
	Finconsum	100%	9.9%	Este Group Bank	
	Credifino	100%	100%	VidaCaixa	
	InverCaixa	100%	100%	Agencia	
	GestiCaixa	100%	49.9%	SegurCaixa Adesitas	
	Nuevo Micro Bank	100%	100%	Building center	
	Self Trade Bank	49.0%	12.4%	SAREB	
	CaixaCard	100%	100%	SILK Aplicaciones	
	Caixa Capital Risc	100%	100%	e-la Caixa	
	CaixaRenting	100%	100%	GDS Cusa	
	Comercio Global Payments	49.0%	100%	Caixa Emprendedor XXI	
	CaixaBank Electronic Money (EMU)	100%	100%		
			REAL ESTATE AND OTHER SERVICES		

Capital structure

As at the date of this Base Prospectus, the Issuer's share capital is €4,821,091,838 divided into 4,821,091,838 fully subscribed and paid ordinary shares with a par value of €1 each. All shares are of the same class with the same rights attached.

The Issuer's shares are admitted to trading on the Spanish stock exchanges and on the continuous market, and have been included in the IBEX 35 since 4th February, 2008. The Issuer is subject to the oversight of the Spanish Securities Market Regulator (*Comisión Nacional del Mercado de Valores*).

Major Shareholders

As at 30th June, 2013, 70.35% of the Issuer's share capital was held by "la Caixa". As at this date, the Issuer held 2,499,985 treasury shares representing 0.053% of its share capital.

In accordance with recommendation 2 of the Unified Good Governance Code published by the CNMV (*Código unificado de buen gobierno de las sociedades cotizadas*), the Issuer and "la Caixa", as principal shareholder of the Issuer, have entered into an internal protocol agreement which governs their relationship, including the future business and service relationships between the two groups, and strengthens transparency and good governance of the Issuer.

Aside from the holding of "la Caixa", the Issuer is not aware of any other shareholder holding significant interests (of more than 3% of the share capital or interests that would permit a significant influence on the Issuer) as at 30th June, 2013.

Management of the Issuer

Board of Directors

The table below sets out the names of the members of the Board of Directors of the Issuer as at 31st December, 2012, the respective dates of their appointment, their positions within the Issuer and the nature of their membership:

First appointed	Name	Title	Nature
7th July, 2000 ⁽¹⁾ ⁽³⁾ ⁽⁵⁾	Isidro Fainé Casas	Chairman	Proprietary *
21st June, 2007 ⁽²⁾	Juan María Nin Génova	Deputy Chairman and CEO	Executive *
20th September, 2012	Juan Franco Pueyo	Director – Caja Navarra	Proprietary **
20th September, 2012	Guillermo Sierra Molina	Director - Cajasol	Proprietary **
26th June, 2012	Eva Aurín Pardo	Director	Proprietary *
26th June, 2012	María Teresa Bassons Boncompte	Director	Proprietary *
6th September, 2007	Isabel Estapé Tous	Director	Independent
6th June, 2003 ⁽⁴⁾	Salvador Gabarró Serra	Director	Proprietary *
6th September, 2007	Susana Gallardo Torrededía	Director	Independent
2nd May, 2005 ⁽⁵⁾	Javier Godó Muntañola	Director	Proprietary *
26th June, 2012	Javier Ibarz Alegría	Director	Proprietary *
6th September, 2007	David K.P. Li	Director	Other External
12th May, 2011	Juan-José López Burniol	Director	Proprietary *
7th May, 2009 ⁽⁵⁾	María Dolors Llobet María	Director	Proprietary *
6th September, 2007	Alain Minc	Director	Independent
3rd November, 2011	John S. Reed	Director	Independent
30th July, 2009 ⁽⁵⁾	Leopoldo Rodés Castañé	Director	Proprietary *
6th September, 2007	Juan Rosell Lastortras	Director	Other External
5th June, 2008	Xavier Vives Torrents	Director	Independent
26th May, 2009 ⁽⁶⁾	Alejandro García-Bragado Dalmau	General Secretary to the Board of Directors	Non-director secretary
27th June, 2011	Oscar Calderón de Oya	First Deputy Secretary	First Deputy Secretary (non-director)
27th June, 2010	Adolfo Feijóo Rey	Second Vice-Secretary	Second Deputy Secretary (non-director)

* Representing: "la Caixa"

