

BASE PROSPECTUS

Bankia

Bankia, S.A.

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

€10,000,000,000

Euro Medium Term Note Programme

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

The Final Terms (as defined below) for each Tranche (as defined on page 52) 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, 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 Law 22/2003 (*Ley Concursal*) of 9 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 €10,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an 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 115 – 119 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014, of 26 June 2014 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. No unlisted Notes may be issued under the Programme.

The Issuer has been rated BB- (positive outlook) and BBB- (negative outlook) by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**) and Fitch Ratings España, S.A.U. (**Fitch**), respectively. Each of Standard & Poor's and Fitch 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 and Fitch 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.
Bankia, S.A.
BofA Merrill Lynch
Citigroup
Crédit Agricole Corporate and Investment Bank
Deutsche Bank
HSBC
Morgan Stanley
Nomura
The Royal Bank of Scotland

Barclays
BNP PARIBAS
Commerzbank
Credit Suisse
Goldman Sachs International
J.P. Morgan
NATIXIS
Santander Global Banking & Markets
Société Générale Corporate & Investment Banking
UBS Investment Bank

The date of this Base Prospectus is 23 September 2014.

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

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

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

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

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

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

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

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) 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** and **U.S.\$** refer to United States dollars;
- **Sterling** and **£** refer to pounds sterling; and

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

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

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

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

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

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

Issuer: Bankia, S.A.

The Issuer is a Spanish bank and the parent company of a group of 258 companies as at 30 June 2014, comprising 122 subsidiaries, 20 multigroup and 116 associates (the **Bankia Group** or the **Group**). The Issuer is itself a controlled company in a consolidated group of credit institutions, the controlling company of which is Banco Financiero y de Ahorros S.A. (**BFA**) and, together with the Bankia Group, the **BFA-Bankia Group**.

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Description: Euro Medium Term Note Programme

Arranger: Barclays Bank PLC

Dealers: Banco Bilbao Vizcaya Argentaria, S.A.
Banco Santander, S.A.
Bankia, S.A.
Barclays Bank PLC
BNP Paribas
Citigroup Global Markets Limited
Commerzbank Aktiengesellschaft
Crédit Agricole 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 Dealer Agreement.

Certain Restrictions:

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

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*".

Fiscal Agent:

The Bank of New York Mellon.

Programme Size:

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

Distribution:

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

Currencies:

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

Maturities:

Any maturity 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 and, in the case of Subordinated Notes, following a Capital Event) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Subordinated Notes may not be redeemed (other than following an Event of Default) prior to their original maturity other than in compliance with applicable Spanish capital adequacy regulations then in force and with consent of the *Banco de España* (or the relevant supervisory authority) if required. See Conditions 6.1 (*Redemption at maturity*), 6.2 (Redemption for tax reasons) and 6.4 (*Redemption at the option of the Issuer (Capital Event)*) of the Notes.

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 27 July 2007 as amended by Royal Decree 1145/2011 of 29 July 2011 (**Royal Decree 1065/2007**), the Issuer is not obliged to identify Noteholders as described in "*Taxation – Spain: Simplified Information Procedures*", whenever the Notes were listed on an organised market. For further information regarding the interpretation of Royal Decree 1065/2007 please refer to "*Risk Factors – Risks 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 (a **FATCA withholding**) 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. If any payment is subject to FATCA withholding, the Issuer will not 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

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, 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 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 BB- (positive outlook) by Standard & Poor's and BBB- (negative outlook) by Fitch.

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. No unlisted Notes may be issued under the Programme.

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

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law, except the provisions relating to the status of the Notes (and any non-contractual obligations arising out of or in connection with 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 "*Subscription and Sale*".

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 deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

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

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

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

Risks relating to Group operations

Bankia is in the middle of a restructuring

On 25 June 2012, the Spanish government formally requested the European Union to provide financial aid to recapitalise certain Spanish financial institutions. The related Memorandum of Understanding on Financial-Sector Policy Conditionality (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 European Banking Authority (**EBA**)'s Core Tier 1 ratio of 9%, 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 31 August, which was later replaced by Law 9/2012 of 14 November on restructuring and resolution of credit institutions (**Law 9/2012**).

Pursuant to Law 9/2012, on 15 November 2012 the BFA-Bankia Group submitted to the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*), a Spanish governmental entity formed to restructure banks and reinforce the equity of credit entities (the **FROB**), and to the Bank of Spain a restructuring plan (the **Restructuring Plan**), which was approved by the Bank of Spain and the European Commission on 27 and 28 November 2012, respectively. The commitments made by the BFA-Bankia Group in the Restructuring Plan include commitments to reduce its real estate portfolio, focus the Group's activities on retail banking and businesses, take steps to manage hybrid instruments, dispose of corporate holdings and reduce capacity, along with other additional obligations, all of which may affect the BFA-Bankia Group's commercial strategy or the execution of corporate transactions. Implementation of the Restructuring Plan entails certain restrictions and commitments for Bankia. If Bankia is unable to meet those restrictions and commitments in an effective and timely manner, the businesses, operating results and financial position of the Group could be materially adversely affected.

In addition, the BFA-Bankia Group's compliance with some of the restrictions and commitments contained in the Restructuring Plan, such as reducing the number of branches to 1,950 and the number of employees to 14,500 during 2015 and the agreement not to increase them thereafter, may affect the Group's ability to compete effectively in the Spanish banking market. Increased competition may have a negative impact on the Group's ability to sustain its margin and fee income levels.

Furthermore, in the event of failure by Bankia to meet the deadlines or implement the measures laid down in the Restructuring Plan or other serious non-compliance, the Bank of Spain could ultimately initiate the resolution (*resolución*) of Bankia, which could eventually entail the sale of its business or the transfer of its assets and liabilities to another entity.

On 31 December 2012, pursuant to the Restructuring Plan, the BFA-Bankia Group transferred assets (real estate loans and foreclosed real estate assets) with a gross value of €46.4 billion to SAREB - €36.7 billion of which were assets of the Bankia Group in exchange for securities issued by SAREB and backed by the Spanish state, thereby reducing the Group's risk exposure to the real estate market. On 30 June 2014, the Group held €18.5 billion of SAREB bonds, which are being used to fund its business activities through both public and private sources of liquidity. The Group can give no assurance that it will be able to continue using these SAREB bonds as a source of funding at current levels and, in such circumstances, its business, financial position and results of operations could be adversely affected.

Within 36 months of the date of the transfer, SAREB, based either on the categorisation of the assets used by the FROB or on the accounting valuation of the assets, may determine, on one or more occasions, that there has been an error in the classification of the assets, or that they are assets which were sold to third parties before the date of transfer by the entities, or that there is a difference from the value estimated at 31 December 2012. To the extent that such errors or variations are discovered and corrections are made there may be adjustments to the transfer price by way of calculation of the amounts to be adjusted, as a result of which the BFA-Bankia Group may be required to reimburse a part of the consideration it received for the transfer of the assets. Any corrections to the valuation or change in the tax treatment of the asset transfer applied initially could give rise to additional contingencies or tax implications. The occurrence of any of these events could adversely affect the BFA-Bankia Group's businesses, financial position and results of operations.

On 17 June 2013 BFA and Bankia adjusted the initial estimate of the transfer value of the assets to the exact configuration of the assets at the effective transfer date. The total amount of Bankia's assets subject to correction amounted to €120.3 million, and the total amount of BFA's assets subject to correction amounted to €6.7 million, which resulted in Bankia and BFA returning to SAREB an equivalent amount of bonds issued by SAREB as consideration for the original asset transfer.

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

As at 30 June 2014, 52% of Bankia's non-equity funding (comprising deposits from central banks, deposits from credit institutions, deposits from customers, debt securities in issue and subordinated liabilities) came from customer deposits, while the remaining 48% came from wholesale sources, central banks and credit institutions (compared with 53% and 47%, respectively, at 31 December 2013, and 46% and 54% at 31 December 2012).

Because of the Group's heavy reliance 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. Furthermore, Bankia cannot guarantee that greater competition in the markets in which it competes for retail customer funds will not drive the cost of these funds higher, which could have an adverse effect on the Group's business, operating results and financial position. Similarly, the uncertainty facing the financial sector and the distrust among certain sections of the Spanish public, as well as the circumstances in which the FROB took a stake in BFA, the request for state aid, and the hybrid instrument management measures and branch closures envisaged in the Restructuring Plan, could lead to a withdrawal of deposits and a loss of customers, which would have an adverse effect on the Group's business, financial position and operating results.

On 30 June 2014 Bankia had access to European Central Bank (**ECB**) funding (central bank deposits) of €46.7 billion, a decrease from €55.0 billion on 31 December 2013. Currently, a part of this funding is represented by intra-group funding that Bankia provides through REPO operations. If public sources of liquidity, such as the ECB extraordinary measures adopted in response to the financial crisis since 2008, are removed from the market, Bankia can give no assurance that it will be able to continue funding its business or, if it does so, maintain its current levels of funding without incurring higher funding costs or having to liquidate certain of its assets. This could have an adverse effect on the Group's business, financial position and operating results.

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 and 2013 in light of deteriorating economic conditions.

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.

Mortgage lending to the private sector amounted to approximately €75.4 billion (excluding €0.7 billion of loans classified as "available-for-sale assets"), representing 60.0% of the Group's total gross loans at 30 June 2014. Specific coverage (non-performing loans (**NPLs**) and sub-standard loans) for this exposure amounted to approximately €2.5 billion (or 3.4% of mortgage lending to the private sector) at 30 June 2014. Additional information regarding the loan-to-value ratio of mortgage loans may be found in the Group's audited consolidated condensed interim financial statements for the six months ended 30 June 2014. Any defaults by borrowers on their mortgage loans could have a material adverse effect on the Group's 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 €3.3 billion (excluding €0.2 billion of loans classified as "available-for-sale assets"), representing 2.7% of the Group's total loans and receivables at 30 June 2014. Specific coverage (NPLs and sub-standard loans) for this exposure amounted to approximately €1.5 billion (or 45.3% of lending to the property development and construction sector) at 30 June 2014. 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.

On 31 December 2012, pursuant to the Restructuring Plan, the BFA-Bankia Group transferred assets (real estate loans and foreclosed real estate assets) with a gross value of €46.4 billion to SAREB - €36.7 billion of which were assets of the Bankia Group - in exchange for securities issued by SAREB and backed by the Spanish state, thereby reducing the Group's risk exposure to the real estate market. Furthermore, in accordance with the terms of the Restructuring Plan, the BFA-Bankia Group has ceased lending to property developers.

Recent trends towards higher spreads over interest rates and rising unemployment, combined with ever lower real estate prices, could have a material impact on the Bank's ratio of non-performing mortgage loans, which could increase the Group's real estate risk and have an adverse effect on the Group's business, financial position and operating results.

There is also the risk that the value at which the Bank's existing real estate assets (and any others that may be included in the future as a result of the Bank's activity) are recorded on its balance sheet may not match their realisable value if they were sold, given the difficulties of making valuations in a market as illiquid as the current Spanish real estate market.

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

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

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. Although many of the economies of continental Europe, including Spain, are forecasted to have modest growth in 2014, 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, the EU Capital Requirements Directive 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.

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.

Notwithstanding recent improvements in economic conditions in Spain, if the recovery proves to be short-lived and the country returns to economic recession or market turmoil is experienced once again, this could materially and adversely affect the liquidity, businesses and/or financial conditions of the Group's borrowers, which could in turn increase the Group's own NPL ratios, 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 and, consequently, the revenues of its portfolio management, private banking and asset custody business.

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

The Group is exposed to risks faced by other financial institutions

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

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.

Increased competition in the markets 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 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 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.

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

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

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

Rising interest rates may increase the Group's NPL portfolio

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

Risk of losses from legal and regulatory proceedings

From time to time the Group is involved in legal and regulatory proceedings arising from its relationships with customers, competitors, shareholders, employees, institutions or other agents, and there is a risk that Bankia may suffer losses from these proceedings. To cover these risks, at 30 June 2014 the Group had recorded provisions totalling €288 million for taxes and legal contingencies. As at the date of this Base Prospectus, certain lawsuits and proceedings were ongoing against the Group arising from the ordinary course of its operations (see "*Description of the Issuer—Litigation*"). The Group cannot ensure that those court claims will be resolved in its favour. If the lawsuits are not resolved in the Group's favour, its businesses, financial position and operating income could be adversely affected.

Likewise, the BFA-Bankia Group's businesses, financial situation, and operating results may be compromised as a consequence of claims that may arise in relation to the fulfilment of commitments assumed under the Restructuring Plan.

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

However, as at the date of this Base Prospectus the BFA-Bankia Group is subject to claims from a number of investors in hybrid instruments seeking declarations of nullity in respect of terms alleged to be abusive, including the terms related to its long term maturity or perpetual nature, the issuer's right to call for redemption within five years from the issue date, and the linkage of payments under the instruments to profitability. These claims are being pursued by way of a class action through specially formed arbitral proceedings. In parallel, a number of investors have pursued their claims independently through court proceedings against BFA, Bankia or the BFA-Bankia Group. If these claims are successful, BFA may be obliged to return sums invested in the hybrid instruments or to otherwise compensate investors for their losses. By an agreement dated 31 January 2014 between BFA and Bankia, BFA and Bankia have agreed between themselves that Bankia's liability in respect of the claims which are the subject of court proceedings should be limited to a maximum amount of €246 million and that BFA will compensate Bankia if it suffers any liability in respect of the hybrid instruments in excess of this figure. As at 30 June 2014, based on the claims made and in consideration of the agreement with BFA limiting Bankia's liability in such claims, as well as the agreement of the FROB's steering committee, Bankia had established a provision in respect of its contingent liability in respect of the claims of investors in hybrid instruments of €246 million in total and €165 million after deduction of €81 million in settling claims. It is possible that other investors may join in the current proceedings and/or commence further proceedings themselves in respect of the same or similar claims. Such events may adversely affect the BFA-Bankia Group's business, financial condition and results of operations and in turn the business, financial condition and results of operations of the Group.

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

As Bankia's commercial activity is primarily carried on in Spain, its business, financial condition and results of operations are, and will continue to be, highly dependent on the general economic conditions in Spain. The concentration of the Group's business activities in Spain increases its exposure to (i) the current difficult state of the Spanish economy and any potential worsening of that state; and (ii) changes in Spain's regulatory framework that might have an adverse impact on the Bank's business, financial position and operating results.

Given this situation, the Government of Spain, in collaboration with various economic agents, has approved and implemented a series of structural reforms to promote the recovery of the country's economy, prominently including the adoption of budget austerity policies, aimed at reducing the fiscal deficit, the reform of employment laws, measures to reform the financial system and the announced privatisation of public sector companies. The possible consequence of a failure to meet the objectives of those measures and non-fulfilment of the projections announced to the market by the Government of Spain and other institutions for the coming years could trigger a further loss of confidence in the Spanish economy by international financial operators, with the consequent adverse impact on companies that conduct a large part of their business in Spain and thus on the Group's business, financial position and operating results.

Continuing economic tensions in the European Union, 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

Although the Group operates primarily in Spain, the evolution of the situation in the European Union is also very important, given its impact on liquidity and conditions of financing.

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. This growing Euro-scepticism in certain EU countries, could pose additional difficulties in the EU's ability to react to the ongoing economic crisis.

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 the Spanish government 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 Group is exposed to the sovereign risk

At 30 June 2014 the nominal exposure of the Bankia Group to sovereign debt amounted to €29.7 billion, including €23.3 billion of "available-for-sale assets", €6.3 billion of "held-to-maturity investments" and €0.1 billion of "financial assets held for trading", with Spain accounting for 90.5% of this exposure.

In the medium term, the Spanish economy may not be able to recover from the crisis at the same pace as the other major European countries. This could have a negative impact on the Group's business activity, financial position and operating results. Moreover, other circumstances are generating uncertainties regarding Spain's ability to meet its sovereign debt payments in the future. Any default on the country's sovereign debt could have a material adverse effect on the Group.

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 the EU Capital Requirements Directive IV, there is ongoing debate on the extent and pace of integration. It has been decided that the ECB will play a key role in supervision. The Single Supervisory Mechanism is due to be implemented in the third quarter of 2014 giving the ECB extensive micro- and macro-prudential powers over all credit institutions within Eurozone Member States, of which those designated as "significant" will be directly supervised by it. However, it may take a number of years for the ECB and national regulators to coordinate a common supervisory approach. Whilst the recent Bank Recovery and Resolution Directive and Single Deposit Guarantee Scheme have provided some clarity, other issues are still open, such as the asset quality review and stress test (together, the **Comprehensive Assessment**) currently being conducted by the ECB before becoming the single European bank supervisor (the results of which are expected in late 2014), representation and voting power of non-Eurozone countries, the accountability of the ECB to European institutions as part of the single supervision mechanism and the final status of the European Banking Authority. European leaders have also supported the reinforcement of the fiscal union but continue negotiating on how to achieve it.

The results of the Comprehensive Assessment may require the Group to take corrective action, including recapitalisation, deleveraging and/or improving funding resilience, which may have an adverse effect on the business, financial condition and results of operations of the Issuer.

Furthermore, 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.

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 that 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.

The implementation of Basel III in the European Union is being performed through the Capital Requirements Directive IV (**CRD IV Directive**) and Capital Requirements Regulation (**CRR**) legislative package (together with any implementing measures, **CRD IV**). As a Spanish financial institution, the Issuer is subject to CRD IV, which is in the process of being phased in until 1 January 2019. The CRR and the CRD IV Directives have already been partially implemented in Spain by RD-L 14/2013 and by Law 10/2014, of 26 June. RD-L 14/2013 has repealed, with effect from 1 January 2014, any Spanish regulatory solvency requirements that may be incompatible with CRR.

Despite the CRD IV/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, in the last three years the Bank of Spain and the European Banking Authority (the **EBA**) have imposed new capital requirements in advance of the entering into force of CRD IV. These measures have included Bank of Spain Circular 4/2011 (**Circular 4/2011**), which amended Bank of Spain Circular 3/2008 of 22 May, on the calculation and control of minimum capital requirements (**Circular 3/2008**) and implemented Capital Requirement Directive III (**CRD III**) in Spain. In addition, some of the requirements of Basel III were already implemented by the Spanish Government in 2011 with Royal Decree-Law 2/2011 (**RD-L 2/2011**) of 18 February (as amended by Law 9/2012) which established a new minimum requirement in terms of principal capital (*capital principal*) and required such capital to be greater than 9 per cent. from 1 January 2013. RD-L 14/2013 specifically repealed, with effect from 1 January 2014, Title I of RD-L 2/2011, which imposed the minimum principal capital (*capital principal*) requirement for credit institutions. Notwithstanding such repeal, as part of the assessment of additional capital requirements that could be required of credit institutions, the Bank of Spain has been given powers to stop or restrict, until 31 December 2014, any distributions of Tier 1 Capital which would have been caught by the minimum principal capital (*capital principal*) requirements stipulated in RD-L 2/2011, provided such distributions, accumulated over the year ended 31 December 2014, exceed in absolute terms the minimum principal capital (*capital principal*) legally required as at 31 December 2013 and further risk non-compliance with additional capital requirements that could be required by the Bank of Spain.

Furthermore, following an evaluation of the capital levels of 71 financial institutions throughout Europe (including the Issuer) based on data available as of 30 September 2011, the EBA issued a recommendation on 8 December 2011 pursuant to which, on an exceptional and temporary basis, financial institutions based in the EU should reach a new minimum Core Tier 1 ratio (9 per cent.) by 30 June 2012. This recommendation has been replaced by the EBA recommendation of 22 July 2013 on the preservation of Core Tier 1 capital during the transition to CRD IV. This new recommendation provides for the maintenance of a nominal floor of capital denominated in the relevant reporting currency of Core Tier 1 capital corresponding to the amount of capital needed as at 30 June 2012 to meet the requirements of the above recommendation of 8 December 2011. Competent authorities may waive this requirement for institutions which maintain a minimum of 7 per cent. of common equity Tier 1 capital under CRD IV rules applied after the transitional period.

There can be no assurance that the implementation of these new standards will not require the Issuer 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

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. 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 to this minimum "own funds" requirement, CRD IV also introduces capital buffer requirements that are additive to the "own funds" requirement and required to be met with common equity tier 1 capital. The CRD IV Directive introduces five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Subject to a transitional period, the capital conservation buffer shall apply to the Group and some or all of the other buffers may be applicable to the Group from time to time.

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 could impact, for example, 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 11 May, applies to credit institutions and increased coverage requirements to cover potential losses (which had to be met by 31 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 30 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 2013 to implement these new criteria, in relation to which the Issuer made all the necessary provisions.

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 22 March 2013, 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 31 December 2012. The purpose of such contribution was 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 (excluding the Issuer) that, like the Issuer, were involved in a restructuring process under Law 9/2012. Bankia was exempted from this one-off contribution as a "Group 1" entity as provided by the Additional Provisions (*Disposición Adicional*) IX of Law 9/2012. However, 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, nor that Bankia will be exempted again. Such additional funding requirements may, therefore, impose a further financial burden on the Issuer.

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.

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

In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks. 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.

Indirect control by the FROB and possible conflict of interest

On 27 June 2012 the FROB became the sole shareholder of BFA following a request by the Board of Directors of BFA to convert the convertible preferred participating securities subscribed by the FROB on 28 December 2010 into shares of BFA. Consequently, the FROB is the indirect holder (through BFA) of a 61.352% interest in Bankia's share capital as at 30 June 2014. The interests of the FROB, as a government entity, may not coincide with those of Bankia and its minority shareholders, particularly since the FROB controls other banking groups currently undergoing restructuring that are competitors of the Group.

Change of control upon exit by the FROB

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

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.

Operational risks are inherent in the Group's business

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. Inadequate management of the Group's operational risk, including the risks arising from the Group's integration and from the Restructuring Plan, could have an adverse effect on the Group's business, operating results and financial position.

The Bank's success hinges on certain executives and skilled personnel

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

Risks related to the structure of a particular issue of Notes

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

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

An optional redemption feature 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.

EU Resolution and Recovery Directive

A directive providing for the establishment of a European wide framework for the recovery and resolution of credit institutions and investment firms (the **Recovery and Resolution Directive** or **RRD**), was published in final form in the *Official Journal of the European Union* on 12 June 2014 and entered into force on 2 July 2014. Certain provisions of the RRD also apply to holding companies of credit institutions and investment firms. The stated aim of the RRD is to provide supervisory authorities, including the relevant Spanish resolution authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses.

The powers to be granted to supervisory authorities under the RRD include (but are not limited to) a "write down and conversion of capital instruments" power and a "bail-in" power.

The write down and conversion of capital instruments power may be used where the relevant Spanish resolution authority has determined that the institution concerned has reached the point of non-viability. It may be used before resolution has commenced, and must be used before the bail-in power is used. Any write down effected using this power must reflect the insolvency priority of the written down claims; thus common equity must be written off in full before subordinated debt is affected. Where the write down and conversion of capital instruments power is used, the write down is permanent and investors receive no compensation (save that common equity tier 1 instruments may be required to be issued to holders of written down instruments). The write down and conversion of capital instruments power is not subject to the "no creditor worse off" safeguard.

The bail-in power will give the relevant Spanish resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution or its holding company, and/or to convert certain debt claims (which could be amounts payable under the Notes) into another security, including ordinary shares of the surviving entity, if any. The RRD provides that the relevant Spanish resolution authority will apply the "bail-in" power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the RRD requires the relevant Spanish resolution authority to write down or convert debts in the following order: (i) additional tier 1, (ii) tier 2, (iii) other subordinated claims and (iv) eligible senior claims.

The RRD contemplates that the majority of measures (including the write-down and conversion of capital instruments power) will be implemented with effect from 1 January 2015, with the bail-in power expected to be introduced by 1 January 2016 at the latest.

As well as a "write down and conversion of capital instruments" power and a "bail-in" power, the powers to be granted to the relevant Spanish resolution authority under the RRD include the power to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind down. In addition, the RRD proposes, among the broader powers to be granted to the relevant Spanish resolution authority, to provide powers to the Spanish resolution authority to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinuing the listing and admission to trading of debt instruments.

There remains significant uncertainty regarding the ultimate nature and scope of these powers and, once implemented, how they would (if exercised) affect the Issuer and its securities (including the Notes). Accordingly, it is not yet possible to assess the full impact of the RRD on the Issuer and on

holders of its securities (including the Notes), and there can be no assurance that the manner in which it is implemented or the taking of any actions by the relevant Spanish resolution authority currently contemplated in the RRD would not materially adversely affect the rights of holders of the Notes, the market value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

The powers which the RRD requires to be conferred on the Spanish resolution authorities (including especially the write down and conversion of capital instruments power and the bail-in power) could, therefore, materially adversely affect the market value of all of the securities then in issue by the Issuer (including the Notes), and could lead to the holders of those securities (including the Notes) losing some or all of their investment. Moreover, trading behaviour, including prices and volatility, may be affected by the use or any suggestion of the use of these powers. As a result, in such circumstances, the Notes are not necessarily expected to follow the trading behaviour associated with other types of securities.

Subordinated Notes may be subject to loss absorption at the point of non-viability under Law 9/2012.

In addition to the regime provided for by the Resolution and Recovery Directive (see "*—EU Resolution and Recovery Directive*"), the Spanish government, anticipating the rules that were to be implemented pursuant to the RRD and implementing the agreements reached in the MoU, 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.