** presenting: Caja de Ahorros y Monte de Piedad de Navarra, Monte de Piedad y Caja de Ahorros San Fernando de Guadalajara, Huelva, Jerez y Sevilla, Caja General de Ahorros de Canarias and Caja de Ahorros Municipal de Burgos

⁽¹⁾ Appointed Deputy Chairman in 2008 and appointed Chairman in 2009

⁽²⁾ Appointed Deputy Chairman in 2009. Appointed CEO in 2011. Re-elected Director and Deputy Chairman and C.E.O. on 19th April, 2012

⁽³⁾ Re-elected in 2005

⁽⁴⁾ Re-elected on 5th June, 2008

⁽⁵⁾ Re-elected on 19th May, 2010

⁽⁶⁾ General Secretary since 27th June, 2011

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

Name	Company	Position
Isidro Fainé Casas	"la Caixa", S.A. "la Caixa" Foundation Criteria CaixaHolding, S.A. Association of Spanish Savings Banks (CECA, Confederación Española de Cajas de Ahorro) Spanish Confederation of Directors and Executives (CEDE) Club of Rome Círculo Financiero, S.A. IPEMED (Institut de Prospective Économique du Monde Méditerranéen) European Savings Bank Group (ESBG) Telefónica, S.A. Abertis Infraestructuras, S.A. Repsol, S.A. Sociedad General de Aguas de Barcelona, S.A. Banco BPI, S.A. (Portugal) The Bank of East Asia Limited Deposit Guarantee Fund for Savings Banks	Chairman Chairman Chairman Chairman Chairman Chairman of the Spanish Chapter Chairman Deputy Chairman Vice Chairman Vice Chairman Vice Chairman Vice Chairman Vice Chairman Board Member Board Member Member
Juan María Nin Génova	Criteria CaixaHolding, S.A. "la Caixa" Foundation Gas Natural S.D.G., S.A. Grupo Financiero INBURSA SABCV. Banco BPI, S.A. Erste Bank (Erste Group Bank A.G.) Repsol, S.A. VidaCaixa Grupo, S.A. Spain-United States Council Foundation Spain-China Council Foundation Spain-India Council Foundation Spain Confederation of Directors and Executives (CEDE)	Deputy Chairman Deputy Chairman Board Member Board Member Board Member Board Member Board Member Board Member Board Member Board Member Board Member Board Member Board Member Board Member Board Member Deputy Chairman Board Member
Juan Franco Pueyo	International Development for the Government of Navarre Transfers Commission (Government of Navarre) Coordinating Committee on European Union Affairs Pyrenees Work Coordination Committee CTP Executive Committee CTP Autopistas de Navarra, S.A. (AUDENASA) ANAIN (Agencia Navarra de Innovación y Tecnología, S.A.) Centro Navarro de Autoaprendizaje de Idiomas, S.A. Start Up Capital Navarra, S.A. Navarre Immigration Council	Director-General Board Member Representative of Navarre Representative of Navarre Representative of Navarre Board Member Board Member Board Member Board Member Vice Chairman Board Member
	Director-General for Budget of the Navarre government Caja Navarra, Banca Cívica, S.A.	Director-General Chairman (Management Committee)
Guillermo Sierra Molina	Cajasol, Banca Cívica, S.A. General Assembly of "la Caixa", S.A.	Chairman (Control Committee) Member
Eva Aurín Pardo	ETIC Sistemas informàtics S.L. (Barcelona). General Assembly of "la Caixa", S.A.	Project Director Member
María Teresa Bassons Boncompte	Barcelona Chamber of Commerce General Assembly of "la Caixa", S.A. "la Caixa" Foundation. Barcelona Board of Pharmacy governing body (<i>Junta de Gobierno del Col·legi Oficial de Farmacèutics de Barcelona</i>) Oncolliga scientific Committee.	Member and representative Representing the Barcelona Chamber of Commerce Board of Trustees Member (ex Vice President) Member
Isabel Estapé Tous	-	-
Salvador Gabarró Serra	Gas Natural SDG, S.A.	Chairman – Executive Director
Susana Gallardo Torrededia	Landon Investments S.C.R. de Régimen Simplificados, S.A. Family Firm Institute, Inc Pronovias, S.L.	Board Member Member of Advisory Committee Vice Chair
Javier Godó Muntañola	"La Vanguardia" Grupo Godó de Comunicación, S.A. Catalunya Comunicació, S.A.	Editor Chairman Chairman