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 RRD is implemented. Accordingly, it is not yet possible to assess the

full impact of Law 9/2012. There can be no assurance that the application of 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.

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.

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 Article 63(i) of the CRR, 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, the 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 related to the Insolvency Law

The Insolvency Law, which came into force on 1 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 particular issue of Notes—Subordinated Notes may be subject to loss absorption at the point of non-viability under Law 9/2012*"), 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*) of the Terms and Conditions of the Notes). 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 10/2014 of 26 June (the **Simplified Information Procedures**). The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 of 26 June 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, Luxembourg), will be paid free of Spanish withholding tax provided that the Paying

Agent appointed by the Issuer submits a statement to the Issuer, the form of which is included in the Agency Agreement, with the following information:

- (i) identification of the 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 Fiscal Agent should provide the Issuer with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Issuer or the Fiscal Agent on its behalf will make a withholding at the general rate (currently 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 Fiscal 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.

Notwithstanding the above, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 21 per cent.

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 Fiscal 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 a resolution of a majority of the Noteholders to bind all Noteholders including Noteholders who did not attend the relevant meeting or 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 1 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 depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Notes, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

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

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. 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 31 December 2013 of the Issuer (available at <http://www.bankia.com/recursos/doc/corporativo/20121001/ingles74659/annual-report-consolidated-financial-statements-2013.pdf>);
- (b) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2012 of the Issuer (available at <http://www.bankia.com/recursos/doc/corporativo/20130312/ingles/cuentas-informe-auditor-ingles.pdf>); and
- (c) the audited consolidated condensed interim financial statements for the six months ended 30 June 2014 of the Issuer (available at <http://www.bankia.com/recursos/doc/corporativo/20130610/ingles/h1-2014-audited-consolidated-financial-statements12813.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 Fiscal Agent.

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

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

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

FORM OF THE NOTES

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

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

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

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 23 September 2014 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

[Date]

Bankia, S.A.

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

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 23 September 2014 [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 [and the Final Terms] [has] [have] been published on [the Issuer's website] [and] [the Central Bank of Ireland's website at <http://www.centralbank.ie> and on the website of the Irish Stock Exchange at www.ise.ie] [and the Final Terms have been published on the Issuer's website].

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. 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: Bankia, S.A.
2. (a) Series Number: []
(b) Tranche Number: []
(c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 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

€100,000 (or equivalent))

(Note - where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€100,000].")

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 issuance of Notes obtained: [] [and [], respectively]] [Not Applicable]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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) Mid Swap Rate: []
- (l) Relevant Screen Page: []
- (m) Floating Leg Reference Rate: []
- (n) Floating Leg Screen Page: []
- (o) Initial Mid-Swap Rate: [] per cent. per annum (quoted on a[n annual/semi-annual basis])
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 Option: Rate []
 - 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 [Redemption and Purchase Redemption for taxation reasons]: Minimum period: [] days
Maximum period: [] days

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, [] per Calculation

- of calculation of such amount(s)
- (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: []

THIRD PARTY INFORMATION

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

Signed on behalf of Bankia, S.A.:

By: _____

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

- (a) Listing and Admission to trading [Application has been 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 [].]

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

2. RATINGS

Ratings:

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

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

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [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 name*]

- (iii) Date of [Subscription] [] Agreement:
- (iv) Stabilisation Manager(s) (if [Not Applicable/*give name*] any):
- (v) If non-syndicated, name of [Not Applicable/*give name*] relevant Dealer:
- (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 Bankia, S.A. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 23 September 2014 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent and agent bank (the "**Fiscal Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

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

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 23 September 2014 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, accrual of interest shall be suspended from the date of declaration of the insolvency of the Issuer. Interest on the Senior 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 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 Subordinated 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 of article 92 of the Insolvency Law. Under Spanish Law, accrual of interest on the Subordinated Notes shall be suspended from the date of the declaration of insolvency of the Issuer.

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;

"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 (the final directive of which was adopted by the Council on 6 May 2014 and will come into force following its publication in the Official Journal of the EU) 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 Senior Note remains outstanding (as defined in the Agency Agreement), the Issuer will:

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

without (in the case of paragraphs (a)(i) and (ii)) at the same time or prior thereto securing such Senior Notes equally and rateably therewith or providing such other security for such Senior 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 Senior Notes.

(b) In these Conditions,

"**Banking Business**" means, in relation to any entity:

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

- (i) any obligation to purchase such Relevant Indebtedness;

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

"Permitted Security Interest" means:

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

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

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

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

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

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

For the purposes of this definition:

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

- (ii) if, in the case of a Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated gross revenues shall be determined on the basis of pro forma consolidated accounts (which need not be audited) of the relevant Subsidiary and its Subsidiaries prepared for this purpose by the Issuer;
- (iii) if (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;
- (iv) where any Subsidiary is not wholly owned by the Issuer there shall be excluded from all calculations all amounts attributable to minority interests;
- (v) in calculating any amount all amounts owing by or to the Issuer and any Subsidiary to or by the Issuer and any Subsidiary shall be excluded; and
- (vi) in the event that accounts of any companies being compared are prepared on the basis of different generally accepted accounting principles, there shall be made such adjustments to any relevant financial items as are necessary to achieve a true and fair comparison of such financial items.

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

"Subsidiary" means, in relation to an entity, any entity controlled by that first person entity where control is determined in accordance with 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 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date. The Principal Paying Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for the Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Mid-Swap Rate will be the 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 Fiscal Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the other Paying Agents and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day (where a "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.

- (c) Certificates to be final

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

4.3 Interest on Floating Rate Notes

(a) Interest Payment Dates

This Condition 4.3 applies to Floating Rate Notes only. The applicable Final Terms 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 Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the Reference Rate, Interest Determination Date(s) and Relevant Screen Page (in each case, if applicable).

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

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

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

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

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

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

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

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

(b) Rate of Interest

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

(i) ISDA Determination for Floating Rate Notes

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

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms;

- (C) the relevant Reset Date is the day specified in the applicable Final Terms;
- (D) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (i) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (ii) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

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

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

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

- (ii) Screen Rate Determination for Floating Rate Notes

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 (the "**Specified Time**")) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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

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

In these Terms and Conditions:

"Reference Rate Banks" means, in the case of a determination of LIBOR, the principal London offices of four major banks in the London inter-bank

market and, in the case of a determination of EURIBOR, the principal Euro-zone offices of four major banks in the Euro-zone inter-bank market, in each case selected by the Issue and Paying Agent, the Calculation Agent or the Portuguese Paying Agent, as the case may be.

(iii) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight-line linear interpolation by reference to two rates (each determined in the same manner as set out above for the Reference Rate) which appear on the Relevant Screen Page specified in the Final Terms as at the Specified Time on the relevant Interest Determination Date specified in the Final Terms, where:

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

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

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

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

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

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

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

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

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

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

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

where:

"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;

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

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

where:

"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;

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

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

where:

"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.

(vii) Notification of Rate of Interest and Interest Amounts

The Fiscal 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*).

(viii) Certificates to be final

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

4.4 Accrual of interest

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

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

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

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 Fiscal Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

- (a) 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 any Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (where reasonable measures shall not include anything which has any material impact on the business of the Issuer or which cause the Issuer to incur a material cost),

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 Fiscal 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 Fiscal 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.

Article 78(4) of the CRR provides that the Regulator (as defined below) may only permit the redemption of Subordinated Notes before the fifth anniversary of their issue date for tax reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described below), there is a change in the applicable tax treatment of the Subordinated Notes and the Issuer demonstrates to the satisfaction of the Regulator that such tax consequences are material and were not reasonably foreseeable at the issue date of the Subordinated Notes.

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.

Article 63(j) of the CRR provides that Subordinated Notes may not be redeemed pursuant to an Issuer Call before five years after their Issue Date.

Article 78(1) of the CRR further provides that the Regulator will grant its consent to a redemption of Subordinated Notes pursuant to an Issuer Call provided that either of the following conditions is met:

- (a) *on or before such redemption of the Subordinated Notes, the Issuer replaces the Subordinated Notes with instruments qualifying as Tier 2 capital of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or*
- (b) *the Issuer has demonstrated to the satisfaction of the Regulator that its Tier 1 capital and Tier 2 capital would, following such redemption, exceed the capital ratios required under CRD IV by a margin that the Regulator may consider necessary on the basis set out in CRD IV.*

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, 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.

Article 78(4) of the CRR provides that the Regulator may only permit the redemption of Subordinated Notes before the fifth anniversary of their issue date following the occurrence of a Capital Event if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described above), there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, the Regulator considers such change to be sufficiently certain and the Issuer demonstrates to the satisfaction of the Regulator that the regulatory reclassification was not reasonably foreseeable at the issue date of the Subordinated Notes.

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 Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.5 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).

Article 63(h) of the CRR requires that the Subordinated Notes shall not provide for any additional incentive to be paid as a result of such Notes being redeemed prior to their maturity date.

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 of Subordinated Notes 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.

Articles 63(j) and 77(b) of the CRR provide that the prior consent of the Regulator is required for any purchase of Subordinated Notes and such purchase must not be before five years after the Issue Date of such Subordinated Notes, except where the conditions laid down in Article 78(4) are met.

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 Fiscal 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)*) 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 Fiscal 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 any Tax Jurisdiction; or
- (b) to, or to a third party on behalf of, a holder who is liable for such taxes or duties in respect of such 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 (the tax regulated by the Royal Legislative Decree 4/2004, of 5 March) 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;
- (ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

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 subparagraph (i) and/or subparagraph (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.

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 Fiscal Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

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

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or 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 Fiscal Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (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 Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

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 Fiscal 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. Likewise, the Issuer and the Noteholders, the latter with the sanction of a resolution of the relevant Syndicate of Noteholders, may agree any modification, whether material or not, to these Terms and Conditions or the Deed of Covenant and any waiver of any breach or proposed breach of these Terms and Conditions.

For the purposes of these Terms and Conditions,

- (a) "**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
- (b) "**Syndicate**" means the syndicate (sindicato) as this term is described under the Spanish Corporations Law (*Ley de Sociedades de Capital*).

In accordance with article 425 of the Spanish Corporations law (Ley de Sociedades de Capital), a general meeting of the Syndicate of the Noteholders shall be quorate 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 quorate 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 Fiscal Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

- (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 subdivision or taxing authority of any country in which such Noteholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);
 - (iv) the Documents contain a warranty and representation by the Substituted Debtor and the Issuer that the Substituted Debtor and the Issuer have

obtained all necessary governmental approvals and consents for such substitution and for the giving by the Issuer of the New Guarantee in respect of the obligations of the Substituted Debtor and for the performance by each of the Substituted Debtor and the Issuer of their respective obligations under the Documents and that all such approvals and consents are in full force and effect;

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

- (c) After a substitution pursuant to Condition 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 Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder in 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 Cecabank, S.A., London Branch at 16 Waterloo Place, London SW1Y 4AR as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Cecabank, S.A., London Branch being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for the general financing requirements of the Bankia Group.

DESCRIPTION OF THE ISSUER

History and Development of the Issuer

The Issuer is a Spanish company with legal status as a public limited company (*sociedad anónima*) with the status of a bank and is governed by the Restated Spanish Companies Act (*Texto Refundido de la Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of 2 July (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*). The Issuer is subject to special legislation for lending institutions in general, the supervision, control and regulation of the Bank of Spain (*Banco de España*) and, as a listed company, the regulatory supervision of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the **CNMV**). Also, as a credit institution in the process of restructuring, it is subject to Law 9/2012. The Issuer has its registered office in the city of Valencia, at Calle Pintor Sorolla 8, (contact telephone number +34 91 787 75 75). The Issuer is registered in the Commercial Registry of Valencia in volume 9341, book 6,623, folio 104, page V-17274, 183rd entry, and in the Special Registry of Banks and Bankers of the Bank of Spain (*Banco de España*) under number 2038.

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

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

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

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

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

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

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

On 25 May 2012, BFA notified the Bank of Spain and the Ministry of Economy and Competitiveness that it intended to request a capital contribution of €19 billion from the FROB. On 12 September

2012, BFA received a capital injection of €4.5 billion as an advance for the purpose of re-establishing the BFA-Bankia Group's solvency levels. On the same day, in order to continue the process of strengthening Bankia's regulatory capital, BFA and Bankia entered into an agreement for a subordinated loan of €4.5 billion as a contribution of capital to Bankia.

Restructuring Plan

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

Pursuant to Law 9/2012, on 15 November 2012 the BFA-Bankia Group submitted to the FROB and to the Bank of Spain a restructuring plan (the **Restructuring Plan**), which was approved by the Bank of Spain and the European Commission on 27 and 28 November 2012, respectively. The Restructuring Plan resulted in a capital injection of €13.5 billion by the FROB for the BFA-Bankia Group, in addition to the €4.5 billion subordinated loan already advanced by BFA in September 2012. These aid measures were authorised on the basis of the commitments made in the Restructuring Plan, the most important of which were: (i) a reduction of Bankia's total assets through the transfer of certain assets to the Asset Management Company for Assets Arising from Bank Restructuring (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria*) (**SAREB**) to reduce its real estate risk; a reduction of capacity (branches and staff); and the sale or liquidation of certain subsidiaries and holdings; and (ii) measures for managing hybrid instruments. Under Law 9/2012, the Bank of Spain and the FROB are responsible for monitoring compliance with the Restructuring Plan and for requiring such additional measures as may be necessary to secure its implementation.

During the 2012-2017 period (the **Restructuring Period**) the BFA-Bankia Group must fulfil its commitments under the Restructuring Plan, which in summary are as follows:

- (i) Make adjustments to the size of Bankia by transferring some assets to SAREB (this was done in 2012).
- (ii) Concentrate its business on commercial banking. As such, Bankia may offer its customers deposits, loans, current accounts, other money transfer services, credits, leasing, credit card transactions, banking insurance products, wealth management, private banking and investment services, commercial financing, currency exchange transactions and online or telephone banking services, amongst other services.
- (iii) Not engage in real estate development loans, the financing of companies located outside Spain, or banking activities with companies that have access to the capital markets (unless these activities are of a short term nature) during the Restructuring Period.

In accordance with the Restructuring Plan, during 2013 the BFA-Bankia Group made notable advances in the process of divestiture of assets considered to be nonstrategic, the most significant of which are listed below:

- Sale of Finamadrid, E.F.C., S.A.U. to Apollo European Principal Finance Fund II, a fund affiliated with Apollo Global Management, LLC, for €1.6 million.

- Sale of the entirety of the Bank's interest in International Consolidated Airlines Group, S.A. (consisting of 224,253,361 shares, representing 12.09% of the capital of that company) for €675 million, resulting in a gross gain of €238 million.
- Sale of the entirety of the Bank's interest, held by the BFA-Bankia Group, directly and indirectly, in Indra Sistemas, S.A. (consisting of 33,057,734 shares, representing 20.14% of the capital of that company) to Sociedad Estatal de Participaciones Industriales (S.E.P.I.) at a price of €10.194 per share, resulting in a gross gain of €62 million.
- Sale by BFA of part of its direct interest in Mapfre, S.A., by way of accelerated private placement among qualified investors of 369,612,846 shares, representing 12.002% of the capital of that company. The revenue obtained from the transaction amounted to €979 million, resulting in gross gains of €236 million. As at the date of this Base Prospectus, the BFA Group held a 0.49% interest in the capital of Mapfre, S.A.
- Sale of the 60,636,135 shares of Banco Inversis, S.A. that were owned by Bankia Inversiones Financieras S.A.U. (formerly Caja Madrid Cibeles), a wholly-owned subsidiary of Bankia, S.A., to Banca March, S.A.. Bankia realised approximately €87 million from the transaction, generating a gross gain of €69 million.
- In May 2013 the Board of Directors of Bankia authorised the sale of City National Bank of Florida, and by way of a transfer by the investee company, Bankia Inversiones Financieras, S.A.U., of 100% of the shares of CM Florida Holdings Inc to the Chilean entity Banco de Crédito e Inversiones at an agreed price of U.S.\$882.8 million. The completion of the share sale is subject to regulatory approvals for the sale. At the date of this Base Prospectus, all regulatory approvals for the transaction have been obtained except the approval of the United States Federal Reserve, which is still pending as at the date of this Base Prospectus.
- Although it is not a divestiture of a nonstrategic assets, in 2013 Bankia signed an agreement for the transfer of the management and marketing of real estate assets and developer loans business section to a company in the Cerberus Capital Management LP investment group called Haya Real Estate (previously Promontoria Plataforma, S.L.U.). As a part of this transaction, the interests of the Bankia Group in Gesnova Gestión Inmobiliaria Integral, S.L. and Reser Subastas y Servicios Inmobiliarios, S.A. were transferred to Plataforma. The sale included the transfer of assets and liabilities associated with that management business (but not ownership of the managed properties or developer loans), as well as transfer of 425 employees of Bankia and Bankia Habitat, S.L.U.. The price for the sale is dependent on the performance of the transferred business against an agreed business plan and is expected to realise an amount in the range of €40 million to €60 million. No amount realised from the sale has been booked in Bankia's accounts for 2013 and it has been booked as €17 million of other operating income / (expenses) in its consolidated financial statements for the first half of 2014.
- Merger by absorption of Bankia, S.A. (absorbing company) and Bancaja Gestión de Activos, S.L.U., Bankia Banca Privada, S.A. and Madrid Leasing Corporación, S.A.U., E.F.C. (absorbed 100% subsidiaries of Bankia, S.A.).
- Sale of a 100% shareholding in Bankia Bolsa, Sociedad de Valores, S.A. to General de Valores y Cambios, S.A. (GVC), with a gross gain for the Group of approximately €37 million. Bankia also signed a cooperation agreement with the acquired company

to maintain existing operations for a period of five years after the closing of the transaction.

- Bankia completed an agreement for the lease of the "Torre Foster", a building 100%-owned by the Group through its subsidiary Torre Norte Castellana S.A. The lease agreement is for a term of eight years, plus another seven years of annual extensions. The agreement includes a future option to purchase the subsidiary at a price to be determined at the time of transfer, in accordance with pre-agreed criteria.

In 2014, the BFA-Bankia Group has continued to divest nonstrategic assets. The most significant divestiture transactions are as follows:

- On 17 January 2014, the BFA-Bankia Group gave notice of the sale of its 12.6% shareholding in NH Hoteles, S.A., consisting of 38,834,034 shares, for total cash of €191.8 million, resulting in a gross gain of €91 million by the BFA Group.
 - On 31 January 2014 Bankia reached an agreement with Mapfre whereby the latter will become the exclusive supplier of life and non-life insurance for Bankia, and Bankia will distribute the products of the insurer throughout its commercial network. The agreement involves restructuring of the bancassurance business by way of new distribution agreements for the life and non-life segments with the bancassurance operator, Bankia Mediación, as well as the acquisition by Mapfre of 51% of Aseval and Laietana Vida and 100% of Laietana Seguros Generales from Bankia is to be priced at €151.7 million, after taking account of the economic terms of the agreement, splitting off the Aseval pension business and adjusting the equity of the companies by way of distribution of surplus capital. At the date of this Base Prospectus, the Spanish Antitrust Authorities (*Comisión Nacional de los Mercados y la Competencia*) and the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) have approved the share sale transaction, which is expected to be completed in 2014.
 - On 24 March 2014 Bankia announced the signing of an agreement with Banco Caminos, S.A. for the sale of 70.2% of the share capital of Bancofar, S.A. The transaction was completed in July 2014 and had a purchase price of €36.8 million and will result in an estimated gross gain for the Bankia Group of €30 million.
 - On 10 April 2014, BFA sold its shareholding in Iberdrola, S.A. by way of a private placement 314,887,559 shares, representing a 4.94% shareholding in that company. The transaction realised an amount of €1.5 billion, resulting in gross gain for the Group of €381 million.
 - On 25 April 2014, Bankia announced that an agreement had been reached with CVC Capital Partners through its subsidiary Ole Investments B.V. for the sale of 190,581,126 shares of Deoleo, S.A. by Bankia, representing a 16.51% shareholding in that company. This transaction was completed on 13 June 2014 and generated a gross gain of €15 million.
- (iv) The BFA-Bankia Group, in accordance with the financial projections of the Restructuring Plan, must achieve the following economic targets by 31 December 2015:
- Its net credit portfolio must not be greater than €116 billion. As at 30 June 2014, its net credit portfolio amounted to €115 billion.
 - Its risk weighted assets (as determined in accordance with the criteria of the European Banking Authority ("**EBA**")) must not be greater than €93 billion. As at 30 June

2014, its risk-weighted assets (as determined in accordance with EBA's criteria) amounted to €86 billion.

- Its total balance sheet assets must not be greater than €257 billion. As at 30 June 2014, its total balance sheet assets amounted to €258 billion.
- The ratio of its loans to deposits must not be greater than 133%. As at 30 June 2014 this ratio was 109.6%;
- The number of its branches must be reduced to approximately 1,950 in 2015. As at 30 June 2014 the number of its branches was 1,980. The majority of branch closures have been in the regions considered not to be strategic for the Group, leaving most of the branch network in the regions from which the Cajas originate.
- The number of its employees will be adjusted to the new structure of the Group and the new branch network, with the objective of achieving a total employee number not greater than 14,500 by 2015. As at 30 June 2014, the total number of its employees was 14,996.

If any of the aforementioned commitments contemplated in the Restructuring Plan are not fulfilled, the BFA-Bankia Group must offer to take corrective actions. Also, the BFA-Bankia Group has covenanted under the Restructuring Plan that the total number of its branches and employees will not increase after 2015.

- (v) Contractually committed but not yet paid-out amounts are to be limited to a strict minimum. No additional financing is to be provided to existing customers which is not contractually committed except if it is (a) strictly necessary to preserve the value of the loan collateral or (b) otherwise related to minimising capital losses and/or enhancing the expected recovery value of the loan.
- (vi) No additional financing is to be provided to new customers which is not contractually committed, except that, if the balance of the loan exceeds the value of the property, Bankia may facilitate the loan's redemption through selling off the property by providing additional finance to the vendor enabling the repayment of the outstanding loan balance, subject to compliance with the requirements described paragraph (vii) below.
- (vii) Branches will manage existing assets to maximise their net present value. Specifically, if a customer cannot comply with the terms of its loan, Bankia will only restructure its terms (deferral or partial waiver of repayments, conversion of (part of) the claim into capital, etc.) if such a restructuring would lead to enhancing the present value of the loan. In particular Bankia will be allowed to restructure its mortgage assets by the following means: (a) a change of terms (e.g. by offering a new fixed rate); (b) transferring the existing mortgage to a new property; and (c) transferring the equity (e.g. adding or removing a borrower).
- (viii) The following further restrictions will apply:
 - The BFA-Bankia Group will not acquire new business during the Restructuring Period.
 - The BFA-Bankia Group will not distribute dividends until 31 December 2014.

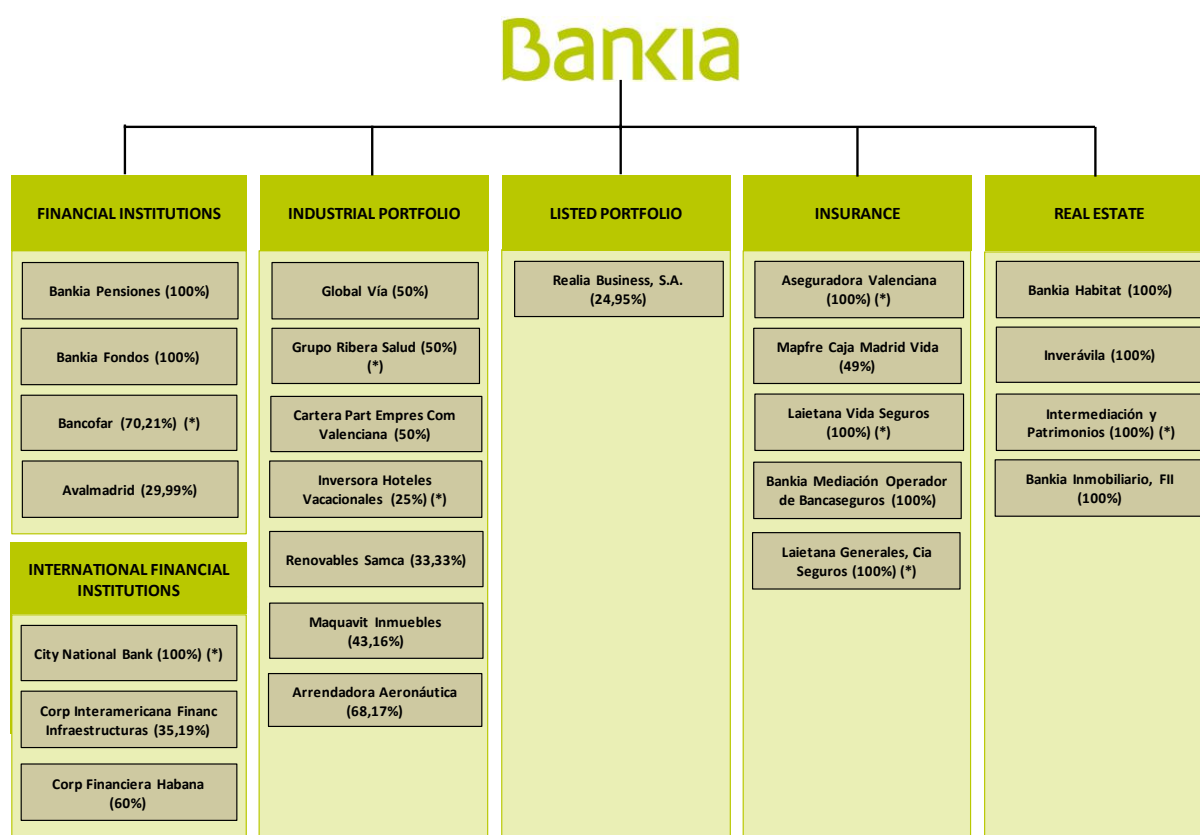
The BFA-Bankia Group also implemented various measures for managing hybrid instruments in the manner specified in the resolution proposed by the governing board of the FROB, subject to the terms set forth in the MoU.