Name	Company	Position
	Soc. Servicios Radiofónicos Union Radio S.L. "Sociedad Española de Radiodifusión" (SER), S.L Conde de Barcelona Foundation Sociedad Económica Barcelonesa de Amigos del País (SEBAP) Telefónica de España, S.A.	Vice-Chairman Vice-Chairman Vice-Chairman Vice-Chairman Advisory Board Member
Javier Ibarz Alegría	Ayuntamiento de Reus General Assembly of "la Caixa", S.A. Llaza, S.A. Eigma, S.L.	Councillor Member Board Member General Director and Founding Partner
David K.P. Li	The Bank of East Asia, Ltd. Hong Kong Special Administrative Region Banking Advisory Committee Chinese Banks' Association, Ltd. The Chartered Institute of Bankers Institute of Chartered Accountants in England and Wales Australian Society of Certified Practising Accountants	Chairman and Chief Executive Member of the Legislative Council Member Chairman Fellow Fellow Fellow
Juan-José López Burniol	"la Caixa", S.A. Icaria, Iniciatives Socials, S.A.L.	Board Member Board Member
María Dolors Llobet María	"la Caixa", S.A. Comisiones Obreras (CC.OO) General Assembly of "la Caixa", S.A. Nuevo Micro Bank, S.A.U. Saba Infraestructuras, S.A. Corporació Catalana de Mitjans Audiusuels: CCMA, Generalitat de Catalunya	Union representative, Executive Committee Member Spokesperson, Member of the Confederal Council of Spain and the national Council Member Director Director Member
Alain Minc	Prisa, S.A Direct Energie, S.A.	Board Board Member
John S. Reed	Corporation of Massachusetts Institute of Technology	Chairman of the Corporation
Leopoldo Rodés Castañé	Havas Media, S.L. "la Caixa", S.A. Abertis Infraestructuras, S.A. Prisa TV, S.A.U. Havas S.A Grupo Financiero Inbursa, S.A.B.C.V Royal Automobile Club of Catalonia	Chairman Member of Executive Committee Board Member Board Member Board Member Board Member Board Member Vice-Chairman
	Christie's International Europe, S.A. Institut de l'Empresa Familiar Asepeyo Mutua de Accidentes, S.L. Chairman's Council	Board Member Founder & Chairman Chairman Member
Juan Rosell Lastortras	OMB, Sistemas Integrados para la Higiene Urbana, S.A. Congost Plastic, S.A. Port Aventura Entertainment, S.A. Gas Natural, SDG, S.A. Miura Private Equity S.G.E.C.R, S.A. Confederación Española de Organizaciones Empresariales (CEOE) Business Europe Fundación ANIMA	Chairman Chairman Board Member Board Member Chairman of Investment Committee Chairman Deputy Chairman Chairman
Xavier Vives Torrents	CAREC (Advisory Committee for Economic Recovery and Growth), Gobierno de Cataluña Special Advisor to the Vice-President of the European Commission and Competition Commissioner, Joaquín Almunia Aula Escuela Europea, S.A.	Member Special Advisor Board Member
Alejandro García-Bragado Dalmau	"la Caixa" Foundation	Patron and Secretary of the Board of Trustees
Óscar Calderón de Oya	Board of Directors of Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), S.A. Board of Trustees of the Caja de Ahorros y Pensiones de Barcelona ("la Caixa") Foundation	Deputy Secretary Patron and Deputy Secretary
Adolfo Feijóo Rey	Inversiones Autopistas, S.L. Criteria CaixaHolding, S.A VidaCaixa Grupo, S.A.	Board Member Non-director Deputy Secretary Non-director Secretary

Name	Company	Position
	MicroBank Banco Social de "la Caixa", S.A. CaixaRenting, S.A.U. FinConsum E.F.C, S.A.U. Mediterránea Beach & Golf Community, S.A. Tenedora de Vehículos, S.A. Hotel Caribe Resort	Non-director Secretary Non-director Secretary Non-director Secretary Non-director Secretary Non-director Secretary Legal Advisor to Board

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

The business address of each member of the Board of Directors is Av. Diagonal, 621 08028 Barcelona, Spain.

Executive Committee

The Executive Committee is governed by applicable legislation, the Issuer's by-laws and the Regulations of the Board of Directors. The Executive Committee has been delegated all of the responsibilities and powers available to it both legally and under the Issuer's by-laws.