Organisational Structure

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

At 30 June 2014 the Bankia Group was a consolidated group comprised of 258 companies, of which 122 were subsidiaries, 20 multigroup and 116 associates. They are engaged in diverse activities, including insurance, asset management, financing, services and real estate asset promotion and management. The group of companies classified as noncurrent assets held for sale as at 30 June 2014 amounted to a total of 141 companies.

The following diagram shows Bankia's principal subsidiaries, their principal activities and Bankia's ownership interest in those subsidiaries as at 30 June 2014:



(*) Sales formalised after 30 June 2014 or pending regulatory approvals.

During 2014 the Group continued with the process of divestiture of nonstrategic assets in fulfilment of the commitments agreed in the Restructuring Plan for the BFA-Bankia Group approved by the FROB and the European Commission. See "*—History and Development of the Issuer—Restructuring Plan*".

Business Overview

The Group's principal business segments are Retail Banking and Corporate and SME Banking, each as described below. Retail Banking includes retail banking with individuals and legal entities with annual income of less than €6 million, distributed through a broad multi-channel network in Spain. The Retail Banking segment also provides private banking, asset management and bancassurance services through specialised units. Corporate and SME Banking offers a specialised service aimed at legal entities with annual turnover in excess of €6 million. The Group also holds and manages a portfolio of equity investments.

Retail Banking

The Retail Banking segment is the Group's core business and includes retail banking with individuals and legal entities with annual income of less than €6 million, distributed through a broad multi-channel network in Spain. The Retail Banking segment also includes the Group's Private Banking and Asset Management units as well as its Bancassurance business line.

The aim of the Retail Banking business is to build strong relationships with customers by giving them better value in services and advice and better quality in the customer relationship than its competitors. To do this, it relies on customer segmentation, individualised treatment, cross-selling and an extensive distribution network. Retail Banking is a strategic business for Bankia, as one of the largest financial institutions in this line of business, accounting for 8.57% of gross retail lending in and 8.31% of retail deposits in Spain, according to the Bank of Spain in May 2014.

Retail Banking segments its customers according to their need for specialised care and the particular needs of each customer type: Personal Banking, Preferential Management, Private Banking SMEs and Micro-Enterprises and Other Retail segments.

Personal Banking

This service is intended for customers with a net worth of more than €75,000 or annual net income of more than €45,000, and includes specialised financial advice, available throughout Retail Banking's branch network. These customers account for approximately 8.7% of Retail Banking's customers as at 30 June 2014. Personalised service is provided in all of the regular branches and also through 2,100 specialised personal account managers, who are assigned exclusively to serving and advising customers in this segment, differentiating between different customer profiles within the segment. In branches that do not have a Personal Account Manager, these customers are dealt with by the branch manager.

Preferential Management

This service is aimed at customers with savings of between €30,000 and €75,000, or medium income (€30,000-€45,000 net per year), distributed in different portfolios, who are also offered a personalised, specialised service. These customers account for approximately 7.42% of Retail Banking's customers as at 30 June 2014.

Private Banking

Bankia Banca Privada is the Bankia Group's private banking unit. Its aim is to deliver high-quality, specialised financial and tax advisory services to Bankia's high net worth customers. Bankia Banca Privada's main business lines are as follows:

- Wealth management and advice for private banking customers through individual customer portfolios or investment companies.
- Sale of third-party financial products: investment funds (from international fund managers and from the Group's own investment management company, in a completely open architecture), IPOs, structured products, etc.
- Securities trading services.
- Advisory services to companies to securities markets.

SMEs and Micro-enterprises

Retail Banking serves small and medium enterprises (companies with annual turnover of under €6 million (**SMEs**)). Branches that have a large number of such customers have specialised sales staff to offer advice and specific products to customers in this segment, as well as services for independent contractors in their capacity as business owners. The main products for these customers are cash management, business insurance and ICO (*Instituto de Crédito Oficial*) loans. This segment accounts for approximately 5.1% of Retail Banking's customers as at 30 June 2014.

Other Retail

Retail Banking offers a complete range of products and services, including demand and term deposits, mortgage loans, consumer finance, short and long-term credit facilities, guarantees, and debit and credit cards. This segment accounts for 78.8% of Retail Banking's customers as at 30 June 2014. Other banking products and services distributed to these customers serve to strengthen the customer relationship, such as direct deposit of salaries and pensions, direct debit of bills, third-party products such as investment and pension funds, and risk and savings insurance.

Asset Management

Bankia's Asset Management business encompasses the management and administration of investment funds and pension plans.

Bankia Fondos manages, administers and designs a single catalogue of funds for the entire Bankia branch network. At 30 June 2014 Bankia Fondos had assets of €9,011 million under management in securities and real estate funds, compared to €7,588 million at 31 December 2013. This increase in assets under management resulted in Bankia Fondos holding 4.93% of total assets under management in Spain, becoming the sixth largest asset manager by this measure, according to Inverco.

Bankia's pension fund management companies are responsible for managing the different types of pension plans: individual plans, employer pension plans and associated plans. Management is conducted with a view to satisfying the customers' needs and offering products adapted to their investment profile and a time horizon based on their retirement age. Bankia controls 100% of two pension plan management companies and also owns a stake in Caja de Seguros Reunidos Compañía de Seguros y Reaseguros SA (Caser). According to Inverco, at 31 March 2014 the total value of pension funds under Bankia's management amounted to €6,474 million, 68% of which was for individual plans and the remaining 32% for employer pension plans and affiliate plans.

Bancassurance

Earlier this year, Bankia reached an agreement with Mapfre for the restructuring of its Bancassurance business unit whereby Mapfre will become the exclusive supplier of life and non-life insurance for Bankia, unifying the distribution of insurance products throughout Bankia's commercial network. Bancassurance is set up to provide the entire range of insurance products in all categories for the Group and offers both insurance for individuals (including life, health, savings and retirement, home, auto, etc.) and insurance for businesses and professionals intended to protect the assets of business and professional activities (such as civil liability, business multi-risk, credit and surety insurance, transport, etc.). At 30 June 2014 net premiums written amounted to €499 million.

Transactional branches (Oficinas Ágiles)

In 2013 new transactional branches (*oficinas ágiles*) were developed to segment the retail business offering to each customer segment a quality of service at a cost which is tailored for that customer segment. A transactional branch is one that manages low and medium value customers (high transactional customers). As at 30 June 2014 the Group had 66 transactional branches in operation.

Customers and distribution network

Retail banking has a customer base of more than 7 million customers, with a market share of 9.51% in loans and of 8.66% in deposits in the Spanish market as at 30 June 2014 (source: Bank of Spain). At 30 June 2014, at a consolidated level, Retail Banking's branch network in Spain consisted of 1,915 branches. The agency network forms part of the Group's retail distribution channels and is focused on acquiring new customers, both individuals and companies, and selling the products and services from the Group's range that are appropriate for these channels. It gives the Group the use of a professional sales force, complementary to its branch network, focused on developing additional business, with a mainly variable cost structure, which helps to improve efficiency. It is particularly useful in the areas where the Group has fewer branches of its own. As at 30 June 2014, the agency network was made up of 4,441 agents and 479 Mapfre branches, which distribute Bankia products and acquire new customers. Together they manage 238,000 customers and €8,000 million of business. The Mapfre network is a structured sales network with experience in bancassurance products.

Bankia also has complementary channels within its own distribution network. The self-service network is made up of more than 5,536 self-service points in Spain, which are regularly upgraded, available 24/7 for cash withdrawals, balance inquiries, transfers, bill payments, ticket purchases, mobile phone top-up, and among other services. Bankia also has a complete set of technology-based channels: online banking, mobile banking and telephone banking. Customers can use these channels to make payments, open and manage accounts, and access the online broker. At 30 June 2014 these channels had more than 3.3 million regular users.

Corporate and SME Banking

The Business Banking segment offers a specialised service aimed at legal entities with annual turnover in excess of €6 million. Personal customers, companies and independent contractors with revenues below this threshold are served by the Retail Banking segment. The Corporate and SME Banking unit is divided into three main areas: SME Banking, focusing on small and medium enterprises with revenues from €6 million to €300 million and with a branch network of 63 centres; Corporate Banking, providing specialised banking services to enterprises with more than €300 million of revenues from two main hubs (in Madrid and Barcelona); and Capital Markets, which provides selected financial services to specific Corporate and SME clients.

The gross balance of business loans amounted to €28,696 million, while total business deposits stood at €11,017 million as at 30 June 2014 in comparison to figures of €29,674 million and €9,519 million, respectively, as at 31 December 2013.

Customers and distribution network

Bankia is one of the top competitors in business banking, with a customer base of more than 20,000 active business customers and a market share of 34.9% in terms of number of customers (source: Spanish Companies Economic and Financial Information Database (*Sistema de Análisis de Balances Ibéricos*)). The customer base of Bankia's Business Banking segment is diversified across various sectors of the economy, with services, construction and industry accounting for the bulk of the portfolio (52% as at 30 June 2014), followed by commerce, utilities and hotel and tourism.

Branches classified as "Company Branches (*sucursal*)" are established in towns and cities with a sufficient critical mass of customers. Markets that lack the necessary critical mass are served by specialised account managers assigned to Retail Banking branches and overseen by the nearest Company Branch. As at 30 June 2014, Bankia had 65 Company Branches throughout Spain.

The corporate customers segment is made up of Bankia's largest accounts. The common denominators of these large accounts are the size of the companies, the international nature of their businesses and the greater complexity and sophistication of their financial needs. These customers are served from

two branches, one in Madrid and one in Barcelona, staffed by teams of account managers, each specialising in a particular industry or sector.

Corporate Centre

The Group also holds and manages a portfolio of equity investments which are classified in the Group's "Corporate Centre" segment. At 30 June 2014, the scope of consolidation of the Bankia Group encompassed 258 companies distributed into two portfolios: 122 subsidiaries engaged in a range of activities, including financial companies or those relating to the banking industry (asset management, insurance, banking and specialised financial services), industrial, real estate and services companies; and 136 associated companies and jointly controlled entities. During 2014 the Group has continued with the process of divestiture of nonstrategic assets in fulfilment of the commitments agreed in the Restructuring Plan for the BFA-Bankia Group approved by the FROB and the European Commission. See "*—History and Development of the Issuer—Restructuring Plan*".

Geographical distribution

As at 30 June 2014, the Group had 1,980 branches in Spain. In addition, as at the same date the Group had representative offices in Ireland and in China.

Financial Overview

Income and Expenses

The following table shows the principal components of the Group's income statement for the periods indicated

	For the six months ended 30 June		For the year ended 31 December	
	2014	2013	2013	2012
	(€ millions)			
Net interest income	1,427	1,092	2,425	3,089
Gross income	1,932	1,773	3,630	4,010
Pre-impairment income.....	1,056	791	1,725	1,717
Net operating income / (expenses).....	602	76	296	(19,047)
Profit / (loss) before tax	557	149	280	(22,189)
Profit / (loss) after tax	431	192	509	(19,193)
Profit / (loss) attributable to the Group	432	200	512	(19,056)

The Group's pre-impairment income for the year ended 31 December 2013 was €1.725 billion, compared to €1.717 billion in 2012. In 2013 the Group returned to profitability, after completion in 2012 of the process of cleaning up its balance sheet as provided in the Restructuring Plan, which required a strong provisioning and write-off effort. Despite the difficult economic environment, during 2013 the Group managed to stabilise its basic banking business by way of a quarter to quarter positive evolution of net interest income and fees. This, together with reduction of operating costs, allowed the Group to improve the efficiency ratio notably and maintain net interest income before provisions at a level very similar to that of the prior year. As a result of these improvements, the Group in 2013 had attributed profit of €512 million, compared to a loss of €19.1 billion in 2012.

In the first half of 2014 the Group posted a pre-impairment income of €1.056 billion. This figure represents a growth of 33.5% compared to the first half of 2013, driven by the favourable evolution of (i) sources of revenues from the business with customers (net interest income and fee and commission income), and (ii) the Group's operating expenses, thus reducing the reliance on non-core business revenues (trading income and extraordinary revenue from the sale of equity holdings). As a result, the

Group's recurring efficiency ratio (excluding net trading income) reached 47.7% in the first half of 2014, down 19.3 percentage points compared to the same period of the previous year. Having completed the clean-up of the balance sheet in 2012, and following the positive evolution of the asset quality in 2013, the Group has also reduced the level of impairments and provisions. As a result of all the above and after incorporating other gains and losses, in the first half of 2014 the Group had attributed profit of €432 million compared to €200 million in the first half of 2013.

Assets and Liabilities and Solvency

As at 31 December 2013, the Group had total assets of €251.5 billion (a decrease of 10.9% from 31 December 2012) and turnover (consisting of net loans and advances to customers, customer deposits, debits represented by negotiable securities, subordinated liabilities and assets managed off balance sheet, including investment funds, pension funds and savings insurance) of €276.6 billion, 11.5% less than in December 2012 due to the reduction of credit, cancellation of subordinated liabilities of the Group after the capital increases in May 2013 and maturity of wholesale debt.

As already mentioned, the evolution of the Group business during 2013 occurred in an environment that continued to be complicated for the banking business, with low volumes of activity, low demand for credit and a weak economic environment. In this scenario the Group focused its management on the roadmap set out in the Restructuring Plan, advancing with the process of deleveraging and strengthening its solvency and liquidity. Thus, as the most important milestone, in 2013 the process of capitalisation was completed with the two capital increases in May 2013, which allowed the Group to increase its total equity to €10.9 billion as at 31 December 2013 (compared to negative equity of €5.2 billion at the end of 2012).

The Group's activity in the first half of 2014 has reflected Bankia's strategy, which is focused on (i) reinforcing the shift of its loan portfolios mix towards a greater weight of corporate and SME lending, (ii) reducing NPLs, and (iii) building stronger ties with customers in order to increase sales of products and raise funding resources. There has also been an increase in the levels of capital adequacy and liquidity.

Thus, as at 30 June 2014 gross loans and advances to customers have decreased by 3.3% when compared to 31 December 2013, mainly due to the reduction in secured lending (which mostly consists of home loans) and NPLs. Additionally, during the first half of 2014, there has been growth of strict customer deposits and off-balance sheet customer funds, having increased by €2.220 billion and €1.473 billion respectively, despite the branch network downsizing in 2013. Regarding risk management, there has been a decrease in NPLs of €1.446 billion, leading to a decrease in the NPL ratio, which at the end of June 2014 stood at 14.03%, compared with 14.65% at 31 December 2013. Liquidity also improved, backed by continued reduction in the commercial gap, translating into an improvement of the Group's loan-to-deposit ratio of 5.7 percentage points to 109.7% as of 30 June 2014.

As at 30 June 2014, the Group had a Core Tier I capital of 12.7% (calculated in accordance with EBA standards), and a Basel III total solvency ratio of 13.3% (calculated in accordance with the CRR and CRD IV Basel II Capital Standards), as compared to 11.7% and 11.1% , respectively, as at 31 December 2013.

The table below shows the overall improvement in the Group's capital ratios since 31 December 2012:

	As at 30 June 2014(*)		As at 31 December 2013		As at 31 December 2012	
	€million	%	€million	%	€million	%
Circular 3/2008 capital standards						
Tier I capital.....			10,407	11.7%	5,215	5.0%
Of which Core Tier I capital			10,556	11.9%	5,382	5.2%
Tier II capital			222	0.3%	5,017	4.8%
Total own funds			10,629	12.0%	10,232	9.8%
Total own funds minimum requirements			7,107	8.0%	8,345	8.0%
Capital excess /(shortfall)			3,522		1,887	
Risk - weighted assets.....			88,838		104,317	
EBA capital standards						
Core Tier I EBA.....	10,804	12.7%	10,407	11.7%	5,215	4.9%
Core Tier I EBA requirements.....	7,630	9.0%	7,995	9.0%	9,494	9.0%
Core Tier I EBA Capital excess /(shortfall)	3,174		2,412		(4,279)	
Risk - weighted assets.....	84,782		88,838		105,492	
Basel III Capital standards (Phase In) (1)						
Common equity Tier I.....	10,912	11.8%	10,515	10.7%		
Tier I capital.....	10,912	11.8%	10,515	10.7%		
Tier II capital	1,353	1.5%	363	0.37%		
Total own funds	12,265	13.3%	10,878	11.1%		
Total own funds minimum requirements	7,383	8.0%	7,861	8.0%		
Capital excess /(shortfall)	4,882		3,014			
Risk – weighted assets	92,284		98,299			

(*) Estimated

(1) Capital measures as per CRD IV Directive and CRR implementation calendar. December 2013 pro-forma only for comparison purposes.

Recent Developments

There has been no material adverse change in the prospects of the Issuer since 31 December 2013, the date of its last published audited financial statements. There has been no significant change in the financial position of the Group since 30 June 2014.

Capital structure

As at the date of this Base Prospectus, the Issuer's share capital is €11,517,328,544 divided into 11,517,328,544 fully subscribed and paid ordinary shares with a par value of €1 each. All shares are of the same class with the same rights attached.

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

Major Shareholders

As at 30 June 2014, 61.352% of the Issuer's share capital was held by BFA. As a result, BFA has decisive influence regarding all matters requiring a decision of a majority of the shareholders, including, inter alia, the appointment of directors (with the legal limitations of proportional representation established by Spanish law), increase or reduction of capital and amendment of the bylaws.

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

On 5 March 2014, Capital Research and Management Company notified the CNMV of its indirect ownership of 5.497% of Bankia's share capital, of which shares constituting a 3.133% shareholding in Bankia are owned by Europacific Growth Fund. Aside from these shareholdings and the 61.352% shareholding of BFA in Bankia, 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 30 June 2014.

Administrative, Management and Supervisory Bodies

Board of Directors

The table below sets out the names of the members of the Board of Directors of the Issuer as at 30 June 2014, the respective dates of their appointment, their positions within the Issuer and the nature of their membership:

Date of appointment	Name	Title	Type of directorship
9 May 2012	Mr. José Ignacio Goirigolzarri Tellaeché	Chairman	Executive
25 May 2012	Mr. José Sevilla Álvarez	Chief Executive Officer	Executive
25 May 2012	Mr. Joaquín Ayuso García	Member	Independent
25 May 2012	Mr. Francisco Javier Campo García	Member	Independent
25 May 2012	Ms. Eva Castillo Sanz	Member	Independent
25 May 2012	Mr. Jorge Cosmen Menéndez-Castañedo	Member	Independent
25 May 2012	Mr. Jose Luis Feito Higuera	Member	Independent
25 May 2012	Mr. Fernando Fernández Mendez de Andés	Member	Independent
8 June 2012	Mr. Alfredo Lafita Pardo	Member	Independent
8 June 2012	Mr. Álvaro Rengifo Abbad	Member	Independent
25 June 2014	Mr. Antonio Ortega Parra	Member	Executive

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 or Function
Mr. José Ignacio Goirigolzarri Tellaeché	Banco Financiero y de Ahorros, S.A.U.	Individual representative Chairman (currently)
	CECA	Vice Chairman (currently)
	Garum Fundatio Fundazioa	Chairman (currently)
	Kanban Media, S.L.	Individual representative. Joint Administrator (currently)

	Mapfre, S.A.	Director (until September 2013)
	Banco Bilbao Vizcaya Argentaria, S.A.	Managing Director (until September 2009)
	BBVA Bancomer	Director (until November 2009)
	Citic Bank (China)	Director (until February 2010)
	Widewall	Director (until March 2012)
	On Off Investments	Vice Chairman (until October 2013)
	Cecabank, S.A.	Vice Chairman (until March 2013)
Mr. José Sevilla Álvarez	Banco Financiero y de Ahorros, S.A.U.	Director (currently)
	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director (until October 2009)
Mr. Joaquín Ayuso García	Ferrovial, S.A.	Vice Chairman (currently)
	National Express Group Plc.	Director (currently)
	Jota RNC, S.L.	Joint Administrator (currently)
	Hispania Activos Inmobiliarios, S.A.	Director (currently)
	Ferrovial Agromán, S.A.	Chairman (until December 2012)
	Autopista del Sol Concesionaria Española, S.A.	Chairman (until March 2014))
	Autopista de Madrid Levante, Concesionaria Española, S.A. (en concurso)	Chairman (until March 2013)
	Inversora Autopistas de Levante, S.L. (en concurso)	Chairman (until March 2013)
	Autopista Madrid Sur Concesionaria Española S.A. (en concurso)	Director (until March 2013)
	Inversora Autopistas del Sur, S.L. (en concurso)	Director (until March 2013)
	Autopista Alcalá O'donell, S.A.	Chairman (until March 2013)
	Holcim España, S.A.	Director (until November 2012)
Mr. Francisco Javier Campo García	Aecoc	Chairman (currently)
	Food Service Projet, S.L. (ZENA)	Individual representative Chairman (currently)
	Grupo Empresarial Palacios Alimentación, S.A.	Individual representative Director (currently)
	Meliá Hotels International, S.A.	Director (currently)
	Exit Brand Management, S.L.	Shareholder
	Tuera 16, S.A., S.C.R. de Régimen Simplificado	Chairman (currently)
	Trubia 15, S.L.	Vice Chairman (currently)
	Tarna 21, S.L.	Director
	Fundación F. Campo	Trustee (currently)
	Fundación Iter	Trustee (currently)
	DIA, S.A.	Global Chairman (until April 2009)
	Carrefour, S.A.	Member of the Board (until April 2009)
Mr. ^a Eva Castillo Sanz	Telefónica, S.A.	Director (currently)
	Telefónica Deutschland, GMBH	Chairman Supervisory Board (currently)
	Old Mutual Plc	Director (until February 2013)

	Telefónica Europa Plc	Chairman (until March 2014)
	Telefónica Czech Republic, A.S.	Chairman Supervisory Board (until January 2014)
Mr. Jorge Cosmen Menéndez-Castañedo	Brunolivia, S.L.	Joint and Several Administrator and shareholder (currently)
	Estudios de Política Exterior, S.A.	Individual representative Director (currently)
	National Express Group Plc.	Deputy Chairman (currently)
	Autoreisen Limmat	Director (currently)
	Cofinex Benelux, S.A.	Director (currently)
	Lusocofinex, S.L.	Director (currently)
	Quintojorge S.L.	Sole Administrator and shareholder (currently)
	General Técnica Industrial, S.L.U.	Individual representative Director (currently)
	Calebus, S.A.	Individual representative Joint and Several Administrator (until
	Cofinex, S.L.	Individual representative Director Assistant Secretary (until June 2012)
	Cofinex Emporium, S.L.	Individual representative Joint Managing Administrator (until January 2013)
	Interprovincial, S.L.U.	Individual representative Joint Managing Administrator (until January 2013)
	Renting Share, S.L.	Individual representative Joint Managing Administrator (until July 2012)
	Torremendo Locosta, S.L.	Individual representative Joint Managing Administrator (until July 2012)
	Las Cuerdas Oil, S.L.U.	Individual representative Joint Managing Administrator (until May 2012)
	Áreas Concesionales, S.L.U.	Individual representative Joint Managing Administrator (until May 2012)
	AC Hoteles, S.A.	Individual representative Director (until May 2012)
	Indústrias Lácteas Asturianas, S.A.	Director (until April 2013)
	Thomil, S.A.	Director (until March 2013)
	CMC XXI, S.A., S.C.R. de Régimen Simplificado	Individual representative Director (until January 2013)
	Pressto Enterprises, S.L.U.	Individual representative Director (until March 2010)
	AC Desarrollo de Nuevos Hoteles, S.L.	Individual representative Joint Managing Director (until November 2011)
	AC Hotel Los Ferranes, S.L.	Individual representative Joint Managing Director (until November 2011)
	AC Hotel Petrer, S.L.	Individual representative Joint Managing Director (until November