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

First Appointed	Name	Position
7th May, 2009 ⁽¹⁾	Isidro Fainé Casas	Chairman
7th May, 2009	Juan María Nin Génova	Member
7th May, 2009	Isabel Estapé Tous	Member
12th May, 2011	Susana Gallardo Torrededía	Member
26th June, 2012	Javier Ibarz Alegría	Member
12th May, 2011	Juan José López Burniol	Member
26th May, 2009 ⁽¹⁾	M ^a Dolors Llobet Maria	Member
26th May, 2009	Alejandro García-Bragado Dalmau	Non-director Secretary
27th June, 2011	Óscar Calderón de Oya	First Deputy Secretary (non-director)
27th June, 2011	Adolfo Feijóo Rey	Second Deputy Secretary (non-director)

(1) Re-elected on 19th May, 2010

Audit and Control Committee

The Audit and Control Committee ordinarily 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 committee is also responsible for evaluating the auditing system, the verification of the independence of the external auditor, and the review of internal control systems.

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

First Appointed	Name	Position
12th May, 2011	Francesc Xavier Vives Torrents	Chairman
12th May, 2011	Salvador Gabarró Serra	Member
20th September, 2007	Alain Minc	Member
27th June, 2011	Alejandro García-Bragado Dalmau	Non-director Secretary
27th June, 2011	Óscar Calderón de Oya	First Deputy Secretary (non-director)
27th June, 2011	Adolfo Feijóo Rey	Second Deputy Secretary (non-director)

Appointments and Remunerations Committee

The Appointments and Remunerations Committee meets when convened by its Chairman, who must do so whenever the Board of Directors or its Chairman requests the issuance of a report, or the adoption of any relevant proposals.

Its duties include notifying the Board of Directors of proposals for the appointment of independent directors and reporting on the appointments of the other types of directors; proposing to the Board of Directors the compensation policies of Directors and senior executives; considering the remuneration policies; reporting on appointments and departures of senior executives; and reporting to the Board of Directors on matters of general diversity.

As at the date of this Base Prospectus, the Appointments and Remunerations Committee was composed of the following members:

First Appointed	Name	Position
12th May, 2011 ⁽¹⁾	Isabel Estape Tous	Chairman
26th July, 2012	Susana Gallardo Torrededia	Member
12th May, 2011	Javier Godó Muntanyola	Member
30th July, 2009	Alejandro García-Bragado Dalmau	Non-director Secretary
27th June, 2011	Óscar Calderón de Oya	First Deputy Secretary (non-director)
27th June, 2011	Adolfo Feijóo Rey	Second Deputy Secretary (non-director)

⁽¹⁾ Appointed Chairman on 21st September, 2012

Litigation

As at 30th June, 2012, certain lawsuits and proceedings were ongoing against the Issuer arising from the ordinary course of its operations. Management of the Issuer considers that the outcome of such lawsuits and proceedings will not have a material effect on the financial position of the Issuer in the years in which they are settled.

Provisions covering the obligations that may arise from such ongoing legal proceedings have been made for €76,793 thousand.

Credit ratings

As at the date of this Base Prospectus, the Issuer has been assigned long-term debt ratings of BBB- by Standard & Poor's, Baa3 by Moody's, BBB by Fitch and A (low) by DBRS, each of which has a negative outlook.

Tranches of Notes may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16th September, 2009 on credit rating agencies (the **CRA Regulation**) will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

TAXATION

Spain

The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax consequences relating to the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving any payments under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes.

Introduction

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

- (a) of general application, Additional Provision Two of Law 13/1985, of 25th May on investment ratios, own funds and information obligations of financial intermediaries, as amended ("**Law 13/1985**"), as well as Royal Decree 1065/2007 of 27th 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 29th July ("**Royal Decree 1065/2007**");
- (b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28th November, on the IIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended, and Royal Decree 439/2007 of 30th March promulgating the IIT Regulations, along with Law 19/1991, of 6th June on Wealth Tax, as amended, and Law 29/1987, of 18th December on the Inheritance and Gift Tax;
- (c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Royal Legislative Decree 4/2004, of 5th March promulgating the Consolidated Text of the CIT Law, as amended, and Royal Decree 1777/2004, of 30th July promulgating the CIT Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5th March promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004 of 30th July promulgating the NRIT Regulations, along with Law 19/1991, of 6th June on Wealth Tax as amended and Law 29/1987, of 18th December on the Inheritance and Gift Tax.

Whatever the nature and residence of the Noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December regulating such tax.

1. Individuals with Tax Residency in Spain

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

Both interest payments periodically received and income derived from the transfer, redemption or repayments of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the IIT Law, and therefore must be included in the investor's IIT savings taxable base pursuant to the provisions of the aforementioned law and generally taxed at a flat rate of 19% on the first EUR 6,000 and 21% for any amount in excess of EUR 6,000.

Exceptionally during the tax period 2013, each investor's savings income tax base will be taxed at the following rates: (i) 21% up to EUR 6,000; (ii) 25% from EUR 6,001 up to EUR 24,000; and (iii) 27% on any amount exceeding EUR 24,000. Please note that it has been unofficially announced that the increased tax rates may also apply during 2014 and therefore the reduction of tax rates may be postponed to 2015.

Article 44 of the Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, has established new information procedures for debt instruments issued under the Law 13/1985 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Issuing and Principal Paying Agent for the gross amount, provided that such information procedures are complied with, so that any payment under the Notes will not be subject to withholding tax to the extent that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Principal Paying Agent as it is described in section "*Simplified information procedures*".

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the general rate of 19% which will be made by the depositary or custodian. Exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%. Please note that it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014.

Amounts withheld may be credited against the final IIT liability.

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

1.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Individuals with tax residency in Spain are subject to Wealth Tax during the tax year 2013 to the extent that their net worth exceeds EUR 700,000. Therefore, they should take into account the value of the Notes which they hold as at 31st December, 2013, the applicable rates ranging between 0.2% and 2.5%. The Autonomous Communities may have different provisions in this respect.

1.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65% and 81.6% depending on relevant factors.

2. Legal Entities with Tax Residency in Spain

2.1 Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 30%) in accordance with the rules for this tax.

In accordance with Section 44.5 of Royal Decree 1065/2007, of 27th July as amended by Royal Decree 1145/2011, of 29th July, and in the opinion of the Issuer, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers to the extent that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Issuing and Principal Paying Agent as it is described in section "*Simplified information procedures*".

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the generally applicable rate of 19% (exceptionally during the tax period 2013, the withholding tax rate applicable is 21%, although it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014), if the Notes do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27th July, 2004 in which case the required withholding will be made by the depositary or custodian.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

2.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

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

2.3 Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish CIT purposes.

3. Individuals and Legal Entities with no tax residency in Spain

3.1 Non-resident Income Tax (*Impuesto sobre la renta de No Residentes*)

(a) With permanent establishment in Spain

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See "Taxation in Spain—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)". Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) *With no permanent establishment in Spain*

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner described in section "Simplified information procedures" as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate applicable from time to time, and the Issuer will pay the relevant additional amounts as will result in receipt by the Noteholder of such amounts as would have been received by them had no such withholding or deduction been required.

3.2 *Net Wealth Tax (Impuesto sobre el Patrimonio)*

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed EUR700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2% and 2.5%.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Notes which income is exempt from NRIT as described above.

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

3.3 *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant double tax treaty will apply.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Holder.

4. *Tax Rules for Notes not Listed on an Organized Market in an OECD Country*

4.1 *Withholding on Account of CIT and NRIT*

If the Notes are not listed on an organized market in an OECD country on any Payment Date, payments to Noteholders will be subject to withholding tax at the general rate of 19% (exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%, although it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014), except in the case of Noteholders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the Notes through a permanent establishment in

Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5th July, as amended) or (b) resident for tax purposes of a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

4.2 Net Wealth Tax (*Impuesto sobre el Patrimonio*)

See "Taxation in Spain Individuals with Tax Residency in Spain – Net Wealth Tax (*Impuesto sobre el Patrimonio*)" and "Taxation in Spain – Individuals and legal entities with no tax residency in Spain – Net Wealth Tax (*Impuesto sobre el Patrimonio*)".

5. Simplified information procedures

According to Law 13/1985 the information to be reported by issuers to the Spanish Tax Authorities will be developed in relevant regulations. Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, sets out the procedures to be followed in order to make payments under the Notes without withholdings or deductions for or on account of Spanish taxes.

The procedures set out in the Agency Agreement provide that the Issuer will pay on each Interest Payment Date the full amount of the payment due and payable to the Issuing and Principal Paying Agent. The Issuing and Principal Paying Agent, on behalf of the Issuer, will deliver a statement in the required form to the Issuer the business day immediately before the relevant Interest Payment Date. The statement shall contain the following information:

- (i) identification of the Notes;
- (ii) income payment date (or refund if the Notes are issued at a discount or segregated);
- (iii) total amount of income (or total amount to be refunded if the Notes are issued at a discount or segregated);
- (iv) total amount payable under the Notes to each of the Clearing Systems.