		2011)
	AC Hotel Elda, S.L.	Individual representative Joint Managing Director (until November 2011)
	AC Hotel Elche, S.L.	Individual representative Joint Managing Director (until November 2011)
	FIAGA	Individual representative Director (until February 2011)
	Jovellanos XXI, S.L.	Individual representative Director (until February 2011)
	Transportes Autónomos por Carretera, S.L.	Individual representative Joint and Severally Director (until May 2010)
	Brunara SICAV, S.A.	Director (until May 2012)
	BBVA Elcano Empresarial, S.C.R. de Régimen Simplificado, S.A.	Director (until May 2012)
	BBVA Elcano Empresarial II, S.C.R. de Régimen Simplificado, S.A.	Director (until May 2012)
	Fuentes de Mondariz, S.A.	Director (until April 2011)
	Asturias Motor, S.A.	Individual representative Director Assistant Secretary (until October 2012)
	Autoprin, S.A.	Individual representative Director Assistant Secretary (until October 2012)
	Concesiones Unificadas, S.A.U.	Individual representative Sole Administrator (until November 2012)
	Inversiones Asturianas, S.A.	Individual representative Director Assistant Secretary (until October 2012)
	La Bidasotarra, S.A.	Individual representative Director Assistant Secretary (until May 2012)
	Vinalopo Bus, S.A.	Individual representative Director Assistant Secretary (until January 2013)
	Fundación Integra	Representative of the Trustee
	Fundación Consejo España China	Representative of the Trustee
Mr. José Luis Feito Higuera	Mundigestión, S.L. Gestión Administrativa	Shareholder (currently)
Mr. Fernando Fernández Méndez de Andrés	Banco Financiero y de Ahorros, S.A.U.	Director (currently)
	Red Eléctrica de España, S.A.	Director (currently)
	Pivaldo Consultores, S.L.U.	Chairman (currently)
Mr. Alfredo Lafita Pardo	Fundación Juan March	Secretary – Trustee (currently)
	Fundación de Ayuda contra la Drogadicción	Trustee (currently)
	Asociación Acción Familiar	Trustee (currently)
	Banco Financiero y de Ahorros, S.A.U.	Director (until March 2013)
	Noscira, S.A.	Director (until December 2012)
	Banco Guipuzcoano, S.A.	Vice Chairman (until February 2009)

	Diana Capital, S.G.E.C.R., S.A.	Director (until September 2012)
	Corporación Financiera Alba, S.A.	Director (until May 2009)
Mr. Álvaro Rengifo Abbad	Bombardier European Holdings, S.L.U.	Chairman (currently)
	Bombardier European Investments, S.L.U.	Chairman (currently)
	Bombardier Transportation Investments Spain, S.L.U.	Chairman (currently)
	Bombardier Transportation Participations Spain, S.L.U.	Chairman (currently)
	Bombardier Aerospace Spain, S.L.U.	Chairman (currently)
	Fundación AMREF	Trustee (currently)
	Patronato Fundación Ballesteros	Chairman (until October de 2013)
Mr. Antonio Ortega Parra	Banco Financiero y de Ahorros, S.A.U.	Director (currently)
	CECABANK, S.A.	Director (currently)

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

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

Management Committee

Bankia's senior management consists of three executive directors (José Ignacio Goirigolzarri Tellaeché, José Sevilla Álvarez and Antonio Ortega Parra) and a Management Committee. The table below sets out the names of the members of the Management Committee of the Issuer as at 30 June 2014, the respective dates of their appointment and their positions within the Issuer:

Date of appointment	Name	Office
16 May 2012	Mr. Miguel Crespo Rodríguez	General Secretary
25 May 2012	Ms. Amalia Blanco Lucas	Director of Communication and External Relations of the Group
25 June 2014	Mr. Fernando Sobrini Aburto	Deputy General Director of Retail Banking
25 June 2014	Mr Gonzalo Alcubilla Povedano	Deputy General Director of Business Banking
11 September 2012	Mr. Iñaki Azaola Onaindia(1)	Director Internal Audit

Note:

- (1) As set forth in the Annual Report of Corporate Governance of Bankia (Informe Annual de Gobierno Corporativo), Mr. Iñaki Azaola Onaindia is not a member of senior management of Bankia. However, since the corporate governance regulations require that the Internal Auditing Director (director de auditoría interna) be considered senior management, he is included in this table.

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

Name	Company	Position
Mr. Miguel Crespo	Equipo Económico, S.L.	Director (until June 2010)

Rodríguez		
Ms. Amalia Blanco Lucas	A contracorrientefilms, S.L.	Chairman
	Madrid Deportes y Espectáculos, S.A.	Representative Member of Promoción y Participación Empresarial Caja Madrid, S.A. (until June 2013)
	Multipark Madrid, S.A.	Representative Member of Mediación y Diagnóstico, S.A. (until July 2013)
Mr. Fernando Sobrini Aburto	CASER Caja de seguros reuniones Cía. de Seguros y Reaseg.	Representative of the Director Participaciones y Cartera de Inversión S.L. (member until 17 December 2012)
	Mapfre Familiar Cía. de Seguros y Reaseg., S.A.	Representative of the Director Valoración Control S.L. (member until 23 April 2014)
	Mapfre Vida, S.A. Seguros y Reaseguros	Representative of the Director Participaciones y Cartera de Inversión S.L. (member until 23 abril 2014)
	Geslaietana de Pensiones EGFP S.A.U.	Chairman (until 22 February 2013)
	Bankia Banca Privada S.A.U.	Chairman (until 29 July 2013)
	NH Hoteles, S.A.	Representative of the Director Corporación Financiera Caja Madrid, S.A.U. (member until 26 April 2013)
	Mapfre Asistencia, Cía Internacional de Seguros y Reaseg.	Representative of the Director Participaciones y Cartera de Inversión S.L. (member until 12 November 2013)
	Mapfre Caja Madrid Vida S.A. de Seguros y Reaseg.	Representative of the Director Valoración Control S.L. (currently member)
	Bankia Fondos SGIIC S.A.	Chairman (currently)
	Bankia Pensiones, S.A., EGFP	Chairman (currently)
Mr. Gonzalo Alcubilla Povedano	Deoleo, S.A.	Representative of the Director Inmogestión y Patrimonios, S.A. (currently)
	Global Vía Infraestructuras, S.A.	Representative of the Director Inmogestión y Patrimonios, S.A. (currently)
	Mapfre Inmuebles, SGA, S.A.	Representative of the Director Participaciones y Cartera de Inversión, S.L. (ceased his function as Director on 9 May 2013)
	Mapfre Seguros de Empresas Compañía de Seguros y Reaseguros, S.A.	Representative of the Director Participaciones y Cartera de Inversión, S.L. (ceased his function as Director on 23 April 2014)
	Indra Sistemas, S.A.	Representative of the Director Participaciones y Cartera de Inversión, S.L. (ceased his function as Director on 30 August 2013)
Mr. Iñaki Azaola Onaindia	Banco Guipuzcoano, S.A.	General Manager (until 2011)

	Guipuzcoano Capital, S.A.	Director (until 2011)
	Guipuzcoano Correduría de Seguros del Grupo Banco Guipuzcoano, S.A.	Representative of the Director Urumea Gestión S.L. / Secretary non-Director (until 2011)
	E.P.S.V. Gertakizun	Director and Treasurer of the Governing Board and member of its General Assembly (until 2009)
	Inversiones Aranbaltza, S.L.	Chairman (until 2012)
	Inmobiliaria Azgar, S.L.	Chairman (until 2012)
	Inmobiliaria Barrica Barri, S.L.	Chairman (until 2012)
	Udazkena, S.L.	Chairman (until 2012)
	Torre Gorostizaga, S.L.	Chairman (until 2012)

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

Litigation

As at the date of this Base Prospectus, certain legal proceedings and claims were ongoing against the Bankia Group. The Group has recorded provisions of €288 million for taxes and other legal contingencies accounted for as at 30 June 2014. Of that amount, provisions associated with hybrid instruments discussed below were, as at 30 June 2014, €246 million in total and €165 million after deduction of €81 million in settling claims. Additionally, the Group has recorded as at 30 June 2014 €431 million of provisions related to claims against affiliates and other legal proceedings against investees. These provisions are shown under Other Provisions in the consolidated interim financial statements of the Issuer for the six months ended 30 June 2014. The Bankia Group estimates that it has recorded the necessary provisions for the different types of risks. However, the proceedings against Bankia or its subsidiaries described below could have significant effects on the financial position and profitability of the Group.

Claims Related to Hybrid Instruments

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

As at the date of this Base Prospectus, the BFA-Bankia Group is subject to claims from a number of investors in hybrid instruments seeking declarations of nullity in respect of terms alleged to be abusive, including the terms related to its long term maturity or perpetual nature, the issuer's right to call for redemption within five years from the issue date, and the linkage of payments under the instruments to profitability. These claims are being pursued by way of a class action through specially formed arbitral proceedings. These proceedings are nearing conclusion, having resolved 95% of the claims submitted as at the date of this Base Prospectus. The proceedings are subject to Royal Decree Law 6/2013 of 22 March before the National Arbitration Board (*Junta Nacional Arbitral*) operating under the Spanish National Institute of Consumer Affairs (currently, the Spanish Agency of Food Security and Nutrition). In parallel, a number of investors have pursued their claims independently through court proceedings against BFA, Bankia or the BFA-Bankia Group. If these claims are successful, BFA may be obliged to return sums invested in the hybrid instruments or to otherwise compensate investors for their losses. By an agreement dated 31 January 2014 between BFA and

Bankia, BFA and Bankia have agreed between themselves that Bankia's liability in respect of the claims which are the subject of court proceedings should be limited to a maximum amount of €246 million and that BFA will compensate Bankia if it suffers any liability in respect of the hybrid instruments in excess of this figure. As at 30 June 2014, based on the claims made and in consideration of the agreement with BFA limiting Bankia's liability in such claims, as well as the agreement of the FROB's steering committee, Bankia had established a provision in respect of its contingent liability in respect of the claims of investors in hybrid instruments of €246 million in total and €165 million after deduction of €81 million in settling claims.

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

- *Preliminary Proceedings n° 59/2012 before the Central Court of Instruction (Juzgado Central de Instrucción) n° 4 of the National Audience (Audiencia Nacional)*. This relates to criminal proceedings. By Order of 4 July 2012, the court agreed to admit the claim brought by Unión Progreso y Democracia (**UPyD**) against Bankia, BFA, and the previous members of their respective Boards of Directors. Additional claims have been joined to the claim filed by UPyD, and thus form part of this proceeding. These additional claims include claims from persons who purchased shares in the Bankia initial public offering, as well as other persons who allege that they have been affected by the initial public offering.

As at the date of this Base Prospectus, the proceedings are in the pre-trial phase, pending the exercise of certain preliminary proceedings ordered by the court. During this pre-trial phase, the court has rejected certain interim protective measures which were requested, in particular, the legal intervention in Bankia and BFA and the application of bail bonds during the pre-trial phase. Therefore, there is no judicial resolution quantifying any eventual civil liability of Bankia Group companies. As of the date of the Base Prospectus, it is not possible to determine if or when such liability may be quantified.

In addition, there are two separate proceedings investigating the issuance of hybrid instruments by Caja Madrid and Bancaja. The Criminal Division of the National Audience (*Sala de lo Penal de la Audiencia Nacional*) has only admitted claims regarding the planning carried out by the members of management bodies of the accused companies at that date, companies which have been capitalised by the sale of hybrid instruments. This court has not admitted any claims made in relation to the particular sales of the preferred participations to individuals. Therefore, neither Bankia, BFA, nor the issuer companies are currently charged for the issuance of hybrid instruments.

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

The following cases are included in the class action proceedings:

- action brought before the Commercial Court (*Juzgado de lo Mercantil*) n° 5 of Madrid by ADICAE and several hybrid instruments and subordinated debentures holders in relation to the issuance of hybrid instruments with a par value of €3,000 million by Caja Madrid in 2009;

- ordinary legal proceeding 1197/2012 before the Commercial Court (*Juzgado de lo Mercantil*) nº 6 of Logroño relating to the €25 million issuance of hybrid instruments by Caja Rioja;
 - ordinary legal proceeding 20/2013 before the Commercial Court (*Juzgado de lo Mercantil*) nº 3 of Valencia involving two issuance of hybrid instruments series A and B by Bancaja with an aggregate nominal amount of €600 million. On 2 December 2013 the Court dismissed the request. The claimant has submitted an appeal request which is still pending;
 - ordinary legal proceeding 110/2013 before the Commercial Court (*Juzgado de lo Mercantil*) nº 1 of Valencia involving the 3º, 8º and 10º issuance of subordinated debentures by Bancaja with an aggregate nominal amount of €1,300 million;
 - ordinary legal proceeding 580/2013 before the Commercial Court (*Juzgado de lo Mercantil*) nº 2 of Valencia involving a €30 million issuance of hybrid instruments by Caja Ávila; and
 - action brought before the Commercial Court (*Juzgado de lo Mercantil*) nº 3 of Valencia (Order 303/13) in relation to the issuance of hybrid instruments issued by Caja Insular de Canarias in 2004 and 2008, each with a nominal amount of €30 million.
- *Contentious-administrative proceedings begun before the 6º Section of the National Audience (Audiencia Nacional) against the FROB.* These proceedings aim to void the FROB's regulation of 16 April 2013 that agreed the recapitalisation and management of hybrid instruments and subordinated debentures under the Restructuring Plan regulating the total early redemption of the hybrid instruments and other securities through an exchange of shares. Bankia is currently a party in the proceedings defending the FROB's agreement.
 - *Other proceedings.* There are a great number of proceedings ongoing in several courts involving requests for, *inter alia*, the nullity of the subscription contracts and the mutual restitution of benefits by the holder of the hybrid instruments and subordinated debentures issued by the Cajas or by vehicle companies.

Other Legal Proceedings

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

- On 28 January 2011 a claim (*querrela*) was brought by Asociación de Pequeños Accionistas del Banco de Valencia "Apabankval" ("**Banco de Valencia**") against the members of the Board of Directors of Banco de Valencia, Deloitte S.L., and its legal representative with accusations of corporate crimes. Several Bankia Group companies are manager companies of Banco de Valencia, including SPEC Gestión de Inversiones, S.A. Unipersonal, Valenciana de Inversiones Mobiliarias S.L., Grupo Bancaja Centro de Estudios S.A., Bancaja Habitat S.L., Bancaja Participaciones S.L. The risk of this proceeding can not be quantified yet.
- 135 proceedings have been instituted against Bankia in different courts requesting the nullification of Bankia's share purchase operations through the OPS of July 2011. Bankia has received certain unfavourable judgments, and there remains a possibility that press coverage of these proceedings could influence others to institute similar proceedings against Bankia.

- 98 proceedings are currently ongoing against Bankia requesting the nullification of Bankia's floor clauses (minimum interest rate limits on mortgage loans). One judgment favourable to Bankia and three judgments unfavourable to Bankia have been issued.
- In ongoing proceedings against Instituto Valenciano de Finanzas (IVF) de la Generalitat Valenciana, the Contentious-Administrative Court (*Juzgado Contencioso-Administrativo*) nº 3 of Valencia (Order 239/10) decreed the nullity of the collateral provided by IVF to Bankia amounting to €81 million. This decree has been appealed by Bankia before the High Court of Justice (*Tribunal Superior de Justicia*) of the Community of Valencia. This court has ordered the retraction of actions, but the response is still pending. Furthermore, the collateral is now being partially enforced by Bankia through a civil proceeding which IVF has opposed.
- A claim for €7.1 million has been brought by Dofil, S.L. against Bankia and others requesting the cancellation of a mortgage to guarantee a loan. The Court of First Instance dismissed this claim on 20 July 2011 (in favour of Bankia), which has since been appealed. The appeal was partially accepted and the case has been referred back to the court to resolve the subject-matters of the proceeding.
- A claim for €25.2 million has been brought by Ribertierra S.L. against Caja Madrid and Altae Banco S.A. alleging poor advice on bank financing guaranteed by Landsbanki bonds. A favourable judgment has been obtained in the first and second instances, and a causation appeal has been submitted to the Supreme Court (*Tribunal Supremo*).
- A claim was brought by Nieve y Comercio, S.A. against Urbanizadora Fuente de San Luis, S.L. (Bankia's subsidiary) alleging €26.9 million in damages arising from the frustration of contract expectations in connection with the shopping and leisure complex of Fuente San Luis. A favourable judgment has been obtained in the first and second instances, but a causation appeal is pending.
- A contentious-administrative appeal was submitted by the Ayuntamiento de las Rozas (Madrid) against the resolution of the General Directorate of Financial Coordination with the Autonomous Communities and Local Entities on 1 February 2011, requesting nullification of certain loans granted by Bankia, BBVA and Santander for failing to fulfil administrative budget rules. The value of the claim is €7 million. The conclusions phase has finished and the proceeding is awaiting judgment.
- A €6 million claim was brought by Eurocarrión, S.L. against Caja Madrid, Tasamadrid S.A. and others alleging a negligent breach of obligations assumed under a deed for the developer loan granted to the claimant for the construction of 48 private homes, garages, and storage rooms in Carrión de Calatrava. These properties were awarded to Bankia as result of the foreclosure of such developer loan. A judgment favourable to Bankia was obtained on 5 November 2013 and is under appeal.
- A €16.4 million claim has been brought by Inversiones Frieira, S.L. against Bankia alleging a breach of indemnity clauses in certain share purchase agreements of Parque Temático de Madrid, S.A. granted by Caja Madrid in favour of the applicant. A preliminary hearing on this proceeding is pending.
- Proceedings have been filed by Inversiones Inmobiliarias CRE S.L. (a corporation whose majority shareholder is the Land and Mercantile Registrars Association of Spain), seeking to void three derivatives swap contracts. One of which was formalised with Bankia for the notional sum of € 33 million. The case is pending at trial.
- Three proceedings have been filed by ING Belgium, S.A., BBVA, S.A., Banco Santander, S.A., Catalunya Banc and other banking syndicates against Bankia and several other parties

requesting fulfilment of the contractual obligations agreed to in the "Supporting Contract" granted under financing by the syndicate banks in favour of the concessionary corporation for the construction of certain roads, and the comfort letter sent by Bankia to guarantee the fulfillment of these obligations. The total risk assumed is €165 million.

- A claim (*querrela*) has been filed by the Asociación de Facultativos especialistas de Madrid against Ribera Salud (of which Bankia is a shareholder) and others, all of whom are corporations who were awarded the management rights in the privatisation of various hospitals in Madrid, Spain. The claim was admitted and is pending resolution. The proceeding is in the pretrial phase.
- Proceedings have been brought by Hansa Bowfonds against Residencial la Maimona and Sector Residencial la Maimona (of which BFA is a shareholder) and others, for termination of contract for non-performance due to impossibility arising from a modification of the planning. The economic risk is €6.8 million. The initial judgment was unfavourable and is in the sentencing phase.
- Proceedings have been brought by AC Augimar against Bankia Habitat (of which Bankia is a shareholder), Bankia, Augimar, CISA 2011 (of which BFA is a shareholder) and others in response to the reintegration into the mass of assets (*masa activa*) the amount of €5.8 million that was allegedly received inappropriately by Bankia Habitat for its call option via a private contract between Augimar and Actura (that was terminated), and for the sale of parcels by Augimar to CISA 2011. The claim against Bankia Habitat is for the difference in value of the sale price and the payment of agreed-upon indemnification. The proceeding is pending judgment.
- Proceedings have been brought by Habitats del Golf against, amongst others, Bankia Habitat for the payment of €9 million for expenses flowing from the project Nuevo Mestalla. This case is pending in the preliminary hearing phase.
- A claim filed by a banking syndicate for non-judicial enforcement in relation to an outstanding balance under a public deed for a credit account against Acenilav Inversiones 2006, S.L., for whom Bankia Habitat, amongst others, acts as a guarantor. The amount claimed from Bankia Habitat is €58.2 million. Bankia Habitat has filed an objection to the claim.

Credit Ratings

As at the date of this Base Prospectus, the Issuer has been assigned long-term debt ratings of BB- (positive outlook) by Standard & Poor's and BBB- (negative outlook) by Fitch, respectively.

Tranches of Notes may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Material contracts between BFA and Bankia

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

Framework Agreement: By a framework agreement dated 28 February 2014, BFA and Bankia agreed to establish a general framework of transparency and diligence standards with respect to their business dealings with each other. This agreement replaces the framework agreement dated 22 June 2011 between BFA and Bankia, the aim of which was to regulate the relationship between the parties and

their respective subsidiaries in order to minimise potential conflicts of interest between BFA and Bankia as well as to respect and protect the interests of their shareholders within a framework of transparency.

Services Agreement: In accordance with the principles established by the framework agreement of 22 June 2011 as described in the previous paragraph, BFA and Bankia entered into a services agreement on 27 June 2011 (the **Services Agreement**) which allowed BFA to effectively manage its business activities by using, where necessary, the tools and resources provided by Bankia, thereby avoiding a duplication of costs within the consolidated BFA-Bankia Group and complying with their obligations under Article 16 of the Spanish Corporate Tax Law.

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

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

First Addendum to Services Agreement: This addendum to the Services Agreement was entered into on 8 November 2011 for the purpose of agreeing that prices should be paid in line with market rates and updated annually. In addition, it provided for Bankia to apply a 5% margin when the charges for its services are fixed by reference to its costs.

Second Addendum to Services Agreement: This addendum to the Services Agreement was entered into on 7 September 2012 for the principal purpose of including within the scope of the services provided by Bankia the management and strategic direction of participating companies within the BFA-Bankia Group.

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

Contract for provision of Treasury Services: By an agreement dated 28 February 2014, Bankia agreed to provide BFA a line of credit pursuant to which Bankia will acquire from BFA fixed income securities that will be used to secure future financing from the ECB and private sources on behalf of BFA. The completion of this transaction aims to reduce risk or maximise exposure between BFA and Bankia as well as provide a mechanism for collateralising currency. All operations within the scope of this agreement are required to be conducted on market terms.

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 10/2014, of 26 June on supervision and solvency of credit entities (**Law 10/2014**), as well as Royal Decree 1065/2007 of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of 29 July (**Royal Decree 1065/2007**);
- (b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax (**IIT**), Law 35/2006 of 28 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 30 March promulgating the IIT Regulations, along with Law 19/1991, of 6 June on Wealth Tax, as amended, and Law 29/1987, of 18 December on the Inheritance and Gift Tax;
- (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 5 March promulgating the Consolidated Text of the CIT Law, as amended, and Royal Decree 1777/2004, of 30 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 5 March promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on the Inheritance and Gift Tax.

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

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 €6,000 and 21% for any amount in excess of €6,000.

Exceptionally during the tax period 2014, each investor's savings income tax base will be taxed at the following rates: (i) 21% up to €6,000; (ii) 25% from €6,001 up to €24,000; and (iii) 27% on any amount exceeding €24,000.

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 10/2014 (which do not require identification of the Noteholders) and has provided that the interest will be paid by the Issuer to the Fiscal Agent for the gross amount, provided that such information procedures are complied with, so that any payment under the Notes will not be subject to withholding tax to the extent that the new simplified information procedures (which do not require identification of the Noteholders) are complied with by the Fiscal Agent as it is described in section "*Simplified information procedures*".

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 21% which will be made by the depositary or custodian.

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 2014 to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December 2014, 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 Fiscal 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 21%, 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 27 July 2004 in which case the required withholding will be made by the depositary or custodian.

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

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 "*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. SIMPLIFIED INFORMATION PROCEDURES

According to Law 10/2014 the information to be reported by issuers to the Spanish Tax Authorities will be developed in relevant regulations. Royal Decree 1065/2007, 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 Fiscal Agent. The Fiscal Agent, on behalf of the Issuer, will deliver a statement in the required form to the Issuer the business day immediately before the relevant Interest Payment Date. The statement shall contain the following information:

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

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

authorities to the extent required to comply with its obligations with respect thereto. The Fiscal Agent will pay the relevant amount to (or for the account of) the clearing systems.

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

Regarding the interpretation of 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)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. 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 1 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.

U.S. 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 1 July 2014 for certain payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. Withholding on foreign passthru payments would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **grandfathering date**, which is the later of (a) 1 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. The United States and Spain entered into an intergovernmental agreement on 14 May 2013 based largely on the Model 1 IGA. As announced by the Spanish tax authorities on 1 July 2014, this agreement came into effect on 9 December 2013.

If at some point in the future FATCA required an amount 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 amounts pursuant to FATCA 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.

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 Dealer Agreement (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the **Dealer Agreement**) dated 23 September 2014, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

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

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer undertakes that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, **Japanese Person** shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Neither the Notes nor the Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Base Prospectus is not intended for any public offer of the Notes in Spain.

General

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

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

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 27 August 2014 acting upon a resolution of the general shareholders' meeting of the Issuer dated 21 March 2014.

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 31 December 2012 and 31 December 2013 (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 consolidated audited condensed financial statements of the Issuer for the half year ended 30 June 2014;
- (d) the most recently published audited annual financial statements of the Issuer and the most recently published consolidated condensed interim financial statements of the Issuer (in each case with an accurately reproduced English translation thereof), in each case together with any audit or limited review report prepared in connection therewith. The Issuer currently prepares audited consolidated condensed interim accounts on a half yearly basis;
- (e) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (f) a copy of this Base Prospectus; and
- (g) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

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

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

Conditions for determining price

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

Significant or Material Change

There has been no material adverse change in the prospects of the Issuer since 30 June 2014, the date of its last published audited financial statements. There has been no significant change in the financial position of the Group since 30 June 2014.

Litigation

Other than as described above in "*Description of the Issuer—Litigation*", neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Auditors

The auditors of the Issuer are Ernst & Young, S.L. (registered as auditors on the *Registro Oficial de Auditores de cuentas*) who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in Spain for each of the two financial years ended on 31 December 2012 and 31 December 2013 and the six months ended 30 June 2014.

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.

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