If the procedures set out above are complied with, the Issuing and Principal Paying Agent, on behalf of the Issuer, will pay the relevant amount to (or for the account of) the clearing systems without withholdings or deductions for or on account of Spanish taxes. If the statement is not delivered to the Issuer as described above, the Issuer shall pay such additional amounts as required under terms of the Notes and pay an appropriate amount to the Spanish tax authorities to the extent required to comply with its obligations with respect thereto. The Issuing and Principal Paying Agent will pay the relevant amount to (or for the account of) the clearing systems.

If, following clarifications by the Spanish Tax Authorities, procedures in relation to Royal Decree 1145/2011 are subsequently amended, the Issuer and the Issuing and Principal Paying Agent will implement such procedures as may be required to enable the Issuer to comply with its obligations under applicable legislation as clarified by the Spanish Tax Authorities. The Issuer undertakes to ensure that the Noteholders are informed of such new procedures and their implications.

Regarding the interpretation of the amendments introduced by Royal Decree 1145/2011 and the new simplified information procedures please refer to "*Risk Factors – Risks related to the Spanish withholding tax regime*".

The Proposed Financial Transactions Tax (FTT)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Luxembourg has announced that it will no longer apply the withholding tax system as from 1st January, 2015 and will provide details of payments of interest (or similar income) as from this date. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that (a) does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a **Recalcitrant Holder**) or (b) fails to waive its rights to prevent an FFI from complying with its disclosure obligations as a Participating FFI. The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1st July, 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1st January, 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **grandfathering date**, which is the later of (a) 1st July, 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives provided such FFI complies with the requirements of the relevant IGA. Further, a Reporting FI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI may be required to withhold on (i) foreign passthru payments and (ii) gross proceeds from the disposition of instruments paying US-source interest or dividends. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

If the Issuer becomes a Participating FFI under FATCA, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors

should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 15th October, 2013, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Spain

The Base Prospectus has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not direct or make any offer of the Notes to investors located in Spain. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14th May, 1999, as amended from time to time (**Regulation No. 11971**); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29th October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September 1993, as amended (the **Banking Act**); and
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of the securities in the Republic of Italy; and

- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

France

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) qualified investors (*investisseurs qualifiés*), other than individuals as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, D.411-4, L.533-16 and L.533-20 of the French *Code monétaire et financier*.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 29th September, 2013.

Issues of Notes under the Programme are required to comply with certain formalities contained in the Spanish Corporations law (*Ley de Sociedades de Capital*) as at the date of this Base Prospectus, including the publication of the issue in the Corporate Registry Gazette (*Boletín Oficial del Registro Mercantil*) (the **BORME**), execution of a public deed of issue (*Escritura de Emisión*), registration of the issue in the Corporate Registry (*Registro Mercantil*), appointment of a Commissioner and the constitution of a Syndicate of Noteholders.

Listing of Notes

This Base Prospectus has been approved by the CBI as competent authority under the Prospectus Directive. Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to trading on the Main Securities Market and to be listed on the Official List. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). It is expected that each Tranche of Notes to be listed on the Official List and admitted to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available in hard copies for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent(s) for the time being in Luxembourg:

- (a) the bylaws (with an accurately reproduced English translation thereof) of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31st December, 2012 and 31st December, 2011 (with an accurately reproduced English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited consolidated condensed interim financial statements of the Issuer (in each case with an accurately reproduced English translation thereof), in each case together with any audit or limited review report prepared in connection therewith. The Issuer currently prepares unaudited consolidated condensed interim accounts on a half yearly basis;
- (d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and

- (f) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer or the Group since 31st December, 2012.

There has been no significant change in the financial position of the Group since 30th June, 2013 and there has been no significant change in the financial or trading position of the Issuer since 30th June, 2013.

Litigation

Neither the Issuer nor any other member of the Group] is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are Deloitte, S.L. (registered as auditors on the *Registro Oficial de Auditores de cuentas*) who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Spain for each of the two financial years ended on 31st December, 2012 and 31st December, 2011.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealer or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ISSUER

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To the Issuer as to English law and Spanish law

To the Dealers as to English law and Spanish law

